

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED

TABLE OF CONTENTS

JUNE 30, 2005 AND 2004

Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 6

E&M Ethridge & Miller, PC
Certified Public Accountants

2255 Cumberland Parkway, Bldg. 1500
Atlanta, GA 30339
Tel: 770.437.0044
Fax: 770.437.8030
Toll Free: 1.877.437.0044
email: cpa@ethridgemiller.com

1017 Summerbrooke Drive
Tallahassee, FL 32312
Tel: 850.508.7587
Fax: 850.906.9707

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Florida School Music Association, Incorporated

We have audited the statements of financial position of Florida School Music Association, Incorporated as of June 30, 2005 and 2004 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 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 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 audit provides 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, 2005 and 2004 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.

Ethridge & Miller, P.C.

Tallahassee, Florida
August 10, 2005

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 1.c.)	\$ 383,262	\$ 354,451
Accounts receivable (Note 1.i.)	23,997	11,209
Prepaid expenses	<u>4,411</u>	<u>5,085</u>
Total current assets	<u>411,670</u>	<u>370,745</u>
Furniture and equipment		
Furniture and equipment (Note 1.h.)	23,986	21,783
Less: accumulated depreciation	<u>(18,072)</u>	<u>(15,915)</u>
Net furniture and equipment	<u>5,914</u>	<u>5,868</u>
Total Assets	<u>\$ 417,584</u>	<u>\$ 376,613</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 16,640	\$ 4,181
Deferred revenues (Note 1.g.)	108,611	96,709
Deposits due to districts	<u>185,921</u>	<u>185,155</u>
Total current liabilities	311,172	286,045
Net assets, unrestricted	<u>106,412</u>	<u>90,568</u>
Total Liabilities and Net Assets	<u>\$ 417,584</u>	<u>\$ 376,613</u>

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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Dues	\$ 262,694	\$ 266,625
Component fees	11,209	-
Administrative fees	9,291	515
Interest and other	<u>3,148</u>	<u>6,035</u>
Total revenues	<u>286,342</u>	<u>273,175</u>
 Expenses		
Personnel	155,591	138,019
Board and committees	16,202	17,917
Office	38,002	38,298
Professional services	4,875	6,705
Component support	52,299	46,637
Publication and communication	-	4,000
Depreciation	<u>3,529</u>	<u>3,869</u>
Total expenses	<u>270,498</u>	<u>255,445</u>
 Increase in unrestricted net assets	 15,844	 17,730
 Unrestricted net assets, beginning of year	 <u>90,568</u>	 <u>72,838</u>
 Unrestricted net assets, end of year	 <u>\$ 106,412</u>	 <u>\$ 90,568</u>

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, 2005 AND 2004
 Increase (Decrease) in Cash and Cash Equivalents

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Cash received from members and others	\$ 295,106	\$ 283,706
Cash paid to suppliers and employees	(265,660)	(227,697)
Interest received	<u>3,138</u>	<u>895</u>
Net cash provided by operating activities	<u>32,584</u>	<u>56,904</u>
Cash flows from investing activities		
Purchases of equipment	<u>(3,773)</u>	<u>-</u>
Increase in cash and cash equivalents	28,811	56,904
Cash and cash equivalents, beginning of year	<u>354,451</u>	<u>297,547</u>
Cash and cash equivalents, end of year	<u>\$ 383,262</u>	<u>\$ 354,451</u>
 Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	<u>\$ 15,844</u>	<u>\$ 17,730</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Increase (decrease) in accounts payable and accrued expenses	12,459	(1,188)
(Increase) decrease in prepaid expenses	674	(139)
Increase in deferred revenues	11,902	16,635
Increase in accounts receivable	(12,788)	(5,209)
Loss on disposal of equipment	198	-
Depreciation	3,529	3,869
Increase in deposits due to districts	<u>766</u>	<u>25,206</u>
Total adjustments	<u>16,740</u>	<u>39,174</u>
Net cash provided by operating activities	<u>\$ 32,584</u>	<u>\$ 56,904</u>

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

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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 managements 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, 2005 and 2004, was \$3,529 and \$3,869, 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, 2005 AND 2004
(Continued)

2. Concentration of Credit Risk:

Receivables – The Association has no policy requiring collateral or other security to support its receivables.

3. Retirement Benefits:

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. Retirement benefits contributed for the years ended June 30, 2005 and 2004 was \$9,166 and \$8,232, respectively.

4. Operating Leases:

The Association leases computer equipment under various operating leases expiring in 2007. Minimum future rental payments under this non-cancelable operating lease having remaining terms of excess of one year as of June 30, 2005 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 4,683
2007	1,977
2008	-
2009	-
2010	-
Total minimum future rental payments	<u>\$ 6,660</u>

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.