



## **Youth Music Project**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2019  
and Independent Accountants' Review Report

YOUTH MUSIC PROJECT

**TABLE OF CONTENTS**

---

	<b>Page</b>
<b>Independent Accountants' Review Report</b>	3
<b>Financial Statements:</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
<b>Other Information:</b>	
Governing Board and Management	14
Inquiries and Other Information	15

## 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, 2019, and the related statements of activities, functional expenses, 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*

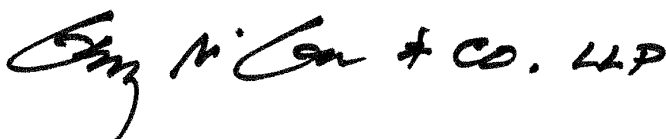
Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services*, promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures 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 2018 summarized comparative information has been derived from the financial statements of Youth Music Project as of December 31, 2018. The 2018 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated April 14, 2019, but we have not performed any auditing procedures since that date.



March 29, 2020

YOUTH MUSIC PROJECT  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2019  
(WITH COMPARATIVE AMOUNTS FOR 2018)

	<b>2019</b>	<b>2018</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 214,082	137,432
Accounts receivable	–	5,784
Contributions receivable ( <i>note 4</i> )	57,528	17,500
Inventories	397	1,983
Prepaid expenses	16,817	16,535
Property and equipment ( <i>note 5</i> )	559,488	606,853
<b>Total assets</b>	<b>\$ 848,312</b>	<b>786,087</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	12,137	2,924
Accrued payroll liabilities	50,104	48,023
Deferred revenues	116,555	105,709
Conditional grants	2,500	–
<b>Total liabilities</b>	<b>181,296</b>	<b>156,656</b>
<b>Net assets:</b>		
Without donor restrictions		
Available for programs and general operations	(15,000)	(6,922)
Net investment in capital assets	559,488	606,853
<b>Total without donor restrictions</b>	<b>544,488</b>	<b>599,931</b>
With donor restrictions ( <i>note 6</i> )	122,528	29,500
<b>Total net assets</b>	<b>667,016</b>	<b>629,431</b>
Commitments and contingencies ( <i>notes 9, 10, and 11</i> )		
<b>Total liabilities and net assets</b>	<b>\$ 848,312</b>	<b>786,087</b>

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
<b>Revenues, gains, and other support:</b>				
Grants and contributions	\$ 749,733	236,150	985,883	884,779
In-kind donations	487,595	–	487,595	557,555
Special events, net of direct costs of \$60,449 in 2019 and \$9,995 in 2018	–	142,234	142,234	61,522
Tuition and other program service fees	355,573	–	355,573	376,261
Sales, less cost of goods sold totaling \$869 in 2019 and \$638 in 2018	1,731	–	1,731	767
Loss on sale of donated stock	(3,808)	–	(3,808)	–
Other	56	–	56	1,665
Total revenues and gains	1,590,880	378,384	1,969,264	1,882,549
Net assets released from restrictions ( <i>note 7</i> )	285,356	(285,356)	–	–
Total revenues, gains, and other support	1,876,236	93,028	1,969,264	1,882,549
<b>Expenses (<i>note 8</i>):</b>				
Program services	1,558,546	–	1,558,546	1,569,035
Management and general	188,306	–	188,306	189,473
Fundraising	184,827	–	184,827	161,545
Total expenses	1,931,679	–	1,931,679	1,920,053
Increase (decrease) in net assets	(55,443)	93,028	37,585	(37,504)
Net assets at beginning of year	599,931	29,500	629,431	666,935
Net assets at end of year	\$ 544,488	122,528	667,016	629,431

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT  
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 946,115	70,685	163,592	1,180,392	1,175,052
Professional fees	197,878	108,349	3,947	310,174	338,019
Occupancy	214,554	4,440	3,019	222,013	222,161
Supplies	32,124	170	-	32,294	24,450
Equipment repair and maintenance	34,875	663	451	35,989	21,881
Technology	19,951	413	281	20,645	15,695
Recruitment and training	766	56	125	947	2,119
Insurance	12,568	260	177	13,005	9,910
Marketing and advertising	4,983	-	4,872	9,855	8,058
Telephone	5,135	106	72	5,313	5,370
Community event expenses	-	-	-	-	703
Other expenses	21,475	1,754	7,332	30,561	25,473
<b>Total expenses before depreciation</b>	<b>1,490,424</b>	<b>186,896</b>	<b>183,868</b>	<b>1,861,188</b>	<b>1,848,891</b>
Depreciation	68,122	1,410	959	70,491	71,162
<b>Total expenses</b>	<b>\$ 1,558,546</b>	<b>188,306</b>	<b>184,827</b>	<b>1,931,679</b>	<b>1,920,053</b>

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Cash received from grantors and contributors	\$ 1,144,730	943,346
Cash received from tuition and others	377,303	374,181
Cash paid to employees and suppliers	(1,422,313)	(1,336,288)
Net cash provided by (used in) operating activities	99,720	(18,761)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(23,520)	(7,498)
Proceeds on sale of assets	450	-
Net cash used in investing activities	(23,070)	(7,498)
Net increase (decrease) in cash and cash equivalents	76,650	(26,259)
Cash and cash equivalents at beginning of year	137,432	163,691
Cash and cash equivalents at end of year	\$ 214,082	137,432

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2019

**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 2019, Youth Music Project provided music instruction to 1,434 unduplicated students, 36% of whom attended for no cost. These students accounted for a cumulative total of 3,154 enrollments throughout the year, 43% of which were provided for no cost.

**2. Recently-Adopted Accounting Standard**

*Revenue Recognition* – Effective January 1, 2019, Youth Music Project adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), and additional ASUs issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. Youth Music Project adopted the new revenue standard applying the modified retrospective transition

method to contracts not yet completed as of the date of adoption. The adoption of this standard did not have a material effect on the financial statements.

**3. 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 a portion of these 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, 2019, which consist primarily of small musical accessories 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** – With regard to revenues, Youth Music Project evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, Youth Music Project recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

Youth Music Project's exchange transactions include revenues from tuition, program service fees, and sales. These revenues are generally recognized at the time of service delivery. 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, 2019, Youth Music Project provided \$302,500 in tuition assistance.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, Youth Music Project evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

**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. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Contributions and grants receivable are reported net of an allowance for estimated uncollectible promises.

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. Promises to give are written off when deemed uncollectible.

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, 2019, Youth Music Project recorded \$87,969 in donated administrative services, \$189,633 in donated program services, and \$2,598 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, 2019, Youth Music Project recorded \$202,800 in the free use of facilities (see note 10), and \$4,595 in in-kind contributions of goods and materials.

**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 March 29, 2020, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2018** – The accompanying financial information as of and for the year ended December 31, 2018 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.

#### 4. Contributions Receivable

Contributions receivable represent unconditional promises are summarized as follows at December 31, 2019.

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 32,528
One year to five years	25,000
	<hr/>
	\$ 57,528

#### *Conditional Gift*

At December 31, 2019, the organization held a gift in the amount of \$10,000 (of which \$2,500 was received in advance and is reported as deferred revenue on the statement of financial position), conditioned upon the occurrence of a special event to be held in 2020.

This contribution has not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2019.

#### 5. Property and Equipment

A summary of property and equipment at December 31, 2019 is as follows:

Furniture and equipment	\$ 756,741
Leasehold improvements	229,866
	<hr/>
	986,607
Less accumulated depreciation	(427,119)
	<hr/>
	\$ 559,488

#### 6. Net Assets with Donor Restrictions

The following summarizes Youth Music Project's net assets with donor-imposed restrictions as of December 31, 2019:

<i>Expendable net assets restricted for the following purposes:</i>	
Tuition assistance	\$ 107,500
Programs	10,028
Park Academy field trip	5,000
	<hr/>
Total net assets with donor restrictions	\$ 122,528

#### 7. Net Assets Released from Restrictions

During the year ended December 31, 2019, \$285,356 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

Youth Music Project operates under a lease agreement for the use of its facility with an organization controlled by members of its Board of Directors. The lease extends through June 30, 2023, with no rent payments due during this lease period. The value of the free rent received during the year ended December 31, 2019 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, 2019, Youth Music Project's contributions to the plan totaled \$15,076.

## 11. Current Concentrations

During the year ended December 31, 2019, Youth Music Project received \$825,140 in cash contributions, \$202,800 in the free use of facilities, and \$250,200 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, 2019:

<i>Total financial assets available:</i>	
Cash and cash equivalents	\$ 214,082
Contributions receivable	57,528
	<hr/>
	271,610
 <i>Less financial assets not available within the year ending December 31, 2020:</i>	
Contributions and grants receivable to be collected in 1 to 5 years	(25,000)
	<hr/>
	\$ 246,610
	<hr/>

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

### 13. 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, 2019:

Increase in net assets	\$	37,585
<hr/>		
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation		70,491
Gain on sales of capital assets		(56)
<i>Net changes in:</i>		
Accounts receivable		5,784
Contributions receivable		(40,028)
Inventories		1,586
Prepaid expenses		(282)
Accounts payable and accrued expenses		9,213
Accrued payroll liabilities		2,081
Deferred revenues		13,346
<hr/>		
Total adjustments		62,135
<hr/>		
Net cash provided by operating activities	\$	99,720
<hr/>		

### 14. Subsequent Event – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. The immediate effect of these measures on Youth Music Project has included the closing of the school facility to students and employees as of March 17, 2020. Youth Music Project currently has 37 employees working from home and working hour reductions have been implemented for 34 employees. Efforts are underway to provide online, remote learning opportunities for students. Youth Music Project has applied for a Payroll Protection Plan loan through its bank.

It is anticipated that the effects of these events will continue for some time, including continuing disruptions to or restrictions on our employees' ability to work and on the ability of our patrons, customers and other constituents to fully participate in our programs and continue their current level of financial support to the organization. At the present time, the ultimate future effects of these issues are unknown.



YOUTH MUSIC PROJECT

**GOVERNING BOARD AND MANAGEMENT**

---

**Board of Directors**

Mark Schlesinger  
*President*

Sarah Bany  
*Vice President*

Richard Gonzales  
*Treasurer*

Mary Jaeger  
*Secretary*

Amy Faust

Michael Pittman

Rachael Sneddon

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)

