

**FLORIDA SCHOOL MUSIC
ASSOCIATION, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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

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, 2007 and 2006, 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 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 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, 2007 and 2006, 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., P.L.

Tallahassee, Florida
September 4, 2007

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 254,501	\$ 264,786
Certificate of deposit	94,936	88,888
Accounts receivable		215
Prepaid expenses	4,249	4,897
Total current assets	353,686	358,786
Furniture and equipment		
Furniture and equipment	8,837	8,837
Less: accumulated depreciation	7,077	5,870
Total furniture and equipment	1,760	2,967
Total Assets	\$ 355,446	\$ 361,753
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Deferred revenues	\$ 92,613	\$ 100,370
Deposits due to districts	147,956	157,710
Total current liabilities	240,569	258,080
Net assets, unrestricted	114,877	103,673
Total Liabilities and Net Assets	\$ 355,446	\$ 361,753

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, 2007 AND 2006

BUDGETED OPERATIONS	<u>2007</u>	<u>2006</u>
Revenues		
Dues	\$ 299,075	\$ 282,731
Interest and other	28,401	13,397
Total revenues	<u>327,476</u>	<u>296,128</u>
 Expenses		
Personnel	195,013	182,703
Committees and board	16,937	10,790
Office	34,954	38,262
Professional services	6,747	5,565
Component support	61,414	47,793
Publication and communication	-	1,074
Depreciation	1,207	2,682
Total expenses	<u>316,272</u>	<u>288,869</u>
 Increase in unrestricted net assets from budgeted operations	<u>11,204</u>	<u>7,259</u>
 UNBUDGETED OPERATIONS		
Lobbying expense (Note 3)	-	(10,000)
 Increase (decrease) in unrestricted net assets	<u>11,204</u>	<u>(2,741)</u>
 Net assets, unrestricted, beginning of year	103,673	106,414
 Net assets, unrestricted, end of year	<u>\$ 114,877</u>	<u>\$ 103,673</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, 2007 AND 2006
Increase (Decrease) in Cash and Cash Equivalents

	2007	2006
Cash flows from operating activities		
Cash received from members and others	\$ 296,879	\$ 276,940
Cash paid to suppliers and employees	(314,417)	(313,048)
Interest received	13,301	6,519
Net cash used in operating activities	(4,237)	(29,589)
 Cash flows from investing activities		
Purchase of certificate of deposit	(6,048)	(88,887)
 Decrease in cash and cash equivalents	(10,285)	(118,476)
 Cash and cash equivalents, beginning of year	264,786	383,262
 Cash and cash equivalents, end of year	\$ 254,501	\$ 264,786
 Reconciliation of increase (decrease) in net assets to net cash used in operating activities		
Increase (decrease) in net assets	\$ 11,204	\$ (2,741)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	1,207	2,682
Decrease in accounts payable and accrued expenses	-	(16,639)
(Increase) decrease in prepaid expenses	648	(486)
Decrease in deferred revenues	(7,757)	(8,240)
Decrease in receivables	215	23,782
Loss on disposal of equipment	-	264
Decrease in deposits due to districts	(9,754)	(28,211)
Total adjustments	(15,441)	(26,848)
 Net cash used in operating activities	\$ (4,237)	\$ (29,589)

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

FLORIDA SCHOOL MUSIC ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

(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 in the State of Florida.

(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 and registrations 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, which is five years. Depreciation expense for the years ended June 30, 2007 and 2006 was \$1,207 and \$2,682, 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, 2007 AND 2006

(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 one financial institution. 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.

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

(3) **Lobbying Expense:**

Included in the Statement of Activities for the year ended June 30, 2006 is \$10,000 of unbudgeted lobbying expenses. This amount was unbudgeted and was paid from beginning of year unrestricted net assets, as approved on January 30, 2006, by the Board of Directors.