

**LEADERSHIP MUSIC**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**June 30, 2008 and 2007**

# **LEADERSHIP MUSIC**

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592, FAX 615-383-7094

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Leadership Music  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Leadership Music (a nonprofit Organization) as of June 30, 2008 and 2007 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, 2008 and 2007, 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*

March 2, 2009

**LEADERSHIP MUSIC**  
**STATEMENTS OF FINANCIAL POSITION**  
**For the years ended June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 205,675	\$ 310,192
Accounts receivable	65,020	31,068
Certificates of deposit	220,425	211,170
Prepaid expenses	4,471	-
Total current assets	495,591	552,430
Furniture and equipment, net of accumulated depreciation of \$6,218 and \$4,731	5,293	2,222
Total assets	<u>\$ 500,884</u>	<u>\$ 554,652</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 20,010	\$ 20,019
Deferred revenue	50	11,500
Total current liabilities	20,060	31,519
Unrestricted net assets	480,824	523,133
Total liabilities and net assets	<u>\$ 500,884</u>	<u>\$ 554,652</u>

See accompanying notes.

**LEADERSHIP MUSIC**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Revenue and other support:		
Special events	\$ 360,891	\$ 302,270
Contributions	216,489	202,640
Program tuition fees	23,500	21,750
Interest	20,673	23,059
Alumni dues	16,450	20,500
Other	<u>16,437</u>	<u>14,076</u>
Total revenue and other support	<u>654,440</u>	<u>584,295</u>
Expenses:		
Program	316,621	232,536
Fundraising	300,382	206,999
Management and general	<u>79,746</u>	<u>72,059</u>
Total expenses	<u>696,749</u>	<u>511,594</u>
Change in unrestricted net assets	(42,309)	72,700
Unrestricted net assets, beginning of year	<u>523,132</u>	<u>450,432</u>
Unrestricted net assets, end of year	<u><u>\$ 480,824</u></u>	<u><u>\$ 523,132</u></u>

See accompanying notes.

**LEADERSHIP MUSIC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2008**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Special event - Dale Franklin				
Leadership Award Dinner	\$ -	\$ 181,745	\$ -	\$ 181,745
Salaries	102,333	34,111	34,111	170,555
Special event - Digital Summit	65,720	21,907	-	87,627
Program costs	82,701	-	-	82,701
Rent	18,720	6,240	6,240	31,200
Special event - yard sale	-	23,256	-	23,256
Legal and professional fees	-	-	16,372	16,372
Employee benefits	9,689	3,230	3,230	16,149
Miscellaneous expense	-	7,004	8,123	15,127
Taxes - payroll	7,606	2,535	2,535	12,676
Program facilitator	10,000	-	-	10,000
Transportation	7,959	-	-	7,959
Website	1,535	6,139	-	7,674
Office supplies	1,502	1,502	3,005	6,009
Meals and entertainment	-	4,484	-	4,484
Printing	3,121	1,040	-	4,161
Bank charges-special events	-	3,665	-	3,665
Telephone	715	-	2,860	3,575
Insurance	1,832	611	611	3,054
Dues and subscriptions	500	1,999	-	2,499
Postage	1,134	378	-	1,512
Depreciation	-	-	1,487	1,487
Bank charges	1,042	-	184	1,226
Travel-mileage	268	536	268	1,072
Equipment rental	-	-	384	384
Taxes and fees	-	-	336	336
Special event - other	244	-	-	244
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 316,621</u>	<u>\$ 300,382</u>	<u>\$ 79,746</u>	<u>\$ 696,749</u>

See accompanying notes.

**LEADERSHIP MUSIC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2007**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</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	59,207	-	-	59,207
Special event - Digital Summit	37,529	12,510	-	50,039
Special event - Golf Classic	-	28,407	-	28,407
Rent	16,200	5,400	5,400	27,000
Special event - yard sale	-	26,186	-	26,186
Miscellaneous expense	-	10,064	10,063	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	1,075	2,149	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	524	262	1,048
Taxes and fees	-	-	421	421
Equipment rental	-	-	357	357
Total expenses	<u>\$ 232,536</u>	<u>\$ 206,999</u>	<u>\$ 72,059</u>	<u>\$ 511,594</u>

See accompanying notes.

**LEADERSHIP MUSIC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Change in net assets	\$ (42,309)	\$ 72,701
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,487	1,324
Changes in operating assets and liabilities:		
Accounts receivable	(33,952)	4,782
Prepaid expenses	(4,471)	-
Accounts payable and accrued expenses	(9)	9,223
Deferred revenue	(11,450)	(7,000)
Net cash (used in) provided by operating activities	<u>(90,704)</u>	<u>81,030</u>
Cash flows from investing activities:		
Purchases of certificates of deposit, net	(9,255)	(11,170)
Purchases of furniture and equipment	(4,558)	(1,863)
Net cash used in investing activities	<u>(13,813)</u>	<u>(13,033)</u>
Net (decrease) increase in cash and cash equivalents	(104,517)	67,997
Cash and cash equivalents, beginning of year	<u>310,192</u>	<u>242,195</u>
Cash and cash equivalents, end of year	<u>\$ 205,675</u>	<u>\$ 310,192</u>

See accompanying notes.



**LEADERSHIP MUSIC**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**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. 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 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, 2008 and 2007.

**Program Activities**

The defining elements of the Organization’s 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, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Program Activities (Continued)**

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 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 Statement of Financial Accounting Standards ("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, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions (Continued)**

Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

**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 statements 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, 2008 and 2007 consists primarily of prepaid 2009 and 2008 program tuition fees, respectively.

**LEADERSHIP MUSIC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassifications**

Certain reclassifications have been made to 2007 balances to conform with 2008 presentation.

**NOTE 2 – CERTIFICATES OF DEPOSIT**

Certificates of deposit consist of the following at June 30, 2008 and 2007:

Certificate of deposit (1.93%, matures May 2009)	\$ 79,011
Certificate of deposit (2.96%, matures October 2008)	61,289
Certificate of deposit (4.17%, matures July 2008)	60,125
Certificate of deposit (3.34%, matures September 2008)	<u>20,000</u>
	<u>\$ 220,425</u>

**NOTE 3 – SPECIAL EVENTS**

The Organization conducted significant fundraising events during fiscal 2008 and 2007. A description of these events is as follows:

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

The 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.

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

The Golf Classic is conducted to raise funds to support the Organization. The Golf Classic was not held in 2008.

Revenue and expense from these events is summarized below.

	<u>2008</u>				
	<u>Dale Franklin Leadership Dinner</u>	<u>Digital Summit</u>	<u>Yard Sale</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 210,096	\$ 109,112	\$ 41,683	\$ -	\$ 360,891
Expense	<u>181,745</u>	<u>87,627</u>	<u>23,256</u>	<u>244</u>	<u>292,872</u>
Net	<u>\$ 28,351</u>	<u>\$ 21,485</u>	<u>\$ 18,427</u>	<u>\$ (244)</u>	<u>\$ 68,019</u>

**LEADERSHIP MUSIC**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008 and 2007**

**NOTE 3 – SPECIAL EVENTS (Continued)**

	<u>2007</u>					
	Dale Franklin Leadership Dinner	Digital Summit	Yard Sale	Golf Classic	Other	Total
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>

**NOTE 4 – IN-KIND CONTRIBUTIONS**

The Organization received in-kind contributed goods and services during fiscal 2008 and 2007 meeting the requirements for recognition consisting of the following:

	<u>2008</u>	<u>2007</u>
Program contributions	\$ 44,754	\$ 31,180
Special event expense – Digital Summit	38,940	11,540
Rent	31,200	27,000
Special event expense – Dale Franklin Leadership Award Dinner	21,197	9,539
Legal and professional	10,000	12,000
Other	3,000	6,200
Special event expense – yard sale	1,200	9,950
Special event expense – Golf Classic	<u>-</u>	<u>3,820</u>
	<u>\$ 150,291</u>	<u>\$ 111,229</u>