

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

FINANCIAL STATEMENTS

OCTOBER 31, 2022

MUSIC CITY YOUTH IN THE ARTS, INC.

TABLE OF CONTENTS

PAGE

Financial Section

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Music City Youth in the Arts, Inc., and to meet the other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Music City Youth in the Arts, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Music City Youth in the Arts, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Music City Youth in the Arts, Inc.'s ability to continue as a going concern for a reasonable period of time

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

John R. Poole, CPA

April 17, 2023

FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Financial Position

October 31, 2022

Assets

Current assets:	
Cash	\$ 52,653
Accounts receivable	24,001
Prepaid assets	10,000
Total current assets	<u>86,654</u>
Property and equipment at cost:	
Equipment	145,380
Less: accumulated depreciation	<u>(145,380)</u>
Net property and equipment	<u>0</u>
Total assets	\$ <u><u>86,654</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 116,544
Deferred revenue	2,415
Current portion of note from related party	60,000
Total current liabilities	<u>178,959</u>
Long-term liabilities:	
Non-current portion of note from related party	<u>0</u>
Total liabilities:	<u>178,959</u>
Net Assets:	
Without donor restrictions	<u>(92,305)</u>
Total net assets	<u>(92,305)</u>
Total liabilities and net assets	\$ <u><u>86,654</u></u>

The accompanying notes are an integral
part of these statements.

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Activities

For the year ended October 31, 2022

Support and Revenue Without Donor Restrictions:		
Registration, production and audition fees	\$	657,563
Equipment sales		40,627
Contributions		90,846
Fundraisers, less expenses of \$46,720		38,587
Souvenir sales, less expenses of \$55,428		15,907
In-kind donations		16,350
Total Support and Revenue Without Donor Restrictions:		<u>859,880</u>
Expenses:		994,375
Program services		1,931
Management and general		<u>996,306</u>
Total expenses		<u>996,306</u>
Increase (decrease) in net assets		<u>(136,426)</u>
Beginning of year net assets		44,121
End of year net assets	\$	<u><u>(92,305)</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, 2022

	Program Services	Management and General	Total
Personnel costs	79,909	-	79,909
Payroll taxes	5,808	-	5,808
Transportation	415,810	-	415,810
Housing	23,294	-	23,294
Performance and production costs	34,722	-	34,722
Food	76,130	-	76,130
Equipment	120,175	-	120,175
Repair and maintenance	8,978	-	8,978
Uniforms	28,510	-	28,510
Professional services	7,356	1,800	9,156
Contract services	161,249	-	161,249
Insurance	8,740	-	8,740
Office expense	13,618	-	13,618
Advertising and digital media	5,046	-	5,046
Depreciation	3,980	-	3,980
Miscellaneous	1,050	131	1,181
Total expenses	994,375	1,931	996,306

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, 2022

Cash flows from operating activities:	\$	129,433
Contributions received		770,424
Service revenue		
Cash paid for:		(85,717)
Salaries and related expenses		(856,679)
Program and support services		(42,539)
Net cash provided by operating activities		
Cash flows used by investing and capital activities		0
Purchase of property and equipment		50,000
Proceeds (redemption) net of related party loans		50,000
Net cash flows used by investing and capital activities		
		7,461
Net increase in cash and cash equivalents		
		45,192
Cash and cash equivalents at beginning of year		
	\$	52,653
Cash and cash equivalents at end of year		
Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities		
	\$	(136,426)
Increase (decrease) in net assets		
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		3,980
Depreciation		
Changes in assets (increase) decrease:		(15,451)
Accounts receivable		(6,150)
Other assets		
Changes in liabilities increase (decrease):		114,280
Accounts payable		(2,772)
Deferred revenues		(42,539)
Net cash provided by operating activities	\$	

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, 2022

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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In-Kind Donated Services and Supplies

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 \$5,000 in in-kind revenues and occupancy expenses. \$10,350 in donated food and donated professional services of \$1,000.

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, 2022

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 11/1/21	Addition	Retirement	Balance 10/31/22
Furniture and equipment	145,380	-	-	145,380
Total	145,380			145,380
Less: Accumulated depreciation	(141,400)			(145,380)
Net assets	\$ 3,980			-

Depreciation expense for the year ended October 31, 2022 was \$3,980.

3. AVAILABILITY AND LIQUIDITY

The following represents the financial assets at October 31, 2022:

Financial assets at year end:

Cash	\$52,653
Accounts receivable	24,001
Total	76,654

Less amounts not available to be used within one year:

Account payable	116,544
Notes payable from related party	60,000
	176,544

Financial assets available to meet general expenditures over the next twelve months:

\$(99,890)

The COVID era put a financial strain on Music City Youth in the Arts, Inc. Management has adopted a financial plan that they believe will create a surplus in the next fiscal year.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2022

4. NOTE PAYABLE – RELATED PARTY

Members of the Board have advanced Music City Youth in the Arts, Inc. funds to assist with liquidity. The total advanced was \$60,000 as of October 31, 2022. All amounts are expected to be repaid in the next fiscal year.

5. DEFICIT NET ASSETS

Music City Youth in the Arts, Inc. has a deficit net assets of \$92,305 as of October 31, 2022. The COVID era significantly reduced the activity over the last couple of years resulting in the deficit. Management believes that membership numbers will increase significantly with less of a COVID threat. The Board is making concerted efforts to expand fundraising/ contributions throughout the year.

6. SUBSEQUENT EVENTS

Thru April 17, 2023 (the date of this report), there are no material subsequent events that should be reported.