

**MUSIC CITY YOUTH IN THE
ARTS, INC.**

FINANCIAL STATEMENTS

OCTOBER 31, 2021

MUSIC CITY YOUTH IN THE ARTS, INC.

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors of the
Music City Youth in the Arts, Inc.
Nashville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of Music City Youth in the Arts, Inc. (a nonprofit organization) which comprise the statement of financial position as of October 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.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believed that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Music City Youth in the Arts, Inc. as of October 31, 2021, 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 of America.

John R Poole, CPA

April 10, 2022

FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Financial Position

October 31, 2021

Assets

Current assets:

Cash	\$	45,192
Accounts receivable		8,550
Other assets		3,850
Total current assets		<u>57,592</u>

Property and equipment at cost:

Equipment		145,380
Less: accumulated depreciation		(141,400)
Net property and equipment		<u>3,980</u>

Total assets	\$	<u>61,572</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	2,264
Deferred revenue		5,187
Current portion of note from related party		5,000
Total current liabilities		<u>12,451</u>

Long-term liabilities:

Non-current portion of note from related party		<u>5,000</u>
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Total liabilities:

17,451

Net Assets:

Without donor restrictions		44,121
Total net assets		<u>44,121</u>

Total liabilities and net assets	\$	<u>61,572</u>
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MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Activities

For the year ended October 31, 2021

Support and Revenue Without Donor Restrictions:

Registration, production and audition fees	\$	284,537
Equipment sales		14,030
Contributions		37,138
Fundraisers, less expenses of \$9,502		9,233
Souvenir sales, less expenses of \$24,896		5,016
In-kind donations		12,000
Total Support and Revenue Without Donor Restrictions:		<u>361,954</u>

Expenses:

Program services	417,033
Management and general	<u>2,426</u>
Total expenses	<u>419,459</u>

Special item: Forgiveness of PPP loan	<u>12,700</u>
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Increase (decrease) in net assets	<u>(44,805)</u>
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Beginning of year net assets	88,926
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End of year net assets	\$ <u><u>44,121</u></u>
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The accompanying notes are an integral
part of these statements.

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Functional Expenses

For the year ended October 31, 2021

	Program Services	Management and General	Total
Personnel costs	59,880	-	59,880
Payroll taxes	4,543	-	4,543
Transportation	109,761	-	109,761
Housing	43,050	-	43,050
Performance and production costs	26,078	-	26,078
Food	25,720	-	25,720
Repair and maintenance	1,554	-	1,554
Uniforms	19,646	-	19,646
Professional services	1,800	1,500	3,300
Contract services	84,139	-	84,139
Insurance	5,693	-	5,693
Office expense	2,259	-	2,259
Advertising and digital media	9,904	-	9,904
Depreciation	10,147	-	10,147
In-kind expenses - occupancy	12,000	-	12,000
Miscellaneous	859	926	1,785
Total expenses	417,033	2,426	419,459

The accompanying notes are an integral
part of these statements.

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Cash Flows

For the year ended October 31, 2021

Cash flows from operating activities:

Contributions received	\$	269,949
Service revenue		78,143
Cash paid for:		
Salaries and related expenses		(64,423)
Program and support services		(339,018)
Net cash provided by operating activities		<u>(55,349)</u>

Cash flows used by investing activities

Purchase of property and equipment		<u>0</u>
Net cash flows used by investing activities		<u>0</u>

Net increase in cash and cash equivalents (55,349)

Cash and cash equivalents at beginning of year 100,541

Cash and cash equivalents at end of year \$ 45,192

Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities

Increase (decrease) in net assets \$ (44,805)

Adjustments to reconcile decrease in net assets to net cash provided by operating activities:

PPP loan forgiveness	(12,700)
Depreciation	10,147
Changes in assets (increase) decrease:	
Accounts receivable	(4,267)
Other assets	99
Changes in liabilities increase (decrease):	
Accounts payable	(458)
Deferred revenues	(3,365)

Net cash provided by operating activities \$ (55,349)

NOTES TO THE FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Music City Youth in the Arts, Inc. is a non-profit organization in Nashville, Tennessee. The Organization's mission is to provide youth with positive life-enriching experiences through music education and performance opportunities. It is the goal of this organization to become a more visible musical ambassador for the community and to continue to improve the opportunities afforded the talented participants who will be our educators and leaders of tomorrow.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, Not-for-Profit Organizations.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to the two classes of net assets (with and without donor restrictions). In addition, the Organization is required to present a statement of cash flows.

Contributions

Contributions received are recorded as with or without donor restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restrictions net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to without donor restricted net assets.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

Music City Youth in the Arts, Inc. receives many hours of donated time from various volunteers. It is impractical to estimate a value for these services, as such no such value has been placed on these services in the Organizations financial statements.

Music City Youth in the Arts, Inc. receives donated office and rehearsal space. Music City Youth in the Arts, Inc. has recorded \$1,000 a month in in-kind revenues and in-kind occupancy expenses.

Equipment and Depreciation

Music City Youth in the Arts, Inc. purchases musical instruments and related equipment. Depreciation is provided for over the estimated useful lives of the assets. Assets are depreciated using the straight-line method of depreciation.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no such amounts at yearend.

Functional Allocation of Expenses

The costs of providing the Organizations program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs may have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment activity is noted below:

	Balance 11/1/20	Addition	Retirement	Balance 10/31/21
Furniture and equipment	145,380	-	-	145,380
Total	145,380			145,380
Less: Accumulated depreciation	(131,253)			(141,400)
Net assets	\$ 14,127			3,980

Depreciation expense for the year ended October 31, 2021 was \$10,147.

3. AVAILABILITY AND LIQUIDITY

The following represents the financial assets at October 31, 2021:

Financial assets at year end:

Cash	\$45,192
Accounts receivable	8,550
Total	53,742

Less amounts not available to be used within one year:	2,264
Financial assets available to meet general expenditures over the next twelve months:	\$51,478

The Organization's goal is to maintain financial assets to meet its operating expenses. As part of its liquidity plan, there are cash balances of \$45,192.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2021

4. NOTE PAYABLE – RELATED PARTY

A member of the Board has advanced Music City Youth in the Arts, Inc. funds to assist with liquidity. The total advance was \$25,000, payable in five annual installments of \$5,000. There were no payments made during the year due to the COVID-19 crisis. The note is a non-interest bearing note.

5. NOTE PAYABLE – SMALL BUSINESS ADMINISTRATION

Congress passed the CARES Act; Section 1102 of the Act temporarily added a new product, titled the "Paycheck Protection Program (PPP)," to the U.S. Small Business Administration's Loan Program. The Paycheck Protection Program is intended to provide economic relief to small businesses nationwide adversely impacted by the Coronavirus Disease 2019 (COVID-19). In the prior year, Music City Youth in the Arts received a PPP loan in the amount of \$12,700. In the current year, the loan was forgiven by the Small Business Administration, and recorded as special item income in the current year.

6. SUBSEQUENT EVENTS

Thru April 10, 2022 (the date of this report), there are no material subsequent events that should be reported.