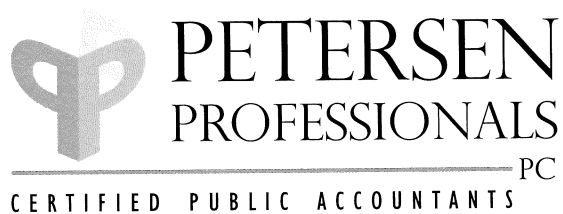


MINNESOTA MUSIC EDUCATORS ASSOCIATION

Brooklyn Center, MN

Reviewed Financial Statements
For the Year Ended
December 31, 2016



MINNESOTA MUSIC EDUCATORS ASSOCIATION

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-11

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, 2016, 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 7, 2017

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 223,302
Investments - Certificates of Deposit	81,036
Accounts Receivable	9,600
Prepaid Expenses	20,808
Total Current Assets	334,746
 <i>Noncurrent Assets</i>	
Furniture and Equipment	16,661
Less: Accumulated Depreciation	(16,135)
Total Noncurrent Assets	526
 TOTAL ASSETS	 \$ 335,272
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	\$ 200
Due to MCUCM	3,893
Accrued Expenses	1,288
Refundable Advances	144,049
Total Current Liabilities	149,430
 TOTAL LIABILITIES	 149,430
NET ASSETS	
Unrestricted	185,842
Temporarily Restricted	-
Permanently Restricted	-
TOTAL NET ASSETS	185,842
 TOTAL LIABILITIES AND NET ASSETS	 \$ 335,272

See accompanying notes and independent accountant's review report.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Program Service Fees	\$ 625,709	\$ -	\$ -	\$ 625,709
Membership Dues	46,860	-	-	46,860
In-kind Contributions	19,899	-	-	19,899
Other Contributions	11,256	-	-	11,256
Advertising	26,720	-	-	26,720
Mailing List Income	14,390	-	-	14,390
Interest Income	211	-	-	211
Other Income	3,455	-	-	3,455
	<u>748,500</u>	<u>-</u>	<u>-</u>	<u>748,500</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>748,500</u>	 <u>-</u>	 <u>-</u>	 <u>748,500</u>
 EXPENSES				
Professional Development	229,025	-	-	229,025
Students Making Music	408,838	-	-	408,838
Advocacy	19,905	-	-	19,905
Support and General	58,495	-	-	58,495
Fundraising	9,822	-	-	9,822
	<u>726,085</u>	<u>-</u>	<u>-</u>	<u>726,085</u>
 TOTAL EXPENSES	 <u>726,085</u>	 <u>-</u>	 <u>-</u>	 <u>726,085</u>
 CHANGE IN NET ASSETS	 22,415	 -	 -	 22,415
 NET ASSETS AT BEGINNING OF YEAR	 <u>163,427</u>	 <u>-</u>	 <u>-</u>	 <u>163,427</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 185,842</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 185,842</u>

See accompanying notes and independent accountant's review report.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Professional Development	Students Making Music	Advocacy	Support and General	Fundraising	Total
Salaries	\$ 46,828	\$ 58,180	\$ 14,190	\$ 15,593	\$ 7,095	\$ 141,886
Payroll Taxes	3,562	4,426	1,079	1,220	540	10,827
Employee Benefits	10,155	12,617	3,077	2,308	1,539	29,696
TOTAL PERSONNEL EXPENSE	60,545	75,223	18,346	19,121	9,174	182,409
All State	-	152,268	-	-	-	152,268
Bank Fees	2,991	12,190	-	1,676	-	16,857
Contract Services	29,582	74,876	-	12,789	-	117,247
Equipment Rental and Maintenance	31,314	6,462	-	4,920	-	42,696
Food	10,959	9,699	-	1,051	-	21,709
Information Technology	14,946	6,569	-	2,593	-	24,108
Insurance	1,275	21	-	3,615	-	4,911
Miscellaneous	127	50	-	329	-	506
Occupancy	59,669	12,627	1,293	1,423	647	75,659
Postage	2,880	1,660	-	730	1	5,271
Printing	7,227	3,789	-	761	-	11,777
Supplies	1,662	21,733	-	1,125	-	24,520
Travel	5,848	31,671	266	7,936	-	45,721
Depreciation	-	-	-	426	-	426
TOTAL EXPENSES	\$ 229,025	\$ 408,838	\$ 19,905	\$ 58,495	\$ 9,822	\$ 726,085

See accompanying notes and independent accountant's review report.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 22,415
Adjustments to Reconcile to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	426
(Increase)/Decrease in Current Assets:	
Accounts Receivable	(5,170)
Prepaid Expenses	(4,902)
Increase/(Decrease) in Current Liabilities:	
Accounts Payable	(2,068)
Due to MCUCM	342
Accrued Expenses	381
Refundable Advances	<u>12,809</u>
Net Cash Provided/(Used) by Operating Activities	<u>24,233</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of Investments - Certificates of Deposit	(81,036)
Proceeds from Maturity of Investment - Certificates of Deposit	80,874
Purchase of Furniture and Equipment	<u>(702)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(864)</u>
NET INCREASE/(DECREASE) IN CASH	23,369
CASH AT BEGINNING OF YEAR	<u>199,933</u>
CASH AT END OF YEAR	<u>\$ 223,302</u>

See accompanying notes and independent accountant's review report.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 4,219 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.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$426 for the year ended December 31, 2016.

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.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through November 7, 2017, 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 81,036	\$ -	\$ 81,036
Total	<u>\$ -</u>	<u>\$ 81,036</u>	<u>\$ -</u>	<u>\$ 81,036</u>

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, 2016 approximates fair market value. At December 31, 2016 MMEA had the following CDs:

12-month CD that matures December 10, 2017, interest rate of 0.20%	<u>\$ 81,036</u>
Total Investments – Certificates of Deposit	<u>\$ 81,036</u>

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, the Organization had \$3,893 that is held for MCUCM included in their Cash and Cash Equivalents accounts.

NOTE 6 – REFUNDABLE ADVANCES

Refundable advances at December 31, 2016 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, 2016, 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, 2016, 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 2016, MMEA had unrelated gross receipts of \$27,094, consisting of advertising revenue and sales of mailing lists. No tax liability exists for 2016 since income is offset by deductible expenses.

NOTE 10 – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2016, MMEA received noncash contributions of goods and services that have been reflected in the financial statements as follows:

Contract Services	\$ 9,600
Equipment	8,005
Sheet Music	<u>2,294</u>
Total In-kind Contributions	<u>\$ 19,899</u>

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, MMEA made contributions of \$13,565 which is included in Benefits.

NOTE 12 – LEASES

MMEA entered into lease agreements for rental space and equipment under non-cancelable 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 \$4,795 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, 2016 was \$13,372 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, 2016 was \$3,164 and is included in Equipment Rental and Maintenance.

Future minimum lease payments under these leases as of December 31, 2016 are as follows:

Year ending	
December 31,	
2017	\$ 7,781
2018	2,466
2019	357
2020	-
2021	-
Total	<u>\$ 10,604</u>

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 \$185,104. MMEA does not anticipate any event cancellations.