

**FLORIDA SCHOOL MUSIC
ASSOCIATION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Florida School Music Association, Incorporated:

We have audited the accompanying statements of financial position of Florida School Music Association, Incorporated as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida School Music Association, Incorporated as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James Moore & Co.

Tallahassee, Florida
August 15, 2003

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2003 AND 2002

	2003	2002
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 297,547	\$ 334,166
Grants receivable	6,000	-
Prepaid expenses	4,946	3,831
Total current assets	308,493	337,997
Furniture and equipment		
Furniture and equipment	21,783	21,535
Less: accumulated depreciation	12,046	10,397
Total furniture and equipment	9,737	11,138
Total Assets	\$ 318,230	\$ 349,135
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,369	\$ 10,097
Deferred revenues	80,074	69,013
Deposits due to districts	159,949	203,635
Total current liabilities	245,392	282,745
Net assets, unrestricted	72,838	66,390
Total Liabilities and Net Assets	\$ 318,230	\$ 349,135

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

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Revenues		
Dues	\$ 241,255	\$ 239,624
Interest and other	8,883	6,484
Total revenues	250,138	246,108
Expenses		
Personnel	110,310	112,353
Committees and board	20,522	18,541
Travel	763	10,625
Office	41,786	65,162
Professional services	5,838	10,645
Component support	51,570	19,050
Publication and communication	8,775	6,000
Depreciation	4,126	3,194
Total expenses	243,690	245,570
Increase in unrestricted net assets	6,448	538
Net assets, unrestricted, beginning of year	66,390	65,852
Net assets, unrestricted, end of year	\$ 72,838	\$ 66,390

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

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
Increase (Decrease) in Cash and Cash Equivalents

	2003	2002
Cash flows from operating activities		
Cash received from members and others	\$ 252,965	\$ 248,940
Cash paid to suppliers and employees	(288,770)	(157,223)
Interest received	2,234	3,913
Net cash provided by (used in) operating activities	(33,571)	95,630
Cash flows from investing activities		
Purchases of equipment	(3,048)	(3,863)
Increase (decrease) in cash and cash equivalents	(36,619)	91,767
Cash and cash equivalents, beginning of year	334,166	242,399
Cash and cash equivalents, end of year	\$ 297,547	\$ 334,166
Reconciliation of increase in net assets to net cash provided by (used in) operating activities		
Increase in net assets	\$ 6,448	\$ 538
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Decrease in accounts payable and accrued expenses	(4,728)	(515)
Increase in prepaid expenses	(1,115)	(316)
Increase in deferred revenues	11,061	5,245
(Increase) decrease in receivables	(6,000)	1,500
Loss on disposal of equipment	323	-
Depreciation	4,126	3,194
Increase (decrease) in deposits due to districts	(43,686)	85,984
Total adjustments	(40,019)	95,092
Net cash provided by (used in) operating activities	(33,571)	95,630

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

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Florida School Music Association, Incorporated (the "Association") which affect significant elements of the accompanying financial statements:

- (a) **General**—The Association is a not-for-profit corporate organization established to promote and ensure that member schools have safe, consistent, high-quality, educationally challenging and fiscally sound festivals and events to expand the musicianship and skills of their students and teachers.
- (b) **Income Taxes**—The Association is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements.
- (c) **Cash and Cash Equivalents**—Cash and cash equivalents represent cash on hand, cash due from financial institutions and certificates of deposit with less than 90 days original maturity.
- (d) **Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (e) **Basis of Accounting**—The financial statements of Florida School Music Association, Incorporated have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.
- (f) **Basis of Presentation**—Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- (g) **Deferred Revenues**—Income from membership dues is deferred and recognized over the periods to which they relate.
- (h) **Furniture and Equipment**—Furniture and equipment with a value greater than \$500 and an estimated useful life of at least one year are recorded at cost when purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. Depreciation expense for the years ended June 30, 2003 and 2002 was \$4,126 and \$3,194, respectively.
- (i) **Accounts Receivable**—Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

(2) **Concentrations of Credit Risk:**

The more significant concentrations of credit risk are as follows:

(a) **Demand and Time Deposits**—The Association has demand and time deposits with financial institutions. The Association has no policy requiring collateral or other security to support its deposits, although all demand and time deposits with financial institutions are insured under FDIC or related insurance protection. At June 30, 2003, the Company's uninsured cash balances under FDIC protection were \$144,519.

(b) **Receivables**—The Association has no policy requiring collateral or other security to support its receivables.

(3) **Pension Plan:**

The Association sponsors a defined contribution plan that covers all full-time employees. The Association annually contributes 10% of eligible employees' salaries to the plan. Pension expense for the years ended June 30, 2003 and 2002 was \$6,160 and \$6,998, respectively.

(4) **Operating Lease:**

The Association leases computer equipment under various operating leases expiring in 2006. Minimum future rental payments under this non-cancelable operating lease having remaining terms in excess of one year as of June 30, 2003 are:

Year Ended June 30,	Amount
2004	\$ 4,593
2005	4,100
2006	1,294
2007	-
2008	-
Total minimum future rental payments	\$ 9,987

(5) **Reclassification:**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.