



**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**MUSIC AND YOUTH INITIATIVE, INC.**

Contents  
December 31, 2018 and 2017

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## Independent Accountants' Review Report

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

We have reviewed the accompanying financial statements of Music and Youth Initiative, Inc. (a Massachusetts nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 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'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 of America; 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.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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 of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountants' Conclusion***

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 accordance with accounting principles generally accepted in the United States of America.



Wellesley, Massachusetts  
August 16, 2019

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Financial Position

December 31, 2018 and 2017

(See Independent Accountants' Review Report)

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<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash and cash equivalents	\$ 414,947	\$ 366,028
Prepaid expenses	928	925
Total assets	<u>\$ 415,875</u>	<u>\$ 366,953</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 6,581</u>	<u>\$ 5,253</u>
Net Assets:		
Without donor restrictions	399,204	353,860
With donor restrictions	<u>10,090</u>	<u>7,840</u>
Total net assets	<u>409,294</u>	<u>361,700</u>
Total liabilities and net assets	<u>\$ 415,875</u>	<u>\$ 366,953</u>

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2018 and 2017  
 (See Independent Accountants' Review Report)

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Grants and contributions	\$ 331,877	\$ 25,000	\$ 356,877	\$ 413,765	\$ 25,500	\$ 439,265
Donated services	190,000	-	190,000	175,500	-	175,500
Interest	2,812	-	2,812	1,008	-	1,008
Net assets released from purpose restrictions	22,750	(22,750)	-	28,250	(28,250)	-
Total support and revenue	547,439	2,250	549,689	618,523	(2,750)	615,773
<b>Operating Expenses:</b>						
Program	436,202	-	436,202	491,213	-	491,213
Administration	33,502	-	33,502	34,570	-	34,570
Fundraising	32,391	-	32,391	35,193	-	35,193
Total operating expenses	502,095	-	502,095	560,976	-	560,976
Changes in net assets	45,344	2,250	47,594	57,547	(2,750)	54,797
<b>Net Assets:</b>						
Beginning of year	353,860	7,840	361,700	296,313	10,590	306,903
End of year	\$ 399,204	\$ 10,090	\$ 409,294	\$ 353,860	\$ 7,840	\$ 361,700

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(See Independent Accountants' Review Report)

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	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 47,594	\$ 54,797
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(3)	425
Accounts payable and accrued expenses	<u>1,328</u>	<u>2,187</u>
Net cash provided by operating activities	48,919	57,409
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>366,028</u>	<u>308,619</u>
End of year	<u>\$ 414,947</u>	<u>\$ 366,028</u>

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Functional Expenses  
 For the Years Ended December 31, 2018 and 2017  
 (See Independent Accountants' Review Report)

	2018				2017			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
<b>Personnel and Related:</b>								
Donated salaries and wages	\$ 122,500	\$ 19,500	\$ 13,000	\$ 155,000	\$ 120,500	\$ 19,500	\$ 15,000	\$ 155,000
Salaries and wages	81,506	3,500	15,000	100,006	74,712	3,500	15,000	93,212
Employee benefits	9,073	125	-	9,198	7,925	356	1,017	9,298
Payroll taxes	5,932	255	1,092	7,279	5,427	254	1,089	6,770
Total personnel and related	219,011	23,380	29,092	271,483	208,564	23,610	32,106	264,280
<b>Other:</b>								
Grants	160,118	-	-	160,118	229,528	-	-	229,528
Professional fees	35,635	6,733	-	42,368	21,475	6,621	-	28,096
Travel	7,696	-	-	7,696	13,407	-	-	13,407
Program supplies	7,576	-	-	7,576	11,961	-	-	11,961
Fundraising	-	-	3,299	3,299	-	-	3,087	3,087
Miscellaneous	2,104	140	-	2,244	1,749	140	-	1,889
Meetings	1,772	297	-	2,069	1,650	497	-	2,147
Telephone	2,025	-	-	2,025	2,259	-	-	2,259
Insurance	-	1,504	-	1,504	-	1,504	-	1,504
Office	265	857	-	1,122	620	1,574	-	2,194
Payroll processing fees	-	591	-	591	-	624	-	624
Total other	217,191	10,122	3,299	230,612	282,649	10,960	3,087	296,696
Total expenses	\$ 436,202	\$ 33,502	\$ 32,391	\$ 502,095	\$ 491,213	\$ 34,570	\$ 35,193	\$ 560,976

## MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements  
December 31, 2018 and 2017  
(See Independent Accountants' Review Report)

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### 1. 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 Massachusetts, Georgia, and Texas. 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

In fiscal year 2018, the Organization adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2018. This ASU has been applied retrospectively to all periods presented. In accordance with the ASU, the Organization has elected to omit the disclosure about liquidity and availability of resources for the year ended December 31, 2017.

#### Net Assets

**Net assets without donor restrictions** are those net resources that bear no external restrictions and are generally available for use by the Organization to carry on its operations.

**Net assets with donor restrictions** consist of amounts received with purpose restrictions which have not yet been expended for their designated purpose.

#### Revenue Recognition

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as net assets with donor restrictions when received or pledged. Transfers are made to net assets without donor restrictions as costs associated with purpose restrictions are incurred or time restrictions have lapsed. All other revenue is recorded when earned.



## **MUSIC AND YOUTH INITIATIVE, INC.**

Notes to Financial Statements  
December 31, 2018 and 2017  
(See Independent Accountants' Review Report)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Expense Allocation**

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel expenses, which are allocated on the basis of estimates of time and effort.

#### **Grants Expense**

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of checking and money market accounts. These amounts are all considered cash and cash equivalents for the purpose of the statements of cash flows.

#### **Donated Services**

For the years ended December 31, 2018 and 2017, the Organization's two founders and current Board members functioned as the Organization's Chief Executive Officer and Chief Financial Officer. The estimated value of their services for 2018 and 2017 was \$155,000 per year, which is presented as donated salaries and wages in the accompanying statements of functional expenses.

The Organization also received donated legal services of \$35,000 and \$20,500 during 2018 and 2017, 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.

#### **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 statements 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, 2018 and 2017. The Organization's tax returns are subject to examination by the Federal and state jurisdictions.

#### **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.

## MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements  
December 31, 2018 and 2017  
(See Independent Accountants' Review Report)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurement

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### Subsequent Events

Subsequent events have been evaluated through August 16, 2019, 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.

### 3. RELATED PARTY TRANSACTIONS

The Organization made grants of approximately \$12,573 and \$17,900 in 2018 and 2017, 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 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 62% and 58% of its grants and contributions without donor restrictions from one funder during 2018 and 2017, respectively.

**MUSIC AND YOUTH INITIATIVE, INC.**

Notes to Financial Statements  
December 31, 2018 and 2017  
(See Independent Accountants' Review Report)

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**5. LIQUIDITY**

Financial assets available for use by the Organization within one year from the statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 414,947
Less - donor-imposed restrictions	<u>(10,090)</u>
Total financial assets available	<u>\$ 404,857</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, the Organization has financial assets equal to approximately sixteen months of operating expenses.

**6. RECLASSIFICATIONS**

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation.