

**AMERICAN STRING TEACHERS
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
Years Ended June 30, 2011 and 2010
AND
INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

DESCRIPTION	PAGE
Independent Auditors' Report	1
Statements of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 15

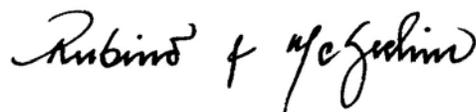
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American String Teachers Association, Inc.

We have audited the accompanying statements of financial position of American String Teachers Association, Inc. as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the year ended June 30, 2011. 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 audit. The prior year summarized comparative information included in the accompanying statement of activities has been derived from the Association's June 30, 2010, financial statements and, in our report dated August 31, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides 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 American String Teachers Association, Inc. as of June 30, 2011 and 2010, and its changes in net assets and cash flows for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States.



April 25, 2012
Bethesda, Maryland

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AMERICAN STRING TEACHERS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 153,821	\$ 174,164
Investments	895,406	781,170
Grants receivable	-	10,000
Accounts receivable	78,890	80,082
Inventory	19,365	32,968
Prepaid expenses and other	58,167	71,858
Property and equipment, net	<u>950,156</u>	<u>984,549</u>
 Total assets	 <u>\$ 2,155,805</u>	 <u>\$ 2,134,791</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 150,275	\$ 156,985
Capital lease obligation	-	5,839
Deferred revenue	457,940	460,296
Mortgage payable	<u>779,782</u>	<u>792,171</u>
 Total liabilities	 <u>1,387,997</u>	 <u>1,415,291</u>
Net assets		
Unrestricted		
Undesignated	734,991	677,783
Board designated	<u>4,278</u>	<u>4,278</u>
	739,269	682,061
Temporarily restricted	17,582	26,482
Permanently restricted	<u>10,957</u>	<u>10,957</u>
 Total net assets	 <u>767,808</u>	 <u>719,500</u>
 Total liabilities and net assets	 <u>\$ 2,155,805</u>	 <u>\$ 2,134,791</u>

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
(With Comparative Totals for 2010)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenue and support					
Membership dues	\$ 812,624	\$ -	\$ -	\$ 812,624	\$ 814,996
Conferences and competitions	700,158	-	-	700,158	906,169
Advertising	212,451	-	-	212,451	204,065
Grants and contributions	9,244	3,500	-	12,744	34,638
Publication sales, net of cost of goods sold of \$22,740 and \$6,117	22,202	-	-	22,202	24,699
Other	14,536	-	-	14,536	51,693
Net assets released from restrictions	<u>12,400</u>	<u>(12,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,783,615</u>	<u>(8,900)</u>	<u>-</u>	<u>1,774,715</u>	<u>2,036,260</u>
Expenses					
Program services					
Conferences	579,405	-	-	579,405	780,958
Journal	262,666	-	-	262,666	231,957
Education	6,498	-	-	6,498	60,269
Member services	220,945	-	-	220,945	192,337
Advocacy	48,286	-	-	48,286	15,673
State chapters	159,925	-	-	159,925	181,341
String Industry Council Foundation	4,038	-	-	4,038	5,190
Publications	19,689	-	-	19,689	33,323
	<u>48,541</u>	<u>-</u>	<u>-</u>	<u>48,541</u>	<u>47,737</u>
Total program services	1,349,993	-	-	1,349,993	1,548,785
Supporting services					
Management and general fundraising	<u>444,791</u>	<u>-</u>	<u>-</u>	<u>444,792</u>	<u>485,111</u>
Total expenses	<u>1,794,784</u>	<u>-</u>	<u>-</u>	<u>1,794,785</u>	<u>2,033,896</u>
Changes in net assets from operations	(11,169)	(8,900)	-	(20,070)	2,364
Non-operating activity					
Investment return, net	<u>68,377</u>	<u>-</u>	<u>-</u>	<u>68,377</u>	<u>43,844</u>
Change in net assets	57,208	(8,900)	-	48,307	46,208
Net assets, beginning of year	<u>682,061</u>	<u>26,482</u>	<u>10,957</u>	<u>719,500</u>	<u>673,292</u>
Net assets, end of year	<u>\$ 739,269</u>	<u>\$ 17,582</u>	<u>\$ 10,957</u>	<u>\$ 767,807</u>	<u>\$ 719,500</u>

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

Cash flows from operating activities	
Change in net assets	\$ 48,307
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	34,923
Realized and unrealized gains on investments	(44,491)
Changes in operating assets and liabilities:	
Grants receivable	10,000
Accounts receivable	1,192
Inventory	13,603
Prepaid expenses and other	13,691
Accounts payable and accrued expenses	(6,710)
Deferred revenue	<u>(2,356)</u>
Net cash provided by operating activities	<u>68,159</u>
Cash flows from investing activities	
Purchase of property and equipment	(530)
Purchase of investments	(646,622)
Proceeds from sale of investments	<u>576,877</u>
Net cash used by investing activities	<u>(70,275)</u>
Cash flows from financing activities	
Repayment of capital lease obligation	(5,839)
Repayment of mortgage payable	<u>(12,389)</u>
Net cash used by financing activities	<u>(18,228)</u>
Net decrease in cash	(20,344)
Cash, beginning of year	<u>174,164</u>
Cash, end of year	<u><u>\$ 153,820</u></u>

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

1. Organization

Founded in 1946, the American String Teachers Association, Inc. (the Association) unified with the National School Orchestra Association in 1998. The mission of the Association is to promote excellence in string and orchestra teaching and playing. The Association is a professional organization that serves private and public school string teachers, performers, college and university professors, orchestra directors, members of the music industry, and students. The Association has a national office and 49 chapters throughout the United States (Note 8). The following are the Association's program services:

Conference

The Association holds an annual conference which enhances the professional development for all levels of membership. This event includes workshops, plenary speakers, performances and exhibits.

Journal

The Association produces the *American String Teacher*, a quarterly journal, designed to enhance the image and visibility of string and orchestra teaching and playing.

The Association also produces the *String Research Journal* (SRJ) which publishes studies dealing with investigations of a philosophical, historical, or scientific nature that contribute to the understanding of strings in music.

Education

The Association enhances the image and visibility of string teaching and studying. The Association partners with various organizations to establish string instrument programs in public schools that will give children an opportunity to play a string instrument and train college students to become string teachers.

Member Services

The Association promotes goals through various constituencies, such as the media, and through pamphlets and brochures. These activities are designed to further the goals of increasing school programs, improving university education programs, and enhancing string performance and education throughout the country.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

1. Organization (continued)

Advocacy

In order to educate and draw attention to the need for strings in public schools, the Association has initiated an advocacy program. This program gives members access to advocacy materials that they may then use to lobby for and/or keep strings in their local schools.

State Chapters

There are 49 state chapters for which the Association provides technical support and assistance with chapter development, as discussed in Note 8. State chapters host workshops and their annual luncheon helps to promote professional development and networking opportunities for their members.

String Industry Council

The String Industry Council (SInC) is the membership category that represents the dealers, manufacturers, publishers, makers, and other interested organizations from the USA and abroad. The purpose of SInC is to give the string industry community a voice in shaping the Association's future goals for string education.

Foundation

This division of the Association administers all of the grants, awards, and competitions. The program is designed to advance string education and performance throughout our nation and around the world by sponsoring a variety of programs and projects for students, teachers, performers, and string industry professionals.

Publications

The Association's publication list features books and compositions of specific interest to string teachers.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies

Use of Estimates

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

Tax Status

The Association is a nonprofit organization, recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except as to income from unrelated business activities.

Cash

Cash includes a non-interest bearing operating account with an insured financial institution. Deposits often exceed federally insured limits. Management, however, does not consider this a significant concentration of credit risk. Cash excludes highly liquid investments with an initial maturity of three months or less; such amounts are included with the investment pool as those funds are intended for investment purposes.

Accounts Receivable

Accounts receivable consist primarily of amounts due from conferences and advertising. Management closely monitors outstanding balances and writes off all amounts determined to be uncollectible.

Investments

Investments are recorded at estimated fair value based on quoted market prices provided by the investment managers. Investment transactions are recorded on a trade-date basis. Investment income or loss, including realized and unrealized holding gains and losses, are included with investment income as a non-operating item in the statement of activities. Investment income is reported as a change in unrestricted net assets, unless restricted by donor or law.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of various publications stated at the lower of cost, using the first-in first-out (FIFO) method, or market value.

Membership Dues

Membership dues are recognized as revenue ratably over the membership period. Deferred membership dues represent that portion of dues collected that applies to future periods.

Contributions

The Association records contributions and unconditional promises to give at fair value as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowments are reported as permanently restricted net assets. The principal amount of the endowment gift is maintained intact while the income earned is used for the purposes stated by the donor. Investment income on endowments is recognized as an increase in unrestricted net assets, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year (Note 9.)

Property and Equipment

Property and equipment are carried at cost, if purchased, and at estimated fair value at the date contributed, if applicable. The Association depreciates all property and equipment using the straight-line method over the estimated useful lives of forty years for the office condominium, seven years for furniture, five years for equipment, and three years for computer software and hardware. Expenditures for major repairs and betterments are capitalized; expenditures for minor repairs and equipment are charged to expense when incurred.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Donated Services

The Association receives substantial support through donated services from unpaid volunteers assisting with various management and program service functions. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been met.

Allocation of Expenses

The costs of the Association's various programs and activities have been summarized by function in the statement of activities. Accordingly, costs have been allocated among the programs and activities directly benefited or based on management's estimate of time incurred by the Association's personnel in such functions.

Comparative Information

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 25, 2012. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the statement of position date, but disclosures of such events, if any, are included in the accompanying notes.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

3. Investments

Investments consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 262,074	\$ 205,611
Certificates of deposit	-	235,625
Foreign bonds – fixed income	112,020	89,990
Mutual funds – fixed income	<u>521,312</u>	<u>249,944</u>
 Total investments	 \$ <u>895,406</u>	 \$ <u>781,170</u>

Investments are reported at fair value at year-end. See Note 10 for a discussion of fair value measurements. The investments are subject to market risks and their values fluctuate daily.

Investment return consists of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 23,886	\$ 9,985
Net realized and unrealized gains	<u>44,491</u>	<u>33,859</u>
 Investment return, net	 \$ <u>68,377</u>	 \$ <u>43,844</u>

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Office condominium	\$ 748,415	\$ 748,415
Computer equipment	191,968	191,438
Office furniture	58,032	58,032
Land	<u>201,585</u>	<u>201,585</u>
	1,200,000	1,199,470
Less: accumulated depreciation	<u>(249,844)</u>	<u>(214,921)</u>
 Property and equipment, net	 \$ <u>950,156</u>	 \$ <u>984,549</u>

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

4. Property and Equipment (continued)

On October 1, 2009, the Association settled on the purchase of an office building condominium to serve as their headquarters. Financing of the condominium has been funded with the proceeds of a mortgage note (Note 6). The building serves as collateral for the mortgage note.

Depreciation and amortization expense for the years ended June 30, 2011 and 2010, was \$34,923 and \$28,498, respectively.

5. Retirement Plan

The Association has a deferred tax annuity plan under Section 403(b) of the Internal Revenue Code. Employees who work 30 hours or more per week are eligible to participate in the plan. The Association's funding policy is to contribute 10% of the Executive Director's salary and 7% of all other employees' salaries. Participants vest immediately in all contributions. Total plan expense for the years ended June 30, 2011 and 2010, was \$37,358 and \$35,834, respectively.

6. Mortgage Payable

On October 1, 2009, the Association purchased an office building condominium to serve as their headquarters (Note 4). Financing of the condominium has been funded with the proceeds of a mortgage note in the amount of \$800,000. The outstanding principal balance is being amortized based upon a 25 year repayment schedule with a balloon payment due on October 1, 2019. The mortgage has a fixed interest rate of 7.15%. Future scheduled repayments of principal are as follows:

Year ending June 30, 2012	\$ 13,162
2013	14,304
2014	15,376
2016	16,529
2016	17,624
2016 and thereafter	<u>702,787</u>
Mortgage payable, net	\$ <u>779,782</u>

The terms of the sale included a provision that allowed the seller to lease-back the building, which expired February 28, 2010.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

7. Commitments and Contingencies

Operating Leases

The Association leases office space and office equipment under operating leases. The office lease expired August 31, 2011 and the equipment lease expires in 2015. The future minimum lease commitments under long-term operating leases in place as of June 30, 2011, are as follows:

Year ending June 30, 2012	\$ 2,400
2013	2,400
2014	2,400
2015	<u>1,800</u>
	\$ <u>9,000</u>

Rent expense was \$10,960 and \$70,351, for the years ended June 30, 2011 and 2010, respectively.

Capital Leases

During 2008, the Association entered into a lease agreement to finance certain equipment over a three-year period. The lease agreement has been classified as a capital lease which is generally accounted for as additions to property and equipment using lease financing. At June 30, 2011, the book value of the capital lease assets is \$8,898 net of accumulated depreciation of \$6,674 and is included with furniture and equipment. The lease obligation was fully paid during the year ended June 30, 2011. Interest paid for the year ended June 30, 2011 was \$545, related to the capital lease.

Employment Contract

At June 30, 2011, the Association has an employment contract with its Executive Director which provides for future payments as services are rendered and severance if employment is terminated by the Association in specified circumstances. The employment contract expires April 30, 2014.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

8. State Chapters

The Association has 49 affiliates that serve as state chapters. The Association has no ownership or voting interests in these state chapters which are independent entities, and accordingly, the state chapters have not been consolidated in the accompanying financial statements. However, agreements between the state chapters and the Association provide the Association influence over how the chapters carry out certain activities. The Association provides technical support and chapter development assistance and remits 20% of member dues to the chapters for each member affiliated with the state.

9. Restricted Net Assets

The Association's permanently restricted net assets consist of the Nathan Gordon Endowment Fund. The funds are held in an investment accounts in accordance with the donor stipulations. The Nathan Gordon Endowment Fund is used for awarding prize money to winners in the viola category at the National Solo Competition.

Temporarily restricted net assets at June 30, 2011 and 2010, are available for the following:

	<u>2011</u>	<u>2010</u>
George Bornoff Memorial Scholarship	\$ 17,582	\$ 20,000
National Solo Competition	<u> -</u>	<u> 6,482</u>
Total	<u>\$ 17,582</u>	<u>\$ 26,482</u>

During 2008, the Board of Directors established the General Endowment Fund to support the Association's programs and services. The Governing Board is responsible for identifying the key priorities for these donations. Contributions received in support to fund for the year ended June 30, 2010 were \$157. There were no contributions received during the year ended June 30, 2011. The General Endowment Fund is reported as board designated net assets in the accompanying financial statements.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

10. Fair Value Measurements

As discussed in Notes 2 and 3, the Association records its investments based on fair value on a recurring basis. Financial accounting and reporting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1: Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Association's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

10. Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments in *certificates of deposit* are valued by discounting the related cash flows based on current yields of similar instruments with comparable derivatives considering the credit worthiness of the issuer.

Investments in *foreign bonds* are valued based on the latest bid price and significant inputs including benchmark yields, broker-dealer quotes, issuer spreads, and measures of volatility provided by independent pricing services.

Investments in *mutual funds* are valued at the net asset value of shares held by the Association at year-end reported in the listing of the applicable major exchanges.

The following summarizes information about the fair value measurements used at June 30, 2011 and 2010:

<u>2011</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>
Money market	\$ 262,074	\$ 262,074	\$ -
Foreign bonds	112,020	-	112,020
Mutual funds	<u>521,312</u>	<u>521,312</u>	<u>-</u>
Total	<u>\$ 895,406</u>	<u>\$ 783,386</u>	<u>\$ 112,020</u>

<u>2010</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>
Money market	\$ 205,611	\$ 205,611	\$ -
Certificates of deposit	235,625	-	235,625
Foreign bonds	89,990	-	89,990
Mutual funds	<u>249,944</u>	<u>249,944</u>	<u>-</u>
Total	<u>\$ 781,170</u>	<u>\$ 455,555</u>	<u>\$ 325,615</u>