



**FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
TOGETHER WITH
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

MUSIC AND YOUTH INITIATIVE, INC.

**CONTENTS
DECEMBER 31, 2013 AND 2012**

| | <u>PAGES</u> |
|---|---------------------|
| INDEPENDENT ACCOUNTANTS' REVIEW REPORT | 1 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Changes in Net Assets | 4 |
| Statements of Cash Flows | 5 |
| Statements of Functional Expenses | 6 |
| Notes to Financial Statements..... | 7 - 9 |



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Music and Youth Initiative, Inc.:

We have reviewed the accompanying statements of financial position of Music and Youth Initiative, Inc. (the Organization) (a Massachusetts nonprofit corporation) as of December 31, 2013 and 2012, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
July 22, 2014

MUSIC AND YOUTH INITIATIVE, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

(See Independent Accountants' Review Report)

| | <u>ASSETS</u> | <u>2013</u> | <u>2012</u> |
|--|---------------|-------------------|-------------------|
| CURRENT ASSETS: | | | |
| Cash | | \$ 263,523 | \$ 224,634 |
| Other current assets | | 11,494 | 20,104 |
| Prepaid expenses | | <u>1,291</u> | <u>1,261</u> |
| Total assets | | <u>\$ 276,308</u> | <u>\$ 245,999</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and accrued expenses | | <u>\$ 4,172</u> | <u>\$ 4,012</u> |
| NET ASSETS: | | | |
| Unrestricted | | 262,136 | 212,487 |
| Temporarily restricted | | <u>10,000</u> | <u>29,500</u> |
| Total net assets | | <u>272,136</u> | <u>241,987</u> |
| Total liabilities and net assets | | <u>\$ 276,308</u> | <u>\$ 245,999</u> |

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**
(See Independent Accountants' Review Report)

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| UNRESTRICTED NET ASSETS: | | |
| SUPPORT AND REVENUE: | | |
| Grants and contributions | \$ 317,835 | \$ 276,115 |
| Donated goods and services | 261,418 | 273,027 |
| Other | 5,192 | 3,659 |
| Net assets released from purpose restrictions | <u>44,500</u> | <u>14,000</u> |
| Total support and revenue | <u>628,945</u> | <u>566,801</u> |
| OPERATING EXPENSES: | | |
| Program | 508,669 | 451,735 |
| Administration | 34,608 | 31,834 |
| Fundraising | <u>36,019</u> | <u>35,435</u> |
| Total operating expenses | <u>579,296</u> | <u>519,004</u> |
| Changes in unrestricted net assets | <u>49,649</u> | <u>47,797</u> |
| TEMPORARILY RESTRICTED NET ASSETS: | | |
| Purpose restricted grant | 25,000 | 29,500 |
| Net assets released from purpose restrictions | <u>(44,500)</u> | <u>(14,000)</u> |
| Changes in temporarily restricted net assets | <u>(19,500)</u> | <u>15,500</u> |
| Changes in net assets | <u>\$ 30,149</u> | <u>\$ 63,297</u> |

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(See Independent Accountants' Review Report)

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| NET ASSETS , December 31, 2011 | \$ 164,690 | \$ 14,000 | \$ 178,690 |
| Changes in net assets | <u>47,797</u> | <u>15,500</u> | <u>63,297</u> |
| NET ASSETS , December 31, 2012 | 212,487 | 29,500 | 241,987 |
| Changes in net assets | <u>49,649</u> | <u>(19,500)</u> | <u>30,149</u> |
| NET ASSETS , December 31, 2013 | <u>\$ 262,136</u> | <u>\$ 10,000</u> | <u>\$ 272,136</u> |

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**
(See Independent Accountants' Review Report)

| | <u>2013</u> | <u>2012</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 30,149 | \$ 63,297 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Other current assets | 8,610 | (19,704) |
| Prepaid expenses | (30) | (52) |
| Accounts payable and accrued expenses | <u>160</u> | <u>(2,452)</u> |
| Net cash provided by operating activities | 38,889 | 41,089 |
| CASH, beginning of year | <u>224,634</u> | <u>183,545</u> |
| CASH, end of year | <u><u>\$ 263,523</u></u> | <u><u>\$ 224,634</u></u> |

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(See Independent Accountants' Review Report)

| | 2013 | | | | 2012 | | | |
|------------------------------------|-------------------|-----------------------------|--------------------------|-------------------|-------------------|-----------------------------|--------------------------|-------------------|
| | <u>PROGRAM</u> | <u>ADMINIS- TRATION</u> | <u>FUND- RAISING</u> | <u>TOTAL</u> | <u>PROGRAM</u> | <u>ADMINIS- TRATION</u> | <u>FUND- RAISING</u> | <u>TOTAL</u> |
| PERSONNEL AND RELATED: | | | | | | | | |
| Donated salaries and wages | \$ 133,500 | \$ 26,750 | \$ 34,750 | \$ 195,000 | \$ 133,500 | \$ 26,750 | \$ 34,750 | \$ 195,000 |
| Salaries and wages | 55,215 | - | - | 55,215 | 52,868 | - | - | 52,868 |
| Employee benefits | 21,471 | - | - | 21,471 | 17,919 | - | - | 17,919 |
| Payroll taxes | 3,916 | - | - | 3,916 | 3,579 | - | - | 3,579 |
| Total personnel and related | <u>214,102</u> | <u>26,750</u> | <u>34,750</u> | <u>275,602</u> | <u>207,866</u> | <u>26,750</u> | <u>34,750</u> | <u>269,366</u> |
| OTHER: | | | | | | | | |
| Grants | 216,502 | - | - | 216,502 | 195,798 | - | - | 195,798 |
| Professional fees | 48,761 | 4,147 | - | 52,908 | 28,510 | 3,155 | - | 31,665 |
| Program supplies | 5,983 | - | - | 5,983 | 5,340 | - | - | 5,340 |
| Occupancy | 4,173 | 1,370 | - | 5,543 | - | - | - | - |
| Office | 3,967 | - | 26 | 3,993 | 1,405 | - | - | 1,405 |
| Travel | 3,866 | 20 | - | 3,886 | 4,421 | - | - | 4,421 |
| Meetings | 2,523 | 379 | 46 | 2,948 | 1,773 | 435 | - | 2,208 |
| Payroll processing fees | 2,792 | - | - | 2,792 | 2,714 | - | - | 2,714 |
| Curriculum development | 2,500 | - | - | 2,500 | 1,938 | - | - | 1,938 |
| Telephone | 2,175 | - | - | 2,175 | 1,487 | - | - | 1,487 |
| Insurance | 539 | 1,052 | - | 1,591 | - | 1,295 | - | 1,295 |
| Fundraising | - | - | 1,187 | 1,187 | - | - | 666 | 666 |
| Miscellaneous | 631 | 334 | - | 965 | 113 | 199 | 19 | 331 |
| Printing, publications and postage | 155 | 556 | 10 | 721 | 370 | - | - | 370 |
| Total other | <u>294,567</u> | <u>7,858</u> | <u>1,269</u> | <u>303,694</u> | <u>243,869</u> | <u>5,084</u> | <u>685</u> | <u>249,638</u> |
| Total expenses | <u>\$ 508,669</u> | <u>\$ 34,608</u> | <u>\$ 36,019</u> | <u>\$ 579,296</u> | <u>\$ 451,735</u> | <u>\$ 31,834</u> | <u>\$ 35,435</u> | <u>\$ 519,004</u> |

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(See Independent Accountants' Review Report)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Music and Youth Initiative, Inc. (the Organization) was formed in 2005 and provides financially efficient and high quality after school music programs for underserved urban youth in eastern Massachusetts. The Organization partners with professional youth development organizations to host and operate music clubhouses in their existing facilities.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenue and net assets when received or pledged. Transfers are made to unrestricted net assets as costs associated with purpose restrictions are incurred or time restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets. All other revenue is recorded when earned.

Expense Allocation

Expenses related directly to programs are allocated to program expense, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Grants Expense

The Organization recognizes grants expense upon the awarding of the grant.

Donated Goods and Services

The Organization received donated goods valued at \$24,209 and \$46,671 during 2013 and 2012, respectively, in support of various aspects of its programs. The donated goods are valued at the approximate fair value as determined by the donor on the date of donation. The value of the donated goods is included in grants in the accompanying statements of functional expenses.

MUSIC AND YOUTH INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

(See Independent Accountants' Review Report)
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

The Organization also received donated legal services of \$42,209 and \$31,356 during 2013 and 2012, respectively. Donated legal services are recorded based on pro-bono invoices or statements provided by the service provider. The donated legal services are included in professional fees in the accompanying statements of functional expenses.

For the years ended December 31, 2013 and 2012, the Organization's two founders and current Board members functioned as the Organization's Executive Director and Chief Financial Officer. The estimated value of their services was \$195,000 for each year and is presented as donated salaries and wages on the accompanying statements of functional expenses.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2013 and 2012. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Fair Value Measurement

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Organization has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore, the disclosure requirements do not currently apply.

Subsequent Events

Subsequent events have been evaluated through July 22, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

MUSIC AND YOUTH INITIATIVE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

(See Independent Accountants' Review Report)
(Continued)

(2) **NET ASSETS**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization to carry on its operations.

Temporarily restricted net assets consist of amounts received with purpose restrictions, which have not yet been expended for its designated purpose.

(3) **RELATED PARTY TRANSACTIONS**

The Organization made grants of approximately \$23,000 and \$30,000 in 2013 and 2012, respectively, to two nonprofit organizations. One of the Organization's Board members is a Board member of one of these nonprofit organizations. Another Board member is also the Executive Director of the other nonprofit organization. These amounts are included in grants in the accompanying statements of functional expenses.

(4) **CONCENTRATION**

The Organization received 33% and 52% of its unrestricted grants and contributions from one funder during 2013 and 2012, respectively.

(5) **PENSION PLAN**

The Organization has a qualified retirement plan (the Plan) under Section 401(k) of the IRC covering all eligible employees, as defined in the Plan. Under the Plan, the Organization may make a discretionary contribution to the Plan. For the years ended December 31, 2013 and 2012, these discretionary contributions were \$5,758 and \$5,279, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

(6) **OPERATING LEASE**

Effective June, 2013, the Organization entered into an operating lease agreement that runs through June 30, 2014. Total rent paid under this agreement was \$3,270 for the year ended December 31, 2013, and is included in occupancy on the accompanying 2013 statement of functional expenses. Future minimum rent payments for 2014 are \$3,270. This agreement has subsequently been renewed through June 30, 2015.

(7) **RECLASSIFICATIONS**

Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation.