

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

FINANCIAL STATEMENTS

OCTOBER 31, 2017

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

I was engaged to audit the accompanying financial statements of the Music City Youth in the Arts, Inc. (a nonprofit organization) which comprise the statement of financial position as of October 31, 2017, 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 an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Due to employee turnover in accounting related positions and lack of accounting records, I was not able to determine whether any adjustments were necessary relating to the existence and carrying amounts in the financial statements. These amounts are material to the Music City Youth in the Arts, Inc.'s financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

John R. Poole, CPA

February 25, 2019

FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Financial Position

October 31, 2017

Assets

Current assets:

Cash	\$	35,169
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Total current assets		<u>35,169</u>
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Property and equipment at cost:

Equipment		189,434
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Less: accumulated depreciation		<u>(109,487)</u>
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Net property and equipment		<u>79,947</u>
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Total assets	\$	<u>115,116</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	546
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Current portion of note on equipment		51,615
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Current portion of note from related party		<u>5,000</u>
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Total current liabilities		<u>57,161</u>
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Long-term liabilities:

Non-current portion of note from related party		<u>15,000</u>
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Total liabilities:		<u>72,161</u>
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Net Assets:

Unrestricted		<u>42,955</u>
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Total net assets		<u>42,955</u>
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Total liabilities and net assets	\$	<u>115,116</u>
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MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Activities

For the year ended October 31, 2017

	<u>Unrestricted</u>
Support and Revenue	
Membership dues	\$ 442,871
Performance fees	11,156
Contributions	20,362
Fundraisers, less expenses of \$39,855	24,637
In-kind donations- office space	12,000
Total public support	<u>511,026</u>
Other Revenue	
Sale of equipment	<u>8,745</u>
Total other revenue	<u>8,745</u>
Total Support and Revenue	<u>519,771</u>
Expenses:	
Program services	520,689
Management and general	13,521
Total expenses	<u>534,210</u>
Increase (decrease) in net assets	<u>(14,439)</u>
Beginning of year net assets	57,394
End of year net assets	\$ <u><u>42,955</u></u>

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, 2017

	Program Services	Management and General	Total
Salaries and wages	8,876	-	8,876
Payroll taxes	1,796	-	1,796
Bus and truck expense	166,297	-	166,297
Occupancy	31,786	-	31,786
Food	55,974	-	55,974
Supplies	77,872	-	77,872
Contract services	75,420	-	75,420
Insurance	8,665	-	8,665
Office expense	-	13,371	13,371
Vehicle and travel expenses	60,063	-	60,063
Depreciation	21,940	-	21,940
In-kind expenses - occupancy	12,000	-	12,000
Miscellaneous	-	150	150
Total expenses	520,689	13,521	534,210

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, 2017

Cash flows from operating activities:	
Contributions received	\$ 56,999
Service revenue	454,027
Other income	8,745
Cash paid for:	
Salaries and related expenses	(10,672)
Program and support services	(501,052)
Net cash provided by operating activities	<u>8,047</u>
Cash flows used by investing activities	
Proceeds from note-equipment	19,900
Repayment of note - equipment notes	(5,257)
Repayment of note- related party	(5,000)
Purchase of property and equipment	(19,900)
Net cash flows used by investing activities	<u>(10,257)</u>
Net increase in cash and cash equivalents	<u>(2,210)</u>
Cash and cash equivalents at beginning of year	37,379
Cash and cash equivalents at end of year	\$ <u><u>35,169</u></u>
Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities	
Increase (decrease) in net assets	\$ (14,439)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	21,940
Changes in liabilities increase (decrease):	
Accounts payable	546
Net cash provided by operating activities	\$ <u><u>8,047</u></u>

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2017

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 in its Statement of Financial Standards (SAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SAS No. 117, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

In accordance with SAS 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently 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 unrestricted 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2017

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.

Donor -Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor- stipulated time restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

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.

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.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Deferred Revenue

Deferred revenue is recorded when a potential revenue does not meet the criteria for recognition in the current period. In subsequent periods, when both of these criteria are met, revenue is recognized.

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 <u>11/1/16</u>	Addition	Retirement	Balance <u>10/31/17</u>
Furniture and equipment	<u>169,534</u>	<u>19,900</u>	<u>-</u>	<u>189,434</u>
Total	169,534			189,434
Less: Accumulated depreciation	<u>(87,547)</u>			<u>(109,487)</u>
Net assets	\$ <u>81,987</u>			<u>79,947</u>

Depreciation expense for the year ended October 31, 2017 was \$ 21,940.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2017

3. 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. During the year, a repayment of \$5,000 was made. The note is a non-interest bearing note.

4. NOTE PAYABLE – MUSICAL INSTRUMENTS

Music City Youth in the Arts, Inc. has borrowed funds for certain musical instruments.

In 2015, there were borrowings of \$58,965 with three annual payments of \$19,655, a payment of \$19,655 was made during the year.

In 2016, there were borrowings of \$30,835 with three annual payments of \$10,278, a payment of \$10,278 was made during the year.

In 2017, there were borrowings of \$19,900 with three annual payments of \$6,633. A payment of \$6,633 was made during the year.

As of October 31, 2017 there was \$51,615 that was due of the above notes. These amounts were paid in full during the 2018 fiscal year.

5. SUBSEQUENT EVENTS

Thru February 25, 2019 (the date of this report), there are no material subsequent events that should be reported.