

**LEADERSHIP MUSIC**

**Financial Statements**

**June 30, 2020 and 2019**

**(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, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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, 2020 and 2019, 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.

*LBMCP*

Brentwood, Tennessee  
October 29, 2020

# LEADERSHIP MUSIC

## Statements of Financial Position

June 30, 2020 and 2019

### Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 625,315	\$ 637,900
Accounts receivable	42,750	56,925
Prepaid expenses	-	14
Furniture and equipment, net of accumulated depreciation of \$20,252 in 2020 and \$18,728 in 2019	<u>1,595</u>	<u>2,496</u>
	<u>\$ 669,660</u>	<u>\$ 697,335</u>

### Liabilities and Net Assets

#### Liabilities:

Note payable	\$ 47,200	\$ -
Accounts payable	334	10,476
Accrued compensation and benefits	10,240	6,188
Deferred revenue	<u>-</u>	<u>325</u>
Total liabilities	57,774	16,989
Net assets without donor restrictions	<u>611,886</u>	<u>680,346</u>
	<u>\$ 669,660</u>	<u>\$ 697,335</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statements of Activities and Changes in Net Assets

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenues and other support:</b>		
Special events	\$ 9,930	\$ 120,035
Contributions	196,375	305,944
Program tuition fees	49,000	45,000
Alumni dues	35,675	38,100
Interest income	5,694	6,264
Other miscellaneous contributions and income	<u>47,407</u>	<u>53,566</u>
Total revenues and other support	<u>344,081</u>	<u>568,909</u>
<b>Expenses:</b>		
Program	256,376	384,204
Management and general	96,548	95,887
Fundraising	<u>59,617</u>	<u>61,370</u>
Total expenses	<u>412,541</u>	<u>541,461</u>
Increase (decrease) in net assets without donor restrictions	(68,460)	27,448
Net assets without donor restrictions at beginning of year	<u>680,346</u>	<u>652,898</u>
Net assets without donor restrictions at end of year	<u>\$ 611,886</u>	<u>\$ 680,346</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ <u>(68,460)</u>	\$ <u>27,448</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,525	1,400
Decrease in operating assets:		
Accounts receivable	14,175	22,125
Prepaid expenses	14	14
Increase (decrease) in operating liabilities:		
Accounts payable	(10,142)	8,828
Accrued compensation and benefits	4,052	1,183
Deferred revenue	<u>(325)</u>	<u>(675)</u>
Total adjustments	<u>9,299</u>	<u>32,875</u>
Net cash provided (used) by operating activities	(59,161)	60,323
<b>Cash flows used by investing activities -</b>		
Purchases of furniture and equipment	(624)	(179)
<b>Cash flows from financing activities -</b>		
Proceeds from note payable	<u>47,200</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(12,585)	60,144
Cash and cash equivalents at beginning of year	<u>637,900</u>	<u>577,756</u>
Cash and cash equivalents at end of year	\$ <u>625,315</u>	\$ <u>637,900</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Statement of Functional Expenses

Year ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Leadership Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Special events - Alumni Engagement Events	\$ <u>8,542</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,542</u>
Employee compensation:				
Salaries and wages	115,808	38,603	38,603	193,014
Employee benefits	20,150	6,717	6,717	33,584
Payroll taxes	<u>9,930</u>	<u>3,310</u>	<u>3,310</u>	<u>16,550</u>
Total compensation expenses	145,888	48,630	48,630	243,148
Program costs	74,113	-	-	74,113
Development/stewardship	-	-	2,429	2,429
Office supplies	206	617	-	823
Website	1,231	3,693	1,231	6,155
Telephone	844	3,938	844	5,626
Postage	476	-	476	952
Taxes, licenses and fees	-	3,558	-	3,558
Legal and professional	-	15,952	-	15,952
Rent	10,663	14,337	-	25,000
Insurance - general	4,053	1,351	1,351	6,755
Dues and subscriptions	112	448	-	560
Meals and entertainment	-	-	3,907	3,907
Transportation	9,660	-	-	9,660
Depreciation	-	1,525	-	1,525
Miscellaneous	588	572	572	1,732
Travel	-	177	177	354
Equipment rental	<u>-</u>	<u>1,750</u>	<u>-</u>	<u>1,750</u>
Total	\$ <u>256,376</u>	\$ <u>96,548</u>	\$ <u>59,617</u>	\$ <u>412,541</u>

See accompanying notes to the financial statements.



# LEADERSHIP MUSIC

## Statement of Functional Expenses

Year ended June 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Leadership Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Special events - Alumni Engagement Events	\$ <u>98,434</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>98,434</u>
Employee compensation:				
Salaries and wages	123,169	41,056	41,056	205,281
Employee benefits	18,809	6,269	6,269	31,347
Payroll taxes	<u>10,472</u>	<u>3,491</u>	<u>3,491</u>	<u>17,454</u>
Total compensation expenses	152,450	50,816	50,816	254,082
Program costs	101,481	-	-	101,481
Development/stewardship	-	-	2,568	2,568
Office supplies	384	676	-	1,060
Website	1,295	3,886	1,295	6,476
Telephone	886	4,136	886	5,908
Postage	362	-	362	724
Taxes, licenses and fees	-	4,064	-	4,064
Legal and professional	-	14,325	-	14,325
Rent	10,663	14,337	-	25,000
Insurance - general	3,971	1,324	1,324	6,619
Dues and subscriptions	140	560	-	700
Meals and entertainment	-	-	3,756	3,756
Transportation	14,138	-	-	14,138
Depreciation	-	1,400	-	1,400
Travel	<u>-</u>	<u>363</u>	<u>363</u>	<u>726</u>
Total	\$ <u>384,204</u>	\$ <u>95,887</u>	\$ <u>61,370</u>	\$ <u>541,461</u>

See accompanying notes to the financial statements.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

(1) Nature of operations

Leadership Music (the "Organization") is a nonprofit corporation, organized in the State of Tennessee in 1989. Its mission is to cultivate a forward-thinking community of leaders who impact the creative industry. 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) Recently adopted accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* which was codified in the FASB Accounting Standards Codification ("ASC") as Topic 606 ("ASC 606"). The guidance eliminated the transaction and industry-specific revenue recognition guidance under current accounting principles generally accepted in the United States of America ("GAAP") and replaced it with a principles-based approach. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five-step model defined by ASC 606 requires the Organization to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASC 606 additionally enhances the required disclosures surrounding the nature, amount, timing and uncertainty of revenues and the associated cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract.

The Organization adopted this guidance on July 1, 2019, using the modified retrospective method. There was no cumulative effect adjustment to the opening balance of net assets, as the adoption did not result in a change to the Organization's revenue recognition.

## LEADERSHIP MUSIC

### Notes to the Financial Statements

June 30, 2020 and 2019

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted this guidance on July 1, 2019, using the modified prospective method. The adoption did not result in a material change to the financial statements.

(b) 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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - 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. Other donor restrictions are perpetual in nature, where the donor stipulates the resources be maintained permanently. 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.

(c) 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.

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 mandatory 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 twelve hours each. The participants make on-site visits around the community, focusing on such subjects as songwriting/publishing, media, artist, production, record company, and live music. They also hear from numerous speakers and participate in hands-on exercises.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

(d) 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.

(e) Accounts receivable

Accounts receivable arise primarily from sponsorships of events or donations. 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, 2020 and 2019.

(f) 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.

(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, 2020 and 2019, 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.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

(h) Contributions

Contributions received are classified as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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) Revenue recognition

The Organization recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization's exchange related transactions primarily consist of fees for program tuition and alumni dues. The performance obligations for these services are to provide education programming to the participants and membership benefits to its members. These obligations generally are met over time within the Organization's fiscal year.

The Organization also conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event. The Organization allocates the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

(j) 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.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

(k) Use of estimates

The preparation of financial statements in conformity with GAAP 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.

(l) 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.

(m) Events occurring after reporting date

Management of the Organization has evaluated events and transactions that occurred between June 30, 2020 and October 29, 2020, 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

A number of Alumni Engagement Events were held during fiscal years 2020 and 2019 with the intention of engaging interest of the Organization's alumni. Revenue was generated by ticket sales and from food sponsors.

The 30th Anniversary Celebration was held during fiscal year 2019 to celebrate the anniversary of the Organization. Revenue was generated from sponsor payments and ticket sales.

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

Revenue and expense from these events are summarized below:

	<u>2020</u>		
	<u>Grammy Event</u>		
Revenue		\$ 9,930	
Expense		<u>8,542</u>	
Net		<u>\$ 1,388</u>	
	<u>2019</u>		
	<u>30th Anniversary Event</u>	<u>Grammy Event</u>	<u>Total</u>
Revenue	\$ 113,110	\$ 6,925	\$ 120,035
Expense	<u>91,912</u>	<u>6,522</u>	<u>98,434</u>
Net	<u>\$ 21,198</u>	<u>\$ 403</u>	<u>\$ 21,601</u>

### (5) In-kind contributions

The Organization received in-kind contributed goods and services during fiscal years 2020 and 2019 meeting the requirements for recognition consisting of the following:

	<u>2020</u>	<u>2019</u>
Program food, venue, and transportation	\$ 25,100	\$ 27,790
Rent	25,000	25,000
Legal and professional	7,200	7,200
Other - party and events	<u>-</u>	<u>6,250</u>
	<u>\$ 57,300</u>	<u>\$ 66,240</u>

# LEADERSHIP MUSIC

## Notes to the Financial Statements

June 30, 2020 and 2019

(6) Note payable

During 2020, the Organization was granted a loan from a bank in the amount of \$47,200 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period established by the CARES Act.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The principal amount of the Loan is expected to be fully forgiven under the provisions of the CARES Act during 2021; however, the Organization will make monthly payments beginning in November 2021 through April 2022 unless forgiveness is received.

(7) 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 \$3,264 and \$3,701 during 2020 and 2019, respectively.

(8) Liquidity and availability

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. At June 30, 2020 and June 30, 2019, the Organization has cash of \$625,315 and \$637,900, respectively, and accounts receivable of \$42,750 and \$56,925, respectively, available to meet its obligations within one-year of the financial statements for the respective years.

(9) Subsequent event

During September of 2020, the Organization received a grant of \$95,000 through the Tennessee Community CARES Program. The grant will reimburse the Organization for eligible expenses in response to the (COVID-19) pandemic beginning in July 2020.



## **LEADERSHIP MUSIC**

### **Notes to the Financial Statements**

**June 30, 2020 and 2019**

**(10) Current economic conditions**

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an infectious disease COVID-19 outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, the Organization has experienced a decrease in donations and postponement or cancellation of certain program activities. Management is closely monitoring the situation and developing strategies designed to mitigate negative impacts.