

Country Dance and Song Society, Inc.

Financial Statements

For the Year Ended December 31, 2019

With Comparative Totals for 2018

Richard Abbott
Certified Public Accountant

Country Dance and Song Society, Inc.

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Independent Auditor's Report

To The Officers and Directors
Country Dance and Song Society, Inc.
116 Pleasant Street, Suite 345
Easthampton, MA 01027

I have audited the accompanying financial statements of the Country Dance and Song Society, Inc., which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Country Dance and Song Society, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the Country Dance and Song Society, Inc.'s 2018 financial statements, and I expressed an unqualified audit opinion on those audited financial statements in my report dated September 24, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

August 19, 2020

Richard Abbott

Country Dance Song Society, Inc.
Statement of Financial Position
December 31, 2019
With Comparative Totals for December 31, 2018

	2019	2018
	<u>Assets</u>	
Current Assets		
Cash	\$ 467,906	\$ 363,350
Accounts Receivable	271	-
Grants Receivable	3,880	3,180
Pledges Receivable (Net)	248,211	200,562
Inventory	46,885	53,103
Prepaid Expense	55,117	42,571
Total Current Assets	822,270	662,766
Property & Equipment (Net)		
Equipment & Furniture	237,095	192,075
Leasehold Improvements	2,674	4,457
Total Property & Equipment (Net)	239,769	196,532
Non-Current Assets		
Pledges Receivable (Net)	147,646	195,308
Investments	589,877	454,380
Artwork	8,000	8,000
Deposits	2,500	2,000
Total Non-Current Assets	748,023	659,688
Total Assets	\$ 1,810,062	\$ 1,518,986
	<u>Liabilities & Net Assets</u>	
Current Liabilities		
Accounts Payable	\$ 26,497	\$ 717
Accrued Expense	8,668	6,054
Accrued Payroll	3,568	14,217
Accrued Vacation Pay	19,529	11,542
Deferred Revenue	31,917	27,064
Total Current Liabilities	90,179	59,594
Net Assets		
Without Donor Restrictions	1,266,651	1,010,062
With Donor Restrictions	453,232	449,330
Total Net Assets	1,719,883	1,459,392
Total Liabilities and Net Assets	\$ 1,810,062	\$ 1,518,986

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance Song Society, Inc.
Statement of Activities
December 31, 2019
With Comparative Totals for December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Operating Support, Revenue, & Reclassifications				
Contributions	\$ 349,535	\$ 215,555	\$ 565,090	\$ 340,636
Contributions Membership	137,326	-	137,326	136,575
Grants	19,400	-	19,400	15,900
Summer Programs	761,332	-	761,332	782,445
Sales	66,351	-	66,351	54,786
Membership Services	89,882	-	89,882	87,100
Advertising Income	9,122	-	9,122	11,680
Other Income	(173)	-	(173)	3,345
Investment Return Designated for Current Operations	7,656	-	7,656	5,125
Net Assets Released from Restrictions	211,653	(211,653)	-	-
Total Operating Support, Revenue, & Reclassifications	<u>1,652,084</u>	<u>3,902</u>	<u>1,655,986</u>	<u>1,437,592</u>
Operating Expenses				
Camps	785,442	-	785,442	759,018
Education & Outreach	67,108	-	67,108	113,665
Sales and Service	127,530	-	127,530	104,954
Development	211,038	-	211,038	191,455
General & Administrative	274,222	-	274,222	276,989
Total Operating Expenses	<u>1,465,340</u>	<u>-</u>	<u>1,465,340</u>	<u>1,446,081</u>
Change in Net Assets from Operating Activities	<u>186,744</u>	<u>3,902</u>	<u>190,646</u>	<u>(8,489)</u>
Non-Operating Activities				
Investment Return	69,845	-	69,845	(31,735)
Change in Net Assets from Non-Operating Activities	<u>69,845</u>	<u>-</u>	<u>69,845</u>	<u>(31,735)</u>
Total Change in Net Assets	256,589	3,902	260,491	(40,224)
Net Assets at Beginning of Year	<u>1,010,062</u>	<u>449,330</u>	<u>1,459,392</u>	<u>1,499,616</u>
Net Assets at End of Year	<u>\$ 1,266,651</u>	<u>\$ 453,232</u>	<u>\$ 1,719,883</u>	<u>\$ 1,459,392</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance Song Society, Inc.
Statement of Functional Expenses
December 31, 2019
With Comparative Totals for December 31, 2018

	Program Services			Support Services		2019	2018
	Camps	Education & Outreach	Sales & Service	Fundraising	General & Admin.	Total	Total
Payroll	\$ 147,750	\$ 44,676	\$ 41,297	\$ 119,081	\$ 71,918	\$ 424,722	\$ 353,838
Employee Benefits	15,287	1,444	6,501	8,701	4,917	36,850	47,887
Payroll Taxes	14,752	4,243	3,893	11,371	6,910	41,169	28,603
Advertising & Marketing	5,322	-	97	133	155	5,707	3,704
Bad Debt Expense	-	-	75	-	(116)	(41)	4,672
Bank Fees	16,034	-	3,478	10,127	4,147	33,786	29,375
Contracted Services	64,046	3,025	2,543	20,101	61,680	151,395	200,411
Cost of Sales	7,378	-	41,986	-	-	49,364	40,326
Depreciation	-	-	-	-	67,679	67,679	43,424
Grants & Sponsorships	-	9,592	-	47	690	10,329	15,904
Insurance	-	-	22,992	-	12,219	35,211	32,563
Occupancy	464,257	2,199	2,534	7,656	12,068	488,714	474,606
Office Expense	3,914	194	396	722	2,927	8,153	12,494
Other	5,772	211	228	2,120	15,483	23,814	13,751
Postage & Delivery	4,432	219	-	6,998	951	12,600	14,967
Printing & Reproduction	6,545	-	1,094	21,381	2,155	31,175	25,298
Telecommunications	2,682	198	416	879	69	4,244	3,795
Travel	27,271	1,107	-	1,721	10,370	40,469	42,477
Veterans Project Expense	-	-	-	-	-	-	57,986
Total Expenses	<u>\$ 785,442</u>	<u>\$ 67,108</u>	<u>\$ 127,530</u>	<u>\$ 211,038</u>	<u>\$ 274,222</u>	<u>\$ 1,465,340</u>	<u>\$ 1,446,081</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance Song Society, Inc.
Statement of Cash Flows
December 31, 2019
With Comparative Totals for December 31, 2018

	2019	2018
Cash Flow from Operation Activities		
Change in Net Assets	\$ 260,491	\$ (40,224)
Adjustments to Reconcile Changes in Net Assets to Net Cash from Operating Activities		
Depreciation	67,679	43,424
Unrealized Investment (Gains) Losses	(61,910)	41,693
(Increase) Decrease in Operating Assets		
Accounts Receivable	(271)	-
Grants Receivable	(700)	(360)
Pledges Receivable	13	225,328
Inventory	6,218	(4,106)
Prepaid Expenses	(12,546)	(4,215)
Security Deposits	(500)	1,500
Increase (Decrease) in Operating Liabilities		
Accounts Payable	25,780	(12,711)
Accrued Expense	2,614	1,692
Accrued Payroll	(10,649)	886
Accrued Vacation Pay	7,987	2,773
Deferred Revenue	4,853	629
Net Change in Cash - Operating Activities	289,059	256,309
Cash Flows from Investing Activities		
Purchase of Equipment & Furniture	(110,916)	(68,432)
Additions to Investments	(57,997)	(14,905)
Sale Proceeds from Investments	205,971	70,761
Purchases of Investments	(221,561)	(84,780)
Net Change in Cash - Investing Activities	(184,503)	(97,356)
Net Increase (Decrease) in Cash	104,556	158,953
Cash at Beginning of Year	363,350	204,397
Cash at End of Year	\$ 467,906	\$ 363,350

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

1. Organization & Activities

Organization

The Country Dance and Song Society, Inc. (CDSS) was founded in 1915 and is a Massachusetts not-for-profit corporation. The purpose of the organization is the preservation and promotion of historical and contemporary English and Anglo-American dance, folk song, and instrumental music traditions.

Income Tax

CDSS is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been determined to not be a private foundation by the Internal Revenue Service. The corporation is also exempt from Massachusetts income tax.

Activities

CDSS operated three programs during the fiscal year being reported on: camps, education and outreach, and sales and service.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of CDSS have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require CDSS to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CDSS or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The cash amount referred to on these financial statements represents checking account balances. The organization's investment account includes funds invested in a money market fund, however these funds are not considered cash for the purpose of these financial statements as the investment account is intended as a long-term investment

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies - continued

Pledges Receivable and Allowance for Uncollectible Accounts

Pledges receivable are reported at the original pledged amount less an allowance for doubtful accounts and less a present value discount for long term pledges. The Organization utilizes the current yield rate on U.S. Treasury bonds in calculating the discount. At December 31, 2019, the rates were 1.59% for two-year maturities, 1.58% for three-year maturities, and 1.62% for four-year maturities.

Inventory

Inventory consists of books, recordings, compact discs, and videos relating to English and Anglo-American traditional dance music and song. It is stated at the average cost method or net realizable value.

Investments

Investments are recorded at fair value based on quoted market prices.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CDSS groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in nonactive markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies - continued

Property and Equipment

Property and equipment purchased by the organization with a cost of more than \$750 are capitalized at cost. Donated assets in excess of \$750 are capitalized at their fair market value at the time of the donation. Depreciation is computed using the straight-line method over the asset's useful life. Depreciable lives of the organization's equipment, furniture, and software is 5 to 10 years and depreciable lives of the leasehold improvements is 10 years.

Revenue Recognition

CDSS recognizes revenue from several different types of contractual relationships. Revenue from all these contracts is based on a set transaction price.

Summer camp - Revenue from summer camp programs is recognized at the commencement of each camp.

Group insurance - Members can purchase insurance through the Organization under a group policy. Revenue from group insurance is recognized over the course of the underlying policy period.

Group exemption - Member organizations can take advantage of CDSS's tax exempt status by enrolling under the group exemption. Revenue from the group exemption service is recognized upon enrollment.

Advertising - CDSS receives revenue for advertisements placed in their periodic newsletter. Revenue from advertising is recognized upon the publication of each newsletter.

Sales and Cost of Sales

Sales of inventory are reported net of any returns and discounts. Costs of sales are reported net of purchase discounts and it includes shipping costs.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that CDSS allocates include payroll and related expenses and they are allocated based on the time and effort put forth in the respective program and supporting services. Other expenses that the Organization allocates based on each program and supporting services' utilization include rent, certain professional services, and office and related expenses.

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Reclassifications are made to account balances in the prior year financial statements when necessary to conform to the current year presentation.

New Accounting Pronouncement

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard proscribes new guidance in the revenue recognition process including performance obligations in contracts, estimating the amount of any variable consideration, and allocating the transaction price to each separate performance obligation. This new guidance is effective for annual reporting periods commencing after December 15, 2018. CDSS have determined that this pronouncement does not have a material effect on the Organization's financial statements.

3. Availability and Liquidity

The following represents CDSS's financial assets at December 31, 2019:

Financial assets at year-end	<u>2019</u>
Cash	\$ 467,906
Accounts Receivable	271
Grants Receivable	3,880
Pledges Receivable	395,857
Investments	<u>589,877</u>
Total financial assets	<u>1,457,791</u>
Fewer amounts not available to be used within one year:	
Net assets with donor restrictions	(453,232)
Fewer designated funds functioning as endowment	<u>(349,967)</u>
Subtotal	<u>(803,199)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 654,592</u>

CDSS's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$390,000). CDSS also has a \$100,000 line of credit available to meet cash flow needs.

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

4. Pledges Receivable

Pledges receivable are being reported net of a present value discount for long term pledges. An allowance for doubtful pledges receivable is not considered necessary for the December 31, 2019 outstanding amounts. Pledges receivable at December 31, 2019 are as follows:

Less than one year	\$248,211
One to two years	50,000
Two to three years	50,000
Three to four years	<u>50,000</u>
Total Pledges Receivable	398,211
Less Discounted Present Value for Long term Pledges	<u>(2,354)</u>
Total Pledges Receivable - Net	<u>\$395,857</u>
Pledges Receivable Current	\$248,211
Pledges Receivable - Non-Current	<u>147,646</u>
Total Pledges Receivable - Net	<u>\$395,857</u>

5. Property and Equipment

The balance in the property and equipment account at December 31, 2019 is as follows:

Equipment, Furniture & Software	\$ 485,043
Accumulated Depreciation	<u>(247,948)</u>
Total Equipment & Furniture & Software (Net)	<u>\$ 237,095</u>
Leasehold Improvements	\$ 17,827
Accumulated Depreciation	<u>(15,153)</u>
Total Leasehold Improvements (Net)	<u>\$ 2,674</u>

The depreciation expense for the year ended December 31, 2019 is \$67,679.

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

6. Investments

CDSS's investments are all considered Level 1 under the fair value hierarchy. The fair value of the investments at December 31, 2019 consisted of:

Money market funds	\$ 42,899
Domestic Fixed Income Funds	187,771
Domestic Equity Funds	226,565
Domestic Equities	54,459
Exchange Traded Funds - Equities & Fixed Income	<u>78,183</u>
Total Investments	<u>\$589,877</u>

Investment return reported on these financial statements consists of:

Investment income	\$17,110
Realized capital losses	(1,519)
Unrealized capital gains	<u>61,910</u>
Total Investment Return	<u>\$77,501</u>
Investment Return - Operating	\$ 7,656
Investment Return - Non-Operating	<u>69,845</u>
Total Investment Return	<u>\$77,501</u>

7. Deferred Revenue

CDSS receives contractual payments in advance of the performance of contracts. These amounts are reported as deferred revenue and as of December 31, 2019 consist of:

Prepayment of Insurance Services	\$25,459
Prepayment of Camp Fees	<u>4,350</u>
Total advanced contractual payments	29,809
Advanced payments - non-contractual	<u>2,108</u>
Total deferred revenue	<u>\$31,917</u>

Advance contractual payments on hand at December 31, 2018 in the amount of \$25,182 were recognized as revenue in 2019.

8. Line of Credit

CDSS has a line of credit with a bank. The maximum amount of the line of credit is \$100,000 and carries an interest rate of the bank's base rate plus 1%. The line of credit is secured by the assets of the Organization. There was no outstanding balance on the credit line as of December 31, 2019.

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

9. Net Assets With Donor Restrictions

Net Assets With Donor Restrictions at December 31, 2019 of \$453,232 consists of \$395,857 in multi-year pledges that are time restricted and \$57,375 in unexpended donor restricted funds for program purposes.

10. Funds Functioning as Endowment

CDSS's Board of Directors has established board designated funds that function as an endowment fund. These funds are unrestricted net assets. In 2019, CDSS had the following endowment related activities:

Endowment net assets, beginning of year	\$305,726
Contributions	20,000
Investment return	
Investment income	11,314
Realized losses	(996)
Unrealized gains	<u>41,578</u>
Total investment return	<u>51,896</u>
Appropriation of endowment assets for expenditure	<u>(7,656)</u>
Endowment net assets, end of year	<u>\$369,997</u>

The Board of Directors of CDSS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original board designated amounts. In accordance with SPMIFA, the Organization considers many factors in making a determination on how to appropriate or accumulate board designated endowment funds including: the duration and preservation of the fund, the purpose of the fund, the general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

CDSS annually approves a spending amount based on the historical investment returns of the board designated endowment fund that will be available for appropriation.

11. Retirement Plan Costs

CDSS has a defined contribution retirement plan that permits employees to make tax deferred contributions up to the amounts permitted by the Internal Revenue Code. Employees become eligible to participate after two years of service as defined in the Plan. CDSS matches employee contributions in amounts between 1% and 5% of employee compensation, depending on the participant's years of services. Total retirement plan expense for the year was \$6,837.

The Accompanying Notes Are An Integral Part Of These Financial Statements

Country Dance and Song Society, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2019

12. Operating Lease Commitments

CDSS has a long-term lease on their current office space which began on September 1, 2011. The Organization also rents office equipment. Future minimum lease payments under these leases are:

2020	\$28,714
2021	20,894
2022	3,078
2023	3,078
2024	<u>256</u>
Total Lease Commitments	<u>\$56,020</u>

Office rent expense for the year being reported on was \$29,660.

13. Concentration of Credit Risk

From time to time CDSS has bank account balances in excess of the FDIC insured limits. Excess amounts over the FDIC limits are not insured.

14. Subsequent Events

CDSS has evaluated subsequent events through August 19, 2020, the date which the financial statements were available to be issued. Subsequent to the December 31, 2019 year end, the Covid 19 pandemic created significant uncertainty in all sectors of the economy. Management is fully confident that the Organization has enough resources to continue to operate through this crisis. CDSS has received Paycheck Protection Program funds to help in this effort. Although there has been a decline in the CDSS's investment account balance, it has been modest. The 2020 summer camp programs, unfortunately, have been cancelled but the Organization expects to have a full slate of summer camp programs available in 2021.