



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Youth Music Project

Financial Statements and Other Information
as of and for the Year Ended December 31, 2022
and Report of Independent Accountants

YOUTH MUSIC PROJECT

TABLE OF CONTENTS

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

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Youth Music Project:*

Opinion

We have audited the accompanying financial statements of Youth Music Project, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Music Project as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Youth Music Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Music Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youth Music Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Music Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Information

The 2021 financial statements were reviewed by us and, our report thereon, dated April 17, 2022, 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, 2021 is derived from the 2021 financial statements and is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink that reads "Amy McLean & Co. LLP". The signature is written in a cursive, flowing style.

April 8, 2023

YOUTH MUSIC PROJECT
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022
(WITH COMPARATIVE AMOUNTS FOR 2021)

	2022	2021
Assets:		
Cash and cash equivalents	\$ 656,786	1,012,966
Accounts receivable	1,188	1,400
Contributions receivable (<i>note 3</i>)	92,400	146,534
Prepaid expenses and other assets	36,440	23,681
Property and equipment (<i>note 4</i>)	438,002	479,062
Total assets	\$ 1,224,816	1,663,643
Liabilities:		
Accounts payable and accrued expenses	22,907	14,184
Accrued payroll liabilities	78,597	76,291
Deferred revenues	131,261	121,971
Total liabilities	232,765	212,446
Net assets:		
Without donor restrictions		
Available for programs and general operations	(29,850)	304,239
Board-designated operating reserve	325,000	325,000
Net investment in capital assets	438,002	479,062
Total without donor restrictions	733,152	1,108,301
With donor restrictions (<i>note 6</i>)	258,899	342,896
Total net assets	992,051	1,451,197
Commitments and contingencies (<i>notes 9, 10, and 11</i>)		
Total liabilities and net assets	\$ 1,224,816	1,663,643

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Revenues, gains, and other support:				
Grants and contributions	\$ 41,269	226,026	267,295	1,190,409
In-kind donations (<i>note 5</i>)	256,625	–	256,625	335,320
Special events, net of direct costs of \$44,894 in 2022 and \$27,959 in 2021	–	94,839	94,839	80,631
Tuition and other program service fees	462,895	–	462,895	328,946
Loss on sale of donated stock	–	–	–	(27)
Other	2,608	–	2,608	198
Total revenues and gains	763,397	320,865	1,084,262	1,935,477
Net assets released from restrictions (<i>note 7</i>)	404,862	(404,862)	–	–
Total revenues, gains, and other support	1,168,259	(83,997)	1,084,262	1,935,477
Expenses (<i>note 8</i>):				
Program services	1,550,573	–	1,550,573	1,404,041
Management and general	157,584	–	157,584	170,953
Fundraising	200,080	–	200,080	174,171
Total expenses	1,908,237	–	1,908,237	1,749,165
Increase (decrease) in net assets before non-operating activities	(739,978)	(83,997)	(823,975)	186,312
Non-operating activities:				
Payroll Protection Program loan forgiveness	–	–	–	244,827
Employee Retention Credit	385,312	–	385,312	–
Loss on disposal of assets	(20,483)	–	(20,483)	–
Total non-operating activities	364,829	–	364,829	244,827
Increase (decrease) in net assets	(375,149)	(83,997)	(459,146)	431,139
Net assets at beginning of year	1,108,301	342,896	1,451,197	1,020,058
Net assets at end of year	\$ 733,152	258,899	992,051	1,451,197

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			Total	2021
	Program services	Management and general	Fundraising		
Salaries and related expenses	\$ 1,024,362	87,309	175,725	1,287,396	1,111,826
Professional fees	42,288	60,092	1,845	104,225	168,956
Occupancy	246,050	5,092	3,463	254,605	236,088
Supplies	38,944	211	–	39,155	38,456
Equipment repair and maintenance	32,267	652	443	33,362	26,177
Technology	32,647	676	459	33,782	24,192
Recruitment and training	3,782	326	651	4,759	2,595
Insurance	24,069	498	339	24,906	18,787
Marketing and advertising	8,608	–	6,225	14,833	17,884
Telephone	6,272	130	88	6,490	6,054
Other expenses	19,633	1,114	9,834	30,581	26,397
Total expenses before depreciation	1,478,922	156,100	199,072	1,834,094	1,677,412
Depreciation	71,651	1,484	1,008	74,143	71,753
Total expenses	\$ 1,550,573	157,584	200,080	1,908,237	1,749,165

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 856,474	1,193,438
Payroll Protection Program loan forgiveness	—	244,827
Cash received from tuition and others	465,087	367,845
Cash paid to employees and suppliers	(1,624,175)	(1,361,985)
Net cash provided by (used in) operating activities	(302,614)	444,125
Cash flows from investing activities:		
Capital expenditures	(53,566)	(43,367)
Net cash used in investing activities	(53,566)	(43,367)
Net increase (decrease) in cash and cash equivalents	(356,180)	400,758
Cash and cash equivalents at beginning of year	1,012,966	612,208
Cash and cash equivalents at end of year	\$ 656,786	1,012,966

See accompanying notes to financial statements.

YOUTH MUSIC PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, rock band, and more. 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 2022, Youth Music Project provided music instruction to 1,280 non-duplicated students, 35% of whom attended for no cost. These students accounted for a cumulative total of 2,705 enrollments throughout the year, 34% of which were provided at no cost. This reflected a 38% growth in total non-duplicated students, and a 32% growth in total enrollments between fiscal year 2021 and 2022 as shown in the following table.

Non-Duplicated Students

	Paying	Free	Total
2021	602	324	926
2022	832	448	1,280

Enrollments

	Paying	Free	Total
2021	1,225	817	2,042
2022	1,786	919	2,705

Youth Music Project is also the music education provider for Lake Oswego Parks & Recreation, providing music education to an additional 212 non-duplicated students and 287 enrollments via this contract in 2022.

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, 2022, Youth Music Project provided \$248,370 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.

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.

See note 5 for additional information about in-kind contributions.

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, 2022, Youth Music Project held \$411,130 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 8 2023, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2021 – The accompanying financial information as of and for the year ended December 31, 2021 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, 2022:

<i>Unconditional promise expected to be collected within:</i>	
Less than one year	\$ 67,400
One year to five years	25,000
	\$ 92,400

4. Property and Equipment

A summary of property and equipment at December 31, 2022 is as follows:

Furniture and equipment	\$ 657,452
Leasehold improvements	268,140
	925,592
Less accumulated depreciation	(487,590)
	\$ 438,002

5. In-Kind Contributions

Youth Music Project’s in-kind contributions for the year ended December 31, 2022 are summarized, including their utilization by program services or other activities, as follows:

Free use of office

Facilities:

Program services	\$ 195,986
Management and general	4,056
Fundraising	2,758

202,800

Donated goods and materials:

Program services	3,425
------------------	-------

Professional services:

Program services	32,831
Management and general	17,353
Fundraising	216

50,400

\$ 256,625

The contributed free use of office facilities is valued and reported at the estimated fair value in the financial statements based on current rental rates for similar facilities and is allocated among program and supporting services based upon the square footage occupied.

Contributed supplies are valued at the estimated price that would be received for selling similar products in the United States.

Contributed professional services are valued using current rates for similar services and is allocated among program and supporting services based upon estimates of time and effort.

6. Net Assets with Donor Restrictions

The following summarizes Youth Music Project's net assets with donor-imposed restrictions as of December 31, 2022:

<i>Expendable net assets restricted for the following purposes:</i>	
Tuition assistance	\$ 212,846
Future periods	34,400
Partnership funds	6,653
Park Academy field trip	5,000
<hr/>	
Total net assets with donor restrictions	\$ 258,899

7. Net Assets Released from Restrictions

During the year ended December 31, 2022, \$404,862 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, 2022 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, 2022, the organization's contributions totaled \$21,040.

11. Current Concentrations

During the year ended December 31, 2022, Youth Music Project received \$8,872 in cash contributions, \$202,800 in the free use of facilities, and \$50,400 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, 2022:

<i>Total financial assets available:</i>	
Cash and cash equivalents	\$ 656,786
Accounts receivable	1,188
Contributions receivable	92,400
	750,374
<i>Less financial assets not available within the year ending December 31, 2023:</i>	
Contributions receivable due in more than one year	(25,000)
	\$ 725,374

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 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, 2022:

Decrease in net assets	\$ (459,146)
<hr/>	
<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>	
Depreciation	74,143
Loss on disposal of assets	20,483
<i>Net changes in:</i>	
Accounts receivable	212
Contributions receivable	54,134
Prepaid expenses and other assets	(12,759)
Accounts payable and accrued expenses	8,723
Accrued payroll liabilities	2,306
Deferred tuition revenues	9,290
	156,532
Total adjustments	156,532
	Net cash used in operating activities
	\$ (302,614)

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

Gail Greenman

Michael Pittman

Rachael Sneddon

Jason Waxberg

Veronica Murray

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

