

**THE COLLEGE MUSIC SOCIETY**

**COMPILED FINANCIAL STATEMENTS**

**JULY 31, 2014**



**Junkermier • Clark**

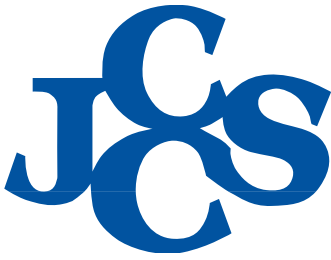
**Campanella • Stevens • P.C.**

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Certified Public Accountants and Business Advisors

**THE COLLEGE MUSIC SOCIETY  
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Certified Public Accountants and Business Advisors

## **INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**Board of Directors  
The College Music Society  
Missoula, Montana**

We have compiled the accompanying statement of financial position of The College Music Society (a not-for-profit organization) as of July 31, 2014, and the related statements of activities and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Missoula, Montana  
October 7, 2014

**THE COLLEGE MUSIC SOCIETY**  
**(A Not-for-Profit Organization)**  
**STATEMENT OF FINANCIAL POSITION**  
**July 31, 2014**

**Assets**

**Current Assets**

Cash	\$ 12,180
Accounts receivable - services	8,419
Inventory - publications	64,973
Prepaid expenses	<u>49,993</u>

**Total Current Assets** 135,565

**Property and Equipment**

Office equipment and furniture	59,573
Information systems and software	238,269
Accumulated depreciation	<u>(270,992)</u>

Total property and equipment 26,850

**Total Assets** \$ 162,415

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable - services	\$ 2,531
Prepaid sales	125
Bank line of credit	16,500
Accrued payroll taxes	15,936
Deferred income	<u>64,993</u>

**Total Current Liabilities** 100,085

**Net Assets - Unrestricted** 62,330

**Total Liabilities and Net Assets** \$ 162,415

See accompanying notes and accountants' report

**THE COLLEGE MUSIC SOCIETY**  
**(A Not-for-Profit Organization)**  
**STATEMENT OF ACTIVITIES**  
**Year Ended July 31, 2014**

<b>Income from Activities</b>	
Membership services	\$ 427,718
Professional services	173,388
Information services	522,845
Interest income	268
Other	<u>892</u>
<b>Total Activities Income</b>	<u>1,125,111</u>
<b>Expenses for Activities</b>	
<b>Programs</b>	
Membership services	158,004
Professional services	227,876
Information services	275,106
Engagement and outreach services	40,618
Career development services	<u>33,921</u>
<b>Total Program Expenses</b>	<u>735,525</u>
<b>Management and General</b>	
Board of directors and committees	47,051
Administration	50,725
Computer systems and equipment	212,107
Building rent, maintenance, and utilities	36,647
Depreciation	11,488
Interest expense	<u>273</u>
<b>Total Management and General Expenses</b>	<u>358,291</u>
<b>Total Activities Expense</b>	<u>1,093,816</u>
<b>Change in Net Assets - Unrestricted</b>	31,295
<b>Net Assets - Beginning of Year - Unrestricted</b>	<u>31,035</u>
<b>Net Assets - End of Year - Unrestricted</b>	<u>\$ 62,330</u>

See accompanying notes and accountants' report

**THE COLLEGE MUSIC SOCIETY**  
**(A Not-for-Profit Organization)**  
**STATEMENT OF CASH FLOWS**  
**Year Ended July 31, 2014**

<b>Cash Flows From Operating Activities</b>	
Cash received from members, meetings, institutes and services	\$ 1,126,257
Cash paid to suppliers and staff	(1,122,876)
Interest received	1,068
Interest paid	<u>(273)</u>
<b>Net Cash Flows From Operating Activities</b>	<u>4,176</u>
 <b>Cash Flows From Investing Activities</b>	
Purchase of information software	<u>(1,509)</u>
<b>Net Cash Flows From Investing Activities</b>	<u>(1,509)</u>
 <b>Cash Flows From Financing Activities</b>	
Proceeds from bank line of credit	31,500
Payments on bank line of credit	<u>(216,665)</u>
<b>Net Cash Flows From Financing Activities</b>	<u>(185,165)</u>
<b>Net Change in Cash</b>	(182,498)
<b>Cash at Beginning of Year</b>	<u>194,678</u>
<b>Cash at End of Year</b>	<u><u>\$ 12,180</u></u>
 <b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</b>	
Change in Net Assets - Unrestricted	\$ 31,295
Depreciation	11,488
Changes in Assets and Liabilities	
Accounts receivable	(2,944)
Inventory	(2,888)
Accrued interest receivable	800
Prepaid expenses	(32,562)
Accounts payable and accrued liabilities	<u>(1,013)</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ 4,176</u></u>

See accompanying notes and accountants' report

**THE COLLEGE MUSIC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2014**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The College Music Society (the Society) is a not-for-profit organization dedicated to serving its members, higher education, and the music profession in several ways including:

- Dissemination of information through publications, journals, proceedings, reports, recorded music, newsletters, and the Internet.
- Sponsorship of institutes for academicians to consider curriculum and teaching issues.
- Sponsorship of conferences to enhance information sharing.
- Appointment and support of committees to conduct projects and studies.

The Society provides information services through its extensive databases of music professionals, organizations and academic institutions. The Society provides information concerning employment opportunities for music professionals in higher education.

The accounting records for the Society are maintained on the accrual basis. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

The Society maintains the cash accounts for all nine of the regional chapters. Their income and expenses are included in the statement of activities.

The Society's main sources of income are membership dues, professional services, and information services.

All of the net assets of the Society are unrestricted as to use by its members or others.

Estimates

Preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

Inventories

The Society has inventories consisting of publications. Inventories are carried at cost which is lower than market.

Property and Equipment

The Society capitalized all property and equipment acquisitions in excess of \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Depreciation is computed using the straight-line method over the useful lives of the individual assets, ranging from 3 to 5 years for office equipment and furniture, and information systems and software.

**THE COLLEGE MUSIC SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2014**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Society's Federal Return of Organization Exempt From Income Tax (Form 990) is open for examination by taxing authorities, generally, for three years after the due date of the return or the date the return was filed, whichever is later.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Delinquent Accounts Receivable

All invoices of the Society are presented as "due upon receipt." All aged accounts over 30 days will accrue at an interest rate of 18% annually. Invoices older than 180 days are sent to a collection agency and written off. Based on historical collection activity, no allowance is deemed necessary by management.

Shipping Costs

Shipping and handling fees billed to customers are recorded as sales while the related shipping and handling costs are included in information services expense.

**NOTE 2 -- CASH**

Cash consists of:

Checking Account	\$ 8,645
Savings Account	<u>3,535</u>
Total	<u><u>\$ 12,180</u></u>

At times during the year, the Society may have deposits with financial institutions in excess of the FDIC insured limit.



**THE COLLEGE MUSIC SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2014**

**NOTE 3 -- BANK LINE OF CREDIT**

The Society has a revolving credit agreement with First Interstate Bank to support its operations and enhance working capital. The line of credit is unsecured under this agreement with maximum credit limit of \$75,000. As of July 31, 2014, the outstanding balance was \$16,500 with monthly interest only payments due on the 1st of each month. Interest on the line of credit is variable based on the Wall Street Journal Prime Rate plus 3.25% (6.50% at July 31, 2014) with a maturity of May 1, 2015. Management expects to renew the line of credit under similar terms upon expiration.

**NOTE 4 -- LEASE OBLIGATIONS**

The Society leases its premises under an operating lease, which expires September 30, 2017. Current monthly rental payments amount to \$2,300. The rent will increase to \$2,500 on October 1, 2014 and remain at that rate until the lease expires. The Society is responsible for insurance and repairs, except for repairs related to plumbing and heating. Total rent expense under this operating lease for the year ended July 31, 2014, was \$27,600. Future minimum rental payments required under the operating lease are as follows:

Year Ended

2015	\$ 29,600
2016	30,000
2017	30,000
2018	<u>5,000</u>
<b>Total</b>	<u><u>\$ 94,600</u></u>

**NOTE 5 -- EMPLOYEE RETIREMENT BENEFIT PLAN**

The Society provides a defined contribution individual retirement benefit plan. All full-time employees are eligible on the first day of the first month of service. The participants contribute through a salary reduction election in accordance with applicable laws and regulations. The Society pays 10% of each participant's annual salary to a 403(b) retirement plan. The total employer contributions were \$53,136 during the year ended July 31, 2014.

**NOTE 6 -- SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 7, 2014, the date on which the financial statements were available to be issued.