



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Music Teachers National Association, Inc. and Subsidiary

Consolidated Financial Statements

And Supplemental Financial Information

June 30, 2026 and 2025

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Music Teachers National Association, Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Music Teachers National Association, Inc. and Subsidiary (a not-for-profit association) which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Music Teachers National Association, Inc. and Subsidiary as of June 30, 2026 and 2025, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Music Teachers National Association, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Music Teachers National Association, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Music Teachers National Association, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplemental Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 17-20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 1, 2026

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Assets:		
Cash and cash equivalents	\$ 2,824,455	3,005,287
Investments, at fair value	5,898,301	5,025,714
Accounts receivable	10,762	7,198
Prepaid expenses	98,647	41,655
Property and equipment, net	196,276	135,585
Deposits	4,766	4,766
Operating lease right-of-use asset	<u>81,724</u>	<u>132,015</u>
Total assets	\$ <u>9,114,931</u>	<u>8,352,220</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 347,839	353,154
Accrued expenses	82,679	84,968
Deferred revenue	1,007,098	930,669
Operating lease liability	<u>89,628</u>	<u>146,599</u>
Total liabilities	<u>1,527,244</u>	<u>1,515,390</u>
Net assets:		
Without donor restrictions	5,807,075	5,380,544
With donor restrictions	<u>1,780,612</u>	<u>1,456,286</u>
Total net assets	<u>7,587,687</u>	<u>6,836,830</u>
Total liabilities and net assets	\$ <u>9,114,931</u>	<u>8,352,220</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2026 and 2025

		2026			2025		
		Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:							
Membership dues	\$	1,407,731	-	1,407,731	1,398,812	-	1,398,812
Subscription and advertising		117,669	-	117,669	112,579	-	112,579
Conferences		688,287	-	688,287	553,967	-	553,967
Competitions		161,181	-	161,181	142,897	-	142,897
Contributions		166,803	161,678	328,481	257,615	40,576	298,191
Other		227,677	-	227,677	166,011	-	166,011
Investment return, net		501,664	218,339	720,003	382,745	101,403	484,148
Net assets released from restrictions		55,691	(55,691)	-	46,353	(46,353)	-
		<u>3,326,703</u>	<u>324,326</u>	<u>3,651,029</u>	<u>3,060,979</u>	<u>95,626</u>	<u>3,156,605</u>
Expenses:							
Program		2,472,918	-	2,472,918	2,247,538	-	2,247,538
Management and general		336,967	-	336,967	300,244	-	300,244
Fundraising		90,287	-	90,287	81,881	-	81,881
		<u>2,900,172</u>	<u>-</u>	<u>2,900,172</u>	<u>2,629,663</u>	<u>-</u>	<u>2,629,663</u>
Change in net assets		426,531	324,326	750,857	431,316	95,626	526,942
Net assets:							
Beginning of year		<u>5,380,544</u>	<u>1,456,286</u>	<u>6,836,830</u>	<u>4,949,228</u>	<u>1,360,660</u>	<u>6,309,888</u>
End of year	\$	<u>5,807,075</u>	<u>1,780,612</u>	<u>7,587,687</u>	<u>5,380,544</u>	<u>1,456,286</u>	<u>6,836,830</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2026

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 604,142	161,104	40,276	805,522
Payroll taxes	43,190	11,517	2,879	57,586
Employee benefits	78,401	20,906	5,227	104,534
Rent and utilities	73,825	19,686	4,922	98,433
Travel and entertainment	46,012	12,270	3,067	61,349
Newsletters and mailings	56,966	-	-	56,966
Membership retention	31,313	-	-	31,313
Insurance	16,004	9,336	1,334	26,674
Office supplies and postage	4,990	1,332	333	6,655
Professional fees	35,338	20,613	2,945	58,896
Bank charges	83,020	22,138	5,535	110,693
Depreciation	15,982	4,262	1,065	21,309
Readership	175,827	-	9,254	185,081
Conferences	402,351	-	-	402,351
Competitions	134,845	-	-	134,845
Grants and awards	348,034	-	-	348,034
Licenses and fees	6,648	1,773	443	8,864
Technology	135,352	36,094	9,023	180,469
Leadership summit	86,954	-	-	86,954
Partnership development	33,960	-	-	33,960
Other	59,764	15,936	3,984	79,684
	<u>2,472,918</u>	<u>336,967</u>	<u>90,287</u>	<u>2,900,172</u>
Total expenses	\$ <u>2,472,918</u>	<u>336,967</u>	<u>90,287</u>	<u>2,900,172</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 544,888	145,303	36,326	726,517
Payroll taxes	37,660	10,042	2,511	50,213
Employee benefits	71,053	18,947	4,737	94,737
Rent and utilities	75,500	20,134	5,033	100,667
Travel and entertainment	53,382	14,235	3,559	71,176
Newsletters and mailings	54,686	-	-	54,686
Membership retention	33,768	-	-	33,768
Insurance	17,611	10,272	1,468	29,351
Office supplies and postage	5,898	1,573	393	7,864
Professional fees	30,169	17,598	2,514	50,281
Bank charges	63,775	17,006	4,252	85,033
Depreciation	9,218	2,458	615	12,291
Readership	186,268	-	9,804	196,072
Conferences	374,953	-	-	374,953
Competitions	133,474	-	-	133,474
Grants and awards	271,747	-	-	271,747
Licenses and fees	6,616	1,764	441	8,821
Technology	111,817	29,818	7,454	149,089
Leadership summit	88,493	-	-	88,493
Partnership development	34,957	-	-	34,957
Other	41,605	11,094	2,774	55,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>2,247,538</u>	<u>300,244</u>	<u>81,881</u>	<u>2,629,663</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 750,857	526,942
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,309	12,291
Realized and unrealized gain on investments	(457,173)	(207,464)
Amortization of operating lease right-of-use asset	50,291	49,494
Effect of change in operating assets and liabilities:		
Accounts receivable	(3,564)	25,674
Prepaid expenses and deposits	(56,992)	143,859
Accounts payable	29,685	57,410
Accrued expenses	(2,289)	12,250
Deferred revenue	76,429	3,631
Change in operating lease liability	(56,971)	(54,907)
Net cash provided by operating activities	<u>351,582</u>	<u>569,180</u>
Cash flows from investing activities:		
Purchases of property and equipment	(117,000)	(60,000)
Proceeds received from sale of investments	3,075,947	6,129
Purchases of investments	<u>(3,491,361)</u>	<u>(188,232)</u>
Net cash used in investing activities	<u>(532,414)</u>	<u>(242,103)</u>
Change in cash and cash equivalents	(180,832)	327,077
Cash and cash equivalents - beginning of year	<u>3,005,287</u>	<u>2,678,210</u>
Cash and cash equivalents - end of year	\$ <u>2,824,455</u>	<u>3,005,287</u>
Supplemental disclosure of cash flow information:		
Property and equipment included in accounts payable	\$ <u>10,000</u>	<u>45,000</u>

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Music Teachers National Association, Inc. and Subsidiary (the "Association"), are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Nature of operations

The Association advances the value of music study and music making to society and supports the professionalism of music teachers.

Principles of consolidation

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets of the Association, its former corporate entity, which has been renamed, MTNA Certification Program (Certification) and its wholly owned subsidiary, the American Classical Music Hall of Fame and Museum (ACMHOF). All inter-organizational accounts and transactions have been eliminated.

Use of estimates

The presentation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial statement presentation

The Association is required to report information regarding its consolidated financial position and activities according to the following net asset classifications:

- 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 Association. These net assets may be used at the discretion of the Association's management and the Board of Directors (the "Board").
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2026 and 2025, the Association did not have any net assets required to be maintained in perpetuity.

Functional allocation of expenses

The consolidated financial statements report certain categories of expenses that are attributable to programs and supporting functions of the Association. Expenses are directly applied when applicable. Newsletters and mailings, membership retention, conferences, competitions, grants and awards, leadership summit and partnership development expenses are directly applied. All other expenses are allocated to programs or support services based on management's estimate of time and effort of individual employees and their related duties.

Income taxes

For federal tax purposes, Music Teachers National Association, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code but is subject to tax on its unrelated business income.

In addition, Music Teachers National Association, Inc. was formerly organized under Section 501(c)(6) of the Internal Revenue Code. All of the assets except \$50,000 were transferred from the 501(c)(6) organization, now named MTNA Certification Program, into the 501(c)(3) organization. MTNA Certification Program is used strictly for certification and its financial position and results of operations have been consolidated with the Association in these consolidated financial statements.

ACMHOF is a tax exempt organization under the Internal Revenue Code Section 501(c)(3). ACMHOF does not have net income from activities subject to the unrelated business income tax.

The Association's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Association's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Association believes their estimates are appropriate based on the current facts and circumstances.

Revenue recognition – contributions

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the net assets with donor restrictions classes.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Association reports gifts of long-lived assets as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Unconditional contributions are recorded when the promise to give is received. Contributions are recorded when the contribution is awarded, unless conditional by nature. There are no conditional promises to give at June 30, 2026 and 2025. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Revenue recognition – exchange transactions

The Association derives exchange transaction revenue primarily from membership dues, subscriptions and advertising, conferences and competitions. These revenues are recognized when control of these products or services is transferred to its members and customers, in an amount that reflects the consideration the Association expects to be entitled to in exchange for those products and services.

Incidental items that are immaterial in the context of the contracts are recognized as expense. The Association does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Revenue from performance obligations satisfied at a point in time consists of subscription and advertising, conferences and competitions. Subscriptions and advertising are recognized at the time the service is provided or the advertisement is published. Customers are invoiced in the month of publication. Any subscription and advertising fees received ahead of the month of publication are non-refundable two months before publication. Revenue from conferences and competitions is generally recognized at the time the program or event takes place. Customers pay the contract amount in full at the time of purchase. Conference fees are non-refundable two months before the event, and competition fees are non-refundable at the time of purchase.

Revenue from performance obligations satisfied over time consists of membership dues. Members pay the contract amount in full at the time of purchase. Membership dues are non-refundable and are recognized as revenue ratably over the term of the one-year membership.

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	<u>2026</u>	<u>2025</u>
Subscription and advertising	\$ 117,669	112,579
Conferences	688,287	553,967
Competitions	<u>161,181</u>	<u>142,897</u>
Revenue from performance obligations satisfied at a point in time	967,137	809,443
Revenue from performance obligations satisfied over time	<u>1,407,731</u>	<u>1,398,812</u>
Total	\$ <u>2,374,868</u>	<u>2,208,255</u>

Cash received in advance is recorded on the consolidated statements of financial position as deferred revenue. Deferred revenue, which is considered a contract liability, of \$1,007,098, \$930,669 and \$927,038 at June 30, 2026 and 2025 and July 1, 2025, respectively, consists of deferred membership dues, conference and competition fees, and subscription and advertising fees.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money markets held within its investment accounts.

Concentration of credit risk

The Association maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and allowance for credit losses

Accounts receivable are uncollateralized customer obligations due under normal trade terms. The Association does not assess interest on past-due accounts. The Association uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Association elected, as part of Topic 326- *Financial Instruments – Credit Losses*, the practical expedient to assume that the current economic conditions as of the statement of financial position date will remain unchanged until the remaining outstanding trade accounts receivable are collected. Management has reviewed the Association's accounts receivable and determined that expected credit losses are not material.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Dividends, interest income, realized and unrealized gains and losses on security transactions, unrealized gains or losses on investments, and investment expenses are included as investment return, net in the consolidated statements of activities.

Property and equipment and depreciation

The Association capitalizes all property and equipment in excess of \$1,000. Property and equipment is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets which range from 3-7 years.

Operating lease

The determination of whether an arrangement is a lease is made at the lease's inception. Under Accounting Standards Codification ("ASC") 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The operating lease is included in operating lease right-of-use asset and liability in the Association's consolidated statements of financial position.

Right-of-use asset represents the Association's right to use an underlying asset for the lease term, and lease liability represent the Association's obligation to make lease payments. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Association uses their implicit rate when it is readily determinable. Since the Association's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate based on the information available at lease commencement. Operating lease right-of-use assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be utilized.

Reclassifications

Certain items from 2025 have been reclassified to conform to the current year presentation.

Subsequent events

The Association evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through September 1, 2026, the date on which the consolidated financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT:

Property and equipment at June 30 is summarized as follows:

	<u>2026</u>	<u>2025</u>
Furniture and fixtures	\$ 194,584	194,584
Leasehold improvements	90,009	90,009
Technology	187,000	-
Work in process	-	105,000
Less accumulated depreciation	<u>(275,317)</u>	<u>(254,008)</u>
	<u>\$ 196,276</u>	<u>135,585</u>

3. RETIREMENT PLAN:

The Association offers a voluntary participation 401(k) retirement plan to its employees. All employees of the Association are eligible to participate in the Plan upon meeting certain eligibility requirements. The Association matches a certain percentage of the employee contributions. Total matching retirement contributions were \$18,037 and \$25,286 for the years ended June 30, 2026 and 2025, respectively.

4. OPERATING LEASE:

In July 2020, the Association entered into an escalating lease agreement for office space through December 2027. It is not reasonably certain that the Association will exercise renewal options for this lease, therefore, no future renewal periods are included in the future minimum rental payments as of June 30, 2026.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate as of June 30:

	<u>2026</u>	<u>2025</u>
Weighted-average remaining lease term	1.50 years	2.50 years
Weighted-average discount rate	0.52%	0.52%

Operating lease expense under the lease totaled \$52,208 for the years ended June 30, 2026 and 2025. Cash flows under the lease totaled \$58,888 and \$57,621 for the years ended June 30, 2026 and 2025, respectively.

Future minimum lease payments and the present values of the net minimum lease payments as of June 30:

2027	\$ 58,741
2028	<u>31,258</u>
 Total lease payments	 \$ 89,999
Less: imputed interest	<u>(371)</u>
 Lease liability	 \$ <u>89,628</u>

In addition to the base rent disclosed above, the Association is also responsible for its share of the taxes and operating expenses. The Association will pay an estimated amount of the taxes and operating expenses monthly with its base rent and a settlement calculation will be performed at the end of the year with an adjustment to the actual expenses.

5. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED:

As of June 30, 2026 and 2025, the Board has designated \$2,612,191 and \$2,290,275, respectively, of net assets to be used for competition awards for students and other purposes.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2026</u>	<u>2025</u>
Teacher enrichment grants	\$ 789,297	588,025
Local association grants	36,765	30,757
Other	<u>954,550</u>	<u>837,504</u>
	 \$ <u>1,780,612</u>	 <u>1,456,286</u>

7. ENDOWMENT FUNDS:

Generally accepted accounting principles require that 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. The Association's endowment consists of several funds established to provide student awards, association grants and teacher enrichment grants. Its endowment consists of board-designated funds. The board designated endowment had a balance of \$2,612,191 and \$2,290,275 at June 30, 2026 and 2025, respectively.

Changes in endowment net assets are as follows for the years ended June 30:

	2026 Without Donor <u>Restrictions</u>	2025 Without Donor <u>Restrictions</u>
Endowment net assets at beginning of year	\$ 2,290,275	2,054,368
Interest and dividend income	105,596	93,248
Realized and unrealized gain on investments	221,287	121,132
Contributions	41,000	75,451
Appropriation of endowment assets for expenditure	(34,086)	(43,077)
Investment fees	<u>(11,881)</u>	<u>(10,847)</u>
Endowment net assets at end of year	\$ <u>2,612,191</u>	<u>2,290,275</u>

Return objectives and risk parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth of income and principal without undue exposure to risk. The return objective shall be accomplished using a balanced strategy of fixed income, equities, mutual funds and cash equivalents in a mix that is conducive to participation in rising markets while allowing for adequate protection in falling markets. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell Mid Cap Index, Russell 2000 Index, and Morgan Stanley EAFE Index.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Association has a policy of appropriating for distribution each year five percent of the endowment fund's average fair value over 12 quarters. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Association elected to appropriate \$34,086 and \$43,077 during the years ended June 30, 2026 and 2025, respectively.

8. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments consisting of cash, money market funds, mutual funds, exchange-traded funds and equities are based on the Level 1 market approach.

The following tables present the Association's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2026 and 2025:

Fair Value Measurements at Reporting Date Using:

<u>June 30, 2026</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash	\$ 61,026	61,026	-	-
Money market funds	524,483	524,483	-	-
Equity funds	1,021,159	1,021,159	-	-
Exchange-traded funds	1,663,700	1,663,700	-	-
Mutual funds	<u>2,627,933</u>	<u>2,627,933</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,898,301</u>	<u>5,898,301</u>	<u>-</u>	<u>-</u>

Fair Value Measurements at Reporting Date Using:

Music Teachers National Association, Inc. and Subsidiary
Notes to the Consolidated Financial Statements
June 30, 2026 and 2025

<u>June 30, 2025</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash	\$ 43,465	43,465	-	-
Money market funds	502,453	502,453	-	-
Equity funds	867,384	867,384	-	-
Exchange-traded funds	779,365	779,365	-	-
Mutual funds	<u>2,833,047</u>	<u>2,833,047</u>	-	-
	<u>\$ 5,025,714</u>	<u>5,025,714</u>	-	-

9. LIQUIDITY DISCLOSURES:

The Association is substantially supported by earned revenue. The Association also receives contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in investments as deemed appropriate. The Board designated endowment is available to meet liquidity needs and as a result, has been excluded from the limitations below. The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30:

	<u>2026</u>	<u>2025</u>
Financial assets:		
Cash and cash equivalents	\$ 2,824,455	3,005,287
Investments, at fair value	5,898,301	5,025,714
Accounts receivable	<u>10,762</u>	<u>7,198</u>
Financial assets available at year-end	<u>8,733,518</u>	<u>8,038,199</u>
Less those unavailable for general expenditures within one year due to:		
Investments held with donor restrictions	<u>1,780,612</u>	<u>1,456,286</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,952,906</u>	<u>6,581,913</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2026

	<u>Association</u>	<u>Certification</u>	<u>ACMHOF</u>	<u>Elimination</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 2,651,165	117,959	55,331	-	2,824,455
Investments, at fair value	5,818,272	80,029	-	-	5,898,301
Accounts receivable	24,560	-	-	(13,798)	10,762
Prepaid expenses	97,978	669	-	-	98,647
Property and equipment, net	196,276	-	-	-	196,276
Deposits	4,766	-	-	-	4,766
Operating lease right-of-use asset	<u>81,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,724</u>
 Total assets	 \$ <u>8,874,741</u>	 <u>198,657</u>	 <u>55,331</u>	 <u>(13,798)</u>	 <u>9,114,931</u>
 Liabilities and net assets:					
Liabilities:					
Accounts payable	\$ 347,809	9,131	4,697	(13,798)	347,839
Accrued expenses	82,679	-	-	-	82,679
Deferred revenue	1,007,098	-	-	-	1,007,098
Operating lease liability	<u>89,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,628</u>
 Total liabilities	 <u>1,527,214</u>	 <u>9,131</u>	 <u>4,697</u>	 <u>(13,798)</u>	 <u>1,527,244</u>
 Net assets:					
Without donor restrictions	5,566,915	189,526	50,634	-	5,807,075
With donor restrictions	<u>1,780,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,780,612</u>
 Total net assets	 <u>7,347,527</u>	 <u>189,526</u>	 <u>50,634</u>	 <u>-</u>	 <u>7,587,687</u>
 Total liabilities and net assets	 \$ <u>8,874,741</u>	 <u>198,657</u>	 <u>55,331</u>	 <u>(13,798)</u>	 <u>9,114,931</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2025

	<u>Association</u>	<u>Certification</u>	<u>ACMHOF</u>	<u>Elimination</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 2,834,942	119,924	50,421	-	3,005,287
Investments, at fair value	4,955,000	70,714	-	-	5,025,714
Accounts receivable	10,446	-	-	(3,248)	7,198
Prepaid expenses	41,088	567	-	-	41,655
Property and equipment, net	135,585	-	-	-	135,585
Deposits	4,766	-	-	-	4,766
Operating lease right-of-use asset	<u>132,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,015</u>
 Total assets	 \$ <u>8,113,842</u>	 <u>191,205</u>	 <u>50,421</u>	 <u>(3,248)</u>	 <u>8,352,220</u>
 Liabilities and net assets:					
Liabilities:					
Accounts payable	\$ 352,144	3,068	1,190	(3,248)	353,154
Accrued expenses	84,968	-	-	-	84,968
Deferred revenue	930,669	-	-	-	930,669
Operating lease liability	<u>146,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,599</u>
 Total liabilities	 <u>1,514,380</u>	 <u>3,068</u>	 <u>1,190</u>	 <u>(3,248)</u>	 <u>1,515,390</u>
 Net assets:					
Without donor restrictions	5,143,176	188,137	49,231	-	5,380,544
With donor restrictions	<u>1,456,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,456,286</u>
 Total net assets	 <u>6,599,462</u>	 <u>188,137</u>	 <u>49,231</u>	 <u>-</u>	 <u>6,836,830</u>
 Total liabilities and net assets	 \$ <u>8,113,842</u>	 <u>191,205</u>	 <u>50,421</u>	 <u>(3,248)</u>	 <u>8,352,220</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2026

	Association			Certification	ACMHOF	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Total
Revenues:						
Membership dues	\$ 1,407,731	-	1,407,731	-	-	1,407,731
Subscription and advertising	117,669	-	117,669	-	-	117,669
Conferences	688,287	-	688,287	-	-	688,287
Competitions	161,181	-	161,181	-	-	161,181
Contributions	159,453	161,678	321,131	-	7,350	328,481
Other	132,362	-	132,362	95,020	295	227,677
Management fee	77,250	-	77,250	(77,250)	-	-
Investment return, net	489,280	218,339	707,619	12,384	-	720,003
Net assets released from restrictions	55,691	(55,691)	-	-	-	-
	<u>3,288,904</u>	<u>324,326</u>	<u>3,613,230</u>	<u>30,154</u>	<u>7,645</u>	<u>3,651,029</u>
Expenses:						
Program	2,446,662	-	2,446,662	21,574	4,682	2,472,918
Management and general	329,966	-	329,966	5,753	1,248	336,967
Fundraising	88,537	-	88,537	1,438	312	90,287
	<u>2,865,165</u>	<u>-</u>	<u>2,865,165</u>	<u>28,765</u>	<u>6,242</u>	<u>2,900,172</u>
Change in net assets	423,739	324,326	748,065	1,389	1,403	750,857
Net assets:						
Beginning of year	<u>5,143,176</u>	<u>1,456,286</u>	<u>6,599,462</u>	<u>188,137</u>	<u>49,231</u>	<u>6,836,830</u>
End of year	\$ <u>5,566,915</u>	<u>1,780,612</u>	<u>7,347,527</u>	<u>189,526</u>	<u>50,634</u>	<u>7,587,687</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2025

	Association			Certification	ACMHOF	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Total
Revenues:						
Membership dues	\$ 1,398,812	-	1,398,812	-	-	1,398,812
Subscription and advertising	112,579	-	112,579	-	-	112,579
Conferences	553,967	-	553,967	-	-	553,967
Competitions	142,897	-	142,897	-	-	142,897
Contributions	246,345	40,576	286,921	-	11,270	298,191
Other	85,698	-	85,698	80,308	5	166,011
Management fee	75,000	-	75,000	(75,000)	-	-
Investment return, net	373,662	101,403	475,065	9,083	-	484,148
Net assets released from restrictions	46,353	(46,353)	-	-	-	-
	<u>3,035,313</u>	<u>95,626</u>	<u>3,130,939</u>	<u>14,391</u>	<u>11,275</u>	<u>3,156,605</u>
Expenses:						
Program	2,227,682	-	2,227,682	18,384	1,472	2,247,538
Management and general	294,949	-	294,949	4,903	392	300,244
Fundraising	80,557	-	80,557	1,226	98	81,881
	<u>2,603,188</u>	<u>-</u>	<u>2,603,188</u>	<u>24,513</u>	<u>1,962</u>	<u>2,629,663</u>
Change in net assets	432,125	95,626	527,751	(10,122)	9,313	526,942
Net assets:						
Beginning of year	<u>4,711,051</u>	<u>1,360,660</u>	<u>6,071,711</u>	<u>198,259</u>	<u>39,918</u>	<u>6,309,888</u>
End of year	\$ <u>5,143,176</u>	<u>1,456,286</u>	<u>6,599,462</u>	<u>188,137</u>	<u>49,231</u>	<u>6,836,830</u>

