

HARMONY FOUNDATION INTERNATIONAL, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2022

HARMONY FOUNDATION INTERNATIONAL, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Harmony Foundation International, Inc.

Opinion

We have audited the accompanying financial statements of Harmony Foundation International, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its 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 (U.S. GAAP). 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 the Organization 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 financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the 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 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 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 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Nashville, Tennessee
August 10, 2023

HARMONY FOUNDATION INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 459,585
Contributions receivable, net	2,176,485
Prepaid expenses and other current assets	<u>46,732</u>
Total current assets	2,682,802

PROPERTY AND EQUIPMENT	2,583
------------------------	-------

OTHER ASSETS

Contributions receivable due in 1-5 years, net	222,000
Investments:	
Endowment funds	3,469,260
Operations	73,276
Beneficial interests in charitable remainder trusts	397,500
Cash surrender value of life insurance	<u>221,000</u>

Total Assets	<u>\$ 7,068,421</u>
--------------	---------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 279,273
Due to Barbershop Harmony Society chapters and districts	66,775
Current portion of note payable	<u>2,526</u>
Total current liabilities	348,574

LONG-TERM NOTE PAYABLE	<u>155,837</u>
------------------------	----------------

Total Liabilities	<u>504,411</u>
-------------------	----------------

NET ASSETS

Without donor restrictions	417,238
With donor restrictions	<u>6,146,772</u>
Total net assets	<u>6,564,010</u>

Total Liabilities and Net Assets	<u>\$ 7,068,421</u>
----------------------------------	---------------------

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions, net:			
Annual giving programs	\$ 1,012,988	\$ 330,398	\$ 1,343,386
Endowment funds	66,936	2,597,967	2,664,903
Employee retention credit	137,374	-	137,374
PPP loan forgiveness	214,335	-	214,335
Investment loss, net	-	(1,032,068)	(1,032,068)
Administrative fees	48,631	-	48,631
Miscellaneous	544	-	544
Net assets released from restrictions	<u>562,884</u>	<u>(562,884)</u>	<u>-</u>
Total revenues and support	<u>2,043,692</u>	<u>1,333,413</u>	<u>3,377,105</u>
EXPENSES			
Program Services			
Connect.	381,211	-	381,211
Enrich.	390,304	-	390,304
Sing.	<u>520,152</u>	<u>-</u>	<u>520,152</u>
Total program services	<u>1,291,667</u>	<u>-</u>	<u>1,291,667</u>
Supporting Services			
Management and general	440,564	-	440,564
Fundraising	<u>541,997</u>	<u>-</u>	<u>541,997</u>
Total supporting services	<u>982,561</u>	<u>-</u>	<u>982,561</u>
Total expenses	<u>2,274,228</u>	<u>-</u>	<u>2,274,228</u>
CHANGE IN NET ASSETS	(230,536)	1,333,413	1,102,877
NET ASSETS - BEGINNING OF YEAR	<u>647,774</u>	<u>4,813,359</u>	<u>5,461,133</u>
NET ASSETS - END OF YEAR	<u>\$ 417,238</u>	<u>\$ 6,146,772</u>	<u>\$ 6,564,010</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Connect.	Enrich.	Sing.		Management and General	Fundraising		
Salaries	\$ 108,582	\$ 85,380	\$ 54,291	\$ 248,253	\$ 141,033	\$ 351,903	\$ 492,936	\$ 741,189
Payroll taxes	7,942	6,179	3,971	18,092	9,968	26,086	36,054	54,146
Employee benefits	16,800	12,287	8,400	37,487	20,786	58,428	79,214	116,701
Total personnel costs	<u>133,324</u>	<u>103,846</u>	<u>66,662</u>	<u>303,832</u>	<u>171,787</u>	<u>436,417</u>	<u>608,204</u>	<u>912,036</u>
Grants	165,233	230,272	255,423	650,928	-	-	-	650,928
Professional fees	16,718	16,419	82,299	115,436	207,438	24	207,462	322,898
Endowment fund grants and expense	44,031	36,901	112,285	193,217	-	-	-	193,217
Travel	9,687	338	3,092	13,117	5,772	55,534	61,306	74,423
Office expense	56	252	391	699	26,149	10,395	36,544	37,243
Information technology	1,071	-	-	1,071	1,334	27,497	28,831	29,902
Education expense	11,091	-	-	11,091	-	-	-	11,091
Insurance	-	-	-	-	10,490	-	10,490	10,490
Advertising	-	2,276	-	2,276	-	4,784	4,784	7,060
Donor relations	-	-	-	-	-	6,871	6,871	6,871
Facility and equipment expense	-	-	-	-	5,673	475	6,148	6,148
Regulatory filings	-	-	-	-	5,790	-	5,790	5,790
Interest expense	-	-	-	-	4,238	-	4,238	4,238
Personnel expenses	-	-	-	-	1,377	-	1,377	1,377
Depreciation and amortization	-	-	-	-	516	-	516	516
Total other operating expenses	<u>247,887</u>	<u>286,458</u>	<u>453,490</u>	<u>987,835</u>	<u>268,777</u>	<u>105,580</u>	<u>374,357</u>	<u>1,362,192</u>
Total functional expenses	<u>\$ 381,211</u>	<u>\$ 390,304</u>	<u>\$ 520,152</u>	<u>\$ 1,291,667</u>	<u>\$ 440,564</u>	<u>\$ 541,997</u>	<u>\$ 982,561</u>	<u>\$ 2,274,228</u>

HARMONY FOUNDATION INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

OPERATING ACTIVITIES

Change in net assets	\$ 1,102,877
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Forgiveness of Paycheck Protection Program loan	(214,335)
Accrued interest on note payable	4,238
Depreciation	516
Realized and unrealized loss on investments	1,200,648
Increase in beneficial interests in charitable remainder trusts	(5,700)
Increase in cash surrender value of life insurance	(13,000)
Changes in:	
Contributions receivable, net	(1,813,959)
Prepaid expenses and other current assets	(2,360)
Accounts payable and accrued expenses	210,248
Due to Barbershop Harmony Society chapters and districts	<u>(10,830)</u>
Net cash provided by operating activities	<u>458,343</u>

INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	1,316,435
Purchase of investments	(1,947,053)
Purchase of property and equipment	<u>(3,099)</u>
Net cash used in investing activities	<u>(633,717)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (175,374)

CASH AND CASH EQUIVALENTS, Beginning 634,959

CASH AND CASH EQUIVALENTS, Ending \$ 459,585

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Harmony Foundation International, Inc. (the “Organization”) was incorporated as a not-for-profit organization in 1959, founded by the Society for the Preservation and Encouragement of Barber Shop Quartet Singing in America, Incorporated (the “Society”, “Barbershop Harmony Society” or “BHS”). The Organization is designed to connect people and enrich lives through charitable giving in support of community singing because its core value is that singing in community with others transforms lives. Those who experience the joy of singing perform better in school, at their jobs, and in family and social relationships. Through its Connect, Enrich, and Sing outreach and educational programs, the Organization educates and promotes these individual and societal benefits to both singers and non-singers. The Organization raises awareness and connects resources to initiatives of organizations to financially enable exceptional programs that stimulate interest in, share, nurture, and perpetuate the love of lifelong singing. The Organization’s goal is to be the most powerful influencer of singing in the world, envisioning stronger communities when individuals engage with others to create something greater together when they connect in harmony.

Basis of Presentation

The accompanying financial statements present the financial position and change in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Resources are classified as net assets without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

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 Trustees. Restrictions fulfilled in the same accounting period in which contributions are received are reported in the Statement of Activities as without donor restrictions.

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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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 statement of activities.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued expenses, and other liabilities approximate carrying value due to the short-term nature of these accounts.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.
- Level 2: Financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3: Financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments:

Equities and Fixed Income - Investments in these funds are valued using the net asset value per unit as quoted in active markets at the valuation date and are classified within Level 1 of the valuation hierarchy.

No changes in the valuation methodologies have been made since the prior measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at September 30, 2022.

Cash and Cash Equivalents

Cash and investing instruments with original maturities of three months or less are considered cash and cash equivalents. The Organization maintains cash at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. The discount rate was 2.5% for the year ended September 30, 2022.

An allowance for doubtful accounts is provided based on management's estimate of uncollectible receivables and historical trends. Contributions receivable deemed to be uncollectible are charged off against the allowance in the period of determination.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of \$500 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5-15 years.

Investments

Money market funds are carried at cash value plus accrued interest. Equities and fixed income are carried at the quoted market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the current period in the statement of activities.

Charitable Remainder Trusts

The Organization has remainder interests in certain charitable trusts. A charitable remainder trust is a split-interest agreement in which the charitable beneficiary receives its beneficial interest in the donated assets after the noncharitable beneficiary has received benefits for a specified time period. At the termination of the agreement, the remaining assets in the trust pass to the charitable beneficiary for its use. A contribution and the related asset are recognized in the period the trust is established based on the fair value at the date of the gift and is adjusted annually for the change in the present value discount. The present value of the charitable remainder trusts is based on the actuarial life expectancy of the life income recipient using the discount rate in existence at the time of notification by the trustee of the Foundation's remainder interest. A discount rate of 5% was used for all trusts. Corresponding changes in the value of split interest agreements are recognized in the current period and included in contributions with donor restrictions, until such time that the underlying assets are received, and the donor restricted purpose has been fulfilled (if any).

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The Organization has established several endowment funds. Distributions from the General Endowment and the Organization's Program-Restricted Endowments benefit the Connect, Enrich, and Sing programs of the organization, specifically the music/music education, outreach, scholarship or youth programs. In addition, the Program-Restricted heritage funds benefit preservation projects of the Barbershop genre and historical collections. Distributions from the Associates Funds provide grants to the Associates of the Organization that relate to the Organization's mission. The Organization's Program-Restricted Endowments and Associates Funds are based on signed donor agreements which outline the spending policies and classification of the investment earnings (losses). The donor agreements provide that investment income (loss) increases (decreases) the endowment corpus (principal balance). In the absence of such donor restrictions, the Organization would follow the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Investment return objective, risk parameters and strategies - The Organization has adopted investment policies, approved by the Board of Trustees, to establish asset allocation targets, investment objectives and guidelines and the degree of investment risk the Board of Trustees deems acceptable. The goal of the investment program is to achieve a rate of return that will allow the Organization to respond to current needs while also maintaining long-term growth to respond to future needs. Allocation targets are set for those assets not expected to be withdrawn within twelve months to broadly diversify the funds held and reduce the impact of losses in individual investments. Investment allocations are spread between U.S. Fixed Income Portfolios, U.S. Equity Portfolios, International Equity and Emerging Markets Portfolios and Cash Equivalents.

Spending policy - The Organization has formally adopted an endowment spending policy to be used, unless the signed donor agreements outline a different policy. The annual allowable distribution from each of the endowment funds under this policy is based on 5% of the average fair value of the endowment investments for the prior 3 years. If the maximum allowable distribution is not made for any year, the balance remains in the corpus of that endowment fund. The Organization charges each endowment fund an administrative fee equal to 5% of each contribution received for the year, plus 5% of all interest and dividend income and net realized gains or losses.

Contributions and Support

The Organization recognizes contributions when cash, other assets, or an unconditional promise to give is received.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Support (Continued)

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

The Organization's core belief is that singing enriches lives and communities, transforming voices from many backgrounds into one harmonious voice. Program expenditures align with furthering this core belief.

Connect. Enrich. Sing. are the Foundation's programs that raise awareness, hope, and voices.

Connect. - Raising Awareness

The Organization's Connect program invests in awareness, education, and scholarship opportunities for educators, singers, choral directors, and coaches. It provides resource materials to local communities of singers. The Connect program educates singer and non-singer populations to the benefits of singing in community harmony. By connecting people with one another, the Organization is encouraging all generations from all backgrounds to break down barriers and actively engage with and include others in an activity that creates harmony - with their voices, in their neighborhoods, their schools, their workplaces, their homes, and the world. By providing educational opportunities, the Organization encourages perpetuation of arts and culture in communities along with the disciplines and benefits that further enhance the skills, techniques, and knowledge to promote lifelong community singing.

Enrich. - Raising Hope

The Organization's Enrich program provides opportunities for lives to be enriched through singing — to both singers and non-singers — through performances, community engagements, programs and events, conventions, and celebrations. The Organization supports sharing the gift of singing as an extraordinary means of self-expression and self-actualization, making lives more enjoyable, satisfying, meaningful, and purposeful. Investments in the Enrich program provide financial and other services to local communities of singers — BHS chapters, BHS districts, and other organizations — to encourage singer and audience participation, as well as add value to community events with staff participation. Through the Enrich program, the Organization demonstrates that singing together celebrates the best of times, and provides strength, hope and inspiration to persevere through the worst of times.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supporting Services (Continued)

Sing. - Raising Voices

The Organization's Sing program invests in the singing art forms, with a significant emphasis on four-part vocal 'Barbershop' harmony. The Organization provides grant and scholarship funding for singing participation activities to encourage and support programs throughout the country that promote, develop, and advance opportunities for lifelong singing to people of all ages and backgrounds.

In addition to direct grants, the Organization provided program services expenses for outreach and enrichment programs including Association of International Champions' (AIC) Outreach Program, Power of Harmony Juvenile anti-recidivism program, and other Community Engagement projects for the year ended September 30, 2022.

Supporting Services

Management and General — Relates to the overall direction of the Foundation. These expenses are not identifiable with a particular program but are indispensable to the conduct of those activities and are essential to the Organization's mission. Such activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising — Consists of costs of activities directed toward appeals for financial support, including special events and donor engagement. Other activities include creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated include personnel costs, conventions, facilities and equipment, advertising and promotion, miscellaneous, office expenses, supplies, postage, shipping and printing, professional and contract fees, staff recruitment and development, travel and meeting expenses, and depreciation. These allocations are based on estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled to \$7,060 for the year ended September 30, 2022.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements. The Organization is subject to audits for federal and state purposes for the statutory period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements. The Organization did not receive contributed non-financial assets during the year ended September 30, 2022.

Subsequent Events

Subsequent events have been evaluated through August 10, 2023, which is the date the financial statement were available to be issued.

NOTE 2 — LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support general expenditures activities.

The Organization's financial assets available for general expenditures within one year of the statement of financial position date, consists of the following at September 30, 2022:

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 2 — LIQUIDITY AND AVAILABILITY (continued)

Financial assets at year end	
Cash and cash equivalents	\$ 459,585
Contributions receivable, net	2,398,485
Investments	3,542,536
	<hr/>
	6,400,606
Endowment spending-rate distributions and appropriations to be received in the next 12 months	178,594
	<hr/>
	6,579,200
Less amounts not available to be used within one year	
Multi-year contributions receivable, due after one year, net	(222,000)
Amounts received or receivable for specific purposes	(130,000)
Contributions receivable for endowment, net	(1,890,258)
Investments held for endowment	(3,469,260)
	<hr/>
	(5,711,518)
Financial assets available within one year	<hr/> <hr/> \$ 867,682

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

Additionally, the Organization has the availability to draw from a line of credit to meet cash flow needs.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at September 30, 2022:

Due in less than one year	\$ 2,226,385
Less allowance for doubtful accounts	(49,900)
	<hr/>
	2,176,485
Due in one to five years	369,000
Less allowance for doubtful accounts	(131,000)
Less discount to present value	(16,000)
	<hr/>
	222,000
Contribution receivable, net	<hr/> <hr/> \$ 2,398,485

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2022:

Furniture and fixtures	\$	3,099
Less accumulated depreciation		(516)
	\$	<u>2,583</u>

Depreciation expense for the year ended September 30, 2022 was \$516.

NOTE 5 — INVESTMENTS

Investments consist of the following at September 30, 2022:

Money market funds	\$	143,844
Equities		2,769,981
Fixed Income		628,711
Investments	\$	<u>3,542,536</u>

NOTE 6 — FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis include the following at September 30, 2022:

	Level 1	Level 2	Level 3	Total
<u>Investments measured at fair value:</u>				
Money market funds	\$ 143,844	\$ -	\$ -	\$ 143,844
Equities	2,769,981	-	-	2,769,981
Fixed Income	628,711	-	-	628,711
Total	<u>\$ 3,542,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,542,536</u>

NOTE 7 — BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS

The Organization is beneficiary of three irrevocable charitable remainder trusts, established in 2003, 2005 and 2009. Two of the trusts were funded with real estate valued at \$427,000 and \$123,500. The third trust provides for a cash distribution of \$50,000 upon the termination of the agreement.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 7 — BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS (continued)

The Organization’s beneficial interests in these trusts consist of the following at September 30, 2022:

Promises to give receivable	\$	600,500
Less unamortized discount		(203,000)
		<hr/>
Total	\$	397,500
		<hr/> <hr/>

A reconciliation of changes in beneficial interests in charitable remainder trusts follows for the year ended September 30, 2022:

Balance, beginning of year	\$	391,800
Change in value of beneficial interests		5,700
		<hr/>
Balance, end of year	\$	397,500
		<hr/> <hr/>

NOTE 8 — LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank that provides for borrowings up to a maximum outstanding amount of \$200,000. The line of credit requires monthly interest payments based on the lender’s index rate plus 1.00% (7.25% at September 30, 2022). The principal and unpaid accrued interest is due on September 30, 2023. At September 30, 2022, there were no borrowings outstanding under the line of credit.

NOTE 9 — NOTE PAYABLE

The Organization obtained an Economic Injury Disaster Loan (“EIDL”) in June 2020 for \$150,000 requiring monthly principal and interest payments of \$641. In March 2021, the lender deferred the first payment due date for an additional 12 months resulting in payments commencing in December 2022. The loan bears interest at 2.75% and matures May 10, 2050. The outstanding balance on the EIDL loan was \$150,000 at September 30, 2022. Accrued interest of \$8,363 has been accrued as of September 30, 2022 and is included in notes payable on the statement of financial position.

Future maturities of the note payable are as follows:

<u>Year ending September 30.</u>		
2023	\$	2,526
2024		3,450
2025		3,546
2026		3,645
2027		3,746
Thereafter		141,450
		<hr/>
	\$	158,363
		<hr/> <hr/>

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 10 — NET ASSETS

Net assets consist of the following at September 30, 2022:

Net Assets without donor restrictions	\$	417,238
<hr/>		
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Next Gen Barbershop Junior and Varsity Chorus Programs	\$	19,167
AIC Christmas and Outreach programs		16,996
Power of Harmony program		21,345
Harmony, Inc./Directors First Harmony University		
Scholarship program		8,324
Mission related programs		24,848
Jim Miller memorial scholarship		3,074
Less allowance for doubtful accounts		(15,000)
		<hr/> 78,754 <hr/>
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts		397,500
Multi-year contributions receivable, net		102,000
		<hr/> 499,500 <hr/>
Subject to the passage of time and expenditure for specified purpose:		
Power of Harmony Program		130,000
		<hr/> 130,000 <hr/>
Endowments:		
Investments		3,469,260
Cash surrender value of life insurance		79,000
Contributions receivable, net		1,890,258
		<hr/> 5,438,518 <hr/>
Total net assets with donor restrictions	\$	<hr/> 6,146,772 <hr/> <hr/>

The Organization satisfied donor restrictions of \$562,884 during the year ending September 30, 2022, in accordance with donor-imposed purpose restrictions or the passage of time.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 11 — ENDOWMENT FUNDS

A summary of changes in endowment net assets for the year ended September 30, 2022 is as follows:

Endowment funds - beginning of period	\$	4,067,754
Contributions, net		2,597,967
Investment loss, including fees		(1,032,068)
Annual allowable distributions		(146,504)
Administrative fees		(48,631)
Endowment funds - end of period	\$	<u>5,438,518</u>

Endowment funds consisted of the following at September 30, 2022:

Endowments:		
General endowment fund	\$	3,462,600
Other endowments:		
Associates funds		1,317,462
Program-restricted endowments:		
Scholarship funds		343,383
Outreach funds		138,788
Barbershop preservation and heritage projects funds		97,240
Youth funds		68,541
Music funds		10,504
	\$	<u>5,438,518</u>

Endowment funds are all considered perpetual in nature at September 30, 2022.

NOTE 12 — GRANTS

The Organization provided grants to benefit programs that stimulate interest in, share, nurture, and perpetuate the love of lifelong singing during the year ended September 30, 2022, as follows:

<u>Barbershop Harmony Society</u>		
Harmony university scholarships	\$	16,963
District direct/donor choice grants programs		362,653
AIC outreach program grants		205,912
Grants to other singing groups and organizations		65,400
Total	\$	<u>650,928</u>

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a Section 401(k) plan (the “Plan”) which allows for employer matching contributions and employer profit sharing contributions, both of which vest on a pro rata (20%) basis each year of service. An employee must work at least 1,000 hours in a calendar year to receive credit for a year of service. The Plan covers substantially all employees. For the year ended September 30, 2022, amounts contributed to the Plan totaled \$54,860.

NOTE 14 – CONCENTRATIONS OF CREDIT RISK

At September 30, 2022, the Organization had contributions receivable from one donor equaling 72% of the Organization’s total contributions receivable, all of which was collected in full subsequent to September 30, 2022. 15% of the Organization’s total accounts payable were due to one vendor.

NOTE 15 — COVID-19 RELIEF FUNDING

Refundable Advances – Paycheck Protection Program (PPP)

The Organization was granted advances in the amounts of \$229,625 and \$214,335 in fiscal years 2020 and 2021, respectively, under the PPP, administered by a Small Business Administration (SBA) approved partner. The advances were uncollateralized and fully guaranteed by the Federal government. The Organization received loan forgiveness (in full) in fiscal years 2021, and 2022, for each loan respectively. The current year forgiveness of \$214,335 is recorded as PPP loan forgiveness in the statement of activities for the year ended September 30, 2022.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization’s judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Employee Retention Credit (ERC)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization elected to account for the ERC. The ERC is considered a conditional grant, as the Organization only qualifies for the transfer of assets if it has overcome the barrier of eligibility. For the year ended September 30, 2022, the Organization determined that it met the barriers of the ERC and has recorded revenue of \$137,374 in the statement of activities. All ERC funding revenue was received during the year ended September 30, 2022.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization’s claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 16 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Organization's board members may make substantial contributions to the Organization in support of its mission. The Organization received donations from board members totaling approximately \$44,040 during the year ending September 30, 2022.

At September 30, 2022, the Organization's Board of Trustees consisted of members which were elected by the Board of Directors of the Barbershop Harmony Society. These organizations historically have been considered to be financially interrelated. On March 22, 2020, actions were taken that resulted in a dispute related to the governance of the Organization. This dispute was resolved subsequent to September 30, 2022, and had no impact on these financial statements.