

American Composers Forum

St. Paul, Minnesota

**Financial Statements
Auditor's Report
For the Years Ended
June 30, 2021 and 2020**



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants
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Independent Auditor's Report

Board of Directors
American Composers Forum
St. Paul, Minnesota

We have audited the accompanying financial statements of American Composers Forum, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Composers Forum, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
November 17, 2021

EXHIBIT A

AMERICAN COMPOSERS FORUM
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 170,995	106,342	\$ 277,337	\$ 293,200	976,980	\$ 1,270,180
Government Grants	254,080	-	254,080	107,925	-	107,925
Membership Fees	71,486	-	71,486	84,032	-	84,032
Program Service Fees (Net Cost of Goods Sold of \$27,569 in 2021 and \$11,576 in 2020)	118,750	-	118,750	234,330	-	234,330
Investment Income	585,579	1,505,188	2,090,767	62,540	174,992	237,532
Net Assets Released from Restrictions	813,477	(813,477)	-	810,281	(810,281)	-
Total Support and Revenue	2,014,367	798,053	2,812,420	1,592,308	341,691	1,933,999
Expense:						
Program Services	1,028,432	-	1,028,432	1,145,651	-	1,145,651
Support Services:						
Management and General	278,900	-	278,900	237,890	-	237,890
Fundraising	201,815	-	201,815	237,145	-	237,145
Total Support Services	480,715	-	480,715	475,035	-	475,035
Total Expense	1,509,147	-	1,509,147	1,620,686	-	1,620,686
Change in Net Assets	505,220	798,053	1,303,273	(28,378)	341,691	313,313
Net Assets - Beginning of Year	1,317,909	7,498,926	8,816,835	1,346,287	7,157,235	8,503,522
Net Assets - End of Year	\$ 1,823,129	\$ 8,296,979	\$ 10,120,108	\$ 1,317,909	\$ 7,498,926	\$ 8,816,835

The accompanying Notes to Financial Statements
are an integral part of these statements.

AMERICAN COMPOSERS FORUM
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021				2020	
	Program Services	Management & General	Fund- raising	Support Services		Total All Services
				Total Support Services	Total All Services	
Salaries	\$ 481,157	\$ 154,067	\$ 129,186	\$ 283,253	\$ 764,410	\$ 665,644
Employee Benefits	37,840	12,117	10,160	22,277	60,117	69,123
Payroll Taxes	35,178	11,264	9,445	20,709	55,887	50,228
Total Personnel Expense	554,175	177,448	148,791	326,239	880,414	784,995
Professional Fees and Contract Services	145,316	71,464	28,365	99,829	245,145	122,820
Composer Commissions, Fellowships & Grants	180,732	-	-	-	180,732	235,353
Occupancy	45,723	11,247	9,169	20,416	66,139	62,009
Telephone and Internet	26,017	4,185	3,472	7,657	33,674	29,232
Recording Production	22,816	-	-	-	22,816	85,330
Performer Fees and Per Diem	14,050	-	-	-	14,050	26,442
Advertising and Promotion	1,000	8,772	1,784	10,556	11,556	19,831
Panel Honorarium	10,670	-	-	-	10,670	33,750
Miscellaneous	2,282	1,018	5,336	6,354	8,636	10,562
Supplies and Equipment	4,811	1,001	826	1,827	6,638	22,928
Rights	5,559	-	-	-	5,559	31,640
Postage and Mailing	3,013	99	1,092	1,191	4,204	9,339
Dues and Subscriptions	3,394	21	650	671	4,065	3,909
Travel and Mileage	3,000	-	60	60	3,060	68,786
Insurance	-	2,586	-	2,586	2,586	5,602
Printing	242	27	1,735	1,762	2,004	2,947
Other Production Services	1,200	-	-	-	1,200	12,555
Conferences, Receptions, and Entertainment	315	630	207	837	1,152	28,774
Community Fees	-	-	-	-	-	15,345
Depreciation	4,117	402	328	730	4,847	8,537
	<u>\$ 1,028,432</u>	<u>\$ 278,900</u>	<u>\$ 201,815</u>	<u>\$ 480,715</u>	<u>\$ 1,509,147</u>	<u>\$ 1,620,686</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

AMERICAN COMPOSERS FORUM
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT C

	Program Services	Support Services			Total All Services
		Management & General	Fund-raising	Total Support Services	
Salaries	\$ 371,391	\$ 121,815	\$ 172,438	\$ 294,253	\$ 665,644
Employee Benefits	38,566	12,650	17,907	30,557	69,123
Payroll Taxes	28,024	9,192	13,012	22,204	50,228
Total Personnel Expense	437,981	143,657	203,357	347,014	784,995
Professional Fees and Contract Services	65,989	50,473	6,358	56,831	122,820
Composer Commissions, Fellowships & Grants	235,353	-	-	-	235,353
Occupancy	48,047	6,330	7,632	13,962	62,009
Telephone and Internet	24,333	2,221	2,678	4,899	29,232
Recording Production	85,330	-	-	-	85,330
Performer Fees and Per Diem	26,442	-	-	-	26,442
Advertising and Promotion	2,100	14,503	3,228	17,731	19,831
Panel Honorarium	33,750	-	-	-	33,750
Miscellaneous	8,171	789	1,602	2,391	10,562
Supplies and Equipment	21,113	823	992	1,815	22,928
Rights	31,640	-	-	-	31,640
Postage and Mailing	8,364	223	752	975	9,339
Dues and Subscriptions	3,075	834	-	834	3,909
Travel and Mileage	58,595	5,910	4,281	10,191	68,786
Insurance	2,945	2,657	-	2,657	5,602
Printing	634	277	2,036	2,313	2,947
Other Production Services	12,555	-	-	-	12,555
Conferences, Receptions, and Entertainment	17,656	8,148	2,970	11,118	28,774
Community Fees	15,345	-	-	-	15,345
Depreciation	6,233	1,045	1,259	2,304	8,537
	\$ 1,145,651	\$ 237,890	\$ 237,145	\$ 475,035	\$ 1,620,686

The accompanying Notes to Financial Statements are an integral part of this statement.

AMERICAN COMPOSERS FORUM
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 492,695	\$ 556,731
Accounts Receivable	5,823	8,069
Pledges and Grants Receivable - Net	225,623	397,400
Inventory	63,364	66,095
Prepaid Expenses	11,530	11,624
Total Current Assets	799,035	1,039,919
Noncurrent Assets:		
Property and Equipment - Net	6,832	9,109
Pledges and Grants Receivable - Net - Long Term	-	186,167
Recording Loans Receivable - Net	12,022	11,972
Investments and Endowment	10,038,559	8,205,421
Total Noncurrent Assets	10,057,413	8,412,669
TOTAL ASSETS	\$ 10,856,448	\$ 9,452,588
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 53,735	\$ 24,690
Accrued Salaries	16,500	239
Grants Payable	259,909	200,825
Funds Held for Others	405,796	277,578
Refundable Advances	400	-
Total Current Liabilities	736,340	503,332
Noncurrent Liabilities:		
PPP SBA Loan	-	132,421
Total Liabilities	736,340	635,753
Net Assets:		
Without Donor Restrictions		
Undesignated	532,085	442,690
Board Designated - General	1,186,044	770,219
Board Designated - Program	80,000	80,000
Board Designated - Endowment	25,000	25,000
Total Without Donor Restrictions	1,823,129	1,317,909
With Donor Restrictions		
Total Net Assets	8,296,979	7,498,926
TOTAL LIABILITIES AND NET ASSETS	\$ 10,856,448	\$ 9,452,588

The accompanying Notes to Financial Statements
are an integral part of these statements.

AMERICAN COMPOSERS FORUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,303,273	\$ 313,313
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) by Operating Activities:		
Contributions Restricted in Perpetuity	(3,000)	(3,000)
Pledges and Grants Receivable - Net - Long Term	186,167	(182,867)
Recording Loans Receivable - Net	(50)	17,366
Depreciation	4,847	8,537
PPP SBA Loan Forgiveness	(132,421)	-
Realized (Gain) on Investments	(155,747)	(126,392)
Unrealized Loss (Gain) on Investments	(1,777,975)	75,295
Increases (Decreases) in Current Liabilities:		
Accounts Payable	29,045	(8,352)
Accrued Salaries	16,261	(24,366)
Grants Payable	59,084	(32,774)
Funds Held for Others	128,218	33,172
Refundable Advances	400	(6,000)
Decreases (Increases) in Current Assets:		
Accounts Receivable	2,246	(4,386)
Pledges and Grants Receivable- Net	171,777	(391,369)
Inventory	2,731	(1,250)
Prepaid Expense	94	(4,997)
Net Cash (Used) by Operating Activities	<u>(165,050)</u>	<u>(338,070)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(1,054,039)	(471,736)
Proceeds from Sale of Investments	1,154,623	1,037,440
Purchase of Property and Equipment	<u>(2,570)</u>	<u>(3,838)</u>
Net Cash Provided by Investing Activities	98,014	561,866
Cash Flows from Financing Activities:		
Issuance of PPP SBA Loan	-	132,421
Cash from Contributions Restricted in Perpetuity	<u>3,000</u>	<u>3,000</u>
Net Cash Provided by Financing Activities	<u>3,000</u>	<u>135,421</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64,036)	359,217
Cash and Cash Equivalents - Beginning of Year	<u>556,731</u>	<u>197,514</u>
Cash and Cash Equivalents - End of Year	<u>\$ 492,695</u>	<u>\$ 556,731</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies

Organizational Purpose

American Composers Forum (the Organization), supports and advocates for individuals and groups creating music today by demonstrating the vitality and relevance of their art. The Organization connects artists with collaborators, organizations, audiences, and resources. Through storytelling, publications, recordings, hosted gatherings, and industry leadership, the Organization activates equitable opportunities for artists. The Organization provides direct funding and mentorship to a broad and diverse field of music creators, highlighting those who have been historically excluded from participation.

The Organization's major programs are as follows:

Artist Services:

The Organization provides resources and support to music creators for multiple points in their creative lives. Through commissions, fellowships, and services, the Organization provides financial support, mentorship, career development, and community for musical artists. Grants provide seed money for the development of new work, unrestricted money for mid-career artists, and commission support for a rotating ensemble each year.

Artist Advocacy:

Through its annual Artist Equity Summit, regional meet-ups and virtual activities, the Organization highlights music creators across the U.S. and equitable ways to engage with, commission, and support them. The Organization's digital platform, I CARE IF YOU LISTEN, offers diverse essays, interviews, music criticism, playlists, and video premieres that feature today's music creators and performers.

Media:

The Organization is the home of innova recordings, a music label that releases 20+ titles each year representing a diverse mix of work by living artists. Distributed through NAXOS USA, the catalog numbers over 650 titles and is frequently featured on leading digital platforms such as iTunes, Apple Music and Spotify. Important to the mission of the Organization, 100% of sales goes directly to the artists. The Organization also produces a daily radio show in partnership with Minnesota Public Radio called Composers Datebook, carried on 150 stations nationwide.

Net Assets

In order to observe the limitations and restrictions placed on resources available to the Organization, resources are classified for accounting and reporting purposes in net asset groups. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor-imposed stipulation should be maintained permanently by the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at fair market value.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. An allowance is provided for other accounts when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for doubtful accounts was \$-0- for both the years ended June 30, 2021 and 2020.

Pledges and Grants Receivable

Unconditional promises-to-give are recognized in the period promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (Continued)

Recording Loans Receivable

The Organization sponsors a program where it directly pays vendors for the cost of a recording project by a composer. The composer in turn signs a loan agreement to repay the organization. The Organization retains a security interest in all CDs produced through a project until the loan is paid in full. Annually, accounts are reviewed for collectability. An allowance is provided for accounts when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance was \$41,000 and \$41,600 as of June 30, 2021 and 2020 respectively.

Inventory

Inventory consists primarily of music recordings and scores. Inventory is valued at the lower of cost, on a first-in, first-out (FIFO) basis, or market.

Property and Equipment

The Organization capitalizes purchases of property and equipment over \$2,500 at cost if purchased or at estimated market value at date of contribution if donated. Depreciation is provided through the use of the straight-line method over the estimated useful lives of the assets.

Compensated Absences

Employees of the Organization are entitled to paid vacation and sick time under the Organization's flexible vacation and sick time policy. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize these costs when actually paid to employees.

Grants Payable

Grants payable consists of grants made to composers. The grants will be paid as the composers complete certain grant requirements. Grants are recorded as liabilities and expenses when approved.

Funds Held for Others

Funds held for others consist of royalties payable, composer recording payables, and funds to be disbursed on behalf of donors for various productions. Composer recording payables are based on sales of composers' CD to distribution companies. The composers will be paid upon receipt of payment from the distribution companies. Funds are disbursed on behalf of donors for commissions, performances, and productions and are dependent on the receipt of these funds.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received a \$132,421 PPP loan and recorded it as debt in the year ending June 30, 2020 per FASB ASC 470. They met the condition of the grant in the year ended June 30, 2021 and included it in Government Grants per ASC 958-605.

The Organization recognizes program service fees when the performance obligations of providing the services are met.

The Organization recognizes membership dues equally over the period of the membership.

Sales Taxes

The State of Minnesota and counties within the State impose a sales tax on certain items the Organization sells to non-exempt customers. Sales taxes assessed on sales are recorded as current liabilities on the balance sheet until remitted to the State agencies.

Advertising

The Organization uses advertising to promote its cause. Advertising costs are expensed as incurred. Advertising expense was \$11,156 and \$19,831 for years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expense

Salaries and related expenses are allocated based on employees and management's direct time spent on program or support services. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on management's best estimates.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through November 17, 2021, which is the date financial statements were available to be issued.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

2. Uncertainties and Contingencies

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While many of the closings have re-opened, there is still uncertainties if there will be future disruptions due to additional outbreaks. Therefore, the Organization expects this matter may impact its operating results, but reasonable estimates cannot be made at this time.

3. Concentrations of Credit Risk

The Organization provides services nationally. Pledges and grants receivable are from individuals, governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At June 30, 2021 and 2020, the Organization held funds at a local financial institution in excess of federally insured limits.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. Pledges and Grants Receivable

The outstanding balance of pledges and grants receivable at June 30, 2021 is expected to be collected in the year ended June 30, 2022.

5. Property and Equipment

The Organization owned the following as of:

	<u>June 30,</u>		Estimated Useful Lives
	<u>2021</u>	<u>2020</u>	
Equipment	\$ 62,211	\$ 59,641	3 – 7 years
Leasehold Improvements	<u>75,670</u>	<u>75,670</u>	6 years
	137,881	135,311	
Less Accumulated Depreciation	<u>131,049</u>	<u>126,202</u>	
	<u>\$ 6,832</u>	<u>\$ 9,109</u>	

Depreciation expense of \$4,847 and \$8,537 was recorded for the years ended June 30, 2021 and 2020, respectively.

6. Investments

The Organization held the following investments as of:

	<u>June 30,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity Securities	\$ 4,063,202	\$ 7,394,378	\$ 3,846,784	\$ 5,360,236
Corporate Bonds	<u>2,484,731</u>	<u>2,644,181</u>	<u>2,645,986</u>	<u>2,845,185</u>
Total	<u>\$ 6,547,933</u>	<u>\$ 10,038,559</u>	<u>\$ 6,492,770</u>	<u>\$ 8,205,421</u>

Components of investment income for the years ended were as follows as of:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Without Donor Restrictions Fund:		
Interest and Dividends	\$ 44,100	\$ 52,063
Realized Gain	41,087	36,022
Unrealized Gain (Loss)	<u>500,392</u>	<u>(25,545)</u>
Total	585,579	62,540
With Donor Restrictions Fund:		
Interest and Dividends	112,945	134,372
Realized Gain	114,660	90,370
Unrealized Gain (Loss)	<u>1,277,583</u>	<u>(49,750)</u>
Total	<u>1,505,188</u>	<u>174,992</u>
	<u>\$ 2,090,767</u>	<u>\$ 237,532</u>

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 7,394,378	\$ -	\$ -	\$ 7,394,378
Corporate Bonds	<u>2,644,181</u>	<u>-</u>	<u>-</u>	<u>2,644,181</u>
Total	<u>\$10,038,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,038,559</u>
	2020			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 5,360,236	\$ -	\$ -	\$ 5,360,236
Corporate Bonds	<u>2,845,185</u>	<u>-</u>	<u>-</u>	<u>2,845,185</u>
Total	<u>\$ 8,205,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,205,421</u>

8. Endowment Fund

Description

The Organization’s endowment consists of approximately seven funds established for a variety of purposes. The Endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds are included in Investments and Endowment on the statement of financial position.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. Endowment Fund (Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization should act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the endowment that is perpetual in nature, (b) the original value of subsequent gifts to the endowment that is perpetual in nature, and (c) accumulations to the endowment that is perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted to expenditure for a specific purpose or net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund

As of June 30, 2021:	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>By Purpose</u>	<u>In Perpetuity</u>	
Donor Restricted	\$ -	\$ 3,624,551	\$ 3,559,075	\$ 7,183,626
Board-Designated	25,000	-	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 3,624,551</u>	<u>\$ 3,559,075</u>	<u>\$ 7,208,626</u>
As of June 30, 2020:	<u>Without Donor</u> <u>Restrictions</u>	<u>Restricted by</u> <u>Purpose</u>	<u>Restricted in</u> <u>Perpetuity</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 2,433,263	\$ 3,556,075	\$ 5,989,338
Board-Designated	25,000	-	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 2,433,263</u>	<u>\$ 3,556,075</u>	<u>\$ 6,014,338</u>

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. Endowment Fund (Continued)

Changes in Endowment Net Assets:

	Without Donor	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Restrictions</u>	<u>By Purpose</u>	<u>In Perpetuity</u>	
June 30, 2019	\$ 25,000	\$ 2,567,296	\$ 3,553,075	\$ 6,145,371
Investment Return:				
Investment Income	-	134,372	-	134,372
Net Investment Gain	-	40,620	-	40,620
Total Investment Return	-	174,992	-	174,992
Contributions/Transfers	-	-	3,000	3,000
Appropriation of Endowment Assets for Expenditure	-	(309,025)	-	(309,025)
June 30, 2020	25,000	2,433,263	3,556,075	6,014,338
Investment Return:				
Investment Income	-	112,945	-	112,945
Net Investment Gain	-	1,392,243	-	1,392,243
Total Investment Return	-	1,505,188	-	1,505,188
Contributions/Transfers	-	-	3,000	3,000
Appropriation of Endowment Assets for Expenditure	-	(313,900)	-	(313,900)
June 30, 2021	<u>\$ 25,000</u>	<u>\$ 3,624,551</u>	<u>\$ 3,559,075</u>	<u>\$ 7,208,626</u>

Fund with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in without donor-restrictions net assets were \$-0- for both the years ended as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner that is intended to: 1) produce an annual rate of return equal to the annual rate of inflation plus 5% or better than the respective benchmarks for similar asset classes, 2) preserve the principle value of invested dollars, and 3) provide broad diversification.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. Endowment Fund (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for distribution each year of up to 5% of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment.

9. Retirement Plan

The Organization has a defined contribution retirement plan for its employees who meet certain age and service requirements. Employer contributions of \$8,694 and \$9,975 were made to the plan for the years ended June 30, 2021 and 2020, respectively.

10. Operating Leases

Rental commitments under noncancelable leases for office space and equipment in effect at June 30, 2021, totaled \$97,845. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2022	\$ 65,950
2023	<u>31,895</u>
	<u>\$ 97,845</u>

Rental expense for office space and equipment lease was \$66,139 and \$62,009 for years ended June 30, 2021 and 2020, respectively.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted the following as of:

	June 30,	
	2021	2020
Subject to Expenditures for Specified Purpose:		
Endowment Fund Programs	\$ 3,624,551	\$ 2,433,263
Composer Programs	965,762	1,206,277
Recording Media	50,680	92,580
Education	57,586	70,450
Chapter Operations	18,281	38,281
	4,716,860	3,840,851
 Subject to Expenditures for Future Operations	 21,044	 102,000
 Restricted in Perpetuity:		
Innova Recordings and Recording Assistance Program	1,675,000	1,675,000
Continental Harmony Bay Area	300,000	300,000
Dale Warland Singers Fund for New Choral Music	173,850	170,850
Western Classical Music	160,672	160,672
Minnesota Art Institutions and Composers	75,000	75,000
Continental Harmony, Innova Recordings, Performance Incentive Fund, Composers Datebook, Readings, Composer's Commissioning Fund, and Other Programs for which 50% of the Program Expenditures Support the Composition of Western Classical Music	1,174,553	1,174,553
Total Net Assets with Donor Restrictions	\$ 8,296,979	\$ 7,498,926

The following amounts were released from restriction for the years ended:

	June 30,	
	2021	2020
Purpose Restrictions Met	\$ 702,144	\$ 810,281
Time Restrictions Met	92,000	-
Total	\$ 794,144	\$ 810,281

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

12. Liquidity and Availability

The following represents the Organization's financial assets as of:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 492,695	\$ 556,731
Accounts Receivable	5,823	8,069
Current Portion of Pledges and Grants Receivable	225,623	397,400
Investment and Endowment - Endowment Spending Allocation for the next year	<u>276,750</u>	<u>303,000</u>
Total Financial Assets	1,000,891	1,265,200
Less assets not available to be used for general expenditures within one year:		
Net Assets With Temporary Donor Restrictions	1,113,353	1,169,184
Net Assets With Restrictions to be met within a year	<u>(1,113,353)</u>	<u>(1,169,184)</u>
Total assets not available for general expenditures within one year:	<u>-</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 1,000,891</u>	<u>\$ 1,265,200</u>

The Organization does not consider the investment and endowment to be an asset available for general use in the next 12 months, except for amounts allocated under the board-approved endowment spending policy. The Organization also maintains a board-designated reserve of \$1,291,044 which could be made available if necessary.

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.