

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2025  
(with comparative totals for 2024)**

***F.S. Taylor & Associates, P.C.  
Certified Public Accountants  
1420 N Street, N.W., Suite 100  
Washington, D.C. 20005  
(202) 898-0008***

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**TABLE OF CONTENTS**

Independent Auditor’s Report..... 1

Consolidated Statements of Financial Position ..... 4

Consolidated Statement of Activities..... 5

Consolidated Statement of Functional Expenses ..... 6

Consolidated Statements of Cash Flows ..... 7

Notes to Financial Statements..... 8

**F. S. TAYLOR & ASSOCIATES, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS**

---

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
National Association for Music Education

***Opinion***

We have audited the accompanying consolidated financial statements of the National Association for Music Education (NAfME) and Subsidiary (collectively referred to as, the Association), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NAfME and Subsidiary as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAfME and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NAfME's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NAFME's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NAFME's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited NAFME's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 6, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*F. S. Taylor & Associates, P.C.*

Washington, DC  
February 2, 2026

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 617,842	\$ 675,556
Cash and cash equivalents, restricted	294,682	254,989
Investments	7,891,684	7,615,097
Accounts receivable, net	118,768	203,196
Prepaid expenses and other assets	209,279	241,175
Property and equipment, net	1,380	63,227
Intangible assets - website redevelopment, net	38,316	75,099
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 9,171,951</b>	<b>\$ 9,128,339</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 952,263	\$ 1,126,077
Deferred revenue	1,843,596	1,952,994
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>2,795,859</b>	<b>3,079,071</b>
Net assets without donor restrictions:		
Undesignated (deficit)	(2,417,046)	(2,164,124)
Board designated	8,468,340	7,906,753
	<hr/>	<hr/>
<b>Total net assets without donor restrictions</b>	<b>6,051,294</b>	<b>5,742,629</b>
Net assets with donor restrictions:		
	324,798	306,639
	<hr/>	<hr/>
<b>Total net assets</b>	<b>6,376,092</b>	<b>6,049,268</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and net assets</b>	<b>\$ 9,171,951</b>	<b>\$ 9,128,339</b>

See Notes to the Consolidated Financial Statements.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025 (with comparative totals for 2024)**

	<b>2025</b>			<b>2024</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b><u>Revenue and support</u></b>				
Membership dues	\$ 5,044,263	\$	\$ 5,044,263	\$ 5,090,985
Meetings and conventions	140,301		140,301	51,820
Merchandise sales	468,995		468,995	470,556
Royalty income	71,293		71,293	100,398
Miscellaneous income				174,736
Sponsorships	7,200		7,200	14,000
Advertising	172,577		172,577	165,195
Grants and contracts	105,607	165,478	271,085	222,530
Publication revenue	79,640		79,640	6,451
Investment income, net	595,902	11,843	607,745	914,140
Contributions/donations	43,597	30,000	73,597	62,439
Other income	1,100		1,100	12,125
Net assets released from restrictions	189,162	(189,162)		
<b>Total revenue and support</b>	<b>6,919,637</b>	<b>18,159</b>	<b>6,937,796</b>	<b>7,285,375</b>
<b><u>Expenses</u></b>				
Program services:				
Membership growth and development	687,591		687,591	697,628
Member and student experiences	645,538		645,538	510,175
Capacity building	1,087,015		1,087,015	1,214,913
Publications	576,226		576,226	609,738
Other programs	559,831		559,831	583,759
Governance	300,270		300,270	259,571
Strategic relationship development	133,198		133,198	231,992
<b>Total program services</b>	<b>3,989,669</b>		<b>3,989,669</b>	<b>4,107,776</b>
Supporting services:				
Administration	2,284,343		2,284,343	2,632,708
Fundraising and development	336,960		336,960	236,739
<b>Total supporting services</b>	<b>2,621,303</b>		<b>2,621,303</b>	<b>2,869,447</b>
<b>Total expenses</b>	<b>6,610,972</b>		<b>6,610,972</b>	<b>6,977,223</b>
<b>Change in net assets</b>	<b>308,665</b>	<b>18,159</b>	<b>326,824</b>	<b>308,152</b>
Net assets, beginning of year	5,742,629	306,639	6,049,268	5,741,116
Net assets, end of year	<b>\$ 6,051,294</b>	<b>\$ 324,798</b>	<b>\$ 6,376,092</b>	<b>\$ 6,049,268</b>

See Notes to the Consolidated Financial Statements.

NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2025 (with comparative totals for 2024)

	Program Services							Supporting Services			2025 Total	2024 Total	
	Membership Growth & Development	Member and Student Experiences	Capacity Building	Publications	Other Program	Governance	Strategic Relationship Development	Total Program	Administration	Fundraising and Development			Total Support Services
Salaries and benefits	\$ 155,065	\$ 99,544	\$ 537,362	\$ 158,368	\$ 323,525	\$ 162,058	\$ 53,976	\$ 1,489,898	\$ 1,142,727	\$ 149,195	\$ 1,291,922	\$ 2,781,820	\$ 2,858,013
Professional services/consultants	306,412	4,263	4,500		24,116	1,714	-	341,005	727,147	71,558	798,705	1,139,710	1,317,684
Travel	5,134	89,995	385,324		2,531	115,192	(5,084)	593,092	635	35,386	36,021	629,113	552,972
Production and printing	2,822	14,947	20,490	306,142	2,631			349,912	798	27,632	28,430	378,342	383,907
Meetings, conventions and conferences		131,019	27,517		4,776	173	1,000	164,485	5,564	21,845	27,409	191,894	208,469
Management fees	54,834	46,825	25,225	79	107,737	5,941		240,641	240,152	15,551	255,703	496,344	515,812
Postage and mailing	35,141	11,413	111	84,757				131,734	663	1,260	1,923	133,657	132,051
Merchandise sales cost		176,561					68,815	245,376		13,634	13,634	259,010	240,931
Other	128,183	70,971	86,486	26,880	94,515	14,632	11,859	433,526	166,657	899	167,556	601,082	767,384
Total expenses	<u>\$ 687,591</u>	<u>\$ 645,538</u>	<u>\$ 1,087,015</u>	<u>\$ 576,226</u>	<u>\$ 559,831</u>	<u>\$ 300,270</u>	<u>\$ 133,198</u>	<u>\$ 3,989,669</u>	<u>\$ 2,284,343</u>	<u>\$ 336,960</u>	<u>\$ 2,621,303</u>	<u>\$ 6,610,972</u>	<u>\$ 6,977,223</u>

See Notes to the Consolidated Financial Statements.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 326,824	\$ 308,152
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	98,629	153,861
Realized and unrealized (gains) and losses on investments	(401,026)	(676,304)
Non-cash disposal of fixed asset		2,250
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	84,429	(72,722)
Prepaid expenses and other assets	31,896	18,564
Increase (decrease) in:		
Accounts payable and accrued expenses	(173,814)	(87,773)
Deferred revenue	(109,398)	63,303
Deferred gain on sale of building		(174,736)
Operating lease assets and liabilities, net		(20,897)
<b>Net cash used in operating activities</b>	<u>(142,460)</u>	<u>(486,302)</u>
<b>Cash flows from investing activities:</b>		
Capitalized website redevelopment costs		(1,500)
Net proceeds from investments	124,439	(71,712)
<b>Net cash (used in) provided by investing activities</b>	<u>124,439</u>	<u>(73,212)</u>
<b>Net decrease in cash and cash equivalents</b>	(18,021)	(559,514)
<b>Cash and cash equivalents:</b>		
Beginning cash and cash equivalents	930,545	1,490,059
Ending cash and cash equivalents	<u>\$ 912,524</u>	<u>\$ 930,545</u>
<b>Cash and cash equivalents, end of year</b>	\$ 617,842	\$ 675,556
<b>Cash and cash equivalents - endowment funds, end of year</b>	<u>294,682</u>	<u>254,989</u>
	<u>912,524</u>	<u>930,545</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	<u>\$ 849</u>	<u>\$ 5,327</u>

See Notes to the Consolidated Financial Statements.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities:** The National Association for Music Education (NAfME), a nonprofit corporation located in Reston, Virginia, was organized April 12, 1907, under the laws of the state of Iowa for the specific purpose of the advancement of music education. NAfME serves as leader and spokesperson for music education in the United States. Its members are engaged in music teaching or other music education work at institutional levels from preschool through college and university. The goals of NAfME include comprehensive music programs in all schools, involvement of people of all ages in learning music, high-quality preparation of teachers, and the use of the most effective techniques and resources in music instruction.

On January 16, 2014, Solutions Music Group, LLC (SMG), an entity wholly owned by NAfME, was formed as a limited liability company under the laws of the state of Virginia. SMG was formed to engage in the business of providing consulting services to individual schools, school districts or organizations to develop music curricula or provide other related arts education services in the form of consulting. SMG had no activity during the years ended June 30, 2025 and 2024 but there were no plans for dissolution at the issuance date of the report.

**Principles of consolidation:** The consolidated financial statements include the accounts of NAfME and the Solutions Music Group, LLC (collectively referred to as, the Association). Significant inter-entity accounts and transactions have been eliminated in consolidation.

A summary of the Association's significant accounting policies follows:

**Basis of accounting:** The Association prepares its consolidated financial statements on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** The consolidated financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Association is required to report information regarding its financial position and activities according to two classes to net assets, as follows:

*Net assets without donor restriction* - Net assets without donor restrictions include undesignated funds that are available for the support of the Association's activities and not subject to donor-imposed stipulations. Designated net assets consist of funds set aside for specific purposes by action of the Association. The Association's policies set as a goal that the Association maintain a reserve account equaling or exceeding 100% of the annual operating budget, which is to be used as designated by the board. As of June 30, 2025 and 2024, the Association's board-designated net assets were sufficient to cover their respective Fiscal Year (FY) budgets.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

*Net assets with donor restriction* - Net assets restricted for time or purpose are subject to donor-imposed stipulations that may or will be met by the actions of the Association and/or passage of time. Net assets restricted in perpetuity are subject to donor-imposed stipulations that they be maintained permanently by the Association. Net assets with donor restrictions were as follows for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Specific purpose:		
Kane Scholarship	\$ 2,182	\$ 113
Harley Scholarship	12,427	11,821
Dr. Marvin Greenberg Fund	13,659	6,642
Connected Arts Networks ("CAN") grant	<u>31,387</u>	<u>52,920</u>
	59,655	71,496
Perpetual endowment funds:		
Kane Scholarship Fund	65,395	65,395
Harley Scholarship Fund	9,740	9,740
Dr. Marvin Greenberg Fund	<u>190,008</u>	<u>160,008</u>
	<u>265,143</u>	<u>235,143</u>
Total net assets with donor restrictions	<u>\$ 324,798</u>	<u>\$ 306,639</u>

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Income tax status:** NAFME is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as other than a private foundation. NAFME is subject to income taxes on unrelated business income, as defined by the IRC. The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. NAFME performed an evaluation of uncertain tax positions as of June 30, 2025 and 2024, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. SMG is a single member limited liability company and since it is a disregarded entity for income tax purposes, SMG has no activity to report.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Cash and cash equivalents:** For purposes of reporting cash flows, the Association considers all demand deposits and highly liquid investments purchased with an original maturity of three months or less, that are not held by investment custodians, to be cash equivalents. Cash and cash equivalents are reported as either unrestricted or restricted.

**Cash and cash equivalents, restricted:** Restricted cash and cash equivalents are held for specific purposes. The endowment fund is for the purpose of scholarship and research imposed by donor. The restricted cash and cash equivalent consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Endowment funds	\$ 294,682	\$ 254,989
	<u>\$ 294,682</u>	<u>\$ 254,989</u>

**Investments:** Investments are stated at fair value. Gains and losses, including changes in fair value, are reported in the consolidated statement of activities as increase or decrease in net assets.

**Concentrations of credit risk:** The Association maintains its cash and cash equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Association moves account balances beyond \$250,000 into a sweep account where excess funds are deposited to ensure all funds are FDIC insured. As of June 30, 2025 and 2024, the Association had approximately \$0 in uninsured balances.

The Association also invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Association’s investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio’s value during subsequent periods.

**Accounts receivable:** Accounts receivable are reported net of an allowance for doubtful accounts. Management’s estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. Receivables are charged to allowance when deemed uncollectible. It is reasonably possible that management’s estimate of the allowance will change. Allowance for doubtful accounts has a total of \$0 at June 30, 2025 and 2024, respectively.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Property and equipment:** Property and equipment are recorded at cost, except for donated items, which are recorded at fair value at the date of donation. The Association capitalizes all property and equipment purchased with a cost of \$500 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of each asset. Furniture and equipment are depreciated over an estimated useful life of three to seven years, while building and improvements are depreciated or amortized over estimated useful lives of ten to forty years.

**Intangible assets:** Intangible assets, including website development costs, are recorded at cost. The Association capitalizes all intangible assets with a cost of \$500 or more that provide future economic benefits. Capitalized website development costs include expenses incurred during the application development stage in accordance with FASB ASC 350-50 (Website Development Costs). Amortization is computed on a straight-line basis over the estimated useful life of the asset. The Association amortizes website development costs over an estimated useful life of three years. Other intangible assets, if any, are amortized over their respective estimated useful lives based on the nature of the asset and expected period of benefit.

**Impairment policy:** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. During the years ended June 30, 2025 and 2024, management did not consider the value of any property or equipment or intangible assets to be impaired.

**Comparative financial information:** The accompanying financial statements include 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 of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2024, from which the summarized information was derived.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Revenue recognition:** Membership dues are on an anniversary-date and a calendar date (July 1 – June 30) and include multiple distinct performance obligations, including various quarterly journal subscriptions and general member services, such as advocacy and education. Dues revenue is allocated among the performance obligations and is recognized when each of the performance obligations are satisfied, as follows: quarterly journal – upon publication and general member benefits – ratably over the membership period. Membership revenue related to future periods is recorded as deferred revenue in the accompanying consolidated statements of financial position.

Meetings and convention revenue is recognized at the point in time when the related event takes place. Amounts related to these revenue streams are billed prior to the event. Payment is generally due in full prior to the commencement of the applicable event. Revenue from merchandise sales is recognized at the point in time upon shipment of the product.

Contributions are recognized in the statements of activities when donors make unconditional promises to give or when gifts of cash or other assets are received. Contributions are classified as support with donor restrictions or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor, or that have an implied time restriction, are reported as increases in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions upon satisfaction of the donor's purpose restriction or when time restrictions expire. All contributions that are restricted by donor, for which restrictions are met within the same fiscal year, are classified as activities without donor restrictions.

**Functional allocation of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Expenses require allocation on a reasonable basis that is consistently applied. Direct costs associated with identifiable expenses are charged to program and supporting services. Accordingly, certain costs including salaries and overhead have been allocated among the departments, programs and supporting services benefited on the basis of estimates of time and effort. The majority of other expenses can be directly identified to their specific function. Administration expenses include those expenses that are not directly identifiable with any other specific function but that provide for the overall support and direction of the Association. Fundraising and development expenses are costs related to the capital campaign, development, and other fundraising efforts.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Leases:** The Association accounts for leases in accordance with FASB ASC Topic 842, *Leases*. As a matter of policy, the Association excludes leases with initial terms of 12 months or less from recognition on the consolidated statements of financial position. As of June 30, 2025, the Association does not have any long-term lease arrangements and, accordingly, no lease right-of-use assets or lease liabilities are recorded.

**Reclassifications:** Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

**Subsequent events:** Subsequent events have been evaluated through February 2, 2026, which is the date the consolidated financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, because of this evaluation.

**NOTE 2 -- INVESTMENTS**

In accordance with U.S. GAAP, the Association uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

**Level 2:** Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data.

**Level 3:** Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 2 -- INVESTMENTS – (CONTINUED)**

The following is a summary of input levels used to determine fair values, measured on a recurring basis, at June 30, 2025:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value:				
Mutual Funds - Equities				
US Large Cap Growth	\$ 1,621,286	\$ 1,621,286	\$	\$
US Large Cap Value	2,113,234	2,113,234		
Small/Mid Cap Growth	290,944	290,944		
Small/Mid Cap Value	784,853	784,853		
International Equity	207,179	207,179		
Equities Blend	910,882	910,882		
Mutual Funds - Fixed Income				
Short Term Bond	309,987	309,987		
Long Term Bond	141,885	141,885		
Intermediate Term Bond	291,166	291,166		
Fixed Income Blend	138,873	138,873		
Certificate of Deposits	668,745	668,745		
	<u>7,479,034</u>	<u>\$ 7,479,034</u>	<u>\$</u>	<u>\$</u>
Investments, at cost:				
Cash	412,650			
	<u>\$ 7,891,684</u>			

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 2 -- INVESTMENTS – (CONTINUED)**

The following is a summary of input levels used to determine fair values, measured on a recurring basis, at June 30, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value:				
Mutual Funds - Equities				
US Large Cap Growth	\$ 1,688,738	\$ 1,688,738	\$	\$
US Large Cap Value	1,774,676	1,774,676		
Small/Mid Cap Growth	308,336	308,336		
Small/Mid Cap Value	630,232	630,232		
International Equity	101,250	101,250		
Equities Blend	1,022,974	1,022,974		
Mutual Funds - Fixed Income				
Short Term Bond	264,589	264,589		
Long Term Bond	137,069	137,069		
Intermediate Term Bond	302,145	302,145		
Fixed Income Blend	98,344	98,344		
Certificate of Deposits	362,015	362,015		
	<u>6,690,368</u>	<u>\$ 6,690,368</u>	<u>\$</u>	<u>\$</u>
Investments, at cost:				
Cash	924,729			
	<u>\$ 7,615,097</u>			

Investments valued using Level 1 inputs include closed end mutual funds, the fair values of which were based on quoted prices for identical assets in active markets.

Investments valued using Level 2 inputs include corporate bonds, the fair values of which were determined by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

Investments are recorded at cost include cash. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 3 -- LIQUIDITY AND AVAILABILITY**

The Association invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 617,842	\$ 675,556
Cash and cash equivalents, restricted	294,682	254,989
Investments	7,891,684	7,615,097
Receivables	118,768	203,196
	<u>8,922,976</u>	<u>8,748,838</u>
Less amounts not available within one year:		
Endowment funds held in perpetuity	<u>(265,143)</u>	<u>(235,143)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,657,833</u>	<u>\$ 8,513,695</u>

**NOTE 4 -- PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 593,054	\$ 593,054
Less accumulated depreciation	(591,674)	(529,827)
	<u>\$ 1,380</u>	<u>\$ 63,227</u>

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 4 -- PROPERTY AND EQUIPMENT (CONTINUED)**

During the year ended June 30, 2019, the Association sold its' office building and land. The sales price of the building and land was \$5,525,000. The Association's net gain on the sale of building and land totaled \$3,432,513. As part of the sale, the Association entered into an operating lease for office space which is classified as a sale – leaseback transaction. In conformity with U.S. GAAP, the gain on the sale in excess of the present value of the future minimum lease payments, which totaled \$2,612,596, has been recognized during the year ended June 30, 2019. The remaining portion of the gain, which totaled \$887,124, is being deferred and will be recognized over the lease term. As of June 30, 2024, the gain was fully recognized, as the lease term ended in January 2024. As of June 30, 2024, gain of \$174,736 was recognized.

**NOTE 5 -- INTANGIBLE ASSETS**

The Association capitalizes website redevelopment costs incurred during the application development stage in accordance with ASC 350-40, Internal-Use Software. The website redevelopment project was completed and placed into service in FY24. The capitalized costs are amortized on a straight-line basis over an estimated useful life of three years.

As of June 30, 2025 and 2024, the carrying amount of the website redevelopment costs was \$38,316 and \$75,099, respectively. Amortization expense for the years ended June 30, 2025 and 2024 was \$36,783 and \$35,251, respectively.

The Association evaluates intangible assets for impairment in accordance with ASC 360, Impairment or Disposal of Long-Lived Assets. As of June 30, 2025 and 2024, no indicators of impairment were identified.

**NOTE 6 -- LINE OF CREDIT**

On March 1, 2021, the Association entered into a line of credit with a bank for \$2,000,000, with an interest rate of BSBY daily floating rate plus 1.75% rate, secured by securities or other investment property owned by the Association as described in the Pledge Agreement required by the bank. In fiscal years 2025 and 2024, the Association didn't utilize the line of credit.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 7 -- ENDOWMENT NET ASSETS AND RELATED NET ASSETS WITH DONOR RESTRICTIONS**

The Association's net assets held in perpetuity consisted of the Kane Scholarship Fund, the Harley Scholarship Fund and Dr. Marvin Greenberg Fund, all of which are endowment funds. Investment income from these endowment funds is restricted for donor specified purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Virginia General Assembly issued the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA). Unless there are explicit donor instructions, this law gives the Boards of non-profit organizations the flexibility to determine appropriate use of endowment principal and related investment income. In accordance with UPMIFA, the Association's Board should consider the following factors in determining a prudent use of investment income and endowment principal:

- 1) The duration and preservation of the fund
- 2) The purposes of the Association and the donor restriction endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation or deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Association
- 7) The investment policy of the Association

The Board of the Association continually reviews its policy regarding the use of endowment funds and makes necessary modifications to the Investment Policy.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 7 -- ENDOWMENT NET ASSETS AND RELATED NET ASSETS WITH DONOR RESTRICTIONS  
(CONTINUED)**

**Return objectives and risk parameters:** The Association has adopted investment and spending policies for donor-restricted endowment assets that attempt to generate a series of cash withdrawals that grow with inflation for use in programs supported by its endowment while seeking to maintain the purchasing power of the donor restricted endowment assets. Donor-restricted endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for donor-specified period(s). Under this policy, as approved by the Board, the endowment assets are invested in accordance with sound investment practices emphasizing long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance. The Association accepts a low level of risk in investment return.

**Strategies employed for achieving objectives:** To satisfy its long-term rate of return objectives, The Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized/unrealized) and current yield (interest/dividends). The Association targets a diversified asset allocation in order to satisfy its cash withdrawal and long-term rate-of-return objectives.

**Funds with deficiencies:** From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2025 and 2024.

**Spending policies:** In order to support the operating activities of the Association, the investment policy approves appropriation of the endowment funds income for the donor designated purpose in the year(s) when sufficient accumulated investment income is realized to make a meaningful scholarship or grant. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long-term, the Association expects the current spending policy to allow its endowment to grow consistent with its objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 7 -- ENDOWMENT NET ASSETS AND RELATED NET ASSETS WITH DONOR RESTRICTIONS  
(CONTINUED)**

**Net assets with donor restrictions:** Net assets with donor restrictions consisted of the following as of June 30, 2025:

	<b>With Donor Restrictions, Specified Purpose</b>	<b>With Donor Restrictions, Held in Perpetuity</b>	<b>Total</b>
Kane Scholarship Fund	\$ 2,182	\$ 65,395	\$ 67,577
Harley Scholarship Fund	12,427	9,740	22,167
Dr. Marvin Greenberg Fund	13,659	190,008	203,667
	<u>\$ 28,268</u>	<u>\$ 265,143</u>	<u>\$ 293,411</u>

**Net assets with donor restrictions:** Net assets with donor restrictions consisted of the following as of June 30, 2024:

	<b>With Donor Restrictions, Specified Purpose</b>	<b>With Donor Restrictions, Held in Perpetuity</b>	<b>Total</b>
Kane Scholarship Fund	\$ 113	\$ 65,395	\$ 65,508
Harley Scholarship Fund	11,821	9,740	21,561
Dr. Marvin Greenberg Fund	6,642	160,008	166,650
	<u>\$ 18,576</u>	<u>\$ 235,143</u>	<u>\$ 253,719</u>

**Net assets with donor restrictions activity:** Changes consisted of the following for the years ended June 30, 2025 and 2024:

	<b>With Donor Restrictions, Specified Purpose</b>	<b>With Donor Restrictions, Held in Perpetuity</b>	<b>Total</b>
Endowment Net Assets, June 30, 2023	\$ 14,095	\$ 175,135	\$ 189,230
Net Investment return	9,631	60,008	69,639
Appropriations	(5,150)		(5,150)
Endowment Net Assets, June 30, 2024	18,576	235,143	253,719
Dr. Marvin Greenberg Fund		30,000	30,000
Net Investment return	11,842		11,842
Appropriations	(2,150)		(2,150)
Endowment Net Assets, June 30, 2025	<u>\$ 28,268</u>	<u>\$ 265,143</u>	<u>\$ 293,411</u>

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 8 -- RETIREMENT PLANS**

**Defined contribution plan:** The Association has a defined contribution retirement plan covering all employees who work over one thousand hours in the plan year following one month of service. During fiscal years 2025 and 2024, the Association contributed 6.5% of eligible participants' compensation to the defined contribution retirement plan. For the years ended June 30, 2025 and 2024, net amounts contributed after forfeitures were \$140,160 and \$148,912, respectively.

**403(b) plan:** The Association sponsors a 403(b) plan for eligible employees. Employees are eligible to participate in the plan upon their date of hire. Participants may contribute a portion of their eligible compensation to the plan, subject to limits approved by the IRC. Participants are immediately vested in their own contributions. The Association does not make matching contributions to the 403(b) plan.

**NOTE 9 -- CONTINGENCIES**

Hotel commitments: The Association is committed under agreements for conference space and room rentals through the year 2026. In the event that the Association cancels or reduces its contracted room nights, the Association may be liable for cancellation fees.

**NOTE 10 -- LEASE COMMITMENTS**

The Association evaluates its lease arrangements in accordance with FASB ASC Topic 842, Leases.

The Association's corporate office lease expired in January 2024 and was fully amortized and settled during fiscal year 2024. As of June 30, 2025, the Association does not have any long-term lease arrangements subject to ASC Topic 842.

The Association leases two public storage units under month-to-month agreements that may be terminated by either party at any time without penalty. These arrangements are considered short-term leases and are excluded from recognition on the consolidated statements of financial position.

Accordingly, no lease right-of-use assets, lease liabilities, or future lease commitments exist as of June 30, 2025.

**NATIONAL ASSOCIATION FOR MUSIC EDUCATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 11 -- AFFILIATE TRANSACTIONS**

The Association maintains an affiliate relationship with 51 state Music Education Associations (MEAs). NAFME's board consists of 23 voting members, 21 of whom represent these state affiliates. The other two members are from NAFME's Equity Committee. The Association also serves as the fiscal agent for the bi-annual Eastern Division Conference, overseeing and managing its accounting functions. The profit of the conference was \$0 at June 30, 2025 and 2024, respectively.