

American Composers Forum

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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.

Certified Public Accountants

Minneapolis, Minnesota
November 11, 2020

AMERICAN COMPOSERS FORUM
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 293,200	\$ 976,980	\$ 1,270,180	\$ 187,752	\$ 241,234	\$ 428,986
Government Grants	107,925	-	107,925	100,094	-	100,094
Membership Fees	84,032	-	84,032	76,164	-	76,164
Program Service Fees (Net Cost of Goods Sold of \$11,576 in 2020 and \$11,679 in 2019)	234,330	-	234,330	188,078	-	188,078
Investment Income	62,540	174,992	237,532	247,069	583,471	830,540
Net Assets Released from Restrictions	810,281	(810,281)	-	898,558	(898,558)	-
Total Support and Revenue	1,592,308	341,691	1,933,999	1,697,715	(73,853)	1,623,862
Expense:						
Program Services	1,145,651	-	1,145,651	1,097,140	-	1,097,140
Support Services:						
Management and General	237,890	-	237,890	288,020	-	288,020
Fundraising	237,145	-	237,145	218,810	-	218,810
Total Support Services	475,035	-	475,035	506,830	-	506,830
Total Expense	1,620,686	-	1,620,686	1,603,970	-	1,603,970
Change in Net Assets	(28,378)	341,691	313,313	93,745	(73,853)	19,892
Net Assets - Beginning of Year	1,346,287	7,157,235	8,503,522	1,252,542	7,231,088	8,483,630
Net Assets - End of Year	\$ 1,317,909	\$ 7,498,926	\$ 8,816,835	\$ 1,346,287	\$ 7,157,235	\$ 8,503,522

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

EXHIBIT B

AMERICAN COMPOSERS FORUM
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Program Services	Management & General	Support Services		Total All Services	Total All Services
			Fund-raising	Total Support Services		
Salaries	\$ 371,391	\$ 121,815	\$ 172,438	\$ 294,253	\$ 665,644	\$ 633,644
Employee Benefits	38,566	12,650	17,907	30,557	69,123	65,989
Payroll Taxes	28,024	9,192	13,012	22,204	50,228	46,436
Total Personnel Expense	437,981	143,657	203,357	347,014	784,995	746,069
Composer Commissions, Fellowships & Grants	235,353	-	-	-	235,353	246,500
Professional Fees and Contract Services	65,989	50,473	6,358	56,831	122,820	137,516
Recording Production	85,330	-	-	-	85,330	38,307
Travel and Mileage	58,595	5,910	4,281	10,191	68,786	116,569
Occupancy	48,047	6,330	7,632	13,962	62,009	65,992
Panel Honorarium	33,750	-	-	-	33,750	12,100
Rights	31,640	-	-	-	31,640	13,226
Telephone and Internet	24,333	2,221	2,678	4,899	29,232	27,946
Conferences, Receptions, and Entertainment	17,656	8,148	2,970	11,118	28,774	28,510
Performer Fees and Per Diem	26,442	-	-	-	26,442	36,015
Supplies and Equipment	21,113	823	992	1,815	22,928	17,426
Advertising and Promotion	2,100	14,503	3,228	17,731	19,831	22,496
Community Fees	15,345	-	-	-	15,345	3,500
Other Production Services	12,555	-	-	-	12,555	22,500
Miscellaneous	8,171	789	1,602	2,391	10,562	8,818
Postage and Mailing	8,364	223	752	975	9,339	16,874
Insurance	2,945	2,657	-	2,657	5,602	2,657
Dues and Subscriptions	3,075	834	-	834	3,909	6,484
Printing	634	277	2,036	2,313	2,947	12,881
Depreciation	6,233	1,045	1,259	2,304	8,537	21,584
	\$ 1,145,651	\$ 237,890	\$ 237,145	\$ 475,035	\$ 1,620,686	\$ 1,603,970

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

EXHIBIT C

AMERICAN COMPOSERS FORUM
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2019

	Support Services				Total All Services
	Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 365,754	\$ 110,177	\$ 157,713	\$ 267,890	\$ 633,644
Employee Benefits	38,090	11,474	16,425	27,899	65,989
Payroll Taxes	26,804	8,074	11,558	19,632	46,436
Total Personnel Expense	<u>430,648</u>	<u>129,725</u>	<u>185,696</u>	<u>315,421</u>	<u>746,069</u>
Composer Commissions, Fellowships & Grants	246,500	-	-	-	246,500
Professional Fees and Contract Services	56,425	81,091	-	81,091	137,516
Recording Production	38,007	-	300	300	38,307
Travel and Mileage	85,737	28,584	2,248	30,832	116,569
Occupancy	53,109	5,505	7,378	12,883	65,992
Panel Honorarium	12,100	-	-	-	12,100
Rights	13,226	-	-	-	13,226
Telephone and Internet	24,307	1,555	2,084	3,639	27,946
Conferences, Receptions, and Entertainment	14,263	9,251	4,996	14,247	28,510
Performer Fees and Per Diem	36,015	-	-	-	36,015
Supplies and Equipment	14,844	1,049	1,533	2,582	17,426
Advertising and Promotion	2,050	16,321	4,125	20,446	22,496
Community Fees	3,500	-	-	-	3,500
Other Production Services	22,500	-	-	-	22,500
Miscellaneous	5,731	984	2,103	3,087	8,818
Postage and Mailing	14,663	605	1,606	2,211	16,874
Insurance	-	2,657	-	2,657	2,657
Dues and Subscriptions	5,575	909	-	909	6,484
Printing	2,269	7,257	3,355	10,612	12,881
Depreciation	15,671	2,527	3,386	5,913	21,584
	<u>\$ 1,097,140</u>	<u>\$ 288,020</u>	<u>\$ 218,810</u>	<u>\$ 506,830</u>	<u>\$ 1,603,970</u>

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

AMERICAN COMPOSERS FORUM
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 556,731	\$ 197,514
Accounts Receivable	8,069	3,683
Pledges and Grants Receivable - Net	397,400	6,031
Inventory	66,095	64,845
Prepaid Expenses	11,624	6,627
Total Current Assets	1,039,919	278,700
Noncurrent Assets:		
Property and Equipment - Net	9,109	13,808
Pledges and Grants Receivable - Net - Long Term	186,167	3,300
Recording Loans Receivable - Net	11,972	29,338
Investments and Endowment	8,205,421	8,720,028
Total Noncurrent Assets	8,412,669	8,766,474
TOTAL ASSETS	\$ 9,452,588	\$ 9,045,174
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 24,690	\$ 33,042
Accrued Vacation	239	24,605
Grants Payable	200,825	233,599
Funds Held for Others	277,578	244,406
Refundable Advances	-	6,000
Total Current Liabilities	503,332	541,652
Noncurrent Liabilities:		
PPP SBA Loan	132,421	-
Total Liabilities	635,753	541,652
Net Assets:		
Without Donor Restrictions		
Undesignated	442,690	426,840
Board Designated - General	770,219	814,447
Board Designated - Program	80,000	80,000
Board Designated - Endowment	25,000	25,000
Total Without Donor Restrictions	1,317,909	1,346,287
With Donor Restrictions		
Total Net Assets	7,498,926	7,157,235
TOTAL LIABILITIES AND NET ASSETS	\$ 9,452,588	\$ 9,045,174

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 313,313	\$ 19,892
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) by Operating Activities:		
Contributions Restricted in Perpetuity	3,000	4,326
Pledges and Grants Receivable - Net - Long Term	(182,867)	(3,300)
Depreciation	8,537	21,584
Realized (Gain) on Investments	(126,392)	(116,576)
Unrealized Loss (Gain) on Investments	75,295	(530,369)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(8,352)	9,956
Accrued Vacation	(24,366)	(2,737)
Grants Payable	(32,774)	(19,500)
Funds Held for Others	33,172	(24,591)
Refundable Advances	(6,000)	6,000
Leasehold Improvement Allowance Liability	-	(6,500)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(4,386)	(607)
Pledges and Grants Receivable- Net	(391,369)	308,619
Recording Loans Receivable - Net	17,366	(12,557)
Inventory	(1,250)	831
Prepaid Expense	(4,997)	(558)
Net Cash (Used) by Operating Activities	<u>(332,070)</u>	<u>(346,087)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(471,736)	(1,240,250)
Proceeds from Sale of Investments	1,037,440	1,333,258
Purchase of Property and Equipment	(3,838)	(6,951)
Net Cash Provided by Investing Activities	<u>561,866</u>	<u>86,057</u>
Cash Flows from Financing Activities:		
Issuance of Notes Payable	132,421	-
Cash from Contributions Restricted in Perpetuity	(3,000)	(4,326)
Net Cash Provided (Used) by Financing Activities	<u>129,421</u>	<u>(4,326)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	359,217	(264,356)
Cash and Cash Equivalents - Beginning of Year	<u>197,514</u>	<u>461,870</u>
Cash and Cash Equivalents - End of Year	<u>\$ 556,731</u>	<u>\$ 197,514</u>

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

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Organizational Purpose

American Composers Forum (the Organization), facilitates an ecosystem of creativity through music. Through commissions, grants, mentorships, performances, publications, residencies, and hosted gatherings, the Organization makes music creators – and their music – a vibrant and integral part of human culture. Both at home in Minnesota and across the U.S., the Organization nurtures a musical landscape that reflects the diversity of our world, and the Organization partners with a variety of creative musicians and organizations to develop generations of music creators, performers, and advocates.

The Organization's major programs are as follows:

Artist Support:

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.

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.

Youth Programs:

BANDQUEST and CHORALQUEST commission new work from leading American composers for middle school- level students, developed in a residency period. To support the next generation of composers, NEXTNOTES is a national competitive program for high school music creators that annually offers awards, mentorship, and performance opportunities.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

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:

Net Assets without Donor Restrictions – Net assets which are not restricted by donor-imposed stipulations. 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 – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations. 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.

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.

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, 2020 and 2019.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

Pledges and Grants Receivable

Promises-to-give that are expected to be collected within one year are recorded at their net realizable value. Promises-to-give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges and Grants Receivable are received from local individuals and institutions. No allowance for doubtful pledges has been provided, as pledges and grants receivable are considered collectable.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Gifts of marketable securities are sold as soon as practicable upon receipt.

Program Service Fees

Program Service Fees are recognized as revenue when the productions are sold. Fees are reported net of discounts, estimated returns, and sales taxes.

Government Grants

Government grants are recorded as contributions. Revenue is earned when eligible expenditures, as defined in each grant, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, the Organization will record such disallowance at the time the final assessment is made.

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, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

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).

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.

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 \$19,831 and \$22,496 for years ended June 30, 2020 and 2019, respectively.

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 loan carries a 6% interest rate and payments are made quarterly through proceeds from the sale of the produced CDs. Interest is accrued until payment or write-off occurs. 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 \$41,600 and \$25,500 as of June 30, 2020 and 2019 respectively.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

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.

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.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

The Organization has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Both ASUs have been retrospectively for the periods ended June 30, 2020 and 2019, as required.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 11, 2020, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, the Organization expects this matter to negatively impact its future operating results, but reasonable estimates cannot be made at this time.

2. Concentrations of Credit Risk

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

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

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

3. Property and Equipment

The Organization owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2020</u>	<u>2019</u>	
Equipment	\$ 59,641	\$ 55,803	3 – 7 years
Leasehold Improvements	<u>75,670</u>	<u>75,670</u>	6 years
	135,311	131,473	
Less Accumulated Depreciation	<u>126,202</u>	<u>117,665</u>	
	<u>\$ 9,109</u>	<u>\$ 13,808</u>	

Depreciation expense of \$8,537 and \$21,584 was recorded for the years ended June 30, 2020 and 2019, respectively.

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. Pledges and Grants Receivable

The Organization had the following as of June 30, 2020:

Pledges and Grants Receivable:

Due Within One Year	\$ 397,400
Due in One to Five Years	<u>186,167</u>
Total Pledges and Grants Receivable	<u>\$ 583,567</u>

All grants receivable are considered collectable.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted the following as of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Subject to Expenditures for Specified Purpose:		
Endowment Fund Programs	\$ 2,433,263	\$ 2,567,296
Composer Programs	1,206,277	815,358
Recording Media	92,580	133,310
Education	70,450	49,450
Chapter Operations	<u>38,281</u>	<u>38,746</u>
	3,840,851	3,604,160
Subject to Expenditures for Future Operations:	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	170,850	167,850
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	<u>1,174,553</u>	<u>1,174,553</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,498,926</u>	<u>\$ 7,157,235</u>

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Purpose Restrictions Met	\$ 810,281	\$ 813,558
Time Restrictions Met	-	85,000
Total	<u>\$ 810,281</u>	<u>\$ 898,558</u>

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

6. Investments

The Organization held the following investments as of:

	June 30,			
	2020		2019	
	Cost	Market	Cost	Market
Equity Securities:				
Stock Index Shares	\$ 3,745,160	\$ 5,270,413	\$ 3,539,099	\$ 5,333,793
Equity Energy Shares	101,624	89,824	344,910	272,556
Total Equity Securities	<u>3,846,784</u>	<u>5,360,237</u>	<u>3,884,009</u>	<u>5,606,349</u>
Corporate Bonds	<u>2,645,986</u>	<u>2,845,185</u>	<u>3,048,073</u>	<u>3,113,679</u>
Total	<u>\$ 6,492,770</u>	<u>\$ 8,205,422</u>	<u>\$ 6,932,082</u>	<u>\$ 8,720,028</u>

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

	June 30	
	2020	2019
Without Donor Restrictions Fund:		
Interest and Dividends	\$ 52,063	\$ 55,065
Realized Gain	2,355	35,410
Unrealized Gain (Loss)	<u>8,122</u>	<u>156,594</u>
Total Current Operations Fund	62,540	247,069
Endowment (With Donor Restrictions and Endowment) Fund:		
Interest and Dividends	134,372	128,530
Realized Gain	90,370	81,166
Unrealized Gain (Loss)	<u>(49,750)</u>	<u>373,775</u>
Total Endowment Fund	<u>174,992</u>	<u>583,471</u>
Total	<u>\$ 237,532</u>	<u>\$ 830,540</u>

7. 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, 2020 AND 2019

7. 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, 2020:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>By Purpose</u>	<u>In Perpetuity</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>
As of June 30, 2019:	<u>Without Donor Restrictions</u>	<u>Restricted by Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 2,567,296	\$ 3,553,075	\$ 6,120,371
Board-Designated	25,000	-	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 2,567,296</u>	<u>\$ 3,553,075</u>	<u>\$ 6,145,371</u>

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. Endowment Fund (Continued)

Changes in Endowment Net Assets:

	Without Donor	<u>With Donor Restrictions</u>		Total
	<u>Restrictions</u>	<u>By Purpose</u>	<u>In Perpetuity</u>	
June 30, 2018	\$ 25,000	\$ 2,250,844	\$ 3,548,749	\$ 5,824,593
Investment Return:				
Investment Income	-	128,530	-	128,530
Net Investment Gain	-	<u>454,941</u>	-	<u>454,941</u>
Total Investment Return	-	583,471	-	583,471
Contributions/Transfers	-	-	4,326	4,326
Appropriation of Endowment Assets for Expenditure	-	<u>(267,019)</u>	-	<u>(267,019)</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	-	<u>40,620</u>	-	<u>40,620</u>
Total Investment Return	-	174,992	-	174,992
Contributions/Transfers	-	-	3,000	3,000
Appropriation of Endowment Assets for Expenditure	-	<u>(309,025)</u>	-	<u>(309,025)</u>
June 30, 2020	<u>\$ 25,000</u>	<u>\$ 2,433,263</u>	<u>\$ 3,556,075</u>	<u>\$ 6,014,338</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, 2020 and 2019.

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, 2020 AND 2019

7. 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.

8. 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:

	2020			
	Level 1	Level 2	Level 3	Total
Equity Securities:				
Stock Index Shares	\$ 5,270,413	\$ -	\$ -	\$ 5,270,413
Equity Energy Shares	89,824	-	-	89,824
Total Equity Securities	5,360,237	-	-	5,360,237
Corporate Bonds	2,845,184	-	-	2,845,184
Total	<u>\$ 8,205,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,205,421</u>
	2019			
	Level 1	Level 2	Level 3	Total
Equity Securities:				
Stock Index Shares	\$ 5,333,793	\$ -	\$ -	\$ 5,333,793
Equity Energy Shares	272,556	-	-	272,556
Total Equity Securities	5,606,349	-	-	5,606,349
Corporate Bonds	3,113,679	-	-	3,113,679
Total	<u>\$ 8,720,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,720,028</u>

AMERICAN COMPOSERS FORUM
NOTES TO FINANCIAL STATEMENTS
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9. Retirement Plan

The Organization has a defined contribution retirement plan for its employees who meet certain age and service requirements. Employer contributions of \$9,975 and \$11,660 were made to the plan for the years ended June 30, 2020 and 2019, respectively.

10. Liquidity and Availability

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

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 556,731	\$ 197,514
Accounts Receivable	8,069	3,683
Current Portion of Pledges and Grants Receivable	387,567	6,031
Investment and Endowment - Endowment Spending Allocation for the next year	<u>303,000</u>	<u>294,400</u>
Total Financial Assets	1,255,367	501,628
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	1,169,184	657,844
Net Assets With Restrictions to be met within a year	<u>(1,168,184)</u>	<u>(657,844)</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>\$ 1,255,367</u>	<u>\$ 501,628</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 \$875,219 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.

AMERICAN COMPOSERS FORUM
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11. Operating Leases

Rental commitments under noncancelable leases for office space and equipment lease in effect at June 30, 2020, totaled \$161,773. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2021	\$ 63,928
2022	65,950
2023	<u>31,895</u>
	<u>\$ 161,773</u>

Rental expense for office space and equipment lease was \$62,009 and \$65,992 for years ended June 30, 2020 and 2019, respectively.

The Organization received an allowance for leasehold improvements in the amount of \$65,000 as a part of their lease agreement that was paid by the landlord. The Organization amortizes the amount and is repaying the landlord over the life of the lease. As of June 30, 2020 and 2019, the Organization owed the landlord \$-0- in both years, which is reflected in the statement of financial position as a leasehold improvement allowance liability.

12. Notes Payable

On May 18, 2020, the Organization was granted a loan (the "Loan") from US Bank in the aggregate amount of \$132,421, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated May 18, 2020 issued by the Borrower, matures on May 18, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 23, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the SBA.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In accordance with these Loan forgiveness terms, funds from the Loan were used by the Organization for payroll costs, group health care and retirement benefits, and rent.

If the Loan is 100% forgiven, then no payments will be due from the Organization. If the Organization does not receive 100% forgiveness, there will be a loan modification at the time of the decision which will communicate the repayment terms of the remaining loan balance. The Organization has elected to carry the Loan as debt on its balance sheet as of June 30, 2020 per FASB ASC 470.