



Youth Music Project

Financial Statements and Other Information
as of and for the Year Ended December 31, 2017
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 Youth Music Project, which comprise the statement of financial position as of December 31, 2017, 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

The accompanying 2016 summarized comparative information has been derived from the financial statements of Youth Music Project as of December 31, 2016. The 2016 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated April 10, 2017, but we have not performed any auditing procedures since that date.



March 31, 2018

YOUTH MUSIC PROJECT
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017
(WITH COMPARATIVE AMOUNTS FOR 2016)

	2017	2016
Assets:		
Cash and cash equivalents	\$ 163,691	235,505
Accounts receivable	–	3,389
Contributions receivable (note 3)	4,550	–
Inventories	3,128	1,613
Prepaid expenses	11,341	9,826
Property and equipment (note 4)	646,318	696,604
Total assets	\$ 829,028	946,937
Liabilities:		
Accounts payable and accrued expenses	9,588	5,157
Accrued payroll liabilities	47,430	32,747
Deferred revenues	105,075	86,077
Total liabilities	162,093	123,981
Net assets:		
Unrestricted		
Available for programs and general operations	(20,741)	120,303
Net investment in capital assets	646,318	696,604
Total unrestricted	625,577	816,907
Temporarily restricted (note 5)	41,358	6,049
Total net assets	666,935	822,956
Commitments and contingencies (notes 8, 9, and 10)		
Total liabilities and net assets	\$ 829,028	946,937

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

YOUTH MUSIC PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Grants and contributions	\$ 656,911	58,608	715,519	728,291
In-kind donations	544,596	—	544,596	489,330
Special events, net of direct costs of \$73,748 in 2017 and \$25,801 in 2016	29,836	51,200	81,036	112,141
Tuition and other program service fees	358,593	—	358,593	299,277
Sales, less cost of goods sold totaling \$1,409 in 2017 and \$1,334 in 2016	113	—	113	5,064
Other	1,451	—	1,451	219
Total revenues and gains	1,591,500	109,808	1,701,308	1,634,322
Net assets released from restrictions (<i>note 6</i>)	74,499	(74,499)	—	—
Total revenues, gains, and other support	1,665,999	35,309	1,701,308	1,634,322
Expenses (<i>note 7</i>):				
Program services	1,496,428	—	1,496,428	1,347,709
Management and general	197,586	—	197,586	233,018
Fundraising	163,315	—	163,315	139,532
Total expenses	1,857,329	—	1,857,329	1,720,259
Increase (decrease) in net assets	(191,330)	35,309	(156,021)	(85,937)
Net assets at beginning of year	816,907	6,049	822,956	908,893
Net assets at end of year	\$ 625,577	41,358	666,935	822,956

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

YOUTH MUSIC PROJECT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 865,753	864,728
Cash received from tuition and others	383,953	316,538
Cash paid to employees and suppliers	(1,312,899)	(1,162,148)
Net cash provided by (used in) operating activities	(63,193)	19,118
Cash flows from investing activities:		
Capital expenditures	(8,621)	(16,589)
Net cash used in investing activities	(8,621)	(16,589)
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	(71,814)	4,034
Cash and cash equivalents at beginning of year	235,505	231,471
Cash and cash equivalents at end of year	\$ 163,691	235,505

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

YOUTH MUSIC PROJECT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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 benefitting 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 2017, Youth Music Project provided 9,300 hours of music instruction to 1,500 unique students, while enabling 34% 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, 2017, 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, 2017, Youth Music Project recorded \$108,937 in contributed accounting and administrative services, \$212,891 in contributed program services, and \$772 in contributed fundraising 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, 2017, Youth Music Project recorded \$19,196 in contributed program materials, \$7,696 in capital assets, and \$202,800 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. Tuition is reported as revenue net of any tuition assistance provided. During the year ended December 31, 2017, the Youth Music Project provided \$246,477 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 March 31, 2018, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2016 – The accompanying financial information as of and for the year ended December 31, 2016 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. Contributions Receivable

Contributions receivable consist of unconditional promises expected to be collected in less than one year and total \$4,550 at December 31, 2017.

4. Property and Equipment

A summary of property and equipment at December 31, 2017 is as follows:

Furniture and equipment	\$ 707,436
Leasehold improvements	224,405
	<hr/> 931,841
Less accumulated depreciation	(285,523)
	<hr/> \$ 646,318

5. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets held at December 31, 2017 represent \$41,358 in contributions, grants, and other unexpended revenues and gains available for future periods and specific program purposes, as follows:

Tuition assistance	\$	21,067
Preschool/early childhood program		13,565
Instruments		5,698
Summer program		1,028
	\$	41,358

6. Net Assets Released from Restrictions

During the year ended December 31, 2017, \$74,499 in net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors.

7. 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	\$	1,068,520
Professional services		350,912
Occupancy		241,810
Supplies		29,428
Equipment repair and maintenance		23,021
Technology		19,886
Recruitment and training		10,498
Insurance		8,351
Marketing and advertising		6,410
Telephone		5,609
Community event expenses		1,912
Depreciation		70,407
Other		20,565
	\$	1,857,329

8. 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 payments are 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. Subsequent to year-end, the lease agreement was extended for an additional five years with no rent payments due during this extended lease period.

The value of the free rent received during the year ended December 31, 2017 totaled \$202,800 and has been recorded as in-kind revenue and expense in the accompanying statement of activities.

9. 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, 2017, Youth Music Project's contributions to the plan totaled \$14,625.

10. Current Concentrations

During the year ended December 31, 2017, Youth Music Project received \$622,826 in cash contributions, \$202,800 in the free use of facilities, and \$322,600 in donated services from 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.

11. Reclassification of 2016 Comparative Totals

Certain 2016 amounts presented herein have been reclassified to conform to the 2017 presentation.

12. 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 used in operating activities (as reported on the statement of cash flows) for the year ended December 31, 2017:

Decrease in net assets	\$ (156,021)
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<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>	
Depreciation	70,407
In-kind capital contribution	(11,500)
<i>Net changes in:</i>	
Accounts receivable	3,389
Contributions receivable	(4,550)
Inventories	(1,515)
Prepaid expenses	(1,515)
Accounts payable and accrued expenses	4,431
Accrued payroll liabilities	14,683
Deferred revenues	18,998
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Total adjustments	92,828
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Net cash used in operating activities	\$ (63,193)
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YOUTH MUSIC PROJECT

GOVERNING BOARD AND MANAGEMENT

Board of Directors

David Bany
President

Sarah Bany
Vice President

Mary Jaeger
Secretary

Amy Faust

Jen Fulwyler

Mark Schlesinger

Rachael Sneddon

Jason Waxberg

Management

Travis Magrane
Executive Director

YOUTH MUSIC PROJECT

INQUIRIES AND OTHER INFORMATION

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