

HARMONY FOUNDATION INTERNATIONAL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2021 AND 2020

HARMONY FOUNDATION INTERNATIONAL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2021 AND 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities for the Year Ended September 30, 2021	4
Statement of Activities for the Year Ended September 30, 2020	5
Statement of Functional Expenses for the Year Ended September 30, 2021	6
Statement of Functional Expenses for the Year Ended September 30, 2010	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 25

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harmony Foundation International, Inc.
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Harmony Foundation International, Inc., which comprise the statements of financial position as of September 30, 2021 and 2020, the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Harmony Foundation International, Inc. as of September 30, 2021 and 2020, 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.

Kraft CPAs PLLC

Nashville, Tennessee
March 15, 2022

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 634,959	\$ 570,850
Contributions receivable, net:		
Due in less than one year	358,004	638,832
Due in one to five years	154,000	128,280
Prepaid expenses and other assets	116,894	57,955
Investments:		
Endowment funds	3,993,669	3,252,709
Operations	118,897	100,299
Beneficial interests in charitable remainder trusts	391,800	384,500
Cash surrender value of life insurance	<u>208,000</u>	<u>191,000</u>
 TOTAL ASSETS	 <u>\$ 5,976,223</u>	 <u>\$ 5,324,425</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 69,025	\$ 80,357
Due to Barbershop Harmony Society chapters and districts	77,605	69,109
Notes payable	<u>368,460</u>	<u>379,625</u>
 TOTAL LIABILITIES	 <u>515,090</u>	 <u>529,091</u>
<u>NET ASSETS</u>		
Net assets without donor restrictions	647,774	632,614
Net assets with donor restrictions	<u>4,813,359</u>	<u>4,162,720</u>
 TOTAL NET ASSETS	 <u>5,461,133</u>	 <u>4,795,334</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,976,223</u>	 <u>\$ 5,324,425</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions, net:			
Annual giving programs	\$ 1,554,652	\$ 59,616	\$ 1,614,268
In-kind support	180,000	-	180,000
Endowment funds	-	116,982	116,982
Federal programs	384,269	-	384,269
Investment income, net	22,906	740,450	763,356
Investment income on endowment funds available for spending	101,357	(101,357)	-
Administrative fees	34,996	(34,996)	-
Miscellaneous	2,840	-	2,840
Net assets released from restrictions	<u>130,056</u>	<u>(130,056)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>2,411,076</u>	<u>650,639</u>	<u>3,061,715</u>
EXPENSES			
Program Services:			
Connect.	102,240	-	102,240
Enrich.	691,638	-	691,638
Sing.	<u>496,623</u>	<u>-</u>	<u>496,623</u>
Total Program Services	<u>1,290,501</u>	<u>-</u>	<u>1,290,501</u>
Supporting Services:			
Management and administration	689,099	-	689,099
Fundraising	<u>416,316</u>	<u>-</u>	<u>416,316</u>
Total Supporting Services	<u>1,105,415</u>	<u>-</u>	<u>1,105,415</u>
TOTAL EXPENSES	<u>2,395,916</u>	<u>-</u>	<u>2,395,916</u>
CHANGE IN NET ASSETS	15,160	650,639	665,799
NET ASSETS - BEGINNING OF YEAR	<u>632,614</u>	<u>4,162,720</u>	<u>4,795,334</u>
NET ASSETS - END OF YEAR	<u>\$ 647,774</u>	<u>\$ 4,813,359</u>	<u>\$ 5,461,133</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions, net:			
Annual giving programs	\$ 1,848,632	\$ 233,020	\$ 2,081,652
In-kind support	155,330	-	155,330
Endowment funds	-	78,254	78,254
Special events	100	-	100
Investment income, net	13,777	457,950	471,727
Investment income on endowment funds available for spending	108,155	(108,155)	-
Administrative fees	11,029	(10,431)	598
Miscellaneous	18,244	-	18,244
Net assets released from restrictions	<u>234,767</u>	<u>(234,767)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>2,390,034</u>	<u>415,871</u>	<u>2,805,905</u>
EXPENSES			
Program Services:			
Connect.	200,088	-	200,088
Enrich.	753,554	-	753,554
Sing.	<u>281,006</u>	<u>-</u>	<u>281,006</u>
Total Program Services	<u>1,234,648</u>	<u>-</u>	<u>1,234,648</u>
Supporting Services:			
Management and administration	572,383	-	572,383
Fundraising	<u>773,068</u>	<u>-</u>	<u>773,068</u>
Total Supporting Services	<u>1,345,451</u>	<u>-</u>	<u>1,345,451</u>
TOTAL EXPENSES	<u>2,580,099</u>	<u>-</u>	<u>2,580,099</u>
CHANGE IN NET ASSETS	(190,065)	415,871	225,806
NET ASSETS - BEGINNING OF YEAR	<u>822,679</u>	<u>3,746,849</u>	<u>4,569,528</u>
NET ASSETS - END OF YEAR	<u>\$ 632,614</u>	<u>\$ 4,162,720</u>	<u>\$ 4,795,334</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Connect.	Enrich.	Sing.		Management and Administration	Fundraising		
Salaries	\$ 70,571	\$ 183,632	\$ 139,690	\$ 393,893	\$ 153,787	\$ 285,377	\$ 439,164	\$ 833,057
Payroll taxes	5,226	13,577	10,335	29,138	11,611	21,408	33,019	62,157
Employee benefits	9,125	23,465	19,084	51,674	10,629	40,830	51,459	103,133
Total personnel costs	<u>84,922</u>	<u>220,674</u>	<u>169,109</u>	<u>474,705</u>	<u>176,027</u>	<u>347,615</u>	<u>523,642</u>	<u>998,347</u>
Grants-Barbershop Harmony Society (BHS), BHS Chapters and Districts, and other singing organizations	-	285,575	267,455	553,030	-	-	-	553,030
Professional and contract fees	11,100	4,100	41,200	56,400	261,339	-	261,339	317,739
Outreach, education, participation and propagation programs	3,758	179,937	15,245	198,940	-	-	-	198,940
Professional and contract fees - in-kind	-	-	-	-	180,000	-	180,000	180,000
Facilities and equipment	177	-	337	514	16,577	29,437	46,014	46,528
Credit card processing and bank fees	-	-	-	-	35,965	476	36,441	36,441
Travel and meeting expenses	2,093	853	2,956	5,902	-	10,143	10,143	16,045
Advertising and promotion	190	360	-	550	-	12,018	12,018	12,568
Business insurance	-	-	-	-	10,696	-	10,696	10,696
Office expenses, supplies, postage, shipping and printing	-	113	321	434	1,033	8,110	9,143	9,577
Regulatory legal filings	-	-	-	-	5,311	-	5,311	5,311
Cultivation, stewardship and related donor costs	-	-	-	-	-	4,705	4,705	4,705
Planned giving premium expense	-	-	-	-	-	3,812	3,812	3,812
Staff recruitment and development	-	26	-	26	1,647	-	1,647	1,673
Governance	-	-	-	-	504	-	504	504
Total other operating expenses	<u>17,318</u>	<u>470,964</u>	<u>327,514</u>	<u>815,796</u>	<u>513,072</u>	<u>68,701</u>	<u>581,773</u>	<u>1,397,569</u>
Total functional expenses	<u>\$ 102,240</u>	<u>\$ 691,638</u>	<u>\$ 496,623</u>	<u>\$ 1,290,501</u>	<u>\$ 689,099</u>	<u>\$ 416,316</u>	<u>\$ 1,105,415</u>	<u>\$ 2,395,916</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Connect.	Enrich.	Sing.		Management and Administration	Fundraising		
Salaries	\$ 67,838	\$ 135,065	\$ 29,074	\$ 231,977	\$ 168,409	\$ 502,288	\$ 670,697	\$ 902,674
Contract labor	-	-	-	-	1,920	-	1,920	1,920
Payroll taxes	5,801	8,838	2,486	17,125	11,659	37,333	48,992	66,117
Employee benefits	15,129	22,073	6,484	43,686	38,199	100,896	139,095	182,781
Total personnel costs	<u>88,768</u>	<u>165,976</u>	<u>38,044</u>	<u>292,788</u>	<u>220,187</u>	<u>640,517</u>	<u>860,704</u>	<u>1,153,492</u>
Grants-Barbershop Harmony Society (BHS), BHS Chapters and Districts, and other singing organizations	91,534	469,652	235,104	796,290	-	-	-	796,290
Professional and contract fees	-	108	-	108	99,976	999	100,975	101,083
Outreach, education, participation and propagation programs	12,609	111,269	-	123,878	-	-	-	123,878
Professional and contract fees - in-kind	-	-	-	-	155,330	-	155,330	155,330
Facilities and equipment	-	-	-	-	24,954	26,986	51,940	51,940
Credit card processing and bank fees	-	-	-	-	37,733	268	38,001	38,001
Business insurance	-	-	-	-	6,105	-	6,105	6,105
Travel and meeting expenses	7,136	5,764	2,963	15,863	2,056	35,827	37,883	53,746
Advertising and promotion	-	-	-	-	-	23,251	23,251	23,251
Conventions	-	-	-	-	-	21,976	21,976	21,976
Office expenses, supplies, postage, shipping and printing	41	627	-	668	4,983	12,276	17,259	17,927
Regulatory legal filings	-	-	-	-	5,171	-	5,171	5,171
Cultivation, stewardship and related donor costs	-	158	-	158	-	6,954	6,954	7,112
Planned giving premium expense	-	-	-	-	-	3,812	3,812	3,812
Staff recruitment and development	-	-	-	-	7,331	59	7,390	7,390
Governance	-	-	-	-	6,318	-	6,318	6,318
Miscellaneous	-	-	-	-	-	143	143	143
Total other operating expenses	<u>111,320</u>	<u>587,578</u>	<u>238,067</u>	<u>936,965</u>	<u>349,957</u>	<u>132,551</u>	<u>482,508</u>	<u>1,419,473</u>
Depreciation	-	-	4,895	4,895	2,239	-	2,239	7,134
Total functional expenses	<u>\$ 200,088</u>	<u>\$ 753,554</u>	<u>\$ 281,006</u>	<u>\$ 1,234,648</u>	<u>\$ 572,383</u>	<u>\$ 773,068</u>	<u>\$ 1,345,451</u>	<u>\$ 2,580,099</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 665,799	\$ 225,806
Adjustments to reconcile change in net assets to net cash used in operating activities		
Provision for bad debt	(11,700)	(26,600)
Forgiveness of Paycheck Protection Program loan	(229,625)	-
Accrued interest on note payable	4,125	-
Depreciation	-	7,134
Gain on sale of property and equipment	-	(6,367)
Realized and unrealized gain on investments	(662,538)	(406,819)
Increase in beneficial interests in charitable remainder trusts	(7,300)	(7,500)
Increase in cash surrender value of life insurance	(17,000)	(4,000)
Contributions restricted for endowment funds	(116,982)	(78,254)
(Increase) decrease in:		
Contributions receivable, net	242,227	251,728
Prepaid expenses and other assets	(58,939)	(10,683)
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,332)	7,325
Accounts payable to Barbershop Harmony Society	-	(5,165)
Due to Barbershop Harmony Society chapters and districts	8,496	(28,962)
TOTAL ADJUSTMENTS	<u>(860,568)</u>	<u>(308,163)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(194,769)</u>	<u>(82,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	25,215
Proceeds from sales and maturities of investments	2,418,769	769,932
Purchase of investments	<u>(2,515,789)</u>	<u>(480,686)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(97,020)</u>	<u>314,461</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	214,335	379,625
Decrease in funds held for Barbershop Harmony Society	-	(357,436)
Contributions restricted for endowment funds	116,982	78,254
Proceeds from pledges receivable in endowment funds	<u>24,581</u>	<u>22,587</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>355,898</u>	<u>123,030</u>
NET INCREASE IN CASH	64,109	355,134
CASH - BEGINNING OF YEAR	<u>570,850</u>	<u>215,716</u>
CASH - END OF YEAR	<u>\$ 634,959</u>	<u>\$ 570,850</u>

See accompanying notes to financial statements.

HARMONY FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

NOTE 1 - GENERAL

Harmony Foundation International, Inc. (the “Foundation”) 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” or “Barbershop Harmony Society”). The Foundation 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 do better in school, in their jobs, and family and social relationships. Through its Connect and Enrich Educational Programs, the Foundation educates and promotes these individual and societal benefits to both singers and non-singers. The Foundation 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 Foundation’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. During the COVID-19 pandemic, the Foundation continued its mission, expanding its program impact to bringing encouraging shows to virtual audiences and providing a financial resource to local singing communities to help with the economic fallout due to the ongoing pandemic.

The Foundation’s Board of Trustees consists of members which were elected by the Board of Directors of the Barbershop Harmony Society and the organizations historically have been considered to be financially interrelated. On March 22, 2020, actions were taken that resulted in an ongoing dispute related to the governance of the Foundation. The resolution of the disagreement, and related litigation, could impact whether the Foundation is considered financially interrelated with the Barbershop Harmony Society in the future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Foundation on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“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 Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Trustees.

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 Foundation 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.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

The Foundation 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.

The Foundation records noncash contributions and corresponding expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the estimated fair value of the services received. Noncash goods are recorded at the estimated fair value at the date of the gift.

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.

Cash

Cash consists principally of checking account balances and money funds. Cash held in brokerage accounts are classified as investments.

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 years ended September 30, 2021 and 2020.

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.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Money market funds are carried at cash value plus accrued interest. Mutual funds 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 Foundation 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).

Endowment Funds

The Foundation has established several endowment funds. Distributions from the General Endowment and the Foundation's Program-Restricted Endowments benefit 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 Foundation that relate to the Foundation's mission. The Foundation'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 Foundation 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").

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Investment return objective, risk parameters and strategies - The Foundation 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 Foundation 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 Foundation 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 Foundation charges each endowment fund an annual 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.

Program and Supporting Services

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

Program Services

The Foundation's core belief is that singing enriches lives and communities, transforming voices from many backgrounds into one harmonious voice.

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

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

Connect. - Raising Awareness

The Foundation'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 Foundation 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 Foundation 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 Foundation'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 Foundation 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 Foundation's demonstrates that singing together celebrates the best of times, and provides strength, hope and inspiration to persevere through the worst of times.

Sing. - Raising Voices

The Foundation's Sing program invests in the singing art forms, with a significant emphasis on four-part vocal 'Barbershop' harmony. The Foundation 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.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

In addition to direct grants (Note 13), the Foundation provided program services expenses for outreach and enrichment programs including Association of International Champions' Spirit of the Season Program and Contemporary A Capella Society Association, Power of Harmony Juvenile program, and other Community Engagement projects for the year ending September 30, 2021. For the year ended September 30, 2020, the Foundation provided program services expenses for outreach and enrichment programs including Association of International Champions' This is the Moment Program, Power of Harmony Juvenile program and other Community Engagement projects.

Supporting Services

Management and Administration - 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 Foundation'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. 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.

Income Taxes

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

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

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - 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 Foundation'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.

Fair Value Measurements

The Foundation classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Investments:

Mutual funds - 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 Foundation 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.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard, which will be effective for the Foundation on October 1, 2022, provides a number of practical expedients. The adoption of this guidance is not expected to have a material impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Foundation beginning on October 1, 2021. The adoption of this guidance is not expected to have a material impact on the financial statements.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between September 30, 2021 and March 15, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassification

Certain amounts have been reclassified for comparative purposes to conform to current year presentation. The reclassifications had no effect on prior year’s change in net assets or classification of ending net assets.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 3 - LIQUIDITY

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

	2021	2020
Financial assets at year end:		
Cash	\$ 634,959	\$ 570,850
Contributions receivable, net	512,004	767,112
Other assets	72,522	2,700
Investments	4,112,566	3,353,008
	5,332,051	4,693,670
Endowment spending-rate distributions and appropriations to be received in the next 12 months	136,353	46,090
Less amounts not available to be used within one year:		
Multi-year contributions receivable, due after one year, net	(154,000)	(128,280)
Contributions receivable for endowment, net	(85)	(22,966)
Investments held for endowment	(3,993,669)	(3,252,709)
Amounts received or receivable for specific purposes	(199,805)	(285,703)
Board-designated grants fund	(106,096)	-
	(4,453,655)	(3,689,658)
Financial assets available to meet general expenditures over the next 12 months	\$ 1,014,749	\$ 1,050,102

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.

Although the Foundation does not intend to spend from the Board-designated grants fund for general expenditures, amounts could be made available for general expenditure, if needed and approved by the board. Additionally, the Foundation has the availability to draw from a line of credit to meet cash flow needs.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, investments and contributions receivable. Credit risk with respect to promises to give is limited because the Foundation deals with a large number of donors throughout a wide geographic area. At September 30, 2021 and 2020, net contributions receivable from one donor represented 24% and 13%, respectively, of the net contributions receivable.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 4 - CONCENTRATION OF CREDIT RISK (CONTINUED)

The Foundation maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to statutory limits. The Foundation's cash balances may, at times, exceed statutory limits. The Foundation has not experienced any losses in such accounts and management considers this to be a normal business risk.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Foundation's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 418,704	\$ 708,612
Less allowance for doubtful accounts	<u>(60,700)</u>	<u>(69,780)</u>
	<u>358,004</u>	<u>638,832</u>
Due in one to five years	290,000	266,400
Less allowance for doubtful accounts	(116,000)	(118,620)
Less discount to present value	<u>(20,000)</u>	<u>(19,500)</u>
	<u>154,000</u>	<u>128,280</u>
Contributions receivable, net	<u>\$ 512,004</u>	<u>\$ 767,112</u>

NOTE 6 - INVESTMENTS

Investments consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 4,030,803	\$ 3,288,599
Money market funds	76,678	26,257
Cash	<u>5,085</u>	<u>38,152</u>
Total	<u>\$ 4,112,566</u>	<u>\$ 3,353,008</u>

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 7 - FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis include the following at September 30, 2021:

	2021			Total
	Level 1	Level 2	Level 3	
<u>Investments measured at fair value:</u>				
Money market funds	\$ 76,678	\$ -	\$ -	\$ 76,678
Mutual funds:				
Large Growth	419,823	-	-	419,823
Large Blend Fund	408,848	-	-	408,848
Midcap Growth Fund	405,846	-	-	405,846
Midcap Blend	414,598	-	-	414,598
Small Growth	404,766	-	-	404,766
Small Blend	421,801	-	-	421,801
Foreign Large Blend Fund	487,582	-	-	487,582
Emerging Markets Fund	125,626	-	-	125,626
Real Estate Fund	205,520	-	-	205,520
Long Term Bond	40,109	-	-	40,109
Long Government	39,688	-	-	39,688
Intermediate Government Fund	573,920	-	-	573,920
High Yield Bond Fund	82,676	-	-	82,676
Total mutual funds	<u>4,030,803</u>	<u>-</u>	<u>-</u>	<u>4,030,803</u>
Total investments measured at fair value	<u>\$ 4,107,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,107,481</u>

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets measured at fair value on a recurring basis include the following at September 30, 2020:

	2020			
	Level 1	Level 2	Level 3	Total
<u>Investments measured at fair value:</u>				
Money market funds	\$ 26,257	\$ -	\$ -	\$ 26,257
Mutual funds:				
Large Blend Fund	761,176	-	-	761,176
Midcap Fund	574,511	-	-	574,511
Small Growth Fund	242,154	-	-	242,154
Foreign Large Blend Fund	604,461	-	-	604,461
Emerging Markets Fund	203,577	-	-	203,577
Real Estate Fund	101,511	-	-	101,511
Corporate Bond	213,730	-	-	213,730
Intermediate Government Fund	447,438	-	-	447,438
World Bond	98,333	-	-	98,333
High Yield Bond Fund	41,708	-	-	41,708
Total mutual funds	3,288,599	-	-	3,288,599
Total investments measured at fair value	\$ 3,314,856	\$ -	\$ -	\$ 3,314,856

NOTE 8 - BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS

The Foundation 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.

The Foundation's beneficial interests in these trusts consist of the following at September 30:

	2021	2020
Promises to give receivable	\$ 600,500	\$ 600,500
Less unamortized discount	(208,700)	(216,000)
Total	\$ 391,800	\$ 384,500

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 8 - BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS (CONTINUED)

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

	2021	2020
Balance, beginning of year	\$ 384,500	\$ 377,000
Change in value of beneficial interests	7,300	7,500
Balance, end of year	\$ 391,800	\$ 384,500

NOTE 9 - LINE OF CREDIT

The Foundation 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% (4.25% at September 30, 2021). The principal and unpaid accrued interest is due on September 30, 2023. Borrowings under the line of credit agreement are collateralized by substantially all of the assets of the Foundation. At September 30, 2021 and 2020, there were no borrowings outstanding under the line of credit.

NOTE 10 - NOTES PAYABLE

The Foundation 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 July 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, 2021 and 2020. Accrued interest of \$4,125 has been accrued to as of September 30, 2021 and is included in notes payable on the statements of financial position.

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 10 - NOTES PAYABLE (CONTINUED)

The Foundation entered into a Paycheck Protection Program (“PPP”) loan of \$229,625 in April 2020. In August 2021, the Foundation was notified that the full amount of the loan had been forgiven, and the balance was reclassified to federal program contributions on the statement of activities. The Foundation entered into a second PPP loan of \$214,335 in February 2021, which is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. If the loan is fully forgiven, the Foundation will not be responsible for any payments, and the balance of the loan will be reclassified to federal program contributions on the statement of activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest. The loan bears interest at a fixed rate of 1% and matures in February 2026.

Subsequent to year end, the Foundation received forgiveness approval for the full amount of the PPP loan.

Future maturities of notes payable, excluding the PPP loan, based on the outstanding balance at September 30, 2021 are as follows:

Year ending September 30,

2022	\$ 1,377
2023	5,508
2024	5,508
2025	5,508
2026	5,508
Thereafter	<u>130,716</u>
	<u>\$ 154,125</u>

HARMONY FOUNDATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021 AND 2020

NOTE 11 - NET ASSETS

Net assets consist of the following at September 30:

	2021	2020
Net assets without donor restrictions:		
Accumulated earnings from operations	\$ 541,678	\$ 632,614
Board-designated grants fund	106,096	-
Total net assets without donor restrictions	647,774	632,614
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Next Gen Barbershop Junior and Varsity Chorus Programs	19,167	94,167
AIC Christmas and Outreach programs	106,188	60,930
Queens College campaign	-	44,570
Power of Harmony program	43,201	27,350
Harmony, Inc./Directors First Harmony University		
Scholarship program	8,239	10,442
Mission related programs	24,586	28,219
Jim Miller memorial scholarship	4,424	4,025
Less allowance for doubtful accounts	(6,000)	(3,380)
	199,805	266,323
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts	391,800	384,500
Multi-year contributions receivable, net	138,000	149,222
	529,800	533,722
Subject to the passage of time and expenditure for specified purpose:		
Next Gen Barbershop Junior and Varsity Chorus Programs	16,000	16,000
Endowments:		
Investments	3,993,669	3,252,709
Cash surrender value of life insurance	74,000	71,000
Contributions receivable, net	85	22,966
	4,067,754	3,346,675
Total net assets with donor restrictions	4,813,359	4,162,720
Total	\$ 5,461,133	\$ 4,795,334

HARMONY FOUNDATION INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 11 - NET ASSETS (CONTINUED)

The Foundation satisfied donor restrictions of \$366,974 and \$355,020 during the year ending September 30, 2021 and 2020, respectively, in accordance with donor-imposed purpose restrictions or the passage of time.

NOTE 12 - ENDOWMENT FUNDS

A summary of changes in endowment net assets for the years ended September 30 follows:

	2021	2020
Endowment funds - beginning of period	\$ 3,346,675	\$ 2,929,057
Contributions, net	116,982	78,254
Investment income, less related fees	740,450	457,950
Annual allowable distributions	(101,357)	(108,155)
Administrative fees	(34,996)	(10,431)
Endowment funds - end of period	\$ 4,067,754	\$ 3,346,675

Endowment funds consisted of the following at September 30:

	2021	2020
Endowments:		
General Endowment Fund	\$ 1,271,475	\$ 1,009,628
Other Endowments:		
Associates Funds	1,862,984	1,558,210
Program-Restricted Endowments:		
Scholarship Funds	484,565	397,435
Outreach Funds	194,883	165,059
Barbershop Preservation and Heritage Projects Funds	139,973	119,261
Youth Funds	98,741	84,182
Music Funds	15,133	12,900
	\$ 4,067,754	\$ 3,346,675

Endowment funds are all considered perpetual in nature at September 30, 2021 and 2020.

HARMONY FOUNDATION INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

NOTE 13 - GRANTS

The Foundation provided grants to benefit programs that stimulate interest in, share, nurture, and perpetuate the love of lifelong singing for years ended September 30:

	2021	2020
<u>Barbershop Harmony Society</u>		
Next Generation Barbershop Junior Chorus Invitational	\$ -	\$ 220,000
Harmony University scholarships	-	68,800
Outreach grants	-	25,000
Barbershop preservation and other programs	7,629	9,191
Chapter initiative programs	-	5,405
Partnership and advocacy	-	2,000
Total Barbershop Harmony Society	7,629	330,396
District Direct/Donor Choice Grants Programs	374,309	382,792
Grants to other singing groups and organizations	171,092	83,102
Total	\$ 553,030	\$ 796,290

Due to the financial, social gathering, and health challenges presented to recipients of programs supported by the Foundation, the Board of Trustees granted more financial resources to local and regional programs in 2021 than 2020.

NOTE 14 - RETIREMENT PLAN

The Foundation 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, 2021, amounts contributed to the Plan totaled \$49,380 (\$100,664 for the year ended September 30, 2020).

NOTE 15 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, Foundation and Society board members may make substantial contributions to the Foundation in support of its mission. The Foundation received donations from Foundation and Society board members totaling approximately \$95,782 and \$242,000 during the period ending September 30, 2021 and 2020, respectively.