

INTERNATIONAL HORN SOCIETY

(An Illinois Nonprofit Corporation)

COMPILED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(With comparative totals for the year ended December 31, 2016)

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
International Horn Society
300 S. Wacker Dr., Suite 1700
Chicago, IL 60606

Management is responsible for the accompanying financial statements of International Horn (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, statement of changes in net assets and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Report on Summarized Comparative Information

We have previously compiled the International Horn Society 2016 financial statements in our report dated August 28, 2017. The summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the financial statements from which it has been derived.

Carbonaro CPAs & Management Group

Wailuku, HI
June 15, 2018

International Horn Society

Statements of Financial Position
As of December 31, 2017 and 2016

	ASSETS	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 267,908	\$ 273,678
Accounts Receivable	525	7,916
Prepaid Expenses	25	-
Inventory	6,990	8,004
	<u>275,448</u>	<u>289,598</u>
Total Current Assets		
	<u>275,448</u>	<u>289,598</u>
TOTAL ASSETS	<u>\$ 275,448</u>	<u>\$ 289,598</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts Payable	\$ 701	\$ 27,300
Related Party Loan (Note 7)	2,200	-
	<u>2,901</u>	<u>27,300</u>
TOTAL LIABILITIES	<u>2,901</u>	<u>27,300</u>
NET ASSETS (Note 3)		
Unrestricted	48,267	65,501
Temporarily Restricted		
Scholarships and Commission Initiatives	96,440	97,737
Friendship	21,966	21,966
Advanced Memberships	105,874	77,094
	<u>224,280</u>	<u>196,797</u>
Total Temporarily Restricted		
	<u>272,547</u>	<u>262,298</u>
TOTAL NET ASSETS	<u>272,547</u>	<u>262,298</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 275,448</u>	<u>\$ 289,598</u>

International Horn Society

Statement of Activities

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

REVENUE	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Dues	\$ -	\$ 112,858	\$ 112,858	\$ 93,234
Advertising	65,613		65,613	72,525
Workshop Income	17,315		17,315	21,794
Manuscript Revenue	7,153		7,153	6,743
Major Commission Initiative Fund		1,475	1,475	2,650
General Donations and Support	1,050		1,050	3,227
Net Investment Income	672	375	1,047	1,012
Scholarship		803	803	4,135
Royalties	341		341	631
Merchandise Sales	252		252	2,682
Other Income	70		70	495
Composition Registration	-		-	2,050
Publication Sales	-		-	75
Released from Restriction	88,028	(88,028)	-	-
Total Revenue	180,494	27,483	207,977	211,253
EXPENSES				
Contract Labor	54,807		54,807	55,431
Printing	47,264		47,264	48,025
International Workshop	26,462		26,462	2,536
Postage Freight	21,729		21,729	21,713
Travel	11,530		11,530	4,015
Commission Assistance	8,350		8,350	9,500
Bank Fees	5,553		5,553	4,917
Regional Workshops	4,800		4,800	6,000
Scholarships	3,950		3,950	3,750
Professional Services	3,023		3,023	4,650
MD Expense	2,556		2,556	3,779
Composition Contest	2,504		2,504	1,500
Archive Expense	1,851		1,851	1,800
Web Site Expenses	1,360		1,360	1,086
Miscellaneous	958		958	999
Manuscript Expense and Royalties	405		405	265
Office Expenses	371		371	456
Copyright Fees	255		255	255
Thesis Lending	-		-	101
Total Expenses	197,728	-	197,728	170,778
Change in Net Assets	\$ (17,234)	\$ 27,483	\$ 10,249	\$ 40,475

International Horn Society

Statements of Change in Net Assets
For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Assets</u>
Net Assets, December 31, 2015	\$ 30,268	\$ 191,555	\$ 221,823
Change in Net Assets	35,233	5,242	40,475
Net Assets, December 31, 2016	\$ 65,501	\$ 196,797	\$ 262,298
Change in Net Assets	(17,234)	27,483	10,249
Net Assets, December 31, 2017	<u>\$ 48,267</u>	<u>\$ 224,280</u>	<u>\$ 272,547</u>

International Horn Society

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 10,249	\$ 40,475
Adjustments to reconcile excess revenue over expenses to net cash provided (used) by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	7,391	(7,916)
Prepaid Expenses	(25)	-
Inventory	1,014	(828)
(Decrease) increase in operating liabilities:		
Accounts payable	<u>(26,599)</u>	<u>27,147</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(7,970)	58,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of Certified of Deposit	-	24,606
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Related Party Loan	2,200	-
NET (DECREASE) INCREASE IN CASH	<u>(5,770)</u>	<u>83,484</u>
CASH AT BEGINNING OF YEAR	<u>273,678</u>	<u>190,194</u>
CASH AT END OF YEAR	<u><u>\$ 267,908</u></u>	<u><u>\$ 273,678</u></u>

International Horn Society

Notes to the Financial Statements

December 31, 2017

Note 1. ORGANIZATION

International Horn Society (the Organization) is a State of Illinois private nonprofit agency incorporated in August 1977 to promote musical education with particular references to the horn. The By-Laws of the International Horn Society dictate that membership in the Society shall be open to all persons and institutions with a special interest in the horn. In an effort to promote the Organization, International Horn Society publishes The Horn Call, a newsletter, and other information for those with a special interest in the horn. The Organization also awards scholarships and commissions and sponsors workshops promoting the horn.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting: International Horn Society uses the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Income Taxes: International Horn Society is exempt from income taxes under *Internal Revenue Code Section 501 (c)(3)*. Accordingly, no provision for income taxes is made in the statements of activities and financial position.

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2017, the Organization has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014.

Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase. Cash equivalents consist of checking accounts and money market accounts.

Concentration of Credit Risk: The Organization maintains cash balances in banks and investment companies. These balances are insured by the Federal Deposit Insurance Corporation and the Security Investor Protection Corporation. As of December 31, 2017, the Organization did not exceed the federally insured limit.

Accounts Receivable: Management reviews receivables on a periodic basis to determine if an allowance for doubtful accounts is necessary based on past collection history and the current composition of the accounts receivable balance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction to bad debt expense when received.

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.

International Horn Society

Notes to the Financial Statements

December 31, 2017

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Policies: Management expenses all advertising costs as incurred. Advertising expense for 2017 and 2016 were \$46 and \$1,948, respectively.

Note 3. NET ASSETS

International Horn Society has conformed to *FASB ASC 958-210-45-9* "Not-for-Profit Entities, Classifications of Net Assets". Accordingly, 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. As of December 31, 2017, there were no permanently restricted net assets.

Temporarily restricted net assets represent restricted funds received from foundations and donors for which the restriction had not been yet fulfilled as of December 31, 2017. Temporarily restricted net assets equaled \$224,280 and \$196,797 as of December 31, 2017 and 2016 respectively.

Changes in the temporarily restricted net asset account for the year ended December 31, 2017 follow:

	Membership Dues	Scholarships	Friendship Fund	MCI Fund	Life Memberships	Total
Balance at December 31, 2016	\$ 26,492	\$ 95,072	\$ 21,966	\$ 2,665	\$ 50,602	\$ 196,797
Membership Dues	83,108	-	-	-	29,750	112,858
Major Commission Initiative	-	-	-	1,475	-	1,475
Interest Allocation	-	357	-	18	-	375
Lawson Scholarship	-	290	-	-	-	290
Hawkings Scholarship	-	250	-	-	-	250
General Scholarship	-	113	-	-	-	113
Farkas Scholarship	-	100	-	-	-	100
Mansur Scholarship	-	50	-	-	-	50
Released from Restrictions	<u>(78,076)</u>	<u>(3,950)</u>	<u>-</u>	<u>-</u>	<u>(6,002)</u>	<u>(88,028)</u>
Balance at December 31, 2017	<u>\$ 31,524</u>	<u>\$ 92,282</u>	<u>\$ 21,966</u>	<u>\$ 4,158</u>	<u>\$ 74,350</u>	<u>\$ 224,280</u>

Note 4. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2018 the date the financial statements were available to be issued.

International Horn Society

Notes to the Financial Statements

December 31, 2017

Note 5. DONATED SERVICES

According to *FASB's ASC 958-605-30-10* "Revenue Recognition of Contributed Services, contributions of donated services that create or enhance non-financial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended December 31, 2017, the Organization estimates the value of these services to be \$51,701.

Note 6. FUNCTIONAL EXPENSES

The International Horn Society allocates expenses on a functional basis among three categories: direct program services, management and general, and fundraising. Most expenses are allocated directly to the program or support services benefited. Certain expenses are allocated using a percentage base. The allocation at December 31, 2017, is as follows:

Direct Program Services	\$ 153,419
Management and General	43,809
Fundraising	<u>500</u>
Total Expenses	<u>\$ 197,728</u>

Note 7. RELATED PARTY LOAN

During the year ending December 31, 2017, the Executive Director loaned the Organization \$2,200. There is no interest associated with the loan which is expected to be repaid in the subsequent year. The Board of Directors is aware of the transaction.