



Youth Music Project

Financial Statements and Other Information
as of and for the Year Ended December 31, 2020
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, 2020, 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, 2020, 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.

Summarized Comparative Information

The 2019 financial statements were reviewed by us and, our report thereon, dated March 29, 2020, 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, 2019 is derived from the 2019 financial statements and is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Ernst & Young LLP

April 8, 2021

YOUTH MUSIC PROJECT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
Assets:		
Cash and cash equivalents	\$ 612,208	214,082
Contributions receivable (<i>note 3</i>)	41,000	57,528
Inventories	82	397
Prepaid expenses	20,195	16,817
Property and equipment (<i>note 4</i>)	507,448	559,488
Total assets	\$ 1,180,933	848,312
Liabilities:		
Accounts payable and accrued expenses	10,318	12,137
Accrued payroll liabilities	68,687	50,104
Deferred revenues	81,870	116,555
Conditional grants	—	2,500
Total liabilities	160,875	181,296
Net assets:		
Without donor restrictions		
Available for programs and general operations	40,062	(15,000)
Board-designated operating reserve	325,000	—
Net investment in capital assets	507,448	559,488
Total without donor restrictions	872,510	544,488
With donor restrictions (<i>note 5</i>)	147,548	122,528
Total net assets	1,020,058	667,016
Commitments and contingencies (<i>notes 9, 10, and 11</i>)		
Total liabilities and net assets	\$ 1,180,933	848,312

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Grants and contributions	\$ 851,845	96,294	948,139	985,883
In-kind donations	466,430	–	466,430	487,595
Special events, net of direct costs of \$21,285 in 2020 and \$60,449 in 2019	–	142,614	142,614	142,234
Tuition and other program service fees	252,896	–	252,896	355,573
Sales, less cost of goods sold totaling \$315 in 2020 and \$869 in 2019	(282)	–	(282)	1,731
Loss on sale of donated stock	(2,929)	–	(2,929)	(3,808)
Other	55	–	55	56
Total revenues and gains	1,568,015	238,908	1,806,923	1,969,264
Net assets released from restrictions (<i>note 6</i>)	213,888	(213,888)	–	–
Total revenues, gains, and other support	1,781,903	25,020	1,806,923	1,969,264
Expenses (<i>note 7</i>):				
Program services	1,308,093	–	1,308,093	1,558,546
Management and general	187,870	–	187,870	188,306
Fundraising	202,718	–	202,718	184,827
Total expenses	1,698,681	–	1,698,681	1,931,679
Total increase in net assets before non-operating activities	83,222	25,020	108,242	37,585
Non-operating activities:				
Payroll Protection Program loan forgiveness (<i>note 8</i>)	244,800	–	244,800	–
Increase in net assets	328,022	25,020	353,042	37,585
Net assets at beginning of year	544,488	122,528	667,016	629,431
Net assets at end of year	\$ 872,510	147,548	1,020,058	667,016

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 750,541	77,919	182,470	1,010,930	1,180,392
Professional fees	166,440	99,863	2,699	269,002	310,174
Occupancy	210,873	4,364	2,968	218,205	222,013
Supplies	16,510	555	–	17,065	32,294
Equipment repair and maintenance	28,343	568	386	29,297	35,989
Technology	16,581	343	233	17,157	20,645
Recruitment and training	394	41	92	527	947
Insurance	13,979	289	197	14,465	13,005
Marketing and advertising	10,246	–	5,453	15,699	9,855
Telephone	5,467	113	77	5,657	5,313
Other expenses	21,516	2,424	7,197	31,137	30,561
Total expenses before depreciation	1,240,890	186,479	201,772	1,629,141	1,861,188
Depreciation	67,203	1,391	946	69,540	70,491
Total expenses	\$ 1,308,093	187,870	202,718	1,698,681	1,931,679

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 1,115,587	1,144,730
Payroll Protection Program loan forgiveness	244,800	–
Cash received from tuition and others	218,349	377,303
Cash paid to employees and suppliers	(1,178,110)	(1,422,313)
Net cash provided by operating activities	400,626	99,720
Cash flows from investing activities:		
Capital expenditures	(2,500)	(23,520)
Proceeds on sale of assets	–	450
Net cash used in investing activities	(2,500)	(23,070)
Net increase in cash and cash equivalents	398,126	76,650
Cash and cash equivalents at beginning of year	214,082	137,432
Cash and cash equivalents at end of year	\$ 612,208	214,082

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 2020, Youth Music Project provided music instruction to 1,014 unduplicated students, 41% of whom attended for no cost. These students accounted for a cumulative total of 1,953 enrollments throughout the year, 42% 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 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, 2020, 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, 2020, Youth Music Project provided \$193,860 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, 2020, Youth Music Project recorded \$84,800 in donated administrative services, \$154,300 in donated program services, and \$7,500 in donated special event 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, 2020, Youth Music Project recorded \$202,800 in the free use of facilities (see note 10), \$9,530 in in-kind contributions of goods and materials and \$15,000 in in-kind contributions of capital assets.

Measure of Operations – Youth Music Project includes in its measure of operations all revenues and expenses that are integral to its program and supporting activities, including net assets released from donor restrictions to support operating expenditures. The measure of operations excludes the forgiveness, by Small Business Administration, of the organization's Payroll Protection Act loan.

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 8, 2021, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2019 – The accompanying financial information as of and for the year ended December 31, 2019 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 \$41,000 at December 31, 2020.

4. Property and Equipment

A summary of property and equipment at December 31, 2020 is as follows:

Furniture and equipment	\$ 774,241
Leasehold improvements	229,866
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	1,004,107
Less accumulated depreciation	(496,659)
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	\$ 507,448
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5. Net Assets with Donor Restrictions

The following summarizes Youth Music Project's net assets with donor-imposed restrictions as of December 31, 2020:

*Expendable net assets
restricted for the
following purposes:*

Tuition assistance	\$ 101,622
Friends of the Children	17,276
Park Academy field trip	5,000
Instruments	5,000
Future periods	18,650
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Total net assets with donor restrictions	\$ 147,548
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6. Net Assets Released from Restrictions

During the year ended December 31, 2020, \$213,888 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 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.

8. Payroll Protection Program Loan Forgiveness

On May 1, 2020, Youth Music Project obtained an unsecured loan from a commercial bank in the amount of \$244,800, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The bank’s loan is guaranteed by the U.S. Small Business Administration (“SBA”), and is designed to provide a direct incentive for small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic. Qualifying businesses could spend loan proceeds to cover payroll, mortgage interest, rent, and utilities. PPP borrowers can qualify to have the loans forgiven if the proceeds are used to pay certain eligible costs.

In accordance with the provisions of the PPP and SBA’s promise of forgiveness, Youth Music Project used the loan for qualifying expenses. Youth Music Project accounted for the loan as debt under FASB ASC Topic 470, Debt, until the loan is, in part or wholly, forgiven and legally released by the SBA.

During the year ended December 31, 2020, the full amount of the loan was forgiven and legally released by the SBA.

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, 2020 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, 2020, Youth Music Project’s contributions to the plan totaled \$17,618.

11. Current Concentrations

During the year ended December 31, 2020, Youth Music Project received \$764,290 in cash contributions, \$202,800 in the free use of facilities, and \$239,100 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, 2020:

Total financial assets available:

Cash and cash equivalents	\$	612,208
Contributions receivable		41,000
	\$	653,208

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, 2020:

Increase in net assets	\$ 353,042
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	69,540
In-kind donation of capital assets	(15,000)
<i>Net changes in:</i>	
Contributions receivable	16,528
Inventories	315
Prepaid expenses	(3,378)
Accounts payable and accrued expenses	(1,819)
Accrued payroll liabilities	18,583
Deferred tuition revenues	(34,685)
Deferred sponsorship revenue	(2,500)
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Total adjustments	47,584
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Net cash provided by operating activities	\$ 400,626
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14. Coronavirus Pandemic

The U.S. has renewed its declaration of a public health state of emergency in response to the COVID-19 pandemic and various restrictions remain on the use of public and private facilities in the jurisdictions in which Youth Music Project operates.

Youth Music Project has continued to deliver services to students and patrons through online instruction and events. Combined with the government aid to businesses who continue to employ their staff we are expecting to weather the crisis well.

It is possible that the effects of these events could continue for some time, including continuing disruptions to or restrictions on our employees' ability to work and on the ability of our students, patrons, and other constituents to both 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, however, we are optimistic that, through our efforts to engage the public through social media, online events, and virtual instruction, we will continue to be a part of our members and patrons lives.



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

