

IBMA FOUNDATION
FINANCIAL STATEMENTS
June 30, 2021

IBMA Foundation
June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
IBMA Foundation
Nashville, Tennessee

We have audited the accompanying financial statements of IBMA Foundation (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2021, and the related statements of support, revenue, and expenses - modified cash basis, and functional expenses - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 IBMA Foundation as of June 30, 2021, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

AJG CPAs, PLLC

July 20, 2022

Brentwood, Tennessee

IBMA Foundation
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 123,571
Investments, unrestricted	77,746
Beneficial interest in agency endowment funds held by the Community Foundation of Middle Tennessee	<u>129,666</u>
Total Current Assets	<u>330,983</u>

PROPERTY AND EQUIPMENT

Musical instruments, not in use	5,775
Less: accumulated depreciation	<u>-</u>
Property and Equipment, Net	<u>5,775</u>

Total Assets	<u>\$ 336,758</u>
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LIABILITIES AND NET ASSETS

NET ASSETS

Without donor restrictions:	
Undesignated	129,462
Designated for beneficial interest in agency endowment fund	<u>58,918</u>
Total without donor restrictions	188,380

Total with donor restrictions	<u>148,378</u>
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Total Net Assets	<u>336,758</u>
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Total Liabilities and Net Assets	<u>\$ 336,758</u>
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The accompanying notes are an integral part of these financial statements.

IBMA Foundation
Statement of Support, Revenue, and Expenses - Modified Cash Basis
For the year ended June 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 235,686	\$ 94,122	\$ 329,808
Event revenue	16,080	-	16,080
Change in value of beneficial interest in agency endowment funds held by the Community Foundation of Middle Tennessee	8,720	4,734	13,454
Other revenues	15	60	75
Interest and dividend income	16,345	-	16,345
Net assets released from satisfaction of donor restrictions	<u>38,358</u>	<u>(38,358)</u>	<u>-</u>
Total Support and Revenues	<u>315,204</u>	<u>60,558</u>	<u>375,762</u>
EXPENSES			
Program services	235,692	-	235,692
Management and general	<u>28,884</u>	<u>-</u>	<u>28,884</u>
Total Expenses	<u>264,576</u>	<u>-</u>	<u>264,576</u>
Change in Net Assets	<u>50,628</u>	<u>60,558</u>	<u>111,186</u>
Net assets, beginning of year	<u>137,752</u>	<u>87,820</u>	<u>225,572</u>
Net assets, end of year	<u>\$ 188,380</u>	<u>\$ 148,378</u>	<u>\$ 336,758</u>

The accompanying notes are an integral part of these financial statements.

IBMA Foundation
Statement of Functional Expenses - Modified Cash Basis
For the year ended June 30, 2021

	Program Services	Management and General	Total
Accounting fees	\$ -	\$ 5,685	\$ 5,685
Advertising and promotion	-	625	625
Bank charges and merchant fees	-	263	263
Grants and program expenses	235,692	-	235,692
Events	-	3,835	3,835
Insurance	-	483	483
Management and administrative fees	-	13,013	13,013
Miscellaneous	-	36	36
Office expense	-	2,224	2,224
Professional fees	-	2,239	2,239
Taxes and licenses	-	356	356
Training	-	125	125
Total Expenses	\$ 235,692	\$ 28,884	\$ 264,576

The accompanying notes are an integral part of these financial statements.

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 1. ORGANIZATION

The IBMA Foundation (the "Foundation") was created by the International Bluegrass Music Association, Inc. ("IBMA") in 2007 with a bequest from the Richard Barnhart estate. Mr. Barnhart was a musician from northern Virginia who loved bluegrass and wanted to support educational programs for children. Since the beginning, the Foundation's goal has been to support bluegrass-music-related educational, literary, artistic and historic preservation activities. The Foundation is headquartered in Nashville, Tennessee and has a satellite office in Burlington, North Carolina.

These financial statements are not consolidated with the IBMA and report only activity within the Foundation.

The programs through which the Foundation provides its services are as follows:

- The Foundation's grants support bluegrass-related initiatives throughout the world. The Foundation also funds mini-grants, which help schools to hire bluegrass bands for school programs. The Rosenberg Bluegrass Scholar Award recognizes excellence in academic research. College scholarships are granted for students working on a bluegrass-related degree, female bluegrass musicians, and songwriters. The Arnold Shultz Fund supports increased participation of people of color in bluegrass music.
- During IBMA's World of Bluegrass week, the Foundation presents a college bluegrass band showcase, a bluegrass college educators luncheon, and a bluegrass college information session for prospective students and their parents. The Foundation also facilitates academic research-related seminars.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets (with and without donor restrictions) based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any specified restrictions.

Basis for Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Foundation has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

The cash basis of accounting has been modified to record investment activity to report investments and beneficial interests in agency endowment funds at fair market value instead of cost and to capitalize and depreciate fixed assets with useful lives exceeding one year.

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Classification of Net Assets

In the accompanying financial statements, the Foundation's net assets that have similar characteristics have been combined into the following two categories:

- Net assets without donor restrictions are not subject to donor-imposed restrictions, or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.
- Net assets with donor restrictions are 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, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase. The Foundation considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents.

Investments

Investments purchased by the Foundation are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. Subsequent to their acquisition, investments in marketable securities with readily determinable fair values and all investments in debt securities are adjusted to their fair values based on quoted market prices as of the date of the statement of assets and net assets. Unrealized gains and losses are included in the change in net assets.

Agency Endowment Funds

The Foundation's beneficial interest in agency endowment funds held by the Community Foundation of Middle Tennessee (the "Community Foundation") is recognized as an asset. Investment income and changes in the value of the funds are recognized in the Statement of Support, Revenue, and Expenses - Modified Cash Basis, and contributions made or distributions received from the funds are recorded as increases (decreases) in the beneficial interest.

Fair Value Measurements

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

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

The beneficial interest in the agency endowment funds held by the Community Foundation represents the Foundation's interest in pooled investments with other participants in the funds. The Community Foundation prepares a valuation of the fund based on the fair value of the underlying investments using quoted market prices and allocates income or loss to each participant based on market results. The Foundation reflects these assets within Level 2 of the valuation hierarchy.

Mutual funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

There have been no changes in the valuation methodologies used at June 30, 2021.

The method 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 method is 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.

Donated Services

Unpaid volunteers make contribution of time in various administrative and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement of valuation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue code and similar state income tax laws. The Foundation is a non-private foundation.

The Foundation recognizes a tax position as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur.

The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

As of June 30, 2021, the Foundation has accrued no interest or penalties related to uncertain tax positions. It is the Foundation’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Foundation's Form 990, Return of Organization Exempt From Income Tax, for the years ended June 30, 2021 and 2020 and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Subsequent Events

Subsequent events have been evaluated through July 20, 2022, which is the date the financial statements were available to be issued.

Note 3. INVESTMENTS

The following schedule summarizes investment returns and their classification in the Statement of Support, Revenue, and Expenses - Modified Cash Basis for the year ended June 30, 2021:

Interest and dividend income	\$ 1,763
Unrealized gains	11,546
Realized gain (loss) on sale of investments	58
Total Investment Income	<u>\$ 13,367</u>
 Fair value	 \$ 77,746
Cost	<u>(65,945)</u>
Unrealized Gain	<u>\$ 11,801</u>

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 4. BENEFICIAL INTEREST ACCOUNTS WITH COMMUNITY FOUNDATION

The Foundation has a beneficial interest in The Arnold Shultz Agency Endowment Fund, The IBMA Foundation Endowment Fund, Sally Ann Forrester Fund, and The IBMA Education Fund, each fund is an agency endowment fund held by the Community Foundation. The Foundation has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The Fund is charged a .4% administrative fee annually. Income from the Fund representing a 5% annual return is distributed to the Foundation.

Changes in the beneficial interest in agency endowment funds for the year ending June 30, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance - beg. of year	\$ 50,147	\$ 15,047	\$ 65,194
Contributions to the funds	50	50,967	51,017
Investment income (loss)	5,856	1,185	7,041
Unrealized gain (loss)	5,863	3,730	9,593
Administrative expenses	(498)	(181)	(679)
Distributions to the Foundation	(2,500)	-	(2,500)
Balance - end of year	<u>\$ 58,918</u>	<u>\$ 70,748</u>	<u>\$ 129,666</u>

Note 5. FAIR VALUE MEASUREMENTS

The following table sets forth the Foundation's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2021:

<u>Investments</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Beneficial interest in agency endowment funds	\$ -	\$ 129,666	\$ -	\$ 129,666
Mutual Funds	<u>77,746</u>	<u>-</u>	<u>-</u>	<u>77,746</u>
	<u>\$ 77,746</u>	<u>\$ 129,666</u>	<u>\$ -</u>	<u>\$ 207,412</u>

In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or the equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis.

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 5. FAIR VALUE MEASUREMENTS

The following table summarizes investments for which fair value is measured using the net asset per share practical expedient:

<u>Investment</u>	<u>Fair Value at June 30, 2021</u>	<u>Unfounded Commitment at June 30, 2021</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Vanguard Balanced Index Fund Admiral Shares	\$ <u>77,746</u>	\$ <u>-</u>	Daily	None Required

Vanguard Balanced Index Fund Admiral Shares (the “Fund”) employs an indexing investment approach designed to track the performance of two benchmark indexes. Approximately 60% of the funds assets, the fund seeks to track the investment performance of the CRISP US Total Market Index and with approximately 40% of its assets, the fund seeks to track the investment performance of the Bloomer Barclays U.S. Aggregate Float Adjusted Index.

Note 6. RESTRICTIONS ON NET ASSETS

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

Barnhart Fund	\$ 43,999
Forrester Fund	23,298
IBMA Scholarship Fund	18,045
Shultz Fund	59,296
Rosenberg Fund	191
Lang Scholarship Fund	2,549
Crandall Creek Scholarship	<u>1,000</u>
Net assets with donor restrictions	<u>\$ 148,378</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors at June 30, 2021 as follows:

Program restrictions	<u><u>\$ 38,358</u></u>
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Note 7. CONCENTRATIONS

The Foundation maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

IBMA Foundation
Notes to the Financial Statements
June 30, 2021

Note 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available for general expenditure within one year of the date of the financial position consists of the following:

Cash	\$ 123,571
Investments	<u>77,746</u>
Total financial assets available within one year	201,317
 Less: financial assets with donor restrictions, excluding time restrictions that expire in the next twelve months	 <u>(77,630)</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 123,687</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 9. UNCERTAINTIES AND RISKS

On March 11, 2020, the spread of the COVID-19 virus was declared a "pandemic" by the World Health Organization. The COVID-19 virus situation continues to evolve rapidly. The extent to which COVID-19 may impact the Foundation's operations is uncertain and the full effect it may have on the Foundation cannot be quantified at this time.