

MINNESOTA MUSIC EDUCATORS ASSOCIATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

September 12, 2020

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 124,733	\$ 203,089
Investments - Certificates of Deposit	81,524	81,361
Accounts Receivable	2,623	2,773
Prepaid Expenses	<u>7,391</u>	<u>12,215</u>
Total Current Assets	216,271	299,438
Furniture and Equipment, Net of Accumulated Depreciation of \$13,594 and \$11,953 in 2019 and 2018, Respectively	<u>3,609</u>	<u>4,047</u>
Total Assets	<u><u>\$ 219,880</u></u>	<u><u>\$ 303,485</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 262	\$ 1,514
Due to MCUCM	5,898	5,680
Accrued Expenses	3,248	2,465
Refundable Advances	<u>139,255</u>	<u>143,785</u>
Total Current Liabilities	148,663	153,444
Net Assets		
Without Donor Restrictions	66,217	145,041
With Donor Restrictions	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>71,217</u>	<u>150,041</u>
Total Liabilities and Net Assets	<u><u>\$ 219,880</u></u>	<u><u>\$ 303,485</u></u>

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

MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
SUPPORT AND REVENUE				
Program Service Fees	\$ 678,979	\$ -	\$ 678,979	\$ 644,129
Membership Dues	37,685	-	37,685	44,285
In-Kind Contributions	9,116	-	9,116	15,736
Other Contributions	9,269	-	9,269	19,816
Advertising	5,490	-	5,490	17,100
Mailing List Income	10,763	-	10,763	11,106
Interest Income	198	-	198	211
Other Income	4,068	-	4,068	29,597
	755,568	-	755,568	781,980
EXPENSES				
Program Services:				
Professional Development	261,872	-	261,872	270,508
Students Making Music	462,688	-	462,688	450,086
Advocacy	11,024	-	11,024	19,796
	735,584	-	735,584	740,390
Supporting Services:				
Management and General	95,538	-	95,538	84,124
Fundraising	3,270	-	3,270	3,005
	98,808	-	98,808	87,129
Total Expenses	834,392	-	834,392	827,519
CHANGE IN NET ASSETS	(78,824)	-	(78,824)	(45,539)
Net Assets, Beginning of Year	145,041	5,000	150,041	195,580
Net Assets, End of Year	\$ 66,217	\$ 5,000	\$ 71,217	\$ 150,041

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

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	2019									2018
	Program Services				Supporting Services				Total	
	Professional Development	Students Making Music	Advocacy	Total	Management & General	Fundraising	Total			
SALARIES AND RELATED EXPENSES										
Salaries	\$ 64,626	\$ 60,307	\$ 7,870	\$132,803	\$ 29,523	\$ 2,361	\$ 31,884	\$ 164,687	\$ 149,954	
Employee Benefits	14,551	13,041	1,769	29,361	4,696	531	5,227	34,588	35,592	
Payroll Taxes	5,143	4,817	625	10,585	1,732	188	1,920	12,505	11,362	
Total Salaries and Related Expenses	84,320	78,165	10,264	172,749	35,951	3,080	39,031	211,780	196,908	
OTHER EXPENSES										
All State	-	161,941	-	161,941	-	-	-	161,941	159,797	
Bank Fees	4,250	13,126	-	17,376	2,983	-	2,983	20,359	23,171	
Contract Services	39,309	79,110	-	118,419	22,757	-	22,757	141,176	122,750	
Equipment Rental & Maintenance	22,767	8,185	-	30,952	5,514	-	5,514	36,466	49,088	
Food	16,656	12,191	-	28,847	1,585	-	1,585	30,432	39,062	
Information Technology	16,875	7,608	-	24,483	6,977	-	6,977	31,460	32,420	
Insurance	1,297	1,524	-	2,821	4,091	-	4,091	6,912	5,419	
Miscellaneous	25	25	5	55	491	-	491	546	2,189	
Occupancy	65,365	25,377	631	91,373	1,762	189	1,951	93,324	98,540	
Postage	264	1,289	-	1,553	517	1	518	2,071	5,354	
Printing	761	5,607	66	6,434	1,448	-	1,448	7,882	11,618	
Supplies	1,185	18,176	-	19,361	1,776	-	1,776	21,137	21,830	
Travel	8,798	50,364	58	59,220	8,045	-	8,045	67,265	58,840	
Depreciation	-	-	-	-	1,641	-	1,641	1,641	533	
Total Expenses	\$ 261,872	\$ 462,688	\$ 11,024	\$735,584	\$ 95,538	\$ 3,270	\$ 98,808	\$ 834,392	\$ 827,519	

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

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (78,824)	\$ (45,539)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	1,641	533
Decrease in Accounts Receivable	150	11,796
Decrease in Prepaid Expenses	4,824	4,812
(Decrease) Increase in Accounts Payable	(1,252)	52
Increase in Due to MCUCM	218	771
Increase in Accrued Expenses	783	1,414
(Decrease) in Refundable Advances	<u>(4,530)</u>	<u>(9,162)</u>
Net Cash (Used) by Operating Activities	(76,990)	(35,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments - Certificates of Deposit	(81,524)	(81,361)
Proceeds from Maturity of Investments - Certificates of Deposit	81,361	81,198
Purchase of Property and Equipment	<u>(1,203)</u>	<u>(3,558)</u>
Net Cash (Used) by Investing Activities	<u>(1,366)</u>	<u>(3,721)</u>
Net (Decrease) in Cash and Cash Equivalents	(78,356)	(39,044)
Cash and Cash Equivalents, Beginning of Year	<u>203,089</u>	<u>242,133</u>
Cash and Cash Equivalents, End of Year	<u>\$ 124,733</u>	<u>\$ 203,089</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, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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 an online journal and continuing education training in education methods, assessment, technology, and reaching all learners. MMEA serves 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.

Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables, and other liabilities.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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.

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 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.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 support with donor restrictions. In the absence of such stipulations, contributions of furniture and equipment are recorded as support without donor restrictions.

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.

Classification of 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. MMEA reports 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.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 MMEA'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 costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status

MMEA's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Since MMEA is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. MMEA is not a private foundation. Management is not aware of any transactions that would impact MMEA's tax-exempt status.

MMEA follows the guidance of the Accounting Standard Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more than likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the years ended December 31, 2019 and 2018, management of MMEA is not aware of any material uncertain tax positions.

All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires MMEA 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. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

MMEA has evaluated subsequent events through the date the financial statements were issued, September 12, 2020. The COVID-19 outbreak in the United States has caused business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, MMEA expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

On May 4, 2020, MMEA obtained a \$37,900 loan under the provisions of the Paycheck Protection Program. MMEA anticipates the majority of this amount to be forgiven under the terms of the agreement. MMEA has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over five years including interest at 1.00%.

There are no additional subsequent events required to be disclosed in accordance with accounting standards.

NOTE 2. LIQUIDITY AND AVAILABILITY

MMEA strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects MMEA's financial assets as of December 31, 2019 and 2018, 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 \$5,000 at December 31, 2019 and 2018, respectively, as well as funds held for MCUCM of \$5,898 and \$5,680 at December 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$124,733	\$203,089
Investments – Certificates of Deposit	81,524	81,361
Accounts Receivable	<u>2,623</u>	<u>2,773</u>
Total Financial Assets	208,880	287,223
Net Assets with Donor Restrictions	(5,000)	(5,000)
Due to MCUCM	<u>(5,898)</u>	<u>(5,680)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$197,982</u>	<u>\$276,543</u>

MMEA 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, MMEA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3. FAIR VALUE MEASUREMENT

MMEA 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.

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>2019</u>				<u>2018</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>\$81,524</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$81,524</u>	<u>\$81,361</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$81,361</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, 2019 and 2018 approximates fair market value. At December 31, MMEA had the following CDs:

	<u>2019</u>	<u>2018</u>
12-month CD that matures December 10 annually, interest rate of 0.20%	<u>\$81,524</u>	<u>\$81,361</u>

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computers and equipment	\$17,203	\$16,000
Less: accumulated depreciation	<u>(13,594)</u>	<u>(11,953)</u>
Net Property and Equipment	<u>\$ 3,609</u>	<u>\$ 4,047</u>

Depreciation expense of \$1,641 and \$533 was recorded for the years ended December 31, 2019 and 2018, respectively.

NOTE 6. DUE TO MCUCM

MMEA entered a fiscal sponsorship agreement with Minnesota College and University Council for Music (MCUCM) as of September 16, 2015. At December 31, 2019 and 2018, MMEA had \$5,898 and \$5,680 that is held for MCUCM included in their Cash and Cash Equivalents accounts.

NOTE 7. REFUNDABLE ADVANCES

Refundable advances at December 31, 2019 and 2018 consisted of pre-registration and exhibitor fees for the Midwinter Clinic and other miscellaneous events.

NOTE 8. UNRELATED BUSINESS TAXABLE INCOME

Certain income unrelated to a nonprofit organization's charitable purpose is taxable by the federal government. In 2019 and 2018, MMEA had unrelated gross receipts of \$5,932 and \$28,206, consisting of advertising revenue and sales of mailing lists. No tax liability exists for 2019 or 2018 since income is offset by deductible expenses.

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2019 and 2018, MMEA received noncash contributions of goods and services that have been reflected in the financial statements as follows:

	<u>2019</u>	<u>2018</u>
Contract Services	\$6,800	\$ 9,400
Equipment	---	5,400
Food	129	---
Travel	342	---
Sheet Music	<u>1,845</u>	<u>936</u>
Total In-kind Contributions	<u>\$9,116</u>	<u>\$15,736</u>

NOTE 10. 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, 2019 and 2018 was \$13,704 and \$13,139, 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, 2019 and 2018 was \$1,533 and \$1,416, respectively, and is included in Equipment Rental and Maintenance. These leases expire in 2022.

Future minimum lease payments under these leases as of December 31, 2019 are as follows:

<u>Year ending December 31</u>	
2020	\$3,179
2021	3,179
2022	<u>2,611</u>
Total	<u>\$8,969</u>

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Create Advocacy Resources	<u>\$5,000</u>	<u>\$5,000</u>

**MINNESOTA MUSIC EDUCATORS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or support function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included salaries, payroll taxes, employee benefits, and office rent, which are allocated on the basis of estimates of time and effort.

NOTE 13. 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. MMEA's contribution each year is computed as a percentage of salary. For the years ended December 31, 2019 and 2018, MMEA made contributions of \$14,588 and \$14,246, respectively, which is included in Employee Benefits.

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 \$185,000.

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.