



**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

MUSIC AND YOUTH INITIATIVE, INC.

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December 31, 2019 and 2018

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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, 2019 and 2018, 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.

AAFCPAs, Inc.

Wellesley, Massachusetts
June 17, 2020

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Financial Position

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 439,079	\$ 414,947
Prepaid expenses	943	928
Total assets	<u>\$ 440,022</u>	<u>\$ 415,875</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 6,209</u>	<u>\$ 6,581</u>
Net Assets:		
Without donor restrictions	433,813	399,204
With donor restrictions	<u>-</u>	<u>10,090</u>
Total net assets	<u>433,813</u>	<u>409,294</u>
Total liabilities and net assets	<u>\$ 440,022</u>	<u>\$ 415,875</u>

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2019 and 2018
 (See Independent Accountants' Review Report)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	\$ 343,926	\$ -	\$ 343,926	\$ 331,877	\$ 25,000	\$ 356,877
Donated services	155,000	-	155,000	190,000	-	190,000
Interest	2,041	-	2,041	2,812	-	2,812
Net assets released from purpose restrictions	10,090	(10,090)	-	22,750	(22,750)	-
Total support and revenue	511,057	(10,090)	500,967	547,439	2,250	549,689
Operating Expenses:						
Program	408,738	-	408,738	436,202	-	436,202
Administration	34,590	-	34,590	33,502	-	33,502
Fundraising	33,120	-	33,120	32,391	-	32,391
Total operating expenses	476,448	-	476,448	502,095	-	502,095
Changes in net assets	34,609	(10,090)	24,519	45,344	2,250	47,594
Net Assets:						
Beginning of year	399,204	10,090	409,294	353,860	7,840	361,700
End of year	\$ 433,813	\$ -	\$ 433,813	\$ 399,204	\$ 10,090	\$ 409,294

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 24,519	\$ 47,594
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(15)	(3)
Accounts payable and accrued expenses	<u>(372)</u>	<u>1,328</u>
Net cash provided by operating activities	24,132	48,919
Cash and Cash Equivalents:		
Beginning of year	<u>414,947</u>	<u>366,028</u>
End of year	<u>\$ 439,079</u>	<u>\$ 414,947</u>

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Functional Expenses
 For the Years Ended December 31, 2019 and 2018
 (See Independent Accountants' Review Report)

	2019				2018			
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
Personnel and Related:								
Donated salaries and wages	\$ 122,500	\$ 19,500	\$ 13,000	\$ 155,000	\$ 122,500	\$ 19,500	\$ 13,000	\$ 155,000
Salaries and wages	84,304	3,500	15,000	102,804	81,506	3,500	15,000	100,006
Payroll taxes	6,140	255	1,093	7,488	5,932	255	1,092	7,279
Employee benefits	6,180	281	804	7,265	9,073	125	-	9,198
Total personnel and related	<u>219,124</u>	<u>23,536</u>	<u>29,897</u>	<u>272,557</u>	<u>219,011</u>	<u>23,380</u>	<u>29,092</u>	<u>271,483</u>
Other:								
Grants	158,725	-	-	158,725	160,118	-	-	160,118
Professional fees	6,330	7,076	-	13,406	35,635	6,733	-	42,368
Travel	10,626	-	-	10,626	7,696	-	-	7,696
Program supplies	7,635	-	-	7,635	7,576	-	-	7,576
Fundraising	-	-	3,223	3,223	-	-	3,299	3,299
Miscellaneous	2,809	140	-	2,949	2,104	140	-	2,244
Telephone	2,238	-	-	2,238	2,025	-	-	2,025
Meetings	1,056	583	-	1,639	1,772	297	-	2,069
Insurance	-	1,504	-	1,504	-	1,504	-	1,504
Office	195	959	-	1,154	265	857	-	1,122
Payroll processing fees	-	792	-	792	-	591	-	591
Total other	<u>189,614</u>	<u>11,054</u>	<u>3,223</u>	<u>203,891</u>	<u>217,191</u>	<u>10,122</u>	<u>3,299</u>	<u>230,612</u>
Total expenses	<u>\$ 408,738</u>	<u>\$ 34,590</u>	<u>\$ 33,120</u>	<u>\$ 476,448</u>	<u>\$ 436,202</u>	<u>\$ 33,502</u>	<u>\$ 32,391</u>	<u>\$ 502,095</u>

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2019 and 2018
(See Independent Accountants' Review Report)

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).

Adoption of New Accounting Standards

During 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization's primary source of revenue is generated substantially from grants and contributions. Grants and contributions are recorded as revenue when received or unconditionally pledged. The timing of the Organization's revenue recognition is not affected by the new standard. This ASU has been applied retrospectively for all periods presented. The effect of adopting ASU 2014-09 did not impact net assets without donor restrictions as of January 1, 2019.

During 2019, the Organization also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method effective January 1, 2019. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Based on the Organization's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

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.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2019 and 2018
(See Independent Accountants' Review Report)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization generally measures earned revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers (i.e. earned revenue) based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Organization derives its revenue mainly from grants and contributions. Contributed income may include gifts of cash or promises to give. Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received and recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the grant and contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. When considered material, contributions and grants to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge. All other revenue is recorded when earned.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions are substantially met.

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.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2019 and 2018
(See Independent Accountants' Review Report)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018, 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 2019 and 2018 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 during 2018. 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, 2019 and 2018. 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.

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.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2019 and 2018
(See Independent Accountants' Review Report)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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 June 17, 2020, which is the date the financial statements were available to be issued. See Note 6 for events that met the criteria for disclosure in the financial statements.

3. RELATED PARTY TRANSACTIONS

The Organization made grants of approximately \$4,900 and \$12,600 in 2019 and 2018, 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. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in a bank and an investment company. The Federal Deposit Insurance Corporation (FDIC) insures balances at the bank and the investment company up to certain amounts. At times during the year, the cash balances exceeded the FDIC insured limit. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization received 60% and 62% of its grants and contributions without donor restrictions from one funder during 2019 and 2018, respectively.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2019 and 2018
(See Independent Accountants' Review Report)

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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 439,079	\$ 414,947
Less - donor-imposed restrictions	<u>-</u>	<u>(10,090)</u>
Total financial assets available	<u>\$ 439,079</u>	<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, 2019 and 2018, the Organization has financial assets equal to approximately sixteen months of operating expenses.

6. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States that began in March 2020 has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact, if any, cannot be reasonably estimated at this time. The Organization's management does not believe that COVID-19 will have a material adverse effect on the Organization's ability to raise funding or continue its mission.