

**AMERICAN STRING TEACHERS
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009
AND
INDEPENDENT AUDITORS' REPORT**

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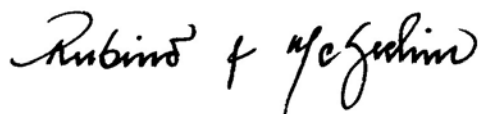
INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, and the related statements of activities and cash flows for the year ended June 30, 2010. 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 audits. The prior year summarized comparative information included in the accompanying statement of activities has been derived from the Association's June 30, 2009, financial statements and, in our report dated January 5, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 audits provide 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, 2010 and 2009, and its changes in net assets and cash flows for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States.



August 31, 2011
Bethesda, Maryland

RUBINO & MCGEEHIN,
CHARTERED

6903 ROCKLEDGE DRIVE
SUITE 1200
BETHESDA, MARYLAND
20817-1818
PHONE: 301 564 3636
FAX: 301 564 2994

www.rubino.com

AMERICAN STRING TEACHERS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 174,164	\$ 150,250
Investments	781,170	840,790
Grants receivable	10,000	47,500
Accounts receivable	80,082	104,474
Inventory	32,968	35,549
Prepaid expenses and other	71,858	60,686
Property and equipment, net	<u>984,549</u>	<u>46,718</u>
 Total assets	 <u>\$ 2,134,791</u>	 <u>\$ 1,285,967</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 156,985	\$ 121,843
Capital lease obligation	5,839	10,896
Deferred revenue	460,296	479,935
Mortgage payable	<u>792,171</u>	<u>-</u>
 Total liabilities	 <u>1,415,291</u>	 <u>612,674</u>
Net assets		
Unrestricted		
Undesignated	677,783	611,733
Board designated	<u>4,278</u>	<u>4,121</u>
	682,061	615,854
Temporarily restricted	26,482	40,000
Permanently restricted	<u>10,957</u>	<u>17,439</u>
 Total net assets	 <u>719,500</u>	 <u>673,293</u>
 Total liabilities and net assets	 <u>\$ 2,134,791</u>	 <u>\$ 1,285,967</u>

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenue and support					
Membership dues	\$ 814,996	\$ -	\$ -	\$ 814,996	\$ 853,224
Conferences and competitions	906,169	-	-	906,169	751,312
Advertising	204,065	-	-	204,065	246,247
Grants and contributions	14,638	20,000	-	34,638	70,591
Publication sales, net of cost of goods sold of \$6,117 and \$22,260	24,699	-	-	24,699	17,920
Other	51,693	-	-	51,693	13,724
Net assets released from restrictions	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>2,056,260</u>	 <u>(20,000)</u>	 <u>-</u>	 <u>2,036,260</u>	 <u>1,953,018</u>
Expenses					
Program services					
Conferences	780,958	-	-	780,958	611,141
Journal	231,957	-	-	231,957	251,838
Education	60,269	-	-	60,269	48,000
Member services	192,337	-	-	192,337	210,369
Advocacy	15,673	-	-	15,673	32,079
State chapters	181,341	-	-	181,341	190,264
String Industry Council	5,190	-	-	5,190	3,729
Foundation	33,323	-	-	33,323	67,499
Publications	<u>47,737</u>	<u>-</u>	<u>-</u>	<u>47,737</u>	<u>54,613</u>
 Total program services	 1,548,785	 -	 -	 1,548,785	 1,469,532
Supporting services					
Management and general fundraising	<u>485,112</u>	<u>-</u>	<u>-</u>	<u>485,112</u>	<u>385,459</u>
 Total expenses	 <u>2,033,897</u>	 <u>-</u>	 <u>-</u>	 <u>2,033,897</u>	 <u>1,854,991</u>
Changes in net assets from operations	22,363	(20,000)	-	2,363	98,027
Non-operating activity					
Investment return, net	<u>43,844</u>	<u>-</u>	<u>-</u>	<u>43,844</u>	<u>(19,776)</u>
Change in net assets	66,207	(20,000)	-	46,207	78,251
Transfer of net assets	-	6,482	(6,482)	-	-
Net assets, beginning of year	<u>615,854</u>	<u>40,000</u>	<u>17,439</u>	<u>673,293</u>	<u>595,042</u>
Net assets, end of year	<u>\$ 682,061</u>	<u>\$ 26,482</u>	<u>\$ 10,957</u>	<u>\$ 719,500</u>	<u>\$ 673,293</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, 2010

Cash flows from operating activities	
Change in net assets	\$ 46,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	28,498
Realized and unrealized gains on investments	(33,859)
Changes in operating assets and liabilities:	
Grants receivable	37,500
Accounts receivable	24,392
Inventory	2,581
Prepaid expenses and other	(11,172)
Accounts payable and accrued expenses	35,142
Deferred revenue	<u>(19,639)</u>
Net cash provided by operating activities	<u>109,650</u>
Cash flows from investing activities	
Purchase of property and equipment	(966,329)
Purchase of investments	(1,619,533)
Proceeds from sale of investments	<u>1,713,012</u>
Net cash used by investing activities	<u>(872,850)</u>
Cash flows from financing activities	
Repayment of capital lease obligation	(5,057)
Repayment of mortgage payable	(7,829)
Proceeds from issuance of debt	<u>800,000</u>
Net cash provided by financing activities	<u>787,114</u>
Net increase in cash	23,914
Cash, beginning of year	<u>150,250</u>
Cash, end of year	<u><u>\$ 174,164</u></u>

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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 instruments programs in public schools that 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, 2010 and 2009

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, 2010 and 2009

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.

Inventory

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

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

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

Contributions and unconditional promises to give are recorded as support, at fair value, when received. Contributions that are restricted by the donor as to the time or purpose are reported as an increase in temporarily restricted net assets. 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.

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.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

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, 2009, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through August 31, 2011. 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.

3. Investments

Investments consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 205,611	\$ 135,877
Certificates of deposit	235,625	-
Foreign bonds – fixed income	89,990	365,860
Mutual funds – fixed income	<u>249,944</u>	<u>339,053</u>
Total investments	<u>\$ 781,170</u>	<u>\$ 840,790</u>

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

3. Investments (continued)

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>2010</u>	<u>2009</u>
Dividends and interest	\$ 9,985	\$ 20,344
Net realized and unrealized gains (losses)	<u>33,859</u>	<u>(40,120)</u>
Investment return, net	<u>\$ 43,844</u>	<u>\$ (19,776)</u>

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Office condominium	\$ 748,415	\$ -
Computer equipment	191,438	205,108
Office furniture	58,032	28,033
Land	<u>201,585</u>	<u>-</u>
	1,199,470	233,141
Less: accumulated depreciation	<u>(214,921)</u>	<u>(186,423)</u>
Property and equipment, net	<u>\$ 984,549</u>	<u>\$ 46,718</u>

On October 1, 2009, the Association purchased 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, 2010 and 2009, was \$28,498 and \$11,526, respectively.

AMERICAN STRING TEACHERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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, 2010 and 2009, was \$35,834 and \$39,230, 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 will be 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, 2011		\$ 12,400
2012		13,200
2013		14,300
2014		15,400
2015		16,500
2016 and thereafter		<u>720,400</u>
Mortgage payable, net		\$ <u>792,200</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, 2010 and 2009

7. Commitments and Contingencies

Operating Leases

The Association leases office space and office equipment under operating leases. The office lease expires 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, 2010, are as follows:

Year ending June 30, 2011	\$ 13,300
2012	2,400
2013	2,400
2014	2,400
2015	<u>1,800</u>
	\$ <u>22,300</u>

Rent expense was \$70,351 and \$68,317, for the years ended June 30, 2010 and 2009, 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. The future minimum lease payments for the year ending June 30, 2011 is \$6,384 with \$545 representing interest.

At June 30, 2010, the book value of the capital lease assets is \$11,123 net of accumulated depreciation of \$4,449 and is included with furniture and equipment. Interest paid for the year ended June 30, 2010 was \$1,327, related to the capital lease.

Employment Contract

At June 30, 2010, 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, 2010 and 2009

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 following at June 30:

	<u>2010</u>	<u>2009</u>
Nathan Gordon Endowment Fund	\$ 10,957	\$ 10,957
Ralph Matesky Fund	<u>-</u>	<u>6,482</u>
Total	\$ <u>10,957</u>	\$ <u>17,439</u>

The funds are held in 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. In March 2010, the Association reached an agreement with the donor to release the Ralph Matesky Fund from permanently restricted net assets to temporarily restricted net assets for the purpose of awarding the grand prize in the National Solo Competition. Temporarily restricted net assets at June 30, 2010 and 2009, are available for the following:

	<u>2010</u>	<u>2009</u>
George Bornoff Memorial Scholarship	\$ 20,000	\$ -
Extreme Strings Project	-	40,000
National Solo Competition	<u>6,482</u>	<u>-</u>
Total	\$ <u>26,482</u>	\$ <u>40,000</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. The Association received contributions in support of this fund for the years ended June 30, 2010 and 2009, totaling \$157 and \$3,217, respectively. 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, 2010 and 2009

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, 2010 and 2009

10. Fair Value Measurements (continued)

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

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.

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 *marketable equity and debt securities* are valued based on quoted market prices in active markets for the individual securities at year-end as reported in the listing of the applicable major exchanges.

The following summarizes information about the fair value measurements used at June 30, 2010 and 2009:

<u>2010</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>
Investments (Notes 2 and 3)	\$ 781,170	\$ 455,555	\$ 325,615

<u>2009</u>	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>
Investments (Notes 2 and 3)	\$ 840,790	\$ 474,930	\$ 365,860