
Music Teachers National Association, Inc.

Consolidated Financial Statements

And

Additional Financial Information

June 30, 2008 and 2007

With Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Music Teachers National Association, Inc.:

We have audited the accompanying consolidated statements of financial position of Music Teachers National Association, Inc. (a not-for-profit Corporation) as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Music Teachers National Association, Inc. as of June 30, 2008 and 2007, 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.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedules on pages 8 - 11 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 30, 2008

105 east fourth street, ste. 1500
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Music Teachers National Association, Inc.
Consolidated Statements of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 830,326	880,965
Investments at fair value	2,043,355	2,222,936
Accounts receivable	23,254	33,165
Inventory	6,918	8,440
Prepaid expenses	27,520	26,522
Property and equipment, net	25,333	44,214
Deposits	<u>420</u>	<u>420</u>
Total assets	\$ <u>2,957,126</u>	<u>3,216,662</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 3,082	20,936
Due to state and local affiliates	173,988	176,123
Accrued expenses	47,015	48,182
Deferred revenue	<u>900,090</u>	<u>816,856</u>
Total liabilities	<u>1,124,175</u>	<u>1,062,097</u>
Net assets:		
Unrestricted	899,554	1,110,507
Unrestricted - Board designated	584,136	659,001
Temporarily restricted	<u>349,261</u>	<u>385,057</u>
Total net assets	<u>1,832,951</u>	<u>2,154,565</u>
Total liabilities and net assets	\$ <u>2,957,126</u>	<u>3,216,662</u>

See accompanying notes to financial statements

Music Teachers National Association, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Membership dues	\$ 1,235,261	-	1,235,261	1,205,732	-	1,205,732
Subscription and advertising	233,206	-	233,206	253,618	-	253,618
Less direct costs	(207,992)	-	(207,992)	(194,076)	-	(194,076)
Conferences and competitions	602,785	-	602,785	612,265	-	612,265
Less direct costs	(614,807)	-	(614,807)	(785,241)	-	(785,241)
Contributions	137,986	17,249	155,235	121,687	25,499	147,186
Loss on disposal of property and equipment	(14,981)	-	(14,981)	-	-	-
Other	144,144	-	144,144	132,441	-	132,441
Interest and dividends	66,470	10,766	77,236	51,369	8,751	60,120
Unrealized gain (loss) on investments	(192,673)	(38,629)	(231,302)	174,159	36,864	211,023
Realized gain on investments	22,145	6,133	28,278	38,121	11,639	49,760
Released from restrictions	31,315	(31,315)	-	11,619	(11,619)	-
	<u>1,442,859</u>	<u>(35,796)</u>	<u>1,407,063</u>	<u>1,621,694</u>	<u>71,134</u>	<u>1,692,828</u>
Expenses:						
Salaries and wages	827,346	-	827,346	784,890	-	784,890
Payroll taxes	53,566	-	53,566	53,713	-	53,713
Employee benefits	95,608	-	95,608	94,581	-	94,581
Rent and utilities	131,809	-	131,809	144,099	-	144,099
Travel and entertainment	105,345	-	105,345	133,872	-	133,872
Newsletters and mailings	41,343	-	41,343	32,228	-	32,228
Membership retention	38,176	-	38,176	56,586	-	56,586
Insurance	24,383	-	24,383	23,361	-	23,361
Office supplies and postage	35,311	-	35,311	22,743	-	22,743
Information services	64,360	-	64,360	103,405	-	103,405
Telephone	11,548	-	11,548	9,950	-	9,950
Professional fees	31,679	-	31,679	21,640	-	21,640
Bank charges	54,080	-	54,080	32,026	-	32,026
Depreciation	19,133	-	19,133	25,692	-	25,692
Grants and awards	108,666	-	108,666	111,129	-	111,129
Other	86,324	-	86,324	75,433	-	75,433
	<u>1,728,677</u>	<u>-</u>	<u>1,728,677</u>	<u>1,725,348</u>	<u>-</u>	<u>1,725,348</u>
Change in net assets	(285,818)	(35,796)	(321,614)	(103,654)	71,134	(32,520)
Net assets:						
Beginning of year	<u>1,769,508</u>	<u>385,057</u>	<u>2,154,565</u>	<u>1,873,162</u>	<u>313,923</u>	<u>2,187,085</u>
End of year	<u>\$ 1,483,690</u>	<u>349,261</u>	<u>1,832,951</u>	<u>1,769,508</u>	<u>385,057</u>	<u>2,154,565</u>

See accompanying notes to financial statements

Music Teachers National Association, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (321,614)	(32,520)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	19,133	25,692
Loss on disposal of property and equipment	14,981	-
Unrealized (gain) loss on investments	231,302	(211,023)
Realized gain on sale of investments	(28,278)	(49,760)
Effect of change in operating assets and liabilities:		
Accounts receivable	9,911	140
Inventory	1,522	(1,821)
Prepaid expenses and deposits	(998)	(5,466)
Accounts payable	(17,854)	14,364
Due to state and local affiliates	(2,135)	88,387
Accrued expenses	(1,167)	4,386
Deferred revenue	<u>83,234</u>	<u>(42,157)</u>
Net cash used by operating activities	<u>(11,963)</u>	<u>(209,778)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(15,233)	(14,471)
Proceeds received from sale of investments	687,014	1,141,398
Purchases of investments	<u>(710,457)</u>	<u>(1,161,219)</u>
Net cash used by investing activities	<u>(38,676)</u>	<u>(34,292)</u>
Change in cash and cash equivalents	(50,639)	(244,070)
Cash and cash equivalents - beginning of year	<u>880,965</u>	<u>1,125,035</u>
Cash and cash equivalents - end of year	\$ <u>830,326</u>	<u>880,965</u>

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Music Teachers National Association, Inc. (the "Association"), are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Nature of operations

The Association promotes the professional growth and development of its members, furthering the art of music by providing programs that encourage and support teaching, performance, composition and scholarly research.

Principles of consolidation

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets of the Association and its former corporate entity, which has been renamed, MTNA Certification Program. All inter-organizational accounts and transactions have been eliminated.

Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial statement presentation

The Association is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions which do not expire. The Association has no permanently restricted net assets at June 30, 2008 and 2007.

Temporarily restricted contributions and investment income are reported as unrestricted if the restriction is met during the same period.

Income taxes

For Federal tax purposes, the Association is an exempt organization under Section 501(c)(3) of the Internal Revenue Code but is subject to tax on its unrelated business income.

In addition, the Association was formerly organized under Section 501(c)(6) of the Internal Revenue Code. All of the assets except \$50,000 were transferred from the 501(c)(6) organization, now named MTNA Certification Program, into the 501(c)(3) organization. MTNA Certification Program is used strictly for certification and its financial position and results of operations have been consolidated with the Association in these financial statements.

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

The Association maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Allowance for doubtful accounts

The Association extends credit to various customers for use of mailing lists and advertising. On a periodic basis, the Association evaluates its accounts receivable and establishes an allowance, based on a history of past write-offs and collections and current credit conditions. All accounts receivable are deemed fully collectible by management. Therefore, no allowance for doubtful accounts is necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Inventory

Inventory, consisting principally of merchandise for resale to members and the general public, is stated at cost.

Property and depreciation

Property and equipment is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Deferred revenue

Membership dues that have been collected for future periods have been recorded as deferred revenue.

Due to affiliates

Amounts due to affiliates represent membership dues collected by the Association on behalf of its 50 states and over 500 local affiliates.

2. INVESTMENTS:

The Association's investments consisted of the following at June 30:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market investments	\$ 35,548	35,548	21,870	21,870
Mutual funds	1,949,073	1,908,111	1,826,889	1,983,141
Equities	<u>103,059</u>	<u>99,696</u>	<u>187,200</u>	<u>217,925</u>
	<u>\$ 2,087,680</u>	<u>2,043,355</u>	<u>2,035,959</u>	<u>2,222,936</u>

3. PROPERTY AND EQUIPMENT:

Property and equipment at June 30 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 209,618	233,300
Less accumulated depreciation	<u>(184,285)</u>	<u>(189,086)</u>
	<u>\$ 25,333</u>	<u>44,214</u>

4. RETIREMENT PLAN:

The Association offers a voluntary participation 401(k) retirement plan to its employees. All employees of the Association are eligible to participate in the plan upon meeting certain eligibility requirements. The Association matches a certain percentage of the employee contributions. Total matching retirement contributions were \$18,676 and \$18,017 for the years ended June 30, 2008 and 2007, respectively.

5. LEASES:

The Association is under agreement to lease certain office space through November 2014. Total rent expense including common area maintenance and utilities charges for the years ended June 30, 2008 and 2007 was \$131,809 and \$144,099, respectively. The future minimum lease payments for the office lease at June 30 are as follows:

2009	\$ 110,055
2010	113,112
2011	116,508
2012	120,032
2013	123,628
Thereafter	<u>181,813</u>
	<u>\$ 765,148</u>

The Association is leasing certain office equipment under operating leases that expires through June 2013. Total lease expense included in operations for the years ended June 30, 2008 and 2007 was \$2,370 and \$4,675, respectively. Future minimum lease payments for the office equipment under these leases are as follows:

2009	\$ 10,278
2010	10,278
2011	10,278
2012	9,093
2013	<u>7,908</u>
	<u>\$ 47,835</u>

6. UNRESTRICTED – BOARD DESIGNATED NET ASSETS:

As of June 30, 2008 and 2007, the Board has designated \$584,136 and \$659,001 of net assets to be used for competition awards for students.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Teacher enrichment grants	\$ 292,632	325,815
Local association grants	34,773	34,357
Other	<u>21,856</u>	<u>24,885</u>
	<u>\$ 349,261</u>	<u>385,057</u>

Music Teachers National Association, Inc.
 Consolidating Schedule of Financial Position
 June 30, 2008

	<u>Association</u>	<u>Certification</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 804,351	25,975	830,326
Investments at fair value	2,010,976	32,379	2,043,355
Accounts receivable	23,254	-	23,254
Inventory	6,918	-	6,918
Prepaid expenses	27,283	237	27,520
Property and equipment, net	25,333	-	25,333
Deposits	<u>420</u>	<u>-</u>	<u>420</u>
 Total assets	 \$ <u>2,898,535</u>	 <u>58,591</u>	 <u>2,957,126</u>
Liabilities and net assets:			
Liabilities:			
Accounts payable	\$ 973	2,109	3,082
Due to state and local affiliates	173,988	-	173,988
Accrued expenses	47,015	-	47,015
Deferred revenue	<u>900,090</u>	<u>-</u>	<u>900,090</u>
 Total liabilities	 <u>1,122,066</u>	 <u>2,109</u>	 <u>1,124,175</u>
Net assets:			
Unrestricted	843,072	56,482	899,554
Unrestricted - Board designated	584,136	-	584,136
Temporarily restricted	<u>349,261</u>	<u>-</u>	<u>349,261</u>
 Total net assets	 <u>1,776,469</u>	 <u>56,482</u>	 <u>1,832,951</u>
 Total liabilities and net assets	 \$ <u>2,898,535</u>	 <u>58,591</u>	 <u>2,957,126</u>

Music Teachers National Association, Inc.
 Consolidating Schedule of Financial Position
 June 30, 2007

	<u>Association</u>	<u>Certification</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 845,493	35,472	880,965
Investments at fair value	2,188,261	34,675	2,222,936
Accounts receivable	33,165	-	33,165
Inventory	8,440	-	8,440
Prepaid expenses	26,522	-	26,522
Property and equipment, net	44,214	-	44,214
Deposits	<u>420</u>	<u>-</u>	<u>420</u>
Total assets	\$ <u>3,146,515</u>	<u>70,147</u>	<u>3,216,662</u>
Liabilities and net assets:			
Liabilities:			
Accounts payable	\$ 20,883	53	20,936
Due to state and local affiliates	176,123	-	176,123
Accrued expenses	48,182	-	48,182
Deferred revenue	<u>816,856</u>	<u>-</u>	<u>816,856</u>
Total liabilities	<u>1,062,044</u>	<u>53</u>	<u>1,062,097</u>
Net assets:			
Unrestricted	1,040,413	70,094	1,110,507
Unrestricted - Board designated	659,001	-	659,001
Temporarily restricted	<u>385,057</u>	<u>-</u>	<u>385,057</u>
Total net assets	<u>2,084,471</u>	<u>70,094</u>	<u>2,154,565</u>
Total liabilities and net assets	\$ <u>3,146,515</u>	<u>70,147</u>	<u>3,216,662</u>

Music Teachers National Association, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2008

	Association				
	Unrestricted	Temporarily Restricted	Total	Certification	Total
Revenues:					
Membership dues	\$ 1,235,261	-	1,235,261	-	1,235,261
Subscription and advertising	233,206	-	233,206	-	233,206
Less direct costs	(207,992)	-	(207,992)	-	(207,992)
Conferences and competitions	602,785	-	602,785	-	602,785
Less direct costs	(614,807)	-	(614,807)	-	(614,807)
Contributions	137,986	17,249	155,235	-	155,235
Loss on disposal of property and equipment	(14,981)	-	(14,981)	-	(14,981)
Other	77,642	-	77,642	66,502	144,144
Management fee	11,500	-	11,500	(11,500)	-
Interest and dividends	65,350	10,766	76,116	1,120	77,236
Unrealized loss on investments	(188,444)	(38,629)	(227,073)	(4,229)	(231,302)
Realized gain on investments	21,106	6,133	27,239	1,039	28,278
Released from restrictions	31,315	(31,315)	-	-	-
	<u>1,389,927</u>	<u>(35,796)</u>	<u>1,354,131</u>	<u>52,932</u>	<u>1,407,063</u>
Expenses:					
Salaries and wages	800,846	-	800,846	26,500	827,346
Payroll taxes	53,566	-	53,566	-	53,566
Employee benefits	95,608	-	95,608	-	95,608
Rent and utilities	131,809	-	131,809	-	131,809
Travel and entertainment	105,345	-	105,345	-	105,345
Newsletters and mailings	41,343	-	41,343	-	41,343
Membership retention	38,176	-	38,176	-	38,176
Insurance	24,383	-	24,383	-	24,383
Office supplies and postage	35,311	-	35,311	-	35,311
Information services	64,360	-	64,360	-	64,360
Telephone	11,548	-	11,548	-	11,548
Professional fees	31,679	-	31,679	-	31,679
Bank charges	54,080	-	54,080	-	54,080
Depreciation	19,133	-	19,133	-	19,133
Grants and awards	108,666	-	108,666	-	108,666
Other	46,280	-	46,280	40,044	86,324
	<u>1,662,133</u>	<u>-</u>	<u>1,662,133</u>	<u>66,544</u>	<u>1,728,677</u>
Change in net assets	(272,206)	(35,796)	(308,002)	(13,612)	(321,614)
Net assets:					
Beginning of year	<u>1,699,414</u>	<u>385,057</u>	<u>2,084,471</u>	<u>70,094</u>	<u>2,154,565</u>
End of year	<u>\$ 1,427,208</u>	<u>349,261</u>	<u>1,776,469</u>	<u>56,482</u>	<u>1,832,951</u>

Music Teachers National Association, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2007

	Association				
	Unrestricted	Temporarily Restricted	Total	Certification	Total
Revenues:					
Membership dues	\$ 1,205,732	-	1,205,732	-	1,205,732
Subscription and advertising	253,618	-	253,618	-	253,618
Less direct costs	(194,076)	-	(194,076)	-	(194,076)
Conferences and competitions	612,265	-	612,265	-	612,265
Less direct costs	(785,241)	-	(785,241)	-	(785,241)
Contributions	121,687	25,499	147,186	-	147,186
Other	69,306	-	69,306	63,135	132,441
Management fee	28,000	-	28,000	(28,000)	-
Interest and dividends	50,431	8,751	59,182	938	60,120
Unrealized gain on investments	173,832	36,864	210,696	327	211,023
Realized gain on investments	34,304	11,639	45,943	3,817	49,760
Released from restrictions	11,619	(11,619)	-	-	-
	<u>1,581,477</u>	<u>71,134</u>	<u>1,652,611</u>	<u>40,217</u>	<u>1,692,828</u>
Expenses:					
Salaries and wages	784,890	-	784,890	-	784,890
Payroll taxes	53,713	-	53,713	-	53,713
Employee benefits	94,581	-	94,581	-	94,581
Rent and utilities	144,099	-	144,099	-	144,099
Travel and entertainment	133,872	-	133,872	-	133,872
Newsletters and mailings	32,228	-	32,228	-	32,228
Membership retention	56,586	-	56,586	-	56,586
Insurance	23,361	-	23,361	-	23,361
Office supplies and postage	22,743	-	22,743	-	22,743
Information services	103,405	-	103,405	-	103,405
Telephone	9,950	-	9,950	-	9,950
Professional fees	21,640	-	21,640	-	21,640
Bank charges	32,026	-	32,026	-	32,026
Depreciation	25,692	-	25,692	-	25,692
Grants and awards	111,129	-	111,129	-	111,129
Other	42,453	-	42,453	32,980	75,433
	<u>1,692,368</u>	<u>-</u>	<u>1,692,368</u>	<u>32,980</u>	<u>1,725,348</u>
Change in net assets	(110,891)	71,134	(39,757)	7,237	(32,520)
Net assets:					
Beginning of year	<u>1,810,305</u>	<u>313,923</u>	<u>2,124,228</u>	<u>62,857</u>	<u>2,187,085</u>
End of year	<u>\$ 1,699,414</u>	<u>385,057</u>	<u>2,084,471</u>	<u>70,094</u>	<u>2,154,565</u>