

MINNESOTA MUSIC EDUCATORS ASSOCIATION

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

PREPARED BY

BWK ROGERS PC

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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BWK Rogers PC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Minneapolis, Minnesota

O. Barry Rogers, CPA
Wylie R. Klawitter, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Minnesota Music Educators Association

We have audited the accompanying financial statements of Minnesota Music Educators Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Minnesota Music Educators Association as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Minnesota Music Educators Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Changes in Accounting Principle

As discussed in Note 17 to the financial statements, Minnesota Music Educators Association implemented the provisions of Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

A handwritten signature in black ink that reads "B. K. Rogers PC". The signature is written in a cursive style with a large initial "B" and "K".

September 30, 2019

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 203,089	\$ 242,133
Investments - Certificates of Deposit	81,361	81,198
Accounts Receivable	2,773	14,569
Prepaid Expenses	<u>12,215</u>	<u>17,027</u>
Total Current Assets	299,438	354,927
Furniture and Equipment, Net of Accumulated Depreciation of \$11,953 and \$16,390 in 2018 and 2017, Respectively	<u>4,047</u>	<u>1,022</u>
Total Assets	<u>\$ 303,485</u>	<u>\$ 355,949</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 1,514	\$ 1,462
Due to MCUCM	5,680	4,909
Accrued Expenses	2,465	1,051
Refundable Advances	<u>143,785</u>	<u>152,947</u>
Total Current Liabilities	153,444	160,369
Net Assets		
Without Donor Restrictions	145,041	195,580
With Donor Restrictions	<u>5,000</u>	<u>-</u>
Total Net Assets	<u>150,041</u>	<u>195,580</u>
Total Liabilities and Net Assets	<u>\$ 303,485</u>	<u>\$ 355,949</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

	2018			<u>2017</u>
	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	
SUPPORT AND REVENUE				
Program Service Fees	\$ 644,129	\$ -	\$ 644,129	\$ 642,602
Membership Dues	44,285	-	44,285	46,059
In-Kind Contributions	15,736	-	15,736	18,071
Other Contributions	14,816	5,000	19,816	13,277
Advertising	17,100	-	17,100	24,090
Mailing List Income	11,106	-	11,106	13,040
Interest Income	211	-	211	211
Other Income	29,597	-	29,597	3,518
	776,980	5,000	781,980	760,868
EXPENSES				
Program Services:				
Professional Development	270,508	-	270,508	249,395
Students Making Music	450,086	-	450,086	407,546
Advocacy	19,796	-	19,796	19,367
	740,390	-	740,390	676,308
Supporting Services:				
Management and General	84,124	-	84,124	71,946
Fundraising	3,005	-	3,005	2,876
	87,129	-	87,129	74,822
	827,519	-	827,519	751,130
CHANGE IN NET ASSETS	(50,539)	5,000	(45,539)	9,738
Net Assets, Beginning of Year	195,580	-	195,580	185,842
Net Assets, End of Year	\$ 145,041	\$ 5,000	\$ 150,041	\$ 195,580

The accompanying notes are an integral part of these financial statements.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

2018

	Program Services			Supporting Services		
	Professional Development	Students Making Music	Advocacy	Management & General	Fundraising	Total
SALARIES AND RELATED EXPENSES						
Salaries	\$ 55,440	\$ 59,116	\$ 14,167	\$ 19,106	\$ 2,125	\$ 149,954
Employee Benefits	12,917	13,309	3,114	5,785	467	35,592
Payroll Taxes	4,239	4,519	1,083	1,358	163	11,362
Total Salaries and Related Expenses	72,596	76,944	18,364	26,249	2,755	196,908
OTHER EXPENSES						
All State	-	159,797	-	-	-	159,797
Bank Fees	9,052	12,320	-	1,799	-	23,171
Contract Services	28,142	74,302	-	20,306	-	122,750
Equipment Rental & Maintenance	34,799	7,872	-	6,417	-	49,088
Food	14,414	24,648	-	-	-	39,062
Information Technology	20,366	3,957	-	8,097	-	32,420
Insurance	1,215	-	-	4,204	-	5,419
Miscellaneous	-	170	-	2,019	-	2,189
Occupancy	74,635	20,839	1,315	1,554	197	98,540
Postage	3,378	1,313	-	663	-	5,354
Printing	6,096	4,583	-	939	-	11,618
Supplies	1,128	19,004	-	1,678	20	21,830
Travel	4,687	44,337	117	9,666	33	58,840
Depreciation	-	-	-	533	-	533
Total Expenses	\$ 270,508	\$ 450,086	\$ 19,796	\$ 84,124	\$ 3,005	\$ 827,519
						\$ 751,130

The accompanying notes are an integral part of these financial statements.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Without Donor Restrictions	\$ (45,539)	\$ 9,738
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	533	255
Decrease (Increase) in Accounts Receivable	11,796	(4,969)
Decrease in Prepaid Expenses	4,812	3,781
Increase in Accounts Payable	52	1,262
Increase in Due to MCUCM	771	1,016
Increase (Decrease) in Accrued Expenses	1,414	(237)
(Decrease) Increase in Refundable Advances	<u>(9,162)</u>	<u>8,898</u>
Net Cash (Used) Provided by Operating Activities	(35,323)	19,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments - Certificates of Deposit	(81,361)	(81,198)
Proceeds from Maturity of Investments - Certificates of Deposit	81,198	81,036
Purchase of Property and Equipment	<u>(3,558)</u>	<u>(751)</u>
Net Cash (Used) by Investing Activities	<u>(3,721)</u>	<u>(913)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(39,044)	18,831
Cash and Cash Equivalents, Beginning of Year	<u>242,133</u>	<u>223,302</u>
Cash and Cash Equivalents, End of Year	<u>\$ 203,089</u>	<u>\$ 242,133</u>

The accompanying notes are an integral part of these financial statements.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1. 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 provides professional development through journal and continuing education training in education methods, assessment, technology, and reaching all learners. They serve more than half of Minnesota's K-12 music educators through these services.

Students Making Music: MMEA directly serves students from around Minnesota. MMEA engages 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.

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

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported 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.

Tax Exempt Status

Minnesota Music Educators Association has been recognized by the Internal Revenue Services (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is generally not subject to income taxes, except for taxes pertaining to unrelated business income. The Organization is exempt from state taxes under Minnesota Statute 290.05. Therefore, there is no provision for income taxes, and unrelated income subject to tax is considered to be insignificant.

Cash and Cash Equivalents

Minnesota Music Educators Association considers all highly liquid investments with original maturities 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.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Accounts Receivable

Accounts receivable consist of balances due from customers or 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.

Furniture and Equipment

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 is 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.

Depreciation is provided through the use of the straight-line method over the useful life of the asset, ranging from three to five years.

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 registration 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.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted contributions, the restriction of which are met in the same year as the contributions is made, are reported as contributions without donor restrictions.

Donated Material and Services

Contributed services are recorded as contributions, at fair value, when the service creates or enhances a non-financial asset and requires a specialized skill. Some unpaid volunteers have made contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the requirements for recognition in the financial statements.

Functional Allocation of Expenses

The majority of expenses are directly identified with the program or supporting services to which they relate. Expenses not directly identifiable by function are allocated to program and supporting services on the basis of salaries and other bases determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 amounts of revenue and expenses during the period. Ultimate results could differ from those estimates.

NOTE 3. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions. Amounts not available include net assets with donor restrictions of \$5,000 and \$0 at December 31, 2018 and 2017, respectively.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$203,089	\$242,133
Investments – Certificates of Deposit	81,361	81,198
Accounts Receivable	<u>2,773</u>	<u>14,569</u>
Total Financial Assets	287,223	337,900
Net Assets With Donor Restrictions	<u>(5,000)</u>	<u>---</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$282,223</u>	<u>\$337,900</u>

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 4. FAIR VALUE MEASUREMENT

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 1 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.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4. FAIR VALUE MEASUREMENT (CONTINUED)

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:

	<u>2018</u>				<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	<u>\$81,361</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$81,361</u>	<u>\$81,198</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$81,198</u>

NOTE 5. INVESTMENTS – CERTIFICATES OF DEPOSIT

Investments consists of Certificates of Deposit (CDs). The CDs are recorded at cost. The value reported at December 31, 2018 and 2017 approximates fair market value. At December 31, MMEA had the following CDs:

	<u>2018</u>	<u>2017</u>
12-month CD that matures December 10 annually, interest rate of 0.20%	<u>\$81,361</u>	<u>\$81,198</u>

NOTE 6. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$16,000	\$17,412
Less: accumulated depreciation	<u>(11,953)</u>	<u>(16,390)</u>
Net Property and Equipment	<u>\$ 4,047</u>	<u>\$ 1,022</u>

Depreciation expense of \$533 and \$255 was recorded for the years ended December 31, 2018 and 2017, respectively.

NOTE 7. 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, 2018 and 2017, the Organization had \$5,680 and \$4,909 that is held for MCUCM included in their Cash and Cash Equivalents accounts.

NOTE 8. REFUNDABLE ADVANCES

Refundable advances at December 31, 2018 and 2017 consisted of pre-registration and exhibitor fees for the Midwinter Clinic and other miscellaneous events.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9. UNRELATED BUSINESS TAXABLE INCOME

Certain income unrelated to a nonprofit organization's charitable purpose is taxable by the federal government. In 2018 and 2017, MMEA had unrelated gross receipts of \$28,206 and \$24,911, consisting of advertising revenue and sales of mailing lists. No tax liability exists for 2018 or 2017 since income is offset by deductible expenses.

NOTE 10. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2018 and 2017, MMEA received noncash contributions of goods and services that have been reflected in the financial statements as follows:

	<u>2018</u>	<u>2017</u>
Contract Services	\$ 9,400	\$11,600
Equipment	5,400	4,976
Sheet Music	<u>936</u>	<u>1,495</u>
Total In-kind Contributions	<u>\$15,736</u>	<u>\$18,071</u>

NOTE 11. RETIREMENT PLAN

Minnesota Music Educators Association maintains a defined contribution 403(b) tax-deferred annuity pension plan for all employees who have completed six months of service. The Organization's contribution each year is computed as a percentage of salary. For the years ended December 31, 2018 and 2017, MMEA made contributions of \$14,246 and \$13,973, respectively, which is included in Employee Benefits.

NOTE 12. LEASE COMMITMENTS

MMEA entered into lease agreements for rental space and equipment under non-cancelable leases. The lease agreement for rental space includes escalation clauses in each subsequent year. The lease for rental space was amended in 2017 to extend the expiration date to October 31, 2018.

Monthly payments for rental space include MMEA's share of taxes and operating costs. Total space rental expense for the years ended December 31, 2018 and 2017 was \$13,139 and \$13,056, respectively, and is included in Occupancy. Annual base lease payments for equipment are \$3,180. The total equipment lease expense for the years ended December 31, 2018 and 2017 was \$1,416 and \$1,986, respectively, and is included in Equipment Rental and Maintenance. These leases expire in 2022.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12. LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under these leases as of December 31, 2018 are as follows:

<u>Year ending December 31</u>	
2019	\$ 3,179
2020	3,179
2021	3,179
2022	<u>2,611</u>
Total	<u>\$12,148</u>

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Create Advocacy Resources	<u>\$5,000</u>	<u>\$ ---</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

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.

In 2018, MMEA had to cancel the All-State Bands and Orchestra Concert due to weather. MMEA still incurred a number of expenses, including staff, conductors, travel, hotel, meals, rental of Orchestra Hall, rental of music and music equipment, and payment to produce All-State concert program. MMEA also lost significant income in concert tickets and advertising refunds and incurred some additional expenses in communicating to students, parents, and music educators and paying for refunds via Orchestra Hall. MMEA had event cancellation insurance for the Midwinter Clinic and the All-State concerts. A claim was submitted, and an insurance payment of \$24,952 was received in July 2018. This amount is included in Other Income.

NOTE 15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued, September 30, 2019. There are no subsequent events required to be disclosed in accordance with accounting standards.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 16. INCOME TAX UNCERTAINTIES

The Organization follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for the uncertainty in income taxes recognized in the entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Organization's financial statements.

The Organization's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2014 to 2018 are open to examination by federal, state, and local authorities.

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets previously reported.