



Youth Music Project

Financial Statements and Other Information
as of and for the Year Ended December 31, 2015
and Independent Accountants' Review Report

YOUTH MUSIC PROJECT

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

*The Board of Directors
Youth Music Project:*

We have reviewed the accompanying financial statements of the Youth Music Project, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Summarized Comparative Information

We have previously audited Youth Music Project's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 26, 2016

YOUTH MUSIC PROJECT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(WITH COMPARATIVE AMOUNTS FOR 2014)

	2015	2014
Assets:		
Cash and cash equivalents	\$ 231,471	256,777
Accounts receivable	3,389	1,619
Inventories	2,441	8,442
Prepaid expenses	9,698	7,075
Property and equipment (<i>note 3</i>)	749,323	587,344
Total assets	\$ 996,322	861,257
Liabilities:		
Accounts payable and accrued expenses	711	26,856
Accrued payroll liabilities	11,285	3,719
Deferred revenues	75,433	19,683
Total liabilities	87,429	50,258
Net assets:		
Unrestricted		
Available for programs and general operations	151,628	223,655
Net investment in capital assets	749,323	587,344
Total unrestricted	900,951	810,999
Temporarily restricted (<i>note 4</i>)	7,942	-
Total net assets	908,893	810,999
Commitments and contingencies (<i>notes 7 and 8</i>)		
Total liabilities and net assets	\$ 996,322	861,257

See independent accountants' review report and accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Grants and contributions	\$ 909,812	34,418	944,230	1,049,773
In-kind donations	377,654	–	377,654	285,786
Special event, less direct costs of \$13,074 in 2014	–	–	–	11,976
Tuition and other program service fees	209,205	–	209,205	138,136
Sales, less cost of goods sold and losses totalling \$10,008 in 2015 and \$81,511 in 2014	(2,221)	–	(2,221)	(20,818)
Other	168	–	168	85
Total revenues and gains	1,494,618	34,418	1,529,036	1,464,938
Net assets released from restrictions (<i>note 5</i>)	26,476	(26,476)	–	–
Total revenues, gains, and other support	1,521,094	7,942	1,529,036	1,464,938
Expenses (<i>note 6</i>):				
Program services	1,049,917	–	1,049,917	885,401
Management and general	232,150	–	232,150	223,378
Fundraising	149,075	–	149,075	84,904
Total expenses	1,431,142	–	1,431,142	1,193,683
Increase in net assets	89,952	7,942	97,894	271,255
Net assets at beginning of year	810,999	–	810,999	539,744
Net assets at end of year	\$ 900,951	7,942	908,893	810,999

See independent accountants' review report and accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 944,230	1,074,823
Cash received from tuition and others	271,140	201,793
Cash paid to employees and suppliers	(1,013,358)	(909,931)
Net cash provided by operating activities	202,012	366,685
Cash flows from investing activities:		
Capital expenditures	(227,318)	(136,105)
Net cash used in investing activities	(227,318)	(136,105)
Net increase (decrease) in cash and cash equivalents	(25,306)	230,580
Cash and cash equivalents at beginning of year	256,777	26,197
Cash and cash equivalents at end of year	\$ 231,471	256,777

See independent accountants' review report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. Organization

Founded in 2012, the Youth Music Project is a nonprofit organization devoted to promoting music education for youth. The organization’s mission is to provide outstanding rock, pop, and country music education for youth by offering low-cost lessons, free instrument use, and exceptional performance opportunities.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Youth Music Project are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The Youth Music Project has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition*, and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Inventories – Inventories at December 31, 2015, which consist primarily of small musical accessories, apparel, and beverages held for sale for the convenience of students, are carried at the lower of cost or market value.

Capital Assets and Depreciation – Generally, furniture, equipment, and leasehold improvements in excess of \$500 with a useful life of more than one year are capitalized and reported at cost when purchased, and initially at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 to 12 years for furniture and equipment, and over the term of lease for leasehold improvements.

Revenue Recognition – The accompanying financial statements reflect the following revenue recognition standards and policies:

- *Grants and Contributions* – Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the promise was received by the organization. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history. All contributions are considered available for general operations unless specifically restricted by a donor.
- *In-Kind Contributions* – In accordance with FASB ASC No. 958-605, *Revenue Recognition*, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2015, the Youth Music Project recorded \$134,393 in contributed accounting and administrative services and \$29,873 in contributed program services.

In-kind contributions of equipment and other materials and the free use of facilities are recorded when there is an objective basis upon which to value the contributions and where the contributions are an essential part of the organization's activities. During the year ended December 31, 2015, the Youth Music Project recorded \$4,939 in contributed program materials, \$6,273 in capital assets, and \$202,176 in the free use of facilities.
- *Contributions of Capital Assets* – Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets with donor restrictions to be used to acquire equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.
- *Tuition and Other Program Service Fees* – Tuition and other program service fees are recorded as revenue during the year the related services are provided. Tuition assistance is available for students who qualify for free/reduced lunch under federal financial income guidelines. Tuition and fees received for future fiscal years are reported as deferred revenues. These amounts will be recognized as revenue in the fiscal year to which they apply. During the year ended December 31, 2015, the Youth Music Project provided \$111,770 in tuition assistance.

Advertising and Marketing Expenses – Advertising and marketing costs are charged to expense as they are incurred.

Concentrations of Credit Risk – The Youth Music Project’s financial instruments consist primarily of cash, which may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”).

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category

Income Taxes – The Youth Music Project is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the organization has been recognized as a public charity under Sections 170(b)(1)(a)(vi) and 509(a)(1) of the Internal Revenue Code. Contributions to The Youth Music Project qualify for applicable charitable contribution deductions.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through April 26, 2016, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2014 – The accompanying financial information as of and for the year ended December 31, 2014 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Property and Equipment

A summary of property and equipment at December 31, 2015 is as follows:

Furniture and equipment	\$	677,788
Leasehold improvements		217,342
		895,130
Less accumulated depreciation		(145,807)
	\$	749,323

4. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets held at December 31, 2015 represent \$7,942 in contributions, grants, and other unexpended revenues and gains available for specific program purposes, as follows:

Instrument and equipment fund	\$	7,842
Tools for teachers		100
	\$	7,942

5. Net Assets Released from Restrictions

During the year ended December 31, 2015, the organization incurred \$26,476 in expenses in satisfaction of the restricted purposes specified by the donors, or by occurrence of other events specified by donors.

6. Expenses

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

Costs by their natural classification are summarized as follows:

Salaries and related expenses	\$ 789,203
Professional services	211,079
Occupancy	227,534
Marketing and advertising	23,228
Supplies	27,690
Technology	23,232
Equipment repair and maintenance	19,540
Insurance	8,017
Community event expenses	5,668
Printing and publications	4,243
Telephone	3,815
Recruitment and training	2,331
Other	13,950
Depreciation	71,612
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	\$ 1,431,142

7. Operating Lease Commitment

On June 23, 2013, the Youth Music Project entered into a lease agreement for the use of its facility with an organization controlled by members of its Board of Directors. The lease has an initial term of five years, and can be renewed for two additional five-year terms. No rent payment is due during the initial term of the lease. The monthly rent payable for the first five-year renewal period has been established at \$17,545, and will be increased based on the Consumer Price Index for the second five-year renewal period.

The value of the free rent received during the year ended December 31, 2015 totaled \$202,176 and has been recorded as in-kind revenue and expense in the accompanying statement of activities.

8. Current Concentrations

During the year ended December 31, 2015, the Youth Music Project received \$848,541 in cash contributions, \$202,176 in the free use of facilities, and \$164,266 in donated services from companies owned or controlled by members of the Board of Directors and the Executive Director. It is management's intention that the majority of future funding for the Youth Music Project will come from contributions from unrelated parties, such as foundations, corporations and individuals, as well as tuition and program service fee revenues.

9. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows) for the year ended December 31, 2015:

Increase in net assets	\$	97,894
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation		71,612
In-kind donation of capital assets		(6,273)
<i>Net changes in:</i>		
Accounts receivable		(1,770)
Inventories		6,001
Prepaid expenses		(2,623)
Accounts payable and accrued expenses		(26,145)
Accrued payroll liabilities		7,566
Deferred revenues		55,750
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Total adjustments		104,118
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Net cash provided by operating activities	\$	202,012
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10. Reclassification of 2014 Comparative Totals

Certain 2014 amounts presented herein have been reclassified to conform to the 2015 presentation.



YOUTH MUSIC PROJECT

GOVERNING BOARD AND MANAGEMENT

Board of Directors

David Bany
President and Treasurer

Sarah Bany
Vice President

Mary Jaeger
Secretary

Jen Fulwyler

Amy Faust

Management

Rachael Bany
Executive Director

YOUTH MUSIC PROJECT

INQUIRIES AND OTHER INFORMATION

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