



Financial Statements  
July 31, 2017 and 2016

**Suzuki Association of the Americas,  
Inc.**

Suzuki Association of the Americas, Inc.  
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July 31, 2017 and 2016

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The Board of Directors  
Suzuki Association of the Americas, Inc.  
Boulder, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of Suzuki Association of the Americas, Inc. which comprise the statements of financial position as of July 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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

Our responsibility is to express an opinion on these 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suzuki Association of the Americas, Inc., as of July 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Eide Bailly LLP*

Denver, Colorado  
January 24, 2018

Suzuki Association of the Americas, Inc.  
 Statements of Financial Position  
 July 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 174,342	\$ 246,944
Investments	1,181,949	1,147,073
Accounts receivable	13,008	19,587
Prepaid expenses	6,248	5,722
Inventory	29,618	22,621
Property and equipment, net	677	1,023
Total assets	\$ 1,405,842	\$ 1,442,970
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 13,419	\$ 7,569
Accrued compensation	10,228	11,328
Deferred revenue	3,552	3,192
Total liabilities	27,199	22,089
<b>Net Assets</b>		
Unrestricted	1,362,303	1,404,235
Temporarily restricted	16,340	16,646
Total net assets	1,378,643	1,420,881
Total liabilities and net assets	\$ 1,405,842	\$ 1,442,970

Suzuki Association of the Americas, Inc.  
 Statements of Activities  
 Years Ended July 31, 2017 and 2016

	2017	2016
Unrestricted Revenue, Support, and Gains		
Membership dues	\$ 545,897	\$ 562,257
Course registration fees	153,891	142,851
Institutes	21,669	55,948
Biannual conference	5,950	288,500
Biannual retreat	119,840	65
Advertising	56,478	56,861
Contributions	67,807	53,259
Publications, net of cost of goods sold of \$9,202 and \$12,084, respectively	5,336	7,172
Other income	14,265	18,617
Net investment return	34,901	62,819
Net assets released from restrictions	931	-
Total unrestricted revenue, support, and gains	1,026,965	1,248,349
Expenses		
Program	729,322	785,304
Management and general	254,181	251,609
Membership development	44,306	45,341
Unallocated payments to international organization	41,088	38,940
Total expenses	1,068,897	1,121,194
Change in Unrestricted Net Assets	(41,932)	127,155
Temporarily Restricted Support		
Contributions	625	4,091
Net assets released from restrictions	(931)	-
Change in Temporarily Restricted Net Assets	(306)	4,091
Change in Net Assets	(42,238)	131,246
Net Assets, Beginning of Year	1,420,881	1,289,635
Net Assets, End of Year	\$ 1,378,643	\$ 1,420,881

Suzuki Association of the Americas, Inc.  
 Statements of Cash Flows  
 Years Ended July 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (42,238)	\$ 131,246
Adjustments to reconcile change in net assets to cash from (used for) operating activities		
Realized and unrealized gain on investments	(6,372)	(35,557)
Depreciation	346	923
Changes in operating assets and liabilities		
Accounts receivable	6,579	(7,663)
Prepaid expenses	(526)	(76)
Inventory	(6,997)	4,415
Accounts payable	5,850	4,366
Accrued compensation	(1,100)	1,651
Deferred revenue	360	(2,207)
Net Cash from (used for) Operating Activities	(44,098)	97,098
Net Cash from (used for) Investing Activities		
Purchases of investments	(28,504)	(32,533)
Net Change in Cash and Cash Equivalents	(72,602)	64,565
Cash and Cash Equivalents, Beginning of Year	246,944	182,379
Cash and Cash Equivalents, End of Year	\$ 174,342	\$ 246,944

## Note 1 - Principal Activity and Significant Accounting Policies

### Organization

Suzuki Association of the Americas, Inc. (the Association) is a nonprofit coalition of teachers, parents, educators, and others who are interested in making music education available to all children. The Association provides programs with services to members throughout North and South America. With the International Suzuki Association (ISA), and other regional associations, the Association promotes and supports the spread of Dr. Suzuki's Talent Education.

In addition to publishing the *American Suzuki Journal*, a quarterly magazine for members, the Association offers teacher development programs, scholarships, conferences, workshops, and retreats.

### Cash and Cash Equivalents

The Association considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

### Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses.

### Receivables and Credit Policies

Accounts receivable consist primarily of non-interest bearing amounts due for the sales of advertising and performance of services provided to members, affiliated organizations and other organizations. All accounts receivable are due on demand. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Management considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established at July 31, 2017 and 2016.

### Inventory

Inventory is comprised of published training materials and videos and is stated at the lower of average cost or net realizable value.

### Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or, if donated, at fair value on the date of



The Association reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended July 31, 2017 and 2016.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets available for use in general operations.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Association and/or the passage of time.

The Association reports contributions by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Association. The Association had no permanently restricted net assets as of July 31, 2017 and 2016.

#### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Membership dues are classified as contributions and are recognized in the period in which payment is received. Conference registrations and other program service payments received in advance are deferred to the applicable period in which the services are provided. Advertising income received in advance is deferred to the applicable period in which the related advertisements are published. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received.

#### **Advertising Costs**

Advertising costs are expensed as incurred and totaled \$2,996 and \$2,845 for the years ended July 31, 2017 and 2016, respectively.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 7 presents total expenses by function.

### **Unallocated Payments to International Organization**

The Association remits quarterly fees to ISA for the right to promote the Suzuki method in the Americas. The Association remitted fees of \$41,088 and \$38,940 to ISA for the years ended July 31, 2017 and 2016, respectively.

### **Income Taxes**

The Association is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Section 509(a)(2). The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Association is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Association files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. During the years ended July 31, 2017 and 2016, the Association did not incur any income tax expense.

The Association believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The entity Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2010.

### **Estimates**

The preparation 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 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 and those differences could be material.

### **Financial Instruments and Credit Risk**

The Association manages deposit concentration risk by placing cash, money market accounts, and certificates of

### Subsequent Events

The Association has evaluated subsequent events through January 24, 2018, that date the financial statements were available to be issued.

### Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Association can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Association develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Association's assessment of the quality, risk or liquidity profile of the asset.

A portion of the Association's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values and closing market prices, respectively. Certificates of deposit and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. Preferred stocks are valued at an adjusted price based upon prices of similar

Suzuki Association of the Americas, Inc.

Notes to Financial Statements

July 31, 2017 and 2016

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at July 31, 2017 and 2016:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>July 31, 2017</u>				
Money market funds (at cost)	\$ 34,427	\$ -	\$ -	\$ -
Certificates of deposit	210,801	-	210,801	-
Mutual funds				
Large blend	113,880	113,880	-	-
Large growth	26,447	26,447	-	-
Large value	71,286	71,286	-	-
Moderate allocation	46,864	46,864	-	-
Preferred stock	106,271	-	106,271	-
Corporate bonds	571,973	-	571,973	-
	<u>\$ 1,181,949</u>	<u>\$ 258,477</u>	<u>\$ 889,045</u>	<u>\$ -</u>

<u>July 31, 2016</u>				
Money market funds (at cost)	\$ (19,135)	\$ -	\$ -	\$ -
Certificates of deposit	282,534	-	282,534	-
Mutual funds				
Large blend	98,606	98,606	-	-
Large growth	21,991	21,991	-	-
Large value	61,973	61,973	-	-
Moderate allocation	42,700	42,700	-	-
Preferred stock	124,592	-	124,592	-
Corporate bonds	533,812	-	533,812	-

**Note 3 - Net Investment Return**

Net investment return consists of the following for the years ended July 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 28,529	\$ 27,262
Net realized and unrealized gain	6,372	35,557
	\$ 34,901	\$ 62,819

**Note 4 - Property and Equipment**

Property and equipment consists of the following at July 31, 2017 and 2016:

	2017	2016
Furniture and equipment	\$ 43,260	\$ 43,260
Less accumulated depreciation	(42,583)	(42,237)
	\$ 677	\$ 1,023

**Note 5 - Leases**

The Association leases office equipment and office space under various operating leases expiring through 2022.

Future minimum lease payments are as follows:

Years Ending July 31.

2018		\$ 35,965
2019		36,937
2020		21,733
2021		3,280
2022		2,733
		\$ 100,648

Rent expense for the years ended July 31, 2017 and 2016 totaled \$41,805 and \$40,774, respectively.

**Note 7 - Functionalized Expenses**

Total expenses by function are as follows for the years ended July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total program expenses (includes cost of goods sold of \$9,202 and \$12,084, respectively)	\$ 738,524	\$ 797,388
Management and general	254,181	251,609
Membership development	44,306	45,341
Unallocated payments to international organization	<u>41,088</u>	<u>38,940</u>
Total functionalized expenses	<u>\$ 1,078,099</u>	<u>\$ 1,133,278</u>

**Note 8 - Pension Plan**

The Association sponsors a Savings Incentive Match Plan (Simple) IRA Plan (the Plan) available to all full-time and salaried employees. As a defined contribution plan, the Association matches employee voluntary salary reductions up to 3% of each employee's gross compensation. The Association's contributions to the Plan totaled \$7,228 and \$8,308 for the years ended July 31, 2017 and 2016, respectively.