

INTERNATIONAL TROMBONE ASSOCIATION
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2011

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
International Trombone Association

We have reviewed the accompanying statement of financial position of International Trombone Association (a nonprofit Association) as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matters described in the following paragraphs, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note A to the financial statements, the costs of providing the Association's programs and the administration of the Association have not been summarized on a functional basis in the statement of activities. Generally accepted accounting principles in the United States of America require costs to be allocated based on their functional purpose to the programs and support services benefited.

As disclosed in Note F to the financial statements, the Association is the sole member/owner of International Trombone Festival, Inc. (a nonprofit entity) (the Festival). The accounts and activities of the Festival have not been consolidated into the Association's financial statements. Generally accepted accounting principles in the United States of America require an organization to consolidate the activities of a separate but wholly-owned nonprofit entity into its financial statements.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information for the year ended December 31, 2011 included in the accompanying schedule on page ten is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and, except for the matters described in the previous paragraphs, we did not become aware of any material modifications that should be made to such information.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan

August 28, 2012

InterNational Trombone Association, Inc.
Statements of Financial Position
December 31, 2011

Assets

Current Assets	
Cash and cash equivalents	\$ 136,463
Accounts receivable	15,182
Investments	64,359
Total Current Assets	<u>216,004</u>
Non-Current Assets	
Investments held for board-designated endowment	<u>60,042</u>
Total Assets	<u>\$ 276,046</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 3,035
Competition fees paid in advance	12,200
Total Current Liabilities	<u>15,235</u>
Net assets, unrestricted	
Designated by the Board of Directors for Endowment:	
Lifemembers	47,169
Competitions	12,873
Undesignated	200,769
Total Net Assets	<u>260,811</u>
Total Liabilities and Net Assets	<u>\$ 276,046</u>

See Independent Accountants' Review Report and Notes to Financial Statements.

InterNational Trombone Association, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2011

Unrestricted Net Assets	
Support and Revenues:	
Membership dues	\$ 136,672
Journal	61,608
Competition application fees	13,030
Donation income	5,740
ITA Products	2,515
ITA Press royalties	1,720
Miscellaneous income	6,730
Total support and revenues	<u>228,015</u>
Expenses:	
Program expenses:	
Publications	51,007
Competitions and awards	13,098
ITA Press	5,727
Festival	1,809
General and administrative expenses	105,973
Fundraising	1,171
Total expenses	<u>178,785</u>
Operating Profit	49,230
Other Income (Expenses):	
Dividends and interest	105
Net realized loss on investments	(1,515)
Net investment loss	<u>(1,410)</u>
Increase in Unrestricted Net Assets	47,820
Net Assets at Beginning of Year	<u>212,991</u>
Net Assets at End of Year	<u>\$ 260,811</u>

See Independent Accountants' Review Report and Notes to Financial Statements.

InterNational Trombone Association, Inc.
Statements of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 47,820
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Realized loss on investments	1,515
Decrease in:	
Accounts receivable	16,318
Decrease in:	
Accounts payable	(3,847)
Competition fees paid in advance	(700)
Net Cash Provided by Operating Activities	<u>61,106</u>
Cash Flows from Investing Activities	
Purchase of investments and income reinvestment	<u>(5,737)</u>
Net Increase in Cash and Cash Equivalents	55,369
Cash and Cash Equivalents at Beginning of Year	<u>81,094</u>
Cash and Cash Equivalents at End of Year	<u>\$ 136,463</u>

See Independent Accountants' Review Report and Notes to Financial Statements.

**International Trombone Association
Notes to Financial Statements
For the Years Ended December 31, 2011**

NOTE A – Summary of Significant Accounting Policies

Nature of Business

International Trombone Association (Association) was organized in 1972 as a membership group that promotes and encourages trombone educators, artists and composers and arrangers of trombone scores. Additionally, the Association sponsors concerts and festivals featuring trombone players and their music. Annual awards are given to individuals and teachers who are outstanding trombone artists and professors who teach trombone.

The Association also publishes a quarterly publication, the ITA Journal, to inform the membership with scholarly articles, job postings, trombone news and review. The Association also publishes original compositions, arrangements or editions that feature the trombone prominently. Currently, the Association has approximately 3,700 members from 67 countries worldwide.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets have donor-imposed restrictions that do not expire.

The Association did not report any temporarily or permanently restricted revenues or net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates affect the amounts reported in the financial statements and the disclosures provided. Actual results may differ from management's estimates.

Cash and Cash Equivalents

The Association considers cash in checking and savings accounts, as well as, all highly liquid investments with maturity dates of three months or less to be cash equivalents.

Financial Instruments

The Association's financial instruments consist of cash balances, accounts receivable, investments, and accounts payable. The Association's estimates of fair value approximate their carrying amounts.

International Trombone Association
Notes to Financial Statements
For the Years Ended December 31, 2011

NOTE A – Summary of Significant Accounting policies (Continued)

Accounts Receivable

The Association evaluates customer financial conditions and credit worthiness. Accounts receivable are reviewed periodically to determine amounts that are potentially uncollectible. No allowance for uncollectible accounts has been recorded. After all reasonable attempts to collect a receivable have failed, the amount is written off.

Collections

Collections consist of historical trombone-related materials including administrative documents, sound recordings and video recordings, musical instruments, audio recording and playback equipment, and professional papers of distinguished Association members. Collections acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets. Contributions of collection items are not recognized in the statement of activities.

Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Board-designated Endowment

As of December 31, 2011, the Board of Directors had designated \$60,042 of unrestricted net assets as an endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the Association's programs and the administration of the Association have not been summarized on a functional basis in the statements of activities. To be in accordance with generally accepted accounting principles, general and administrative costs should have been allocated among the programs and supporting services benefited.

Income Taxes

The Association is a not-for-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Association receives advertising income from their journal that is unrelated to their tax exempt purpose and accordingly is subject to unrelated business income taxes on the advertising revenue.

**International Trombone Association
Notes to Financial Statements
For the Years Ended December 31, 2011**

NOTE A – Summary of Significant Accounting policies (Continued)

Donated Services

The Association receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the Association believes it is not practical to assign a value to the services received.

Advertising Costs

All advertising costs are expensed in the period in which they are incurred. During the year ended December 31, 2011, advertising costs totaled \$1,196.

NOTE B – Concentrations of Credit Risk

The Association maintains its cash deposits with financial institutions and a financial brokerage firm. The FDIC insures accounts at financial institutions up to \$250,000 and the SIPC insures funds kept at the financial brokerage firm up to \$500,000. At December 31, 2011, there were no cash deposit balances in excess of FDIC or SIPC insured limits.

NOTE C – Financial Instruments and Fair Value Measurements

As described in Note A, the Association's estimates of the fair value of financial assets and liabilities approximate carrying value. Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

International Trombone Association
Notes to Financial Statements
For the Years Ended December 31, 2011

NOTE C – Financial Instruments and Fair Value Measurements (Continued)

Cash and cash equivalents

The Association considers the carrying values of these financial instruments to approximate fair value because of the short period of time between origination of the instruments and their expected realization.

Investments

The Association has only Level 1 securities consisting of money market accounts and marketable equity securities. The Association does not have Level 2 and Level 3 securities.

The following table summarizes the valuation of the Association's financial instruments by the aforementioned pricing categories at December 31, 2011:

	Quoted Prices in Active Markets (Level 1)
Investments (marketable securities):	
Money Market Accounts	\$ 63,871
Mutual Funds	60,530
Total Investments	<u>\$ 124,401</u>

NOTE D – Investments and Endowment

Investments subject to board-designated restrictions are held in endowment funds. Voluntary resolutions by the Board of Directors designate a portion of the unrestricted net assets to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At December 31, 2011, all of the funds held in the endowment fund were board-designated.

Endowment funds are invested to provide security and growth. Earnings from the investments are reinvested in the endowment funds and are used to support either general or specific programs of the Association. The Board has designated that spending is limited to investment earnings. The Association attempts to maintain the endowment funds in perpetuity. However, on a year-to-year basis market fluctuations may result in significant reductions or additions to the endowed amount. In 2011, earnings were reinvested and funds were not expended.

Investments at December 31, 2011 were as follows:

Mutual Funds	\$ 60,530
Money Market Accounts	63,871
Investments at fair value	<u>124,401</u>
Less investments designated for endowments	(60,042)
	<u>\$ 64,359</u>

**International Trombone Association
Notes to Financial Statements
For the Years Ended December 31, 2011**

NOTE D – Investments and Endowment (Continued)

Endowment net asset composition at December 31, 2011 is as follows:

Board-restricted endowment funds:	
Lifemembers	\$ 47,169
Competitions	12,873
Total	<u>\$ 60,042</u>

Lifemember endowment funds are revenues from the sale of life-time memberships and currently have no designation assigned by the Board of Directors for the use of these funds. Competition endowment funds are designated to be used for specific competitions.

NOTE E – Income Taxes

The Association may be subject to income tax on net income that is unrelated to its tax exempt purpose. This generally occurs when advertising revenues exceed related expenses. No income tax expense was reported during the year ended December 31, 2011.

NOTE F – Ownership of International Trombone Festival, Inc.

The Association is the sole member/owner of International Trombone Festival, Inc. (a nonprofit entity). The Festival organizes and operates an annual clinic for musicians and educators. The accounts and activities of the Festival have not been consolidated into the Association's financial statements. Therefore, the Association's financial statements have not been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE G – Subsequent Events

Management has evaluated subsequent events through August 28, 2012, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

InterNational Trombone Association, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Publications</u>	<u>Festival</u>	<u>Competitions and Awards</u>	<u>ITA Press</u>	<u>Total</u>	<u>General and Administrative Expenses</u>	<u>Fundraising</u>	<u>Total</u>
Advertising expense	\$ 1,196	\$ -	\$ -	\$ -	\$ 1,196	\$ -	\$ -	\$ 1,196
Bank charges	-	-	-	-	-	10,393	-	10,393
Computer and office supplies	-	-	-	-	-	395	-	395
Contract Labor	12,538	-	3,000	-	15,538	45,360	-	60,898
Development	-	-	-	-	-	4,180	1,171	5,351
Executive committee expenses	-	-	-	-	-	8,108	-	8,108
Festival administration	-	1,809	-	-	1,809	-	-	1,809
Insurance	-	-	-	-	-	1,493	-	1,493
Journal distribution	8,587	-	-	-	8,587	5,725	-	14,312
Legal and accounting	-	-	-	-	-	1,482	-	1,482
Miscellaneous	-	-	3,400	-	3,400	468	-	3,868
Musicians	-	-	1,695	-	1,695	-	-	1,695
Postage	-	-	-	-	-	5,052	-	5,052
Printing - editorials	27,200	-	-	-	27,200	18,133	-	45,333
Production and printing - other	-	-	4,903	-	4,903	1,851	-	6,754
Refunds	-	-	100	-	100	311	-	411
Rent	-	-	-	-	-	1,375	-	1,375
Royalties	-	-	-	5,727	5,727	-	-	5,727
Telephone	-	-	-	-	-	162	-	162
Website	1,486	-	-	-	1,486	1,485	-	2,971
Totals	<u>\$ 51,007</u>	<u>\$ 1,809</u>	<u>\$ 13,098</u>	<u>\$ 5,727</u>	<u>\$ 71,641</u>	<u>\$ 105,973</u>	<u>\$ 1,171</u>	<u>\$ 178,785</u>

See Independent Accountants' Review Report.