



## **Youth Music Project**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2021  
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, 2021, 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.

We are required to be independent of Youth Music Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### *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 2020 summarized comparative information has been derived from the financial statements of Youth Music Project as of December 31, 2020. The 2020 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated April 8, 2021, but we have not performed any auditing procedures since that date.

*Sam McLean & Co. LLP*

April 17, 2022

YOUTH MUSIC PROJECT  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2021  
(WITH COMPARATIVE AMOUNTS FOR 2020)

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,012,966	612,208
Accounts receivable	1,400	-
Contributions receivable ( <i>note 3</i> )	146,534	41,000
Prepaid expenses and other assets	23,681	20,277
Property and equipment ( <i>note 4</i> )	479,062	507,448
<b>Total assets</b>	<b>\$ 1,663,643</b>	<b>1,180,933</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	14,184	10,318
Accrued payroll liabilities	76,291	68,687
Deferred revenues	121,971	81,870
<b>Total liabilities</b>	<b>212,446</b>	<b>160,875</b>
<b>Net assets:</b>		
Without donor restrictions		
Available for programs and general operations	304,239	40,062
Board-designated operating reserve	325,000	325,000
Net investment in capital assets	479,062	507,448
<b>Total without donor restrictions</b>	<b>1,108,301</b>	<b>872,510</b>
With donor restrictions ( <i>note 5</i> )	342,896	147,548
<b>Total net assets</b>	<b>1,451,197</b>	<b>1,020,058</b>
Commitments and contingencies ( <i>notes 9, 10, and 11</i> )		
<b>Total liabilities and net assets</b>	<b>\$ 1,663,643</b>	<b>1,180,933</b>

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

YOUTH MUSIC PROJECT

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020
	Without donor restrictions	With donor restrictions		
<b>Revenues, gains, and other support:</b>				
Grants and contributions	\$ 750,543	439,866	1,190,409	948,139
In-kind donations	335,320	–	335,320	466,430
Special events, net of direct costs of \$27,959 in 2021 and \$21,285 in 2020	–	80,631	80,631	142,614
Tuition and other program service fees	328,946	–	328,946	252,896
Loss on sale of donated stock	(27)	–	(27)	(2,929)
Other	198	–	198	(227)
Total revenues and gains	1,414,980	520,497	1,935,477	1,806,923
Net assets released from restrictions ( <i>note 6</i> )	325,149	(325,149)	–	–
Total revenues, gains, and other support	1,740,129	195,348	1,935,477	1,806,923
<b>Expenses (<i>note 7</i>):</b>				
Program services	1,404,041	–	1,404,041	1,308,093
Management and general	170,953	–	170,953	187,870
Fundraising	174,171	–	174,171	202,718
Total expenses	1,749,165	–	1,749,165	1,698,681
Total increase (decrease) in net assets before non-operating activities	(9,036)	195,348	186,312	108,242
<b>Non-operating activities:</b>				
Payroll Protection Program loan forgiveness ( <i>note 8</i> )	244,827	–	244,827	244,800
Increase in net assets	235,791	195,348	431,139	353,042
Net assets at beginning of year	872,510	147,548	1,020,058	667,016
Net assets at end of year	\$ 1,108,301	342,896	1,451,197	1,020,058

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

YOUTH MUSIC PROJECT

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021				2020
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 874,842	84,401	152,583	1,111,826	1,010,930
Professional fees	92,085	75,045	1,826	168,956	269,002
Occupancy	228,155	4,722	3,211	236,088	218,205
Supplies	38,135	321	—	38,456	17,065
Equipment repair and maintenance	25,323	508	346	26,177	29,297
Technology	23,379	484	329	24,192	17,157
Recruitment and training	2,074	199	322	2,595	527
Insurance	18,156	376	255	18,787	14,465
Marketing and advertising	10,902	—	6,982	17,884	15,699
Telephone	5,851	121	82	6,054	5,657
Other expenses	15,797	3,341	7,259	26,397	31,137
Total expenses before depreciation	1,334,699	169,518	173,195	1,677,412	1,629,141
Depreciation	69,342	1,435	976	71,753	69,540
Total expenses	\$ 1,404,041	170,953	174,171	1,749,165	1,698,681

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

YOUTH MUSIC PROJECT

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Cash received from grantors and contributors	\$ 1,193,438	1,115,587
Payroll Protection Program loan forgiveness	244,827	244,800
Cash received from tuition and others	367,845	218,349
Cash paid to employees and suppliers	(1,361,985)	(1,178,110)
Net cash provided by operating activities	444,125	400,626
<b>Cash flows from investing activities:</b>		
Capital expenditures	(43,367)	(2,500)
Net cash used in investing activities	(43,367)	(2,500)
Net increase in cash and cash equivalents	400,758	398,126
Cash and cash equivalents at beginning of year	612,208	214,082
Cash and cash equivalents at end of year	\$ 1,012,966	612,208

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



YOUTH MUSIC PROJECT

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2021

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**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 2021, Youth Music Project provided music instruction to 926 unduplicated students, 35% of whom attended for no cost. These students accounted for a cumulative total of 2,042 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 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.

**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, 2021, Youth Music Project provided \$201,950 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 are appropriate for 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. 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 net assets without donor restrictions. 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, 2021, Youth Music Project recorded \$47,612 in donated administrative services, \$81,188 in donated program services, and \$2,500 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, 2021, Youth Music Project recorded \$202,800 in the free use of facilities (see note 9) and \$3,720 in in-kind contributions of goods and materials.

**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. At December 31, 2021, Youth Music Project held \$754,099 in cash balances in excess of the FDIC insured level.

**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 17, 2022, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2020** – The accompanying financial information as of and for the year ended December 31, 2020 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 is summarized as follows at December 31, 2021:

*Unconditional promise expected to be collected within:*

Less than one year	\$	121,534
One year to five years		25,000
		<hr/>
	\$	146,534

### 4. Property and Equipment

A summary of property and equipment at December 31, 2021 is as follows:

Furniture and equipment	\$	811,334
Leasehold improvements		236,140
		<hr/>
		1,047,474
Less accumulated depreciation		(568,412)
		<hr/>
	\$	479,062

### 5. Net Assets with Donor Restrictions

The following summarizes Youth Music Project's net assets with donor-imposed restrictions as of December 31, 2021:

*Expendable net assets restricted for the following purposes:*

Tuition assistance	\$	315,693
Future periods		11,534
Partnership funds		9,958
Park Academy field trip		5,000
Friends of the Children		711
		<hr/>
Total net assets with donor restrictions	\$	342,896

### 6. Net Assets Released from Restrictions

During the year ended December 31, 2021, \$325,149 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 February 25, 2021, the organization obtained an unsecured loan from a commercial bank in the amount of \$244,827, pursuant to the PPP under the Economic Aid Act, which was enacted December 27, 2020.

The loan is guaranteed by the Small Business Administration (“SBA”), and is designed to provide a direct incentive for organizations and other small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic. The SBA has promised to forgive the loan if all employees are kept on the payroll during the “covered period” (either 8 weeks or 24 weeks from the loan disbursement date) and if the funds are used for payroll, rent, mortgage interest, and/or utilities, and certain other conditions are met.

In accordance with the terms of the loan, the PPP loan was forgiven by the SBA during the year ended December 31, 2021.

## **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, 2021 totaled \$202,800 and has been recorded as in-kind revenue and expense in the accompanying statement of activities.

## **10. Retirement Plan**

Effective January 1, 2021, the organization adopted a qualified profit-sharing retirement plan, as described under Section 401(k) of the Internal Revenue Code. Employees over the age of 18 are eligible to participate in the plan after 3 months of service. Employee contributions to the plan may be made on a pre-tax or after-tax basis. The organization makes matching contributions equal to 100% of employee contributions up to 4% of employee compensation. Employees select from several investment options. Employee contributions are 100% vested as contributed and employer contributions are vested immediately. For the year ended December 31, 2021, the organization’s contributions totaled \$19,723.

## **11. Current Concentrations**

During the year ended December 31, 2021, Youth Music Project received \$696,311 in cash contributions, \$202,800 in the free use of facilities, and \$128,800 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, 2021:

<i>Total financial assets available:</i>	
Cash and cash equivalents	\$ 1,012,966
Accounts receivable	1,400
Contributions receivable	146,534
	<hr/>
	1,160,900
 <i>Less financial assets not available within the year ending December 31, 2022:</i>	
Contributions receivable due in more than one year	(25,000)
	<hr/>
	\$ 1,135,900
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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, 2021:

Increase in net assets	\$ 431,139
	<hr/>
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	71,753
<i>Net changes in:</i>	
Accounts receivable	(1,400)
Contributions receivable	(105,534)
Prepaid expenses and other assets	(3,404)
Accounts payable and accrued expenses	3,866
Accrued payroll liabilities	7,604
Deferred tuition revenues	40,101
	<hr/>
Total adjustments	12,986
	<hr/>
Net cash provided by operating activities	\$ 444,125
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## 14. Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative measures, such as travel and business restrictions and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. It is anticipated that the effects of these events may continue for some time. The extent of the impact of COVID-19 on the organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on constituents, employees and vendors, all of which are uncertain and cannot be predicted.

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YOUTH MUSIC PROJECT

**GOVERNING BOARD AND MANAGEMENT**

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**Board of Directors**

Mark Schlesinger  
*President*

Sarah Bany  
*Vice President*

Richard Gonzales  
*Treasurer*

Mary Jaeger  
*Secretary*

Amy Faust

Michael Pittman

Rachael Sneddon

Jason Waxberg

Veronica Murray

**Management**

Travis Magrane  
*Executive Director*

YOUTH MUSIC PROJECT

**INQUIRIES AND OTHER INFORMATION**

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