

# **American Composers Forum**

St. Paul, Minnesota

---

Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2022 and 2021



**CERTIFIED PUBLIC ACCOUNTANTS**

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
EXHIBIT A:     Statements of Activities – For the Years Ended June 30, 2022 and 2021 .....	3
EXHIBIT B:     Statement of Functional Expense – For the Year Ended June 30, 2022 with Comparative Totals for 2021 .....	4
EXHIBIT C:     Statement of Functional Expense – For the Year Ended June 30, 2021 .....	5
EXHIBIT D:     Statements of Financial Position – June 30, 2022 and 2021 .....	6
EXHIBIT E:     Statements of Cash Flows – For the Years Ended June 30, 2022 and 2021 .....	7
NOTES TO FINANCIAL STATEMENTS .....	8-19



Carpenter, Evert & Associates

Certified Public Accountants  
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435  
952.831.0085 [carpenterevert.com](http://carpenterevert.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
American Composers Forum  
St. Paul, Minnesota

### **Opinion**

We have audited the accompanying financial statements of American Composers Forum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Composers Forum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Composers Forum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Composers Forum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Composers Forum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Carpenter, Evert & Associates, Ltd.*  
Certified Public Accountants

Minneapolis, Minnesota  
November 16, 2022

AMERICAN COMPOSERS FORUM  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Contributions of Financial Assets	\$ 227,198	\$ 616,252	\$ 843,450	\$ 170,995	\$ 106,342	\$ 277,337
Government Grants	188,349	25,000	213,349	254,080	-	254,080
Program Service Fees-Net	75,934	-	75,934	118,750	-	118,750
Membership Fees	-	-	-	71,486	-	71,486
Investment Income (Loss)	(215,499)	(964,725)	(1,180,224)	585,579	1,505,188	2,090,767
<b>Net Assets Released from Restrictions:</b>						
Satisfaction of Purpose Restrictions	902,366	(902,366)	-	721,477	(721,477)	-
Satisfaction of Time Restrictions	80,000	(80,000)	-	92,000	(92,000)	-
Total Support and Revenue	1,258,348	(1,305,839)	(47,491)	2,014,367	798,053	2,812,420
<b>Expense:</b>						
Program Services	1,047,030	-	1,047,030	1,028,432	-	1,028,432
<b>Support Services:</b>						
Management and General	412,321	-	412,321	278,900	-	278,900
Fundraising	265,390	-	265,390	201,815	-	201,815
Total Support Services	677,711	-	677,711	480,715	-	480,715
Total Expense	1,724,741	-	1,724,741	1,509,147	-	1,509,147
Change in Net Assets	(466,393)	(1,305,839)	(1,772,232)	505,220	798,053	1,303,273
Net Assets - Beginning of Year	1,823,129	8,296,979	10,120,108	1,317,909	7,498,926	8,816,835
Net Assets - End of Year	\$ 1,356,736	\$ 6,991,140	\$ 8,347,876	\$ 1,823,129	\$ 8,296,979	\$ 10,120,108

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, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022				2021	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 395,164	\$ 184,609	\$ 131,633	\$ 316,242	\$ 711,406	\$ 764,410
Employee Benefits	35,785	16,718	11,921	28,639	64,424	60,117
Payroll Taxes	33,864	15,821	11,281	27,102	60,966	55,887
Total Personnel Expense	464,813	217,148	154,835	371,983	836,796	880,414
Professional Fees and Contract Services	148,628	146,241	80,783	227,024	375,652	245,145
Composer Commissions, Fellowships & Grants	252,395	-	-	-	252,395	180,732
Occupancy	42,046	15,680	8,725	24,405	66,451	66,139
Recording Production	45,731	-	-	-	45,731	22,816
Travel and Mileage	26,458	7,085	3,527	10,612	37,070	3,060
Panel Honorarium	19,932	-	-	-	19,932	10,670
Performer Fees and Per Diem	9,200	-	9,200	9,200	18,400	14,050
Advertising and Promotion	-	16,578	-	16,578	16,578	11,556
Dues and Subscriptions	8,492	1,099	113	1,212	9,704	4,065
Telephone and Internet	5,692	2,123	1,181	3,304	8,996	33,674
Supplies and Equipment	5,446	695	526	1,221	6,667	6,638
Bank and Credit Card Charges	1,368	800	4,434	5,234	6,602	8,636
Postage and Mailing	4,013	78	794	872	4,885	4,204
Rights	4,397	-	-	-	4,397	5,559
Community Fees	4,000	-	-	-	4,000	-
Conferences, Receptions, and Entertainment	1,086	1,656	973	2,629	3,715	1,152
Insurance	-	2,600	-	2,600	2,600	2,586
Printing	-	-	-	-	-	2,004
Other Production Services	-	-	-	-	-	1,200
Depreciation	3,333	538	299	837	4,170	4,847
	\$ 1,047,030	\$ 412,321	\$ 265,390	\$ 677,711	\$ 1,724,741	\$ 1,509,147

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, 2021

	Support Services				Total All Services
	Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 481,157	\$ 154,067	\$ 129,186	\$ 283,253	\$ 764,410
Employee Benefits	37,840	12,117	10,160	22,277	60,117
Payroll Taxes	35,178	11,264	9,445	20,709	55,887
Total Personnel Expense	554,175	177,448	148,791	326,239	880,414
Professional Fees and Contract Services	145,316	71,464	28,365	99,829	245,145
Composer Commissions, Fellowships & Grants	180,732	-	-	-	180,732
Occupancy	45,723	11,247	9,169	20,416	66,139
Recording Production	22,816	-	-	-	22,816
Travel and Mileage	3,000	-	60	60	3,060
Panel Honorarium	10,670	-	-	-	10,670
Performer Fees and Per Diem	14,050	-	-	-	14,050
Advertising and Promotion	1,000	8,772	1,784	10,556	11,556
Dues and Subscriptions	3,394	21	650	671	4,065
Telephone and Internet	26,017	4,185	3,472	7,657	33,674
Supplies and Equipment	4,811	1,001	826	1,827	6,638
Bank and Credit Card Charges	2,282	1,018	5,336	6,354	8,636
Postage and Mailing	3,013	99	1,092	1,191	4,204
Rights	5,559	-	-	-	5,559
Conferences, Receptions, and Entertainment	315	630	207	837	1,152
Insurance	-	2,586	-	2,586	2,586
Printing	242	27	1,735	1,762	2,004
Other Production Services	1,200	-	-	-	1,200
Depreciation	4,117	402	328	730	4,847
	\$ 1,028,432	\$ 278,900	\$ 201,815	\$ 480,715	\$ 1,509,147

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

AMERICAN COMPOSERS FORUM  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 735,675	\$ 492,695
Accounts Receivable	18,969	5,823
Pledges and Grants Receivable	157,569	225,623
Inventory	59,395	63,364
Prepaid Expenses	16,494	11,530
Total Current Assets	988,102	799,035
<b>Noncurrent Assets:</b>		
Property and Equipment - Net	2,662	6,832
Recording Loans Receivable - Net	4,145	12,022
Investments and Endowment	8,028,607	10,038,559
Total Noncurrent Assets	8,035,414	10,057,413
<b>TOTAL ASSETS</b>	<b>\$ 9,023,516</b>	<b>\$ 10,856,448</b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 10,663	\$ 53,735
Accrued Salaries	-	16,500
Grants Payable	272,015	259,909
Funds Held for Others	392,962	405,796
Refundable Advances	-	400
Total Current Liabilities	675,640	736,340
<b>Net Assets:</b>		
<b>Without Donor Restrictions:</b>		
Undesignated	465,504	532,085
Board Designated - General	786,232	1,186,044
Board Designated - Program	80,000	80,000
Board Designated - Endowment	25,000	25,000
Total Without Donor Restrictions	1,356,736	1,823,129
With Donor Restrictions	6,991,140	8,296,979
Total Net Assets	8,347,876	10,120,108
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,023,516</b>	<b>\$ 10,856,448</b>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,772,232)	\$ 1,303,273
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) by Operating Activities:		
Contributions Restricted in Perpetuity	(3,150)	(3,000)
Pledges and Grants Receivable - Net - Long Term	-	186,167
Recording Loans Receivable - Net	7,877	(50)
Depreciation	4,170	4,847
PPP SBA Loan Forgiveness	-	(132,421)
Realized Loss (Gain) on Investments	36,130	(155,747)
Unrealized Loss (Gain) on Investments	1,440,893	(1,777,975)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(43,072)	29,045
Accrued Salaries	(16,500)	16,261
Grants Payable	12,106	59,084
Funds Held for Others	(12,834)	128,218
Refundable Advances	(400)	400
Decreases (Increases) in Current Assets:		
Accounts Receivable	(13,146)	2,246
Pledges and Grants Receivable- Net	68,054	171,777
Inventory	3,969	2,731
Prepaid Expense	(4,964)	94
Net Cash (Used) by Operating Activities	<u>(293,099)</u>	<u>(165,050)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(11,280,787)	(1,054,039)
Proceeds from Sale of Investments	11,813,716	1,154,623
Purchase of Property and Equipment	-	(2,570)
Net Cash Provided by Investing Activities	<u>532,929</u>	<u>98,014</u>
Cash Flows from Financing Activities:		
Cash from Contributions Restricted in Perpetuity	<u>3,150</u>	<u>3,000</u>
Net Cash Provided by Financing Activities	<u>3,150</u>	<u>3,000</u>
Net (Decrease) in Cash and Cash Equivalents	242,980	(64,036)
Cash and Cash Equivalents - Beginning of Year	<u>492,695</u>	<u>556,731</u>
Cash and Cash Equivalents - End of Year	<u>\$ 735,675</u>	<u>\$ 492,695</u>

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

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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.

Fund Accounting

In order to observe the limitations and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. 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, 2022 AND 2021

1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (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.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as management believe the standards improve the usefulness and understandability of the Organization's financial reporting. The ASU has been applied retrospectively for the years ended June 30, 2022 and 2021, as required.

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, 2022 and 2021.

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (Continued)

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.

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 \$43,600 and \$41,000 as of June 30, 2022 and 2021 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.

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, 2022 AND 2021

1. Summary of Significant Accounting Policies (Continued)

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.

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 recognizes program service fees when the performance obligations of providing the services are met. Program service fees are recorded net of \$26,014 and \$27,569 of cost of goods sold for the years ended June 30, 2022 and 2021, respectively.

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 \$16,578 and \$11,156 for years ended June 30, 2022 and 2021, 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.

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through November 16, 2022, which is the date financial statements were available to be issued.

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, 2022 and 2021, the Organization held funds at a local financial institution in excess of federally insured limits.

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

4. Investments

The Organization held the following investments as of:

	June 30,			
	2022		2021	
	Cost	Market	Cost	Market
Equity Securities	\$ 6,507,636	\$ 5,423,350	\$ 4,063,202	\$ 7,394,378
Bonds	2,506,663	2,358,000	2,484,731	2,644,181
Certificate of Deposit	<u>247,257</u>	<u>247,257</u>	-	-
Total	<u>\$ 9,261,556</u>	<u>\$ 8,028,607</u>	<u>\$ 6,547,933</u>	<u>\$10,038,559</u>

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

	June 30	
	2022	2021
Without Donor Restrictions Fund:		
Interest and Dividends	\$ 43,158	\$ 44,100
Realized Gain	-	41,087
Unrealized Gain (Loss)	<u>(258,657)</u>	<u>500,392</u>
Total	<u>(215,499)</u>	<u>585,579</u>
With Donor Restrictions Fund:		
Interest and Dividends	144,246	112,945
Realized Gain (Loss)	(36,130)	114,660
Unrealized Gain (Loss)	<u>(1,072,841)</u>	<u>1,277,583</u>
Total	<u>(964,725)</u>	<u>1,505,188</u>
	<u>\$ (1,180,224)</u>	<u>\$ 2,090,767</u>

5. 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.

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

5. Fair Value (continued)

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

	2022			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 5,423,350	\$ -	\$ -	\$ 5,423,350
Bonds	2,358,000	-	-	2,358,000
Certificate of Deposit	247,257	-	-	247,257
Total	\$ 8,028,607	\$ -	\$ -	\$ 8,028,607

	2021			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 7,394,378	\$ -	\$ -	\$ 7,394,378
Bonds	2,644,181	-	-	2,644,181
Total	\$10,038,559	\$ -	\$ -	\$10,038,559

6. Pledges and Grants Receivable

The outstanding balance of pledges and grants receivable at June 30, 2022 and 2021, is expected to be collected over the following fiscal years:

	2022	2021
<u>Due in the Year Ending December 31,</u>		
2022	\$ -	\$ 225,623
2023	157,569	-
Total	\$ 157,569	\$ 225,623

7. Property and Equipment

The Organization owned the following as of:

	June 30,		Estimated
	2022	2021	Useful Lives
Equipment	\$ 62,211	\$ 62,211	3 – 7 years
Leasehold Improvements	75,670	75,670	6 years
	137,881	137,881	
Less Accumulated Depreciation	135,219	131,049	
	\$ 2,662	\$ 6,832	

Depreciation expense of \$4,170 and \$4,847 was recorded for the years ended June 30, 2022 and 2021, respectively.



AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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.

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

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

8. Endowment Fund (Continued)

Endowment Net Asset Composition by Type of Fund

As of June 30, 2022:	Without Donor Restrictions	<u>With Donor Restrictions</u>		<u>Total</u>
		By Purpose	In Perpetuity	
Donor Restricted	\$ -	\$ 2,332,326	\$ 3,562,225	\$ 5,894,551
Board-Designated	25,000	-	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 2,332,326</u>	<u>\$ 3,562,225</u>	<u>\$ 5,919,551</u>
As of June 30, 2021:	Without Donor Restrictions	Restricted by Purpose	Restricted in Perpetuity	<u>Total</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>
Changes in Endowment Net Assets:				
	Without Donor Restrictions	<u>With Donor Restrictions</u>		<u>Total</u>
		By Purpose	In Perpetuity	
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	25,000	3,624,551	3,559,075	7,208,626
Investment Return:				
Investment Income	-	144,246	-	112,945
Net Investment Gain (Loss)	-	(1,108,972)	-	(1,077,670)
Total Investment Return	-	(964,725)	-	(964,725)
Contributions/Transfers	-	-	3,150	3,150
Appropriation of Endowment Assets for Expenditure	-	(327,500)	-	(327,500)
June 30, 2022	<u>\$ 25,000</u>	<u>\$ 2,332,326</u>	<u>\$ 3,562,225</u>	<u>\$ 5,919,551</u>

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

8. Endowment Fund (Continued)

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, 2022 and 2021.

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.

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 \$9,601 and \$8,694 were made to the plan for the years ended June 30, 2022 and 2021, respectively.

10. Operating Leases

Rental commitments under noncancelable leases for office space in effect at June 30, 2022, totaled \$95,685. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2023	\$ 63,790
2024	<u>31,895</u>
	<u>\$ 95,685</u>

Rental expense for office space and equipment lease was \$66,451 and \$66,139 for years ended June 30, 2022 and 2021, respectively.

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted the following as of:

	June 30,	
	2022	2021
Subject to Expenditures for Specified Purpose:		
Endowment Fund Programs	\$ 2,332,326	\$ 3,624,551
Composer Programs	745,518	965,762
Recording Media	48,080	50,680
Education	66,554	57,586
Chapter Operations	17,249	18,281
	3,209,727	4,716,860
 Subject to Expenditures for Future Operations	 219,188	 21,044
 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	177,000	173,850
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	\$ 6,991,140	\$ 8,296,979

AMERICAN COMPOSERS FORUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

12. Liquidity and Availability

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

	June 30	
	2022	2021
Financial Assets:		
Cash and Cash Equivalents	\$ 735,675	\$ 492,695
Accounts Receivable	18,969	5,823
Current Portion of Pledges and Grants Receivable	157,569	225,623
Investment and Endowment - Endowment Spending Allocation for the next year	263,450	276,750
Total Financial Assets	1,175,663	1,000,891
Less assets not available to be used for general expenditures within one year:		
Net Assets With Temporary Donor Restrictions	1,096,588	1,113,353
Net Assets With Restrictions to be met within a year	( 774,588)	(1,113,353)
Total assets not available for general expenditures within one year:	322,000	-
Financial assets available for general expenditures within one year	\$ 853,663	\$ 1,000,891

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 \$891,232 at June 30, 2022 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.