

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

FINANCIAL STATEMENTS

OCTOBER 31, 2019

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, 2019, 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

June 30, 2020

FINANCIAL STATEMENTS

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Financial Position

October 31, 2019

Assets

Current assets:

Cash	\$	94,567
Accounts receivable		5,763
Other assets		99
Total current assets		<u>100,429</u>

Property and equipment at cost:

Equipment		145,380
Less: accumulated depreciation		<u>(111,177)</u>
Net property and equipment		<u>34,203</u>

Total assets	\$	<u>134,632</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	6,157
Deferred revenues		3,412
Current portion of note from related party		<u>5,000</u>
Total current liabilities		<u>14,569</u>

Long-term liabilities:

Non-current portion of note from related party		<u>5,000</u>
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Total liabilities:		<u>19,569</u>
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Net Assets:

Without donor restrictions		<u>115,063</u>
Total net assets		<u>115,063</u>

Total liabilities and net assets	\$	<u>134,632</u>
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MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Activities

For the year ended October 31, 2019

Support and Revenue Without Donor Restrictions:

Membership dues	\$	515,040
Performance fees		45,196
Registration and audition fees		92,498
Contributions		22,114
Fundraisers, less expenses of \$48,201		33,098
Souvenir sales, less expenses of \$56,789		13,393
In-kind donations		14,455
Total Support and Revenue Without Donor Restrictions:		<u>735,794</u>

Other Revenue Without Donor Restrictions

Equipment sales		<u>5,549</u>
Total other revenue Without Donor Restrictions		<u>5,549</u>

Total Support and Revenue

741,343

Expenses:

Program services		759,464
Management and general		<u>6,513</u>
Total expenses		<u>765,977</u>

Increase (decrease) in net assets

(24,634)

Beginning of year net assets

139,697

End of year net assets

\$ 115,063

MUSIC CITY YOUTH IN THE ARTS, INC.

Statement of Functional Expenses

For the year ended October 31, 2019

	Program Services	Management and General	Total
Salaries and wages	30,835	-	30,835
Payroll taxes	2,734	-	2,734
Transportation	241,869	-	241,869
Housing	25,361	-	25,361
Performance and production costs	138,453	-	138,453
Food	49,515	-	49,515
Professional services	9,043	1,895	10,938
Contract services	163,769	-	163,769
Insurance	11,853	-	11,853
Office expense	10,524	1,847	12,371
Travel expenses	39,532	2,000	41,532
Depreciation	23,804	-	23,804
In-kind expenses - occupancy	12,000	-	12,000
Miscellaneous	172	771	943
Total expenses	759,464	6,513	765,977

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, 2019

Cash flows from operating activities:	
Contributions received	\$ 22,114
Service revenue	698,823
Other income	5,549
Cash paid for:	
Salaries and related expenses	(33,569)
Program and support services	(685,468)
Net cash provided by operating activities	<u>7,449</u>
Cash flows used by investing activities	
Repayment of note- related party	(5,000)
Purchase of property and equipment	0
Net cash flows used by investing activities	<u>(5,000)</u>
Net increase in cash and cash equivalents	<u>2,449</u>
Cash and cash equivalents at beginning of year	92,118
Cash and cash equivalents at end of year	\$ <u><u>94,567</u></u>

Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities

Increase (decrease) in net assets	\$ (24,634)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	23,804
Changes in assets (increase) decrease:	
Accounts receivable	(402)
Other assets	(99)
Changes in liabilities increase (decrease):	
Accounts payable	5,368
Deferred revenues	3,412
Net cash provided by operating activities	\$ <u><u>7,449</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, 2019

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, 2019

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.

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, 2019

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 11/1/18	Addition	Retirement	Balance 10/31/19
Furniture and equipment	189,434	-	44,054	145,380
Total	189,434			145,380
Less: Accumulated depreciation	(131,427)			(111,177)
Net assets	\$ 58,007			34,203

During the year the Organization wrote off old equipment in the amount of \$44,054, these items were fully depreciated.

Depreciation expense for the year ended October 31, 2019 was \$ 23,804.

3. AVAILABILITY AND LIQUIDITY

The following represents the financial assets at October 31, 2019:

Financial assets at year end:

Cash	\$94,567
Accounts receivable	\$ 5,763
Total	\$100,330
Less amounts not available to be used within one year:	None
Financial assets available to meet general expenditures over the next twelve months:	\$100,330

The Organization's goal is to maintain financial assets to meet its operating expenses. As part of its liquidity plan, there are cash balances of \$94,567.

MUSIC CITY YOUTH IN THE ARTS, INC.

Notes to the Financial Statements

October 31, 2019

4. 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.

5. SUBSEQUENT EVENTS

Thru June 30, 2020 (the date of this report), there are no material subsequent events that should be reported.