

LEADERSHIP MUSIC
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
June 30, 2007 and 2006

LEADERSHIP MUSIC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leadership Music
Nashville, Tennessee

We have audited the accompanying statements of financial position of Leadership Music (a nonprofit Organization) as of June 30, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

February 8, 2008

LEADERSHIP MUSIC
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 310,192	\$ 242,195
Accounts receivable	31,068	35,850
Certificates of deposit	<u>211,170</u>	<u>200,000</u>
Total current assets	552,430	478,045
Furniture and equipment, net of accumulated depreciation of \$4,731 and \$3,407	<u>2,222</u>	<u>1,683</u>
Total assets	<u><u>\$ 554,652</u></u>	<u><u>\$ 479,728</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 20,019	\$ 10,796
Deferred revenue	<u>11,500</u>	<u>18,500</u>
Total current liabilities	<u>31,519</u>	<u>29,296</u>
Unrestricted net assets	<u>523,133</u>	<u>450,432</u>
Total liabilities and net assets	<u><u>\$ 554,652</u></u>	<u><u>\$ 479,728</u></u>

See accompanying notes.

LEADERSHIP MUSIC
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenue and other support:		
Special events	\$ 302,270	\$ 265,682
Contributions	202,640	193,540
Interest	23,059	11,478
Program tuition fees	21,750	22,000
Alumni dues	20,500	13,000
Other	<u>14,076</u>	<u>9,928</u>
Total revenue and other support	<u>584,295</u>	<u>515,628</u>
Expenses:		
Program	216,336	189,673
Management and general	93,659	88,152
Fundraising	<u>201,599</u>	<u>172,884</u>
Total expenses	<u>511,594</u>	<u>450,709</u>
Change in net assets	72,701	64,919
Net assets, beginning of year	<u>450,432</u>	<u>385,513</u>
Net assets, end of year	<u><u>\$ 523,133</u></u>	<u><u>\$ 450,432</u></u>

See accompanying notes.

LEADERSHIP MUSIC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 80,177	\$ 26,726	\$ 26,726	\$ 133,629
Special event - Dale Franklin Leadership Award Dinner	-	-	77,417	77,417
Program costs (primarily lodging and meals)	59,207	-	-	59,207
Special event - Digital Summit	37,529	-	12,510	50,039
Special event - Golf Classic	-	-	28,407	28,407
Rent	-	27,000	-	27,000
Special event - Yard Sale	-	-	26,186	26,186
Miscellaneous expense	-	10,063	10,064	20,127
Legal and professional fees	-	17,000	-	17,000
Program facilitator	10,000	-	-	10,000
Employee benefits	5,568	1,856	1,856	9,280
Taxes - payroll	5,011	1,671	1,671	8,353
Transportation	7,678	-	-	7,678
Printing	4,285	-	1,429	5,714
Office supplies	1,075	2,149	1,075	4,299
Meals and entertainment	-	-	3,993	3,993
Website	-	-	3,958	3,958
Postage	2,581	-	860	3,441
Insurance	1,823	608	608	3,039
Bank charges - special events	-	-	2,787	2,787
Telephone	-	2,484	-	2,484
Bank charges	-	1,738	-	1,738
Dues and subscriptions	-	-	1,528	1,528
Depreciation	-	1,324	-	1,324
Special event - other	1,140	-	-	1,140
Travel-mileage	262	262	524	1,048
Taxes and fees	-	421	-	421
Equipment rental	-	357	-	357
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 216,336</u>	<u>\$ 93,659</u>	<u>\$ 201,599</u>	<u>\$ 511,594</u>

See accompanying notes.

LEADERSHIP MUSIC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 63,527	\$ 21,175	\$ 21,175	\$ 105,877
Special event - Dale Franklin Leadership Award Dinner	-	-	91,748	91,748
Special event - Digital Summit	45,503	-	15,168	60,671
Program costs (primarily lodging and meals)	45,529	-	-	45,529
Legal and professional fees	-	30,000	-	30,000
Special event - Yard Sale	-	-	19,365	19,365
Rent	-	18,000	-	18,000
Taxes - payroll	6,161	2,054	2,054	10,269
Program facilitator	10,000	-	-	10,000
Transportation	7,614	-	-	7,614
Employee benefits	4,517	1,506	1,506	7,529
Meals and entertainment	-	-	7,231	7,231
Office supplies	-	5,736	-	5,736
Miscellaneous expense	-	2,401	2,401	4,802
Printing	3,398	-	1,132	4,530
Website	-	-	3,421	3,421
Insurance	1,838	612	612	3,062
Bank charges	-	2,765	-	2,765
Special event - other	-	-	2,686	2,686
Dues and subscriptions	-	-	2,454	2,454
Travel-mileage	-	1,088	1,088	2,176
Postage	1,586	-	528	2,114
Telephone	-	1,333	-	1,333
Depreciation	-	952	-	952
Bank charges - special events	-	-	315	315
Taxes and fees	-	306	-	306
Equipment rental	-	224	-	224
Total expenses	<u>\$ 189,673</u>	<u>\$ 88,152</u>	<u>\$ 172,884</u>	<u>\$ 450,709</u>

See accompanying notes.

LEADERSHIP MUSIC
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 72,701	\$ 64,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,324	952
Change in operating assets and liabilities:		
Accounts receivable	4,782	14,405
Other current assets	-	3,600
Accounts payable and accrued expenses	9,223	3,182
Deferred revenue	<u>(7,000)</u>	<u>18,500</u>
Net cash provided by operating activities	<u>81,030</u>	<u>105,558</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(1,863)	(200,000)
Purchases of certificates of deposit	<u>(11,170)</u>	<u>-</u>
Net cash used in investing activities	<u>(13,033)</u>	<u>(200,000)</u>
Net increase (decrease) in cash and cash equivalents	67,997	(94,442)
Cash and cash equivalents, beginning of year	<u>242,195</u>	<u>336,637</u>
Cash and cash equivalents, end of year	<u><u>\$ 310,192</u></u>	<u><u>\$ 242,195</u></u>

See accompanying notes.

LEADERSHIP MUSIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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 stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations 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 stipulations 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 or specific purposes.

The Organization had no temporarily or permanently restricted net assets as of June 30, 2007 and 2006.

Program Activities

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

LEADERSHIP MUSIC
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Activities (Continued)

Leadership Music 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 mandatory for the nine-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, Broadcast, Artist, Studio/Audio, Record Company, and Touring. They hear from numerous speakers and participate in hands-on exercises.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and related short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Management considers accounts receivable, arising primarily from events, as fully collectible. Accordingly, no allowance for doubtful accounts has been provided.

Certificates of Deposit

Certificates of deposit are measured at fair value in the statement of financial position. Investment income is included in revenues and other support unless the income is restricted by donor or law.

Furniture and Equipment

Furniture and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

LEADERSHIP MUSIC
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Leadership Music is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

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 specialized 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 but not meeting the criteria for recognition in the financial statements.

Concentration of Credit Risk

The Organization maintains cash balances with banks and other financial institutions which at times may exceed federally insured limits. Credit risk is managed by maintaining all deposits in high quality financial institutions.

Deferred Revenue

Deferred revenue at June 30, 2007 and 2006 consists primarily of prepaid 2008 and 2007 program tuition fees, respectively.

LEADERSHIP MUSIC
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 2 – CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at June 30, 2007:

Certificate of deposit (5.07%, matures March 2008)	\$ 75,416
Certificate of deposit (3.54%, matures April 2008)	58,469
Certificate of deposit (4.79%, matures May 2008)	58,226
Certificate of deposit (3.60%, matures June 2008)	<u>19,059</u>
	<u>\$ 211,170</u>

NOTE 3 – SPECIAL EVENTS

The Organization conducted three significant fundraising events during fiscal 2007 and 2006. A description of these events is as follows:

Dale Franklin Leadership Dinner is an annual event held to honor an individual in the music industry.

Digital Summit is an annual meeting of business leaders to discuss technological advancements in the music industry. Revenue from this event is generated by participant fees and corporate sponsorships.

Yard Sale is an annual fundraiser consisting of an online auction and event held at the Summit Center.

Golf tournament is conducted to raise funds to support the Organization.

Revenue and expense from these events is summarized below.

	<u>2007</u>					
	<u>Dale Franklin Leadership Dinner</u>	<u>Digital Summit</u>	<u>Yard Sale</u>	<u>Golf Classic</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 107,367	\$ 110,173	\$ 38,119	\$ 45,511	\$ 1,100	\$ 302,270
Expense	<u>77,417</u>	<u>50,039</u>	<u>26,186</u>	<u>28,407</u>	<u>1,140</u>	<u>183,189</u>
Net	<u>\$ 29,950</u>	<u>\$ 60,134</u>	<u>\$ 11,933</u>	<u>\$ 17,104</u>	<u>\$ (40)</u>	<u>\$ 119,081</u>

LEADERSHIP MUSIC
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 3 – SPECIAL EVENTS (Continued)

	<u>2006</u>				
	Dale Franklin Leadership Dinner	Digital Summit	Yard Sale	Other	Total
Revenue	\$ 108,890	\$ 113,807	\$ 42,800	\$ 185	\$ 265,682
Expense	<u>91,748</u>	<u>60,671</u>	<u>19,365</u>	<u>2,686</u>	<u>174,470</u>
Net	<u>\$ 17,142</u>	<u>\$ 53,136</u>	<u>\$ 23,435</u>	<u>\$ (2,501)</u>	<u>\$ 91,212</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

The Organization received contributed goods and services during fiscal 2007 and 2006 meeting the requirements for recognition consisting of the following:

	<u>2007</u>	<u>2006</u>
Program contributions	\$ 31,180	\$ 21,611
Rent	27,000	18,000
Legal and professional	12,000	30,000
Special event expense – Digital Summit	11,540	20,762
Special event expense – Yard Sale	9,950	9,811
Special event expense – Dale Franklin Leadership Award Dinner	9,539	25,390
Other	6,200	3,579
Special event expense – Golf Classic	<u>3,820</u>	<u>-</u>
	<u>\$ 111,229</u>	<u>\$ 129,153</u>