

**LEADERSHIP MUSIC**

**Financial Statements**

**June 30, 2016 and 2015**

**(With Independent Auditors' Report Thereon)**



# LEADERSHIP MUSIC

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Leadership Music:

We have audited the accompanying financial statements of Leadership Music which are comprised of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leadership Music as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 6 and 7 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*L B M C, P C*

Brentwood, Tennessee  
November 1, 2016

# LEADERSHIP MUSIC

## Statements of Financial Position

June 30, 2016 and 2015

### Assets

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 587,474	\$ 616,440
Accounts receivable	36,000	9,021
Prepaid expenses	56	-
Furniture and equipment, net of accumulated depreciation of \$15,001 in 2016 and \$14,171 in 2015	<u>3,323</u>	<u>-</u>
	<u>\$ 626,853</u>	<u>\$ 625,461</u>

### Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 3,462	\$ 28,461
Accrued compensation and benefits	5,871	3,337
Deferred revenue	<u>1,000</u>	<u>-</u>
Total liabilities	10,333	31,798
Unrestricted net assets	<u>616,520</u>	<u>593,663</u>
	<u>\$ 626,853</u>	<u>\$ 625,461</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statements of Activities

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues and other support:		
Special events	\$ 133,343	\$ 96,633
Contributions	269,950	328,432
Program tuition fees	48,000	44,500
Alumni dues	31,050	32,695
Interest income	270	340
Expense reimbursements and other	<u>73,336</u>	<u>24,146</u>
Total revenues and other support	<u>555,949</u>	<u>526,746</u>
Expenses:		
Program	273,848	273,536
Management and general	90,847	77,076
Fundraising	<u>168,397</u>	<u>133,002</u>
Total expenses	<u>533,092</u>	<u>483,614</u>
Increase in unrestricted net assets	22,857	43,132
Unrestricted net assets at beginning of year	<u>593,663</u>	<u>550,531</u>
Unrestricted net assets at end of year	<u>\$ 616,520</u>	<u>\$ 593,663</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ <u>22,857</u>	\$ <u>43,132</u>
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation	830	-
(Increase) decrease in operating assets:		
Accounts receivable	(26,979)	50,282
Prepaid expenses	(56)	2,602
Increase (decrease) in operating liabilities:		
Accounts payable	(24,999)	25,385
Accrued compensation and benefits	2,534	(7,012)
Deferred revenue	<u>1,000</u>	<u>(41,525)</u>
Total adjustments	<u>(47,670)</u>	<u>29,732</u>
Net cash provided (used) by operating activities	<u>(24,813)</u>	<u>72,864</u>
Cash flows used by investing activities -		
Purchases of furniture and equipment	<u>(4,153)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(28,966)	72,864
Cash and cash equivalents at beginning of year	<u>616,440</u>	<u>543,576</u>
Cash and cash equivalents at end of year	\$ <u>587,474</u>	\$ <u>616,440</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statement of Functional Expenses

Year ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Special events:				
Dale Franklin Awards	\$ -	\$ -	\$ 111,012	\$ 111,012
Alumni Engagement Events	<u>8,177</u>	<u>-</u>	<u>150</u>	<u>8,327</u>
Total special events expenses	8,177	-	111,162	119,339
Employee compensation:				
Salaries and wages	108,028	36,009	36,009	180,046
Employee benefits	14,717	4,906	4,906	24,529
Payroll taxes	<u>9,697</u>	<u>3,232</u>	<u>3,232</u>	<u>16,161</u>
Total compensation expenses	132,442	44,147	44,147	220,736
Program costs	102,016	-	-	102,016
Development/stewardship	-	-	2,617	2,617
Office supplies	885	2,656	-	3,541
Website	2,931	8,794	2,931	14,656
Telephone	873	4,076	873	5,822
Postage	344	-	344	688
Bank charges	70	210	70	350
Taxes, licenses and fees	-	2,087	-	2,087
Legal and professional	-	11,120	-	11,120
Rent	10,663	14,337	-	25,000
Insurance - general	3,306	1,102	1,102	5,510
Dues and subscriptions	106	424	-	530
Meals and entertainment	-	-	4,087	4,087
Transportation	12,035	-	-	12,035
Depreciation	-	830	-	830
Miscellaneous	<u>-</u>	<u>1,064</u>	<u>1,064</u>	<u>2,128</u>
Total	\$ <u>273,848</u>	\$ <u>90,847</u>	\$ <u>168,397</u>	\$ <u>533,092</u>

See accompanying notes to the financial statements.



# LEADERSHIP MUSIC

## Statement of Functional Expenses

Year ended June 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Special events:				
25th Anniversary Celebration	\$ -	\$ -	\$ 47,742	\$ 47,742
Alumni Engagement Events	<u>3,074</u>	<u>-</u>	<u>2,190</u>	<u>5,264</u>
Total special events expenses	3,074	-	49,932	53,006
Employee compensation:				
Salaries and wages	98,272	32,758	32,758	163,788
Employee benefits	14,398	4,798	4,798	23,994
Payroll taxes	<u>9,203</u>	<u>3,068</u>	<u>3,068</u>	<u>15,339</u>
Total compensation expenses	121,873	40,624	40,624	203,121
Program costs	120,871	-	-	120,871
Development/stewardship	-	-	29,457	29,457
Office supplies	836	2,509	-	3,345
Printing and publications	67	-	23	90
Website	1,361	-	5,443	6,804
Telephone	862	4,024	862	5,748
Postage	342	-	342	684
Bank charges	231	692	231	1,154
Taxes, licenses and fees	-	2,266	-	2,266
Legal and professional	-	10,292	-	10,292
Rent	10,663	14,337	-	25,000
Insurance - general	2,606	869	869	4,344
Dues and subscriptions	50	200	-	250
Meals and entertainment	-	-	3,956	3,956
Transportation	10,700	161	161	11,022
Miscellaneous	<u>-</u>	<u>1,102</u>	<u>1,102</u>	<u>2,204</u>
Total	\$ <u>273,536</u>	\$ <u>77,076</u>	\$ <u>133,002</u>	\$ <u>483,614</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2016 and 2015

(1) Nature of operations

Leadership Music (the "Organization") is a nonprofit corporation, organized in the State of Tennessee in 1989. Its mission is to nurture a knowledgeable, issue-oriented community of music industry professionals. The Organization operates from facilities located in Nashville, Tennessee and attracts its support primarily from the Middle Tennessee area. The Organization is supported primarily by contributions from the general public, alumni and by fundraising events.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis of accounting under which revenue is recognized when earned and expenses when incurred. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general purposes.

The Organization had no temporarily or permanently restricted net assets as of June 30, 2016 and 2015.

(b) Program activities

The defining elements of the Organization's program have been to: 1) explore and analyze how various parts of the music industry operate; 2) provide increased familiarity and dialogue with music industry leaders; and 3) expose and educate class participants to varying points of view and philosophies.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2016 and 2015

The Organization helps to expand the knowledge base of each participant, expand the talent pool of leadership within the music community, and promote teamwork and camaraderie in an otherwise competitive business. Each person selected to participate in Leadership Music makes an extensive time commitment. Attendance is highly encouraged for the eight-month program, which begins in the fall. The first and last meetings are weekend retreats. Between these retreats are six monthly meetings, which average 12 hours each. The participants make on-site visits around the community, focusing on such subjects as songwriting/publishing, media, artist, studio/audio, record company, and live music. They also hear from numerous speakers and participate in hands-on exercises.

(c) Cash equivalents

The Organization considers all cash and related short-term investments with original maturities of three months or less when purchased to be cash equivalents.

(d) Accounts receivable

Accounts receivable arise primarily from sponsorships of events. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on historical loss experience and existing economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management believes the accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts has been provided as of June 30, 2016 and 2015.

(e) Furniture and equipment

Furniture and equipment are stated at cost, or if donated, at the estimated fair market value as of the date of donation. Depreciation is provided over the assets' estimated useful lives, generally five years, using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(f) Deferred revenue

Contributions related to events to be held in future years are shown as deferred revenue until the event has occurred. The costs related to these specific events are not expensed until the event occurs.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2016 and 2015

(g) Income taxes

The Organization is a not-for-profit corporation as described in section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes pursuant to code section 501(a). An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of June 30, 2016 and 2015, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization files U.S. Federal information tax returns.

(h) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

Promises to give are recognized when the donor makes an unconditional promise to give to the Organization.

(i) Donated goods and services

Donated goods and services are recognized at the fair value of items received at the time of donation. Volunteer time is recognized to the extent such time is provided by individuals with special training and which would normally need to be purchased. The Organization also receives volunteer services from a number of individuals in carrying out its programs whose service does not meet the criteria for recognition in the financial statements.

(j) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

## LEADERSHIP MUSIC

### Notes to the Financial Statements

June 30, 2016 and 2015

(k) Functional allocation of expenses

The costs of providing program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate.

(l) Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order for them to conform to the 2016 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(m) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2016 and November 1, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

The Organization generally maintains cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

(4) Special events

The Organization conducted significant fundraising events during fiscal years 2016 and 2015. A description of these events is as follows:

The Dale Franklin Awards is an event held to honor an individual in the music industry. Revenue was generated from ticket sales and corporate sponsorships. This dinner was not held during fiscal year 2015.

Several Alumni Engagement Events were held during fiscal years 2016 and 2015 with the intention for the Organization to engage interest in their alumni. Revenue was generated by ticket sales and from food sponsors.

The 25th Anniversary Celebration was held during fiscal year 2015 to celebrate the silver anniversary of the Organization. Revenue was generated from sponsor payments, program book ad sales and ticket sales.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2016 and 2015

Revenue and expense from these events are summarized below:

<u>2016</u>			
	<u>Dale Franklin Awards</u>	<u>Alumni Engagement Events</u>	<u>Total</u>
Revenue	\$ 124,150	\$ 9,193	\$ 133,343
Expense	<u>111,012</u>	<u>8,327</u>	<u>119,339</u>
Net	\$ <u>13,138</u>	\$ <u>866</u>	\$ <u>14,004</u>

  

<u>2015</u>			
	<u>25th Anniversary Celebration</u>	<u>Alumni Engagement Events</u>	<u>Total</u>
Revenue	\$ 78,609	\$ 18,024	\$ 96,633
Expense	<u>47,742</u>	<u>5,264</u>	<u>53,006</u>
Net	\$ <u>30,867</u>	\$ <u>12,760</u>	\$ <u>43,627</u>

### (5) In-kind contributions

The Organization received in-kind contributed goods and services during fiscal years 2016 and 2015 meeting the requirements for recognition consisting of the following:

	<u>2016</u>	<u>2015</u>
Program contributions	\$ 56,400	\$ 62,681
Dale Franklin Awards	6,550	-
Rent	25,000	25,000
25th Anniversary Celebration	-	11,391
Legal and professional	<u>4,200</u>	<u>4,200</u>
	\$ <u>92,150</u>	\$ <u>103,272</u>

### (6) Benefit plan

The Organization maintains a defined contribution 403(b) plan (the "Plan") which covers employees who have completed 90 days of service and attained the age of 21. The Plan provides for the Organization to match up to 50% of employee contributions up to \$6,000. The Organization made annual contributions of \$2,250 and \$2,681 during 2016 and 2015, respectively.