

FINANCIAL STATEMENTS
AND
REPORT
OF
INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN WINE SOCIETY
(A NON-PROFIT ORGANIZATION)

FOR THE YEARS ENDED

DECEMBER 31, 2020

AND

DECEMBER 31, 2019

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AD&A CPAs, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS REPORT

To the Board of Directors of:
American Wine Society
Scranton, PA

November 15, 2021

Report on the Financial Statements

We have audited the accompanying financial statements of American Wine Society (a non-profit organization), which comprises the statements of financial position as of December 31, 2020 and December 31, 2019 and 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 auditors' 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 American Wine Society as of December 31, 2020 and December 31, 2019 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.


AMIT DAWAN

AD&A CPAs, LLC

Arlington, VA

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US\$

STATEMENT OF FINANCIAL POSITION
As of December 31,

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	483,020	475,222
Prepays and advances	21,260	5,428
Inventory	787	687
Total Current Assets	505,067	481,337
FIXED ASSETS		
Computers & peripherals	16,615	16,615
Accumulated depreciation	(16,615)	(16,615)
Net Fixed Assets	-	-
TOTAL ASSETS	505,067	481,337
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Deferred membership fees	75,890	123,934
Accounts payable and Accrued Expenses	11,544	-
Payroll taxes payable	4,165	16,569
Retirement plan contributions payable	1,572	-
Total Current Liabilities	93,171	140,503
LONG - TERM LIABILITIES		
PPP Loan Payable	19,400	-
Total Long - Term Liabilities	19,400	-
NET ASSETS		
Without donor restrictions	369,671	318,009
With donor restrictions	22,825	22,825
Total Net Assets	392,496	340,834
TOTAL LIABILITIES AND NET ASSETS	505,067	481,337

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US\$

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Membership dues	214,221	-	214,221
Competition income	48,993	-	48,993
Training and certification fees	20,880	-	20,880
Interest income	4,807	-	4,807
Advertising income	2,122	-	2,122
Contributions	2,028	-	2,028
Product sale	418	-	418
In-Kind contributions	3,000	-	3,000
Less: Merchant collection fees	(9,791)	-	(9,791)
	<u>286,678</u>	<u>-</u>	<u>286,678</u>
EXPENSES:			
Program services			
Conference and events	11,707	-	11,707
Publications	40,009	-	40,009
Wine Competitions	36,264	-	36,264
Training and certification	17,618	-	17,618
Local Chapters and Members' Services	62,531	-	62,531
	<u>168,129</u>	<u>-</u>	<u>168,129</u>
Supporting services			
Management and General	91,733	-	91,733
Fund raising	-	-	-
	<u>91,733</u>	<u>-</u>	<u>91,733</u>
Total expenses	<u>259,862</u>	<u>-</u>	<u>259,862</u>
Change in Net Assets	<u>26,816</u>	<u>-</u>	<u>26,816</u>
Net assets, beginning of year	318,009	22,825	340,834
Prior period adjustments	24,846	-	24,846
Net assets, end of year	<u>369,671</u>	<u>22,825</u>	<u>392,496</u>

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US\$

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Membership dues	213,413	-	213,413
Conference fees	275,081	-	275,081
Competition income	35,574	-	35,574
Commission income	26,500	-	26,500
Training and certification fees	19,800	-	19,800
Contributions	144	11,325	11,469
Advertising income	5,683	-	5,683
Interest income	5,387	-	5,387
In-Kind contributions	100,475	-	100,475
Product sale	921	-	921
Less: Merchant collection fees	(16,569)	-	(16,569)
	<u>666,409</u>	<u>11,325</u>	<u>677,734</u>
EXPENSES:			
Program services			
Conference and events	395,126	-	395,126
Publications	37,348	-	37,348
Wine Competitions	18,456	-	18,456
Training and certification	16,800	-	16,800
Local Chapters and Members' Services	81,736	-	81,736
	<u>549,466</u>	<u>-</u>	<u>549,466</u>
Support Services			
Management and general	66,279	-	66,279
Fund raising	1,288	-	1,288
	<u>67,567</u>	<u>-</u>	<u>67,567</u>
Total supporting services	<u>67,567</u>	<u>-</u>	<u>67,567</u>
Total expenses	<u>617,033</u>	<u>-</u>	<u>617,033</u>
Change in Net Assets	<u>49,376</u>	<u>11,325</u>	<u>60,701</u>
Net assets, beginning of year	264,794	11,500	276,294
Prior period adjustments	3,839	-	3,839
Net assets, end of year	<u>318,009</u>	<u>22,825</u>	<u>340,834</u>

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US \$

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services						Support Services			Functional Expenses
	<u>Conference and events</u>	<u>Publications</u>	<u>Wine Competitions</u>	<u>Training and certification</u>	<u>Local Chapters and Members' Services</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support</u>	
Officers' Compensation	3,110	4,354	1,244	7,464	28,609	44,781	17,415	-	17,415	62,196
Salaries and wages - Others	7,318	407	1,220	407	27,239	36,591	4,066	-	4,066	40,657
Payroll Tax Expense	1,057	455	245	749	5,545	8,051	2,072	-	2,072	10,123
Retirement Plan Contribution	222	90	51	147	1,138	1,648	412	-	412	2,060
<u>Total payroll cost</u>	<u>11,707</u>	<u>5,306</u>	<u>2,760</u>	<u>8,767</u>	<u>62,531</u>	<u>91,071</u>	<u>23,965</u>	<u>-</u>	<u>23,965</u>	<u>115,036</u>
Conference cost	-	-	15,464	-	-	15,464	-	-	-	15,464
Members' Portal	-	-	-	-	-	-	14,460	-	14,460	14,460
Competition Costs	-	-	13,987	-	-	13,987	-	-	-	13,987
Design	-	13,190	-	-	-	13,190	-	-	-	13,190
Rental Expenses	-	-	-	-	-	-	11,482	-	11,482	11,482
Printing	-	9,933	196	-	-	10,129	484	-	484	10,613
Training and certification expenses	-	-	-	8,851	-	8,851	-	-	-	8,851
Local Chapter services	-	-	-	-	-	-	8,091	-	8,091	8,091
Insurance	-	-	-	-	-	-	7,171	-	7,171	7,171
Editing	-	6,500	-	-	-	6,500	-	-	-	6,500
Membership fulfillment	-	-	-	-	-	-	5,582	-	5,582	5,582
Telecommunication	-	-	91	-	-	91	4,418	-	4,418	4,509
Legal and Professional fees	-	-	-	-	-	-	7,159	-	7,159	7,159
Computer expenses	-	-	-	-	-	-	3,291	-	3,291	3,291
Travel	-	-	3,088	-	-	3,088	198	-	198	3,286
Postage and delivery	-	5,080	5	-	-	5,085	1,972	-	1,972	7,057
Office supplies	-	-	-	-	-	-	1,342	-	1,342	1,342
Dues and subscription	-	-	-	-	-	-	1,018	-	1,018	1,018
Promotional expenses	-	-	-	-	-	-	820	-	820	820
Supplies	-	-	673	-	-	673	-	-	-	673
Bank Service charges	-	-	-	-	-	-	178	-	178	178
Licenses and Permits	-	-	-	-	-	-	102	-	102	102
<u>Total</u>	<u>11,707</u>	<u>40,009</u>	<u>36,264</u>	<u>17,618</u>	<u>62,531</u>	<u>168,129</u>	<u>91,733</u>	<u>-</u>	<u>91,733</u>	<u>259,862</u>

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US \$

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Conference and events</u>	<u>Publications</u>	<u>Program Services</u>		<u>Local Chapters and Members' Services</u>	<u>Total Program</u>	<u>Support Services</u>			<u>Functional Expenses</u>
			<u>Wine Competition</u>	<u>Training and certification</u>			<u>Mgmt. & Gen.</u>	<u>Fund Raising</u>	<u>Total Support</u>	
Salaries and wages	22,632	3,026	1,835	2,055	45,903	75,451	15,936	-	15,936	91,387
Payroll taxes	2,310	299	184	205	4,659	7,657	1,581	-	1,581	9,238
Retirement Plan Contrib.	454	62	38	42	915	1,511	316	-	316	1,827
<u>Total payroll cost</u>	<u>25,396</u>	<u>3,387</u>	<u>2,057</u>	<u>2,302</u>	<u>51,477</u>	<u>84,619</u>	<u>17,833</u>	-	<u>17,833</u>	<u>102,452</u>
Food	184,340	-	6,093	1,163	-	191,596	-	-	-	191,596
Wine procurement	112,815	-	-	1,927	-	114,742	-	-	-	114,742
Printing	4,169	13,148	-	-	-	17,317	4,169	1,288	5,457	22,774
Travel	14,237	-	4,348	1,299	-	19,884	-	-	-	19,884
Members' portal	-	-	-	-	19,063	19,063	-	-	-	19,063
Audio visual	18,166	-	-	-	-	18,166	-	-	-	18,166
Travel - mgmt.	-	-	-	-	-	-	15,316	-	15,316	15,316
Faculty fees	-	-	4,400	8,227	-	12,627	-	-	-	12,627
Temporary staff	11,000	-	-	-	-	11,000	-	-	-	11,000
Design	-	10,189	-	-	-	10,189	-	-	-	10,189
Conference cost	9,178	-	-	-	-	9,178	-	-	-	9,178
Rental expenses	729	-	200	-	-	929	7,167	-	7,167	8,096
Insurance	-	-	-	-	5,571	5,571	1,491	-	1,491	7,062
Hotel	6,640	-	-	-	-	6,640	-	-	-	6,640
Editing	-	6,500	-	-	-	6,500	-	-	-	6,500
Promotional expenses	-	-	-	-	-	-	5,618	-	5,618	5,618
Postage and delivery	-	-	-	-	-	-	4,640	-	4,640	4,640
Supplies	2,835	-	943	482	-	4,260	-	-	-	4,260
Glasses	4,256	-	-	-	-	4,256	-	-	-	4,256
Telecommunication	1,065	123	80	87	2,126	3,481	675	-	675	4,156
Mailing and delivery	-	3,799	335	9	-	4,143	-	-	-	4,143
Membership fulfillment	-	-	-	-	3,499	3,499	-	-	-	3,499
Office supplies	-	-	-	-	-	-	3,020	-	3,020	3,020
Depreciation	-	-	-	-	-	-	2,462	-	2,462	2,462
Licenses and permits	-	-	-	1,304	-	1,304	182	-	182	1,486
Computer expenses	-	-	-	-	-	-	914	-	914	914
Local Chapter services	-	-	-	-	-	-	853	-	853	853
Office expenses	-	-	-	-	-	-	743	-	743	743
Dues and subscription	-	-	-	-	-	-	595	-	595	595
Professional fees	-	-	-	-	-	-	501	-	501	501
Exhibitor	300	-	-	-	-	300	-	-	-	300
Journal expenses	-	202	-	-	-	202	-	-	-	202
Donations	-	-	-	-	-	-	100	-	100	100
<u>Total</u>	<u>395,126</u>	<u>37,348</u>	<u>18,456</u>	<u>16,800</u>	<u>81,736</u>	<u>549,466</u>	<u>66,279</u>	<u>1,288</u>	<u>67,567</u>	<u>617,033</u>

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US\$

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	26,816
Adjustments to reconcile net assets to net cash used by operating activities:	
Depreciation	
Prior period adjustments	24,846
Other adjustments:	
Increase in prepaids and advances	(15,832)
Increase in inventory	(100)
Decrease in deferred membership fees	(48,044)
Increase in accounts payable and accrued expenses	11,544
Decrease in payroll taxes payable	(12,404)
Increase in retirement plan contributions payable	<u>1,572</u>
Net cash provided by operating activities	<u>(11,602)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net cash provided by investing activities	<u>-</u>
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CASH FLOW FROM FINANCING ACTIVITIES

Funding from PPP Loan	<u>19,400</u>
Net cash provided by financing activities	<u>19,400</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,798</u>
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Cash and cash equivalents, beginning of year	<u>475,222</u>
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Cash and cash equivalents, end of year	<u><u>483,020</u></u>
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The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

Amounts in US\$

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	60,701
Adjustments to reconcile net assets to net cash used by operating activities:	
Depreciation	2,462
Prior period adjustments	2,841
Other adjustments	
(Increase) decrease in prepaids and advances	4,797
Increase (decrease) in payroll liabilities	2,570
Increase (decrease) in deferred membership fees	<u>(23,592)</u>
Net cash provided by operating activities	<u>49,779</u>

CASH FLOW FROM INVESTING ACTIVITIES

Equipment	<u> </u>
Net cash provided by investing activities	<u> -</u>

CASH FLOW FROM FINANCING ACTIVITIES

Net cash provided by financing activities	<u> </u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 49,779

Cash and cash equivalents, beginning of year 425,443

Cash and cash equivalents, end of year 475,222

The accompanying notes are an integral part of these statements.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

American Wine Society (hereinafter referred to as “AWS” or the “Organization” or the “Society”) is a member based, non-governmental, not-for-profit organization incorporated in the State of Michigan on November 13, 1973. The mission of the Society is to promote the appreciation of wine through education. The organization is primarily funded by its members as an educational, consumer-oriented organization for those interested in learning more about all aspects of wine.

AWS is the largest consumer organization in the U.S. dedicated to the mission of spreading the awareness of wine. Members explore wine together through relaxed tasting events organized by various local chapters throughout the year, through participation in Annual National Conference, and by participating in various wine tasting competitions and events organized by the organization.

AWS also hosts an education program for the Wine Judge Certifications., publishes a Wine Journal magazine and AWS Newsletter; the objective of which is to spread the education of wine.

AWS is primarily funded through the membership fees collected from its members and from the fees collected from participation of its members and non-members in various events, educational programs and competitions organized by the organization.

Basis of Accounting

The Society prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements. The Society prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standard amends the current reporting model for not-for-profit organizations and requires additional disclosures, including the following:

- a) Requiring the presentation of two net asset classes: i) net assets without donor restrictions, and ii) net assets with donor restrictions;
- b) Modifying the presentation of underwater endowment funds and related disclosures;
- c) Requiring the use of the placed-in-service approach to recognize gifts used to acquire long-lived assets;
- d) Requiring an analysis of expenses by function and nature; and
- e) Requiring disclosure of quantitative and qualitative information on liquidity.

Net Assets

The financial statements report, net assets, change in net assets, revenues, and gains and losses in two classes that are based upon the existence or absence of donor-imposed restrictions on use. Accordingly, the net assets of the organization and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions that may be used for any purpose at the discretion of the Board of Trustees and management for any purpose in performing the primary objectives of the organization. The organization's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of American Wine Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

(i) Membership Fees Revenue and Deferred Membership Fees

AWS primarily generates its program service revenue from the membership fees charged by it for becoming a member of the society. The AWS has an annual due amount for individual, household, student and professional memberships. Membership can be obtained either for under a Single year or under a Three-Year program. All memberships are calendar year based and membership fee received during the first three quarters of the year, under a single year program, is recognized fully in the first year itself. Membership fee received during the last quarter of the year is deferred and is recognized in the subsequent year. Membership fee collected under the Three-Year Program is recognized over a period of three years, with the amount not yet recognized being presented as Deferred Membership Fees on the Statement of Financial Position. AWS has also issued Life memberships for individuals. AWS amortizes these membership fee at an annual rate equal to the value of an individual membership (\$49 per year), thus amortizing the life membership fees received over a period of 9 years and 2 months. As of December 31, 2020, the amount of membership fees deferred for recognition in future years amounted to approx. \$ 75,890. As of December 31, 2019, the amount of membership fees deferred for recognition in future years amounted to approx. \$ 123,934.

(ii) Special Events Fees

In addition to the membership dues, AWS also charges fees for participation in various events organized by it including fees charged for participation in the Annual National Conference and fees for participation in the Amateur and Commercial Wine Competitions. Fees collected for participation in such events is recognized upon receipt. Fees received for special events is deferred for recognition upon the completion of event. As of December 31, 2020 and December 31, 2019, the amount of special events fees deferred for recognition was None.

(iii) Fees from Education Programs

AWS also offers The Wine Judge Certification Program, which is a three-year structured program of individual study and group class work, ultimately leads to the granting of certification upon completion of testing at the end of each of the three years of progressively more difficult work. Failure to successfully pass the exam at the end of each of the three years forces a repeat of that year's program to advance or graduate. Fees collected in the year for each year's class is recognized when received. However, fees collected in advance for subsequent year(s), is deferred for recognition in subsequent years. AWS is authorized to offer the Wine and Spirits Educational Trust (WSET) wine certification programs. These programs, at various levels, are offered by AWS on a self-paced self- study basis. AWS administers the exams, and offers an in on-site review immediately prior to the examination. Tuition fees for such program is recognized upon receipt, at which point the self-study materials are forwarded and the student's work begins.

(iv) Contributions

All contributions are recognized as revenue when received or unconditionally promised to the organization. Contributions, including unconditional promises to give, are recognized as support revenue when received or pledged. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years

AMERICAN WINE SOCIETY
(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

(v) Contribution of services

U.S. GAAP allows recognition of contributed services only if (i) the services create or enhance nonfinancial assets or (ii) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. During the year ended December 31, 2020 and December 31, 2019 the value of such contributed services recognized as revenues and expenses in the accompanying consolidated financial statements was \$ 3,000 and None in respective years. Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

(vi) In-Kind Contributions

Donations of property, equipment and supplies are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service. Donations of supplies, are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. During the year ended December 31, 2020; AWS received In-Kind contributions in form of legal professional services amounting to \$ 3,000. During the year ended December 31, 2019; AWS received In-kind contributions in form of donated wines amounting to approx. \$ 100,475 in value.

Accounts Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due for fees collectible by the society under various programs. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of December 31, 2020, and December 31, 2019, the organization had no outstanding receivables.

AMERICAN WINE SOCIETY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are due in less than one year. JSMW records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The organization had No promises to give as of December 31, 2020 and December 31, 2019.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, except which are neither held for nor restricted by donors for long-term purposes including for investments which held for meeting restrictions of a capital or endowment nature. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. The organization maintains cash balances at several financial institutions. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. During the year ended December 31, 2019, such amounts have exceeded Federal Deposit Insurance Corporation ("FDIC") limits.

Property and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. The estimated lives used in determining depreciation are:

Building and building improvements	7 – 30 yrs.
Automobiles	8 yrs.
Personal property	5 – 7 yrs.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Maintenance expenses and all costs for new productions, including sets, costumes, and choreography, are charged to operating expense as incurred or in the year of initial performance with the exception of costs associated with full-length works.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are categorized by function in the statements of activities as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

Income Taxes

American Wine Society is organized as a Michigan non-profit organization and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined to be a publicly supported organization, not a private foundation under IRC Sections 509(a)(1). Therefore, no provision for income taxes has been included in these financial statements. The Society is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The management has determined that the organization is not subject to unrelated business income tax for the year ended December 31, 2019. The Membership fees received by the Society do not qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), since the Society provides benefits and services to the members in exchange for the fees collected.

Uncertain Tax Provisions

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. American Wine Society follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The organization has determined there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Its tax status as a Michigan non-profit corporation is its only tax position and is highly certain.

AMERICAN WINE SOCIETY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk

The organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the changes in net assets or net assets.

Subsequent Events

In preparing the financial statements, American Wine Society has evaluated its December 31, 2020 financial statements for subsequent events through November 15, 2021, the date the financial statements were available to be issued. The organization is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Society’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Society is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

NOTE 2 – CONCENTRATION OF RISK

A significant portion, of the Society’s revenue and support is derived from membership fees and members participation in various events organized by the Society. Any significant changes in the general social and economic conditions can adversely impact members decision to continue as a member of the Society and participation in various events and education programs organized by the Society.

During the year ended December 31, 2020 and December 31, 2019; revenue from such sources amounted to approximately 75% and 64% of the total revenue and support in respective years.

AMERICAN WINE SOCIETY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following as of December 31, 2020

Cash and cash equivalents	483,020
Total financial assets	<u>483,020</u>
Less amounts not available to be used within one year: Net assets with donor restrictions	<u>(22,825)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>460,195</u></u>

The board regularly monitors liquidity to meet its operating needs and other commitments and obligations. The management prepares and reviews regularly the budget to actual performance to determine liquidity needs, and to maintain liquid financial assets on an ongoing basis sufficient to cover general expenditures.

NOTE 4 – PPP LOAN PAYABLE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (“CARES Act”) expanded the Small Business Administration’s (SBAs) existing Section 7(a) loan program to include Paycheck Protection Program (PPP) loans. All payments of principal, interest, and fees otherwise due under the covered loans are deferred for a certain period of time. PPP loans are 100 percent guaranteed by the SBA, and the full principal amount of the loans may be fully forgiven. During the year ended December 31, 2020 AWS was granted a loan (the “PPP Loan”) under the Paycheck Protection Program in the aggregate amount of \$ 19,400 pursuant to the Paycheck Protection Program under the CARES Act. The Loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires (1) at least 60% of the loan proceeds are used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over the 8-week period after the loan is made, and (2) the number of employees and compensation levels are generally maintained. AWS utilized the loan proceeds for the eligible expenses and qualified for the loan to be forgiven. The loan forgiveness confirmation was received by AWS on May 17, 2021; and will be recognized as loan forgiveness income in the statement of activities for the year ending December 31, 2021. As of December 31, 2020, AWS recorded the principal amount of \$ 19,400 due on the PPP Loan as long-term liabilities in the statement of financial position as of December 31, 2020. No interest has been accrued on the PPP Loan payable as of December 31, 2020.

NOTE 5 – FUNCTIONAL EXPENSES

For the year ended December 31, 2020, Society’s total functional expenses amounted to \$ 259,862 of which \$ 168,129 or approximately 65% accounted for program services. The support services included \$ 91,733 for management & general expenses and None for fund raising.

For the year ended December 31, 2019, Society’s total functional expenses amounted to \$ 617,033 of which \$ 549,466 or approximately 89% accounted for program services. The support services included \$ 66,279 for management & general expenses and \$ 1,288 for fund raising.

AMERICAN WINE SOCIETY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 6 – PRIOR-PERIOD ADJUSTMENT

During the year ended December 31, 2020 prior-period adjustment amounting to \$ 24,846 to net assets relates to rectification of error in calculating the Deferred membership fees in prior years. During the year ended December 31, 2019 prior-period adjustment to net assets relates to adjustments made during the year to write-off of certain unadjusted prior year prepaids and inventory, in net aggregating to \$ 3,839.