

THE COLLEGE MUSIC SOCIETY

COMPILED FINANCIAL STATEMENTS

JULY 31, 2013



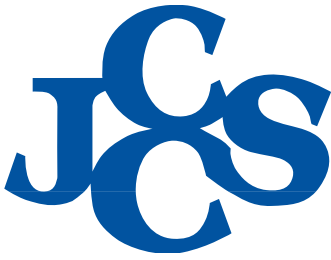
Junkermier • Clark

Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

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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, 2013, 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
November 1, 2013

THE COLLEGE MUSIC SOCIETY
(A Not-for-Profit Organization)
STATEMENT OF FINANCIAL POSITION
July 31, 2013

Assets

Current Assets

Cash	\$ 194,678
Accounts receivable - services	5,475
Inventory - publications	62,085
Accrued interest receivable	800
Prepaid expenses	<u>17,431</u>

Total Current Assets 280,469

Property and Equipment

Office equipment and furniture	59,573
Information systems and software	236,760
Accumulated depreciation	<u>(259,504)</u>

Total property and equipment 36,829

Total Assets \$ 317,298

Liabilities and Net Assets

Current Liabilities

Accounts payable - services	\$ 8,593
Bank line of credit	201,665
Accrued payroll taxes	15,370
Deferred income	<u>60,635</u>

Total Liabilities 286,263

Net Assets - Unrestricted 31,035

Total Liabilities and Net Assets \$ 317,298

See accompanying notes and accountants' report

THE COLLEGE MUSIC SOCIETY
(A Not-for-Profit Organization)
STATEMENT OF ACTIVITIES
Year Ended July 31, 2013

Income from Activities	
Membership services	\$ 429,918
Professional services	357,157
Information services	494,130
Interest income	89
Other	<u>837</u>
Total Activities Income	<u>1,282,131</u>
Expenses for Activities	
Programs	
Membership services	192,673
Professional services	462,120
Information services	293,496
Engagement and outreach services	91,861
Career development services	34,923
Strategic plan initiatives	<u>2,126</u>
Total Program Expenses	<u>1,077,199</u>
Management and General	
Board of directors and committees	86,448
Administration	57,423
Computer systems and equipment	210,783
Building rent, maintenance, and utilities	33,455
Depreciation	10,629
Interest expense	<u>3,157</u>
Total Management and General Expenses	<u>401,895</u>
Total Activities Expense	<u>1,479,094</u>
Change in Net Assets - Unrestricted	(196,963)
Net Assets - Beginning of Year - Unrestricted	<u>227,998</u>
Net Assets - End of Year - Unrestricted	<u><u>\$ 31,035</u></u>

See accompanying notes and accountants' report

THE COLLEGE MUSIC SOCIETY
(A Not-for-Profit Organization)
STATEMENT OF CASH FLOWS
Year Ended July 31, 2013

Cash Flows From Operating Activities	
Cash received from members, meetings, institutes and services	\$ 1,268,666
Cash paid to suppliers and staff	(1,417,497)
Interest received	89
Interest paid	<u>(1,992)</u>
Net Cash Flows From Operating Activities	<u>(150,734)</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(7,824)
Purchase of information software	<u>(8,502)</u>
Net Cash Flows From Investing Activities	<u>(16,326)</u>
Cash Flows From Financing Activities	
Proceeds from bank line of credit	292,500
Payments on bank line of credit	<u>(117,000)</u>
Net Cash Flows From Financing Activities	<u>175,500</u>
Net Increase in Cash	8,440
Cash at Beginning of Year	<u>186,238</u>
Cash at End of Year	<u><u>\$ 194,678</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Change in Net Assets - Unrestricted	\$ (196,963)
Depreciation	10,629
Changes in Assets and Liabilities	
Accounts receivable	304
Prepaid expenses	37,540
Inventory	(10,226)
Accrued interest payable	1,165
Accounts payable and accrued liabilities	<u>6,817</u>
Net Cash Flows From Operating Activities	<u><u>\$ (150,734)</u></u>

See accompanying notes and accountants' report

**THE COLLEGE MUSIC SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013**

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 profit and loss statement.

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, 2013**

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. 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	\$ 15,144
Savings Account	1,481
Certificates of Deposit	<u>178,053</u>
Total	<u>\$ 194,678</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, 2013

NOTE 3 -- BANK LINE OF CREDIT

The Society has a revolving credit agreement with First Interstate Bank. Short-term borrowings are used by the Society to support its operations and enhance working capital. The Society has certificates of deposit which collateralize borrowings under this agreement. Maximum borrowings under this line of credit are \$225,000. As of July 31, 2013, \$201,665 was outstanding on this line of credit. The required monthly payments are interest only, which are due on the 1st of each month. Interest on the line of credit is variable based on Wall Street Journal Prime Rate plus 1%. The rate on the line of credit at July 31, 2013 was 5.30%, and matures on May 1, 2014. It is expected to renew under similar terms.

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, 2013, was \$27,000. Future minimum rental payments required under the operating lease are as follows:

Year Ended

2014	\$ 27,600
2015	29,600
2016	30,000
2017	30,000
2018	<u>5,000</u>
Total	<u><u>\$ 122,200</u></u>

NOTE 5 -- EMPLOYEE RETIREMENT BENEFIT PLAN

The Society provides a defined contribution individual retirement benefit plan. All Society 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 \$53,135 for the year ended July 31, 2013.

NOTE 6 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2013, the date on which the financial statements were available to be issued.