



## **Youth Music Project**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2018  
and Report of Independent Accountants

YOUTH MUSIC PROJECT

**TABLE OF CONTENTS**

---

	<b>Page</b>
<b>Report of Independent Accountants</b>	3
<b>Financial Statements:</b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
<b>Other Information:</b>	
Governing Board and Management	15
Inquiries and Other Information	16

## 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, 2018, and the related statements of activities, functional expenses, 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 the Youth Music Project as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

*Emphasis of Matter*

As discussed in note 3 to the financial statements, in 2018 the Youth Music Project adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Summarized Comparative Information*

The 2017 financial statements were reviewed by us and, our report thereon, dated March 31, 2018, 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, 2017 is derived from the 2017 financial statements and is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Campanella & Co. LLP*

April 14, 2019

YOUTH MUSIC PROJECT

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 137,432	163,691
Accounts receivable	5,784	–
Contributions receivable (note 4)	17,500	4,550
Inventories	1,983	3,128
Prepaid expenses	16,535	11,341
Property and equipment (note 5)	606,853	646,318
<b>Total assets</b>	<b>\$ 786,087</b>	<b>829,028</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	2,924	9,588
Accrued payroll liabilities	48,023	47,430
Deferred revenues	105,709	105,075
<b>Total liabilities</b>	<b>156,656</b>	<b>162,093</b>
<b>Net assets:</b>		
Without donor restrictions		
Available for programs and general operations	(6,922)	(20,741)
Net investment in capital assets	606,853	646,318
<b>Total without donor restrictions</b>	<b>599,931</b>	<b>625,577</b>
With donor restrictions (note 6)	29,500	41,358
<b>Total net assets</b>	<b>629,431</b>	<b>666,935</b>
Commitments and contingencies (notes 9, 10, and 11)		
<b>Total liabilities and net assets</b>	<b>\$ 786,087</b>	<b>829,028</b>

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without donor restrictions	With donor restrictions	Total	
<b>Revenues, gains, and other support:</b>				
Grants and contributions	\$ 821,581	63,198	884,779	715,519
In-kind donations	557,555	–	557,555	544,596
Special events, net of direct costs of \$9,995 in 2018 and \$73,748 in 2017	44,022	17,500	61,522	81,036
Tuition and other program service fees	376,261	–	376,261	358,593
Sales, less cost of goods sold totaling \$638 in 2018 and \$1,409 in 2017	767	–	767	113
Other	1,665	–	1,665	1,451
Total revenues and gains	1,801,851	80,698	1,882,549	1,701,308
Net assets released from restrictions ( <i>note 7</i> )	92,556	(92,556)	–	–
Total revenues, gains, and other support	1,894,407	(11,858)	1,882,549	1,701,308
<b>Expenses (<i>note 8</i>):</b>				
Program services	1,569,035	–	1,569,035	1,496,428
Management and general	189,473	–	189,473	197,586
Fundraising	161,545	–	161,545	163,315
Total expenses	1,920,053	–	1,920,053	1,857,329
Decrease in net assets	(25,646)	(11,858)	(37,504)	(156,021)
Net assets at beginning of year	625,577	41,358	666,935	822,956
Net assets at end of year	\$ 599,931	29,500	629,431	666,935

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 964,590	68,580	141,882	1,175,052	1,068,520
Professional fees	223,815	111,762	2,442	338,019	350,912
Occupancy	214,697	4,443	3,021	222,161	241,810
Supplies	24,151	299	–	24,450	29,428
Equipment repair and maintenance	21,198	407	276	21,881	23,021
Technology	15,168	314	213	15,695	19,886
Recruitment and training	1,750	120	249	2,119	10,498
Insurance	9,577	198	135	9,910	8,351
Marketing and advertising	3,696	–	4,362	8,058	6,410
Telephone	5,190	107	73	5,370	5,609
Community event expenses	703	–	–	703	1,912
Other expenses	15,729	1,820	7,924	25,473	20,565
Total expenses before depreciation	1,500,264	188,050	160,577	1,848,891	1,786,922
Depreciation	68,771	1,423	968	71,162	70,407
Total expenses	\$ 1,569,035	189,473	161,545	1,920,053	1,857,329

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Cash received from grantors and contributors	\$ 943,346	865,753
Cash received from tuition and others	374,181	383,953
Cash paid to employees and suppliers	(1,336,288)	(1,312,899)
Net cash used in operating activities	(18,761)	(63,193)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(7,498)	(8,621)
Net cash used in investing activities	(7,498)	(8,621)
Net decrease in cash and cash equivalents	(26,259)	(71,814)
Cash and cash equivalents at beginning of year	163,691	235,505
Cash and cash equivalents at end of year	\$ 137,432	163,691

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2018

---

**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 performance opportunities. Youth Music Project offers year-round 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, voice, and rock band. 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 2018, Youth Music Project provided music instruction to 1,476 unduplicated students, 34% of whom attended for no cost. These 1,476 students accounted for a cumulative total of 3,235 enrollments throughout the year, 40% of which were provided 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** – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Youth Music Project and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the organization's Board of Directors may designate from net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed 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, 2018, 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.

**Contributions** – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. 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 and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**In-Kind Contributions** – A number of unpaid volunteers have made significant contributions of their time to develop and implement the organization’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that Youth Music Project would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2018, Youth Music Project recorded \$101,900 in donated administrative services, \$215,800 in donated program services, and \$1,300 in donated fundraising services.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization’s activities. During the year ended December 31, 2018, Youth Music Project recorded \$202,800 in the free use of facilities, \$24,199 in capital assets, and \$11,556 in in-kind contributions of goods and materials.

**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, 2018, the Youth Music Project provided \$276,829 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** – Subsequent events have been evaluated by management through April 14, 2019, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2017** – The accompanying financial information as of and for the year ended December 31, 2017 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. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 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 the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Youth Music Project implemented ASU No. 2016-14 during the 2018 fiscal year and has adjusted the presentation of these financial statements accordingly.

### 4. Contributions Receivable

Contributions receivable consist of unconditional promises expected to be collected in less than one year and total \$17,500 at December 31, 2018.

### 5. Property and Equipment

A summary of property and equipment at December 31, 2018 is as follows:

Furniture and equipment	\$	739,132
Leasehold improvements		224,406
		<hr/>
		963,538
Less accumulated depreciation		(356,685)
		<hr/>
	\$	606,853

### 6. Net Assets with Donor Restrictions

The following summarizes Youth Music Project’s net assets with donor-imposed restrictions as of December 31, 2018:

<i>Expendable net assets restricted for the following purposes:</i>		
Park Academy field trip	\$	10,000
Programs		3,000
Tuition assistance		9,000
		<hr/>
		22,000
 <i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>		
Pledges to benefit Youth Music Project’s general operations in future periods		7,500
		<hr/>
Total net assets with donor restrictions	\$	29,500

### 7. Net Assets Released from Restrictions

During the year ended December 31, 2018, \$92,556 in net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors.

### 8. Expenses

The costs of providing the various programs and activities of the organization 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. Depreciation and amortization of capital assets is allocated to operating programs and supporting activities based on benefit estimates prepared by management.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization, and therefore require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and amortization, and other facility-related costs, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

## 9. 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 had an initial term of five years, and option to renew for two additional five-year terms. No rent payments were due during the initial term of the lease.

During 2018, the lease agreement was extended for an additional five years, through June 30, 2023, with no rent payments due during this extended lease period.

The value of the free rent received during the year ended December 31, 2018 totaled \$202,800 and has been recorded as in-kind revenue and expense in the accompanying statement of activities.

## 10. 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, 2018, Youth Music Project's contributions to the plan totaled \$15,021.

## 11. Current Concentrations

During the year ended December 31, 2018, Youth Music Project received \$746,905 in cash contributions, \$202,800 in the free use of facilities, and \$319,000 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.

## 12. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31, 2018:

<i>Total financial assets available to fund general operations:</i>	
Cash and cash equivalents	\$ 137,432
Accounts receivable	5,784
Contributions receivable	17,500
Inventories	1,983
	\$ 162,699

As part of its liquidity management, Youth Music Project structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### 13. 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, 2018:

Decrease in net assets	\$ (37,504)
<hr/>	
<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>	
Depreciation	71,162
In-kind capital contribution	(24,199)
<i>Net changes in:</i>	
Accounts receivable	(5,784)
Contributions receivable	(12,950)
Inventories	1,145
Prepaid expenses	(5,194)
Accounts payable and accrued expenses	(6,664)
Accrued payroll liabilities	593
Deferred revenues	634
<hr/>	
Total adjustments	18,743
<hr/>	
Net cash used in operating activities	\$ (18,761)
<hr/>	

■

YOUTH MUSIC PROJECT

**GOVERNING BOARD AND MANAGEMENT**

---

**Board of Directors**

Mark Schlesinger  
*President*

Sarah Bany  
*Vice President*

Rachael Sneddon  
*Treasurer*

Mary Jaeger  
*Secretary*

Amy Faust

Michael Pittman

Jason Waxberg

**Management**

Travis Magrane  
*Executive Director*

YOUTH MUSIC PROJECT

**INQUIRIES AND OTHER INFORMATION**

---

YOUTH MUSIC PROJECT  
2015 Eighth Avenue  
West Linn, Oregon 97068

(503) 616-5967

**Web**

[www.youthmusicproject.org](http://www.youthmusicproject.org)

