



Youth Music Project

Financial Statements and Other Information
as of and for the Year Ended December 31, 2016
and Report of Independent Accountants

YOUTH MUSIC PROJECT

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Youth Music Project:*

We have audited the accompanying financial statements of Youth Music Project, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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; this includes 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. 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 organization'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 organization'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 Youth Music Project as of December 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Summarized Comparative Information

The 2015 financial statements were reviewed by us and, our report thereon, dated April 26, 2016, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. The summarized comparative information presented herein as of and for the year ended December 31, 2015 is derived from the 2015 financial statements and is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Gary, Gu & Co. LLP

April 10, 2017

YOUTH MUSIC PROJECT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 235,505	231,471
Accounts receivable	3,389	3,389
Inventories	1,613	2,441
Prepaid expenses	9,826	9,698
Property and equipment (<i>note 3</i>)	696,604	749,323
Total assets	\$ 946,937	996,322
Liabilities:		
Accounts payable and accrued expenses	5,157	711
Accrued payroll liabilities	32,747	11,285
Deferred revenues	86,077	75,433
Total liabilities	123,981	87,429
Net assets:		
Unrestricted		
Available for programs and general operations	120,303	151,628
Net investment in capital assets	696,604	749,323
Total unrestricted	816,907	900,951
Temporarily restricted (<i>note 4</i>)	6,049	7,942
Total net assets	822,956	908,893
Commitments and contingencies (<i>notes 7, 8 and 9</i>)		
Total liabilities and net assets	\$ 946,937	996,322

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Grants and contributions	\$ 703,576	24,715	728,291	944,230
In-kind donations	489,330	–	489,330	377,654
Special events, net of direct costs of \$25,801	112,141	–	112,141	–
Tuition and other program service fees	299,277	–	299,277	209,205
Sales, less cost of goods sold and gains totaling \$1,334 in 2016 and \$10,008 in 2015	5,064	–	5,064	(2,221)
Other	219	–	219	168
Total revenues and gains	1,609,607	24,715	1,634,322	1,529,036
Net assets released from restrictions (<i>note 5</i>)	26,608	(26,608)	–	–
Total revenues, gains, and other support	1,636,215	(1,893)	1,634,322	1,529,036
Expenses (<i>note 6</i>):				
Program services	1,313,027	–	1,313,027	1,049,917
Management and general	268,188	–	268,188	232,150
Fundraising	139,044	–	139,044	149,075
Total expenses	1,720,259	–	1,720,259	1,431,142
Increase (decrease) in net assets	(84,044)	(1,893)	(85,937)	97,894
Net assets at beginning of year	900,951	7,942	908,893	810,999
Net assets at end of year	\$ 816,907	6,049	822,956	908,893

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 864,728	944,230
Cash received from tuition and others	316,538	271,140
Cash paid to employees and suppliers	(1,162,148)	(1,013,358)
Net cash provided by operating activities	19,118	202,012
Cash flows from investing activities:		
Capital expenditures	(16,589)	(227,318)
Net cash used in investing activities	(16,589)	(227,318)
Cash flows from financing activities:		
Proceeds of contributions restricted for capital acquisition	1,505	-
Net cash provided by financing activities	1,505	-
Net increase (decrease) in cash and cash equivalents	4,034	(25,306)
Cash and cash equivalents at beginning of year	231,471	256,777
Cash and cash equivalents at end of year	\$ 235,505	231,471

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. Organization

Founded in 2012, Youth Music Project is a non-profit organization devoted to providing outstanding rock, pop, and country music education for youth by furnishing tuition assistance, instrument rental, and exceptional state-of-the-art performance opportunities. Youth Music Project offers after-school group and private lessons, summer camps, and early childhood music education.

Youth Music Project believes that music is essential for child development and that all children deserve access to quality musical experiences. Performing music in front of a live audience builds confidence and provides valuable skills that will benefit students for the rest of their lives. Accessibility and inclusivity are at Youth Music Project's core.

Youth Music Project offers individual, group, and summer camp music instruction in piano, violin, drums, guitar, bass, ukulele, and voice. Launched out of a travel trailer in 2012, the organization went from a traveling music program to having a permanent home in an ADA-accessible, state-of-the-art facility. In 2016, Youth Music Project provided 19,561 hours of music instruction to 1,548 unique students, while enabling 38% of students to attend for no cost.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by 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 – 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, 2016, 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 \$2,500 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, 2016, Youth Music Project recorded \$168,350 in contributed accounting and administrative services and \$109,020 in contributed program services. In addition, the organization reported \$2,120 in in-kind contributions of services for a special event.

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, 2016, Youth Music Project recorded \$7,624 in contributed program materials and \$202,176 in the free use of facilities. In addition, the organization reported \$40 in in-kind contributions of supplies for a special event.

- **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. Tuition is reported as revenue net of any tuition assistance provided. During the year ended December 31, 2016, the Youth Music Project provided \$221,241 in tuition assistance.

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

Concentrations of Credit Risk – 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 – 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, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through April 10, 2017, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2015 – The accompanying financial information as of and for the year ended December 31, 2015 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, 2016 is as follows:

Furniture and equipment	\$ 690,709
Leasehold improvements	221,010
	<hr/> 911,719
Less accumulated depreciation	(215,115)
	<hr/> \$ 696,604

4. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets held at December 31, 2016 represent \$6,049 in contributions, grants, and other unexpended revenues and gains, which are available for the instrument and equipment fund.

5. Net Assets Released from Restrictions

During the year ended December 31, 2016, \$26,608 in net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors, as follows:

Satisfaction of restrictions:

For operating purposes	\$	23,310
To fund capital acquisitions		3,298
	\$	26,608

6. Expenses

The costs of providing the various programs and other activities of 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	\$	947,190
Professional services		317,991
Occupancy		240,114
Technology		33,005
Supplies		31,082
Equipment repair and maintenance		29,165
Insurance		8,572
Marketing and advertising		7,416
Community event expenses		7,314
Telephone		4,479
Recruitment and training		1,508
Depreciation		69,308
Other		23,115
	\$	1,720,259

7. Operating Lease Commitment

On June 23, 2013, 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, 2016 totaled \$202,176 and has been recorded as in-kind revenue and expense in the accompanying statement of activities.

8. Retirement Plan

Youth Music Project provides all employees with a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA), in accordance with section 408(p) of the Internal Revenue Code. It provides employees with matching contributions up to 3.0% of the annual compensation of eligible employees. For the year ended December 31, 2016, Youth Music Project's contributions to the plan totaled \$12,468.

9. Current Concentrations

During the year ended December 31, 2016, Youth Music Project received \$671,405 in cash contributions, \$202,176 in the free use of facilities, and \$276,841 in donated services from Board members and other related parties and companies owned or controlled by them. It is management's intention that the majority of future funding for 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.

10. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease 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, 2016:

Decrease in net assets	\$ (85,937)
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<i>Adjustments to reconcile decrease in net assets to net cash provided by operating activities:</i>	
Depreciation	69,308
Proceeds of contributions restricted for capital acquisition	(1,505)
<i>Net changes in:</i>	
Inventories	828
Prepaid expenses	(128)
Accounts payable and accrued expenses	4,446
Accrued payroll liabilities	21,462
Deferred revenues	10,644
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Total adjustments	105,055
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Net cash provided by operating activities	\$ 19,118
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YOUTH MUSIC PROJECT

GOVERNING BOARD AND MANAGEMENT

Board of Directors

David Bany
President and Treasurer

Sarah Bany
Vice President

Mary Jaeger
Secretary

Amy Faust

Jen Fulwyler

Jason Waxberg

Management

Rachael Sneddon
Executive Director

YOUTH MUSIC PROJECT

INQUIRIES AND OTHER INFORMATION

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