MINNESOTA MUSIC EDUCATORS ASSOCIATION

Brooklyn Center, MN

Reviewed Financial Statements
For the Year Ended
December 31, 2015

PETERSEN
PROFESSIONALS
PC
CERTIFIED PUBLIC ACCOUNTANTS

MINNESOTA MUSIC EDUCATORS ASSOCIATION

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PETERSEN
PROFESSIONALS
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Minnesota Music Educators Association
Brooklyn Center, MN

We have reviewed the accompanying financial statements of Minnesota Music Educators Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Petersen Professionals PC
November 14, 2016

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MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	199,933
Investments - Certificates of Deposit		80,874
Accounts Receivable		4,430
Prepaid Expenses		15,906
Total Current Assets		301,143
Noncurrent Assets		
Furniture and Equipment		15,959
Less: Accumulated Depreciation		(15,709)
Total Noncurrent Assets		250
TOTAL ASSETS	$	301,393
LIABILITIES		
Current Liabilities		
Accounts Payable	$	2,268
Due to MCUCM		3,551
Accrued Expenses		907
Refundable Advances		131,240
Total Current Liabilities		137,966
TOTAL LIABILITIES		137,966
NET ASSETS		
Unrestricted		163,427
Temporarily Restricted		-
Permanently Restricted		-
TOTAL NET ASSETS		163,427
TOTAL LIABILITIES AND NET ASSETS	$	301,393

See accompanying notes and independent accountant's review report.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Program Service Fees	$ 610,290	$ -	$ -	$ 610,290
Membership Dues	46,856	-	-	46,856
In-kind Contributions	30,740	-	-	30,740
Other Contributions	10,992	-	-	10,992
Advertising	21,835	-	-	21,835
Mailing List Income	12,634	-	-	12,634
Interest Income	210	-	-	210
Other Income	4,601	-	-	4,601
	738,158	-	-	738,158
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-
TOTAL SUPPORT AND REVENUE	738,158	-	-	738,158
EXPENSES				
Professional Development	234,388	-	-	234,388
Students Making Music	396,685	-	-	396,685
Advocacy	17,992	-	-	17,992
Support and General	58,302	-	-	58,302
Fundraising	10,056	-	-	10,056
TOTAL EXPENSES	717,423	-	-	717,423
CHANGE IN NET ASSETS	20,735	-	-	20,735
NET ASSETS AT BEGINNING OF YEAR	142,692	-	-	142,692
NET ASSETS AT END OF YEAR	$ 163,427	$ -	$ -	$ 163,427

See accompanying notes and independent accountant's review report.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Professional Development	Students Making Music	Advocacy	Support and General	Fundraising	Total
Salaries	$ 47,599	$ 53,439	$ 12,612	$ 17,292	$ 6,804	$ 137,746
Payroll Taxes	3,630	4,087	960	1,418	521	10,616
Employee Benefits	7,857	9,354	2,212	3,888	1,190	24,501
TOTAL PERSONNEL EXPENSE	59,086	66,880	15,784	22,598	8,515	172,863
All State	-	149,066	-	-	-	149,066
Bank Fees	6,308	5,784	-	1,619	77	13,788
Contract Services	35,733	69,402	-	6,056	-	111,191
Equipment Rental and Maintenance	24,489	7,713	-	6,364	-	38,566
Food	10,633	9,870	-	1,228	-	21,731
Information Technology	10,513	5,490	2	4,183	-	20,188
Insurance	1,257	20	-	3,195	-	4,472
Miscellaneous	-	-	822	880	752	2,454
Occupancy	56,330	14,701	1,271	817	688	73,807
Postage	3,135	2,052	-	703	11	5,901
Printing	6,037	5,445	4	897	-	12,383
Supplies	14,423	21,954	13	1,212	-	37,602
Travel	6,444	38,308	96	7,585	13	52,446
Depreciation	-	-	-	965	-	965
TOTAL EXPENSES	$ 234,388	$ 396,685	$ 17,992	$ 58,302	$ 10,056	$ 717,423

See accompanying notes and independent accountant's review report.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ 20,735
Adjustments to Reconcile to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	965
(Increase)/Decrease in Current Assets:	
Accounts Receivable	937
Prepaid Expenses	3,909
Increase/(Decrease) in Current Liabilities:	
Accounts Payable	(476)
Due to MCUCM	3,551
Accrued Expenses	(1,031)
Refundable Advances	2,267
Net Cash Provided/(Used) by Operating Activities	30,857
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of Investments - Certificates of Deposit	(80,874)
Proceeds from Maturity of Investment - Certificates of Deposit	80,713
Net Cash Provided/(Used) by Investing Activities	(161)
NET INCREASE/(DECREASE) IN CASH	30,696
CASH AT BEGINNING OF YEAR	169,237
CASH AT END OF YEAR	$ 199,933

SUPPLEMENTAL INFORMATION:	
Cash Paid for Taxes	$ 103

See accompanying notes and independent accountant's review report.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – THE ORGANIZATION

Minnesota Music Educators Association (MMEA) is incorporated under the Minnesota Nonprofit Corporation Act. MMEA seeks to promote high quality music education for every student in Minnesota. MMEA's purpose is to develop an appreciation for music by promoting music and encouraging cooperation among the various agencies of music education. MMEA is supported primarily through public contributions; audition, registration, and exhibitor fees; member dues; and publication advertising revenues. MMEA currently provides its services through the following programs:

> *Professional Development for Music Educators*: MMEA provided professional development through journal and continuing education training in education methods, assessment, technology, and reaching all learners. They served more than half of Minnesota's K-12 music educators through these services. Feedback indicated teachers learned skills or methods they could immediately apply in their teaching session.
>
> *Students Making Music*: MMEA directly served 5,210 students from around Minnesota. MMEA engaged the students in learning music knowledge including historical and cultural content, technical facility, communication skills in responding to performance of peer students or themselves, and social skills or expectations in a group setting. 95% of students reported increased knowledge and skills, and stated they would return or recommend the experience to a peer.
>
> *Advocacy*: MMEA provides research-based facts to school board members, parents of music students, and the community to ensure the continued presence of music education for all students in K-12 schools. MMEA responded to requests from the community, including media, for information about the status of music education in Minnesota's schools.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of MMEA were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation
The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, MMEA is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes
MMEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, MMEA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). MMEA is also exempt from state income taxes under Section 317A of the Revenue and Taxation Code of the State of Minnesota.

Cash and Cash Equivalents
MMEA considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. MMEA maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, MMEA's balances in its bank accounts may exceed Federal Deposit Insurance Corporation limits. MMEA periodically evaluates the risk of exceeding insurance levels and may transfer funds as deemed appropriate. MMEA has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Accounts Receivable
Accounts Receivable consist of balances due from customers for program services and goods provided and are recorded when invoices are issued. Accounts Receivable are written off when they are determined to be uncollectible. Management believes that all Accounts Receivable are fully collectible; accordingly, there is no Allowance for Doubtful Accounts.

Certificates of Deposit
Certificates of deposit held for investment are reported in Investments - Certificates of Deposit. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Property, Equipment and Depreciation
MMEA capitalizes all expenditures for property and equipment with a useful life greater than one year, and costing $500 or more to which they have absolute legal title. Furniture and Equipment are stated at cost or at the estimated fair value at the date of donation in the case of donated assets. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of Furniture and Equipment are recorded as unrestricted support.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation (continued)
Depreciation is computed using the straight-line method over estimated useful lives of 3-5 years for Furniture and Equipment. Depreciation expense was $965 for the year ended December 31, 2015.

Revenue Recognition
Clinic registration, exhibitor fees, workshops, and training session fees are recognized as revenue upon completion of the clinic or sessions. All State and other music festival audition and registrations fees are recognized as revenue when earned.

Publications revenue consists of advertising in Interval and subscriptions to individuals and organizations who are not members of MMEA. Advertising income is recognized when the publication is issued. Subscriptions are recognized as revenue when received by MMEA.

Contributions
Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. MMEA adopted the policy of recognizing in unrestricted support, donor-restricted contributions whose restrictions are met in the same reporting period.

Donated Materials and Services
Materials and services are donated to MMEA by various individuals, corporations and other organizations, and are reflected in the accompanying financial statements at their fair values at the date of donation.

MMEA received services donated by volunteers. Consistent with FASB ASC 958, the value of contributed time by unpaid volunteers is not reflected in these statements to the extent that the services did not enhance non-financial assets or require specialized skills.

Functional Allocation of Expenses
The costs of providing various programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates
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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review
Management has evaluated subsequent events through November 14, 2016, the date on which the financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization follows the guidance in FASB ASC 820-10 which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1—Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2—Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3—Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions

Certain financial instruments are carried at cost on the Statement of Financial Position, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, accounts payable and other current liabilities. Certificates of Deposit were classified in Level 2 and were valued based on original cost, which approximates fair value. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of the following assets at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 80,874	$ -	$ 80,874
Total	$ -	$ 80,874	$ -	$ 80,874

NOTE 4 – INVESTMENTS – CERTIFICATES OF DEPOSIT

Investments consist of Certificates of Deposit (CDs). The CDs are recorded at cost. The value reported at December 31, 2015 approximates fair market value. At December 31, 2015 MMEA had the following CDs:

12-month CD that matures December 10, 2016, interest rate of 0.20%	$ 80,874
Total Investments – Certificates of Deposit	$ 80,874

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – DUE TO MCUCM

The Organization entered a fiscal sponsorship agreement with Minnesota College and University Council for Music (MCUCM) as of September 16, 2015. At December 31, 2015, the Organization had $3,551 that is held for MCUCM included in their Cash and Cash Equivalents accounts.

NOTE 6 – REFUNDABLE ADVANCES

Refundable advances at December 31, 2015 consisted of pre-registration and exhibitor fees for the Midwinter Clinic and other miscellaneous amounts.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets arise from either a program restriction established by the donor, or a time restriction as to when the funds will be received. At December 31, 2015, MMEA did not have any investments of this nature.

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently Restricted Net Assets arise from investments in perpetuity, in which only the income is expendable to support a donor intended purpose. At December 31, 2015, MMEA did not have any investments of this nature.

NOTE 9 – UNRELATED BUSINESS TAXABLE INCOME

Certain income unrelated to a nonprofit organization's charitable purpose is taxable by the federal government. In 2015, MMEA had unrelated gross receipts of $22,543, consisting of advertising revenue and sales of mailing lists. No tax liability exists for 2015 since income is offset by deductible expenses.

NOTE 10 – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2015, MMEA received noncash contributions of goods and services that have been reflected in the financial statements as follows:

Contract Services	$ 12,800
Equipment	4,110
Sheet Music	13,830
Total In-kind Contributions	$ 30,740

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 11 – 403(b) PLAN

MMEA has established a defined contribution plan covering all employees who have completed six months of service. MMEA's contribution each year is computed as a percentage of salary. For the year ended December 31, 2015, MMEA made contributions of $13,594 which is included in Benefits.

NOTE 12 – LEASES

MMEA entered into lease agreements for rental space and equipment under noncancelable leases. The leases start to expire in September 2017. The lease agreement for rental space includes escalation clauses in each subsequent year.

Annual base lease payments for rental space are $6,345 plus MMEA's share of taxes and operating costs. Total space rental expense including MMEA's share of taxes and operating costs for the year ended December 31, 2015 was $12,723 and is included in Occupancy. Annual base lease payments for equipment are $2,986. The total equipment lease expense for the year ended December 31, 2015 was $3,520 and is included in Equipment Rental and Maintenance.

Future minimum lease payments under these leases as of December 31, 2015 are as follows:

Year ending December 31,	
2016	$ 9,331
2017	7,781
2018	2,466
2019	357
2020	-
Total	$ 19,935

NOTE 13 – COMMITMENTS

MMEA has entered into various agreements with three vendors to reserve space for several clinics. As part of these agreements, MMEA is required to pay damages in the event of any cancellations that range from 10% to 80% of the vendor's anticipated revenue from these events or 50% to 75% of the agreed upon rental fee. Total estimated damages to be paid by MMEA in the event of a cancellation would be approximately $261,000. MMEA does not anticipate any event cancellations.