

COMMUNITY MUSIC CENTER OF BOSTON

FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

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R. J. GOLD & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Music Center of Boston
Boston, Massachusetts

We have audited the accompanying statement of financial position of Community Music Center of Boston (the "Music Center" a nonprofit Massachusetts corporation) as of June 30, 2011, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Music Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Music Center's 2010 financial statements, and in our report dated September 28, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 that our audit provides 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 Community Music Center of Boston as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RJ Gold & Company, P.C.

Burlington, MA
September 22, 2011

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COMMUNITY MUSIC CENTER OF BOSTON
STATEMENT OF FINANCIAL POSITION

June 30, 2011

(With Comparative Totals for June 30, 2010)

ASSETS

	Unrestricted			Total	Temporarily Restricted	Permanently Restricted Endowment		
	Undesignated	Board Designated					2011	2010
CURRENT ASSETS								
Cash	\$ 228,682	\$ -	\$ 228,682	\$ 62,450	\$ 4,000	\$ 295,132	\$ 316,096	
Investments	1,326	1,716,020	1,717,346	74,764	390,565	2,182,675	1,662,439	
Accounts receivable	127,318	-	127,318	-	-	127,318	122,175	
Grants and gifts receivable	2,440	-	2,440	236,334	4,786	243,560	124,725	
Prepaid expenses	1,345	-	1,345	-	-	1,345	-	
Due to / from interfund transfers	(100,214)	-	(100,214)	100,000	214	-	-	
TOTAL CURRENT ASSETS	260,897	1,716,020	1,976,917	473,548	399,565	2,850,030	2,225,435	
PROPERTY AND EQUIPMENT, at cost								
Leasehold improvements	741,233	-	741,233	-	-	741,233	728,683	
Furniture, fixtures and instruments	433,323	-	433,323	-	-	433,323	418,151	
	1,174,556	-	1,174,556	-	-	1,174,556	1,146,834	
Less accumulated depreciation	761,086	-	761,086	-	-	761,086	722,045	
	413,470	-	413,470	-	-	413,470	424,789	
TOTAL ASSETS	\$ 674,367	\$ 1,716,020	\$ 2,390,387	\$ 473,548	\$ 399,565	\$ 3,263,500	\$ 2,650,224	

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF FINANCIAL POSITION (continued)

June 30, 2011

(With Comparative Totals for June 30, 2010)

LIABILITIES AND NET ASSETS

	Unrestricted			Temporarily Restricted	Permanently Restricted Endowment		
	Undesignated	Board Designated	Total			2011	2010
LIABILITIES							
Accounts payable and accrued expenses	\$ 17,262	\$ -	\$ 17,262	\$ -	\$ -	\$ 17,262	\$ 20,166
Deferred income	-	-	-	-	-	-	12,518
TOTAL LIABILITIES	17,262	-	17,262	-	-	17,262	32,684
NET ASSETS	657,105	1,716,020	2,373,125	473,548	399,565	3,246,238	2,617,540
TOTAL LIABILITIES AND NET ASSETS	\$ 674,367	\$ 1,716,020	\$ 2,390,387	\$ 473,548	\$ 399,565	\$ 3,263,500	\$ 2,650,224

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment		
	Undesignated Unrestricted	Board Designated Unrestricted				2011	2010
REVENUE, GAINS, AND OTHER SUPPORT							
Public support							
Contributions and grants	\$ 885,934	-	\$ 885,934	\$ 343,696	\$ 66,488	\$ 1,296,118	\$ 1,083,505
Donated materials and services	4,249	-	4,249	-	-	4,249	30,839
	<u>890,183</u>	<u>-</u>	<u>890,183</u>	<u>343,696</u>	<u>66,488</u>	<u>1,300,367</u>	<u>1,114,344</u>
Investment and earned income							
Tuition	734,866	-	734,866	-	-	734,866	722,471
Contracts	355,585	-	355,585	-	-	355,585	361,946
Net investment income	2,117	41,817	43,934	14,074	-	58,008	44,796
Unrealized gain (loss) on investments	-	118,088	118,088	26,203	-	144,291	74,192
Realized gain (loss) on investments	-	97,089	97,089	18,675	-	115,764	37,150
Other	6,609	-	6,609	-	-	6,609	4,138
	<u>1,099,177</u>	<u>256,994</u>	<u>1,356,171</u>	<u>58,952</u>	<u>-</u>	<u>1,415,123</u>	<u>1,244,693</u>
TOTAL PUBLIC SUPPORT AND REVENUE	1,989,360	256,994	2,246,354	402,648	66,488	2,715,490	2,359,037
NET ASSETS RELEASED FROM RESTRICTION	337,649	-	337,649	(337,649)	-	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	2,327,009	256,994	2,584,003	64,999	66,488	2,715,490	2,359,037

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (continued)

For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment		
	Undesignated Unrestricted	Board Designated Unrestricted				2011	2010
EXPENSES							
Program services							
General music	1,061,079	-	1,061,079	-	-	1,061,079	980,762
Schools outreach	365,749	-	365,749	-	-	365,749	321,602
Music therapy	143,743	-	143,743	-	-	143,743	132,006
	<u>1,570,571</u>	<u>-</u>	<u>1,570,571</u>	<u>-</u>	<u>-</u>	<u>1,570,571</u>	<u>1,434,370</u>
Supporting services							
Administrative	389,848	618	390,466	-	-	390,466	398,231
Development	125,755	-	125,755	-	-	125,755	112,633
	<u>515,603</u>	<u>618</u>	<u>516,221</u>	<u>-</u>	<u>-</u>	<u>516,221</u>	<u>510,864</u>
TOTAL EXPENSES	<u>2,086,174</u>	<u>618</u>	<u>2,086,792</u>	<u>-</u>	<u>-</u>	<u>2,086,792</u>	<u>1,945,235</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	240,835	256,376	497,211	64,999	66,488	628,698	413,802
TRANSFER OF NET ASSETS IN ACCORDANCE WITH THE INVESTMENT RETURN POLICY	15,402	-	15,402	(15,402)	-	-	-
TRANSFER TO BOARD DESIGNATED NET ASSETS	(178,394)	178,394	-	-	-	-	-
CHANGE IN NET ASSETS	<u>77,843</u>	<u>434,770</u>	<u>512,613</u>	<u>49,597</u>	<u>66,488</u>	<u>628,698</u>	<u>413,802</u>
NET ASSETS, BEGINNING OF YEAR	579,262	1,281,250	1,860,512	423,951	333,077	2,617,540	2,203,738
NET ASSETS, END OF YEAR	<u>\$ 657,105</u>	<u>\$ 1,716,020</u>	<u>\$ 2,373,125</u>	<u>\$ 473,548</u>	<u>\$ 399,565</u>	<u>\$ 3,246,238</u>	<u>\$ 2,617,540</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 628,698	\$ 413,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,041	33,403
Unrealized (gains) losses on investments	(144,291)	(74,192)
Realized gains on investments	(115,764)	(37,150)
(Increase) decrease in assets:		
Accounts receivable	(5,143)	(23,561)
Grants and gifts receivable	(118,835)	34,762
Prepaid expenses	(1,345)	1,580
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,903)	944
Deferred income	(12,518)	12,518
CASH PROVIDED BY OPERATING ACTIVITIES	266,940	362,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(27,722)	(7,593)
Purchase of investments	(1,176,618)	(385,674)
Sale of investments	916,436	264,704
CASH USED FOR INVESTING ACTIVITIES	(287,904)	(128,563)
NET INCREASE (DECREASE) IN CASH	(20,964)	233,543
CASH AT BEGINNING OF YEAR	316,096	82,553
CASH AT END OF YEAR	\$ 295,132	\$ 316,096

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Community Music Center of Boston (the "Music Center") is presented to assist in understanding the Music Center's financial statements. The financial statements and notes are representations of the Music Center's management, which is responsible for their integrity and objectivity.

Organization and Purpose

The Music Center is a not-for-profit organization established under the laws of the Commonwealth of Massachusetts, providing instruction mainly in music, the visual arts and related subjects to persons in Boston and vicinity without regard to financial means or age of such persons.

Basis of Accounting

The accompanying financial statements of the Music Center have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP"). The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Music Center's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Basis of Presentation and Net Asset Classifications

The Music Center has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205 for Financial Statements of Not-For-Profit Organizations issued by FASB for presentation of its financial statements, formerly known as Statement of Financial Accounting Standards ("SFAS") No. 117. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

The Music Center presents net assets in accordance with ASC 958-205, Endowments of Not-for-Profit Organizations Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds. ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosure about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Net Asset Classifications (continued)

The Music Center is governed subject to an investment policy and contributions received are subject to the terms of that policy. Under the terms of the investment policy, the Music Center has the ability to distribute so much of the income of any trust, separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. In accordance with UPMIFA, the Music Center considers the following factors in managing funds, investing funds and making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions
- (2) The possible effect of inflation and deflation
- (3) The expected tax consequences, if any, of investment decisions or strategies
- (4) The role that each investment or course of action plays within the overall investment portfolio of the fund
- (5) The expected total return for income and the appreciation of investments
- (6) Other resources of the Music Center
- (7) The needs of the Music Center and the fund to make distributions and preserve capital
- (8) An asset's special relationship or special value, if any, to the charitable purpose of the Music Center
- (9) The investment policy of the Music Center.

As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions subject to the investment policy, and subject to UPMIFA, are classified as temporarily restricted net assets until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted. If the corpus never becomes available for spending, it will be reported as permanently restricted. In addition, unrestricted contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due, unless the corpus will never be available for spending.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Investment and Spending Policies

The Music Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Music Center's spending and investment policies work together to achieve this objective. The investment policy establishes a targeted return objective through diversification of asset classes. The current long-term objective is to target an 8% nominal return (5% real return). Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Music Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Music Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money actually distributed from the Music Center's various endowed funds for scholarships, organizational support and specific programs. The current spending policy is to distribute not greater than 5% of a moving six quarters average of the fair market value of the endowed investments. Accordingly, over the long-term, the Music Center expects its current spending policy to allow its endowment assets to grow. This is consistent with the Music Center's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of statement of cash flows, the Music Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Music Center follows ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations, formerly known as SFAS No. 124. Under ASC 958-320, investments in marketable

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

securities with readily determinable fair values and all investment in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Fair Value of Financial Instruments

The Music Center has adopted ASC 820, Fair Value Measurements, formerly known as SFAS No. 157. The statement requires that the Music Center measure its financial instruments at fair market value. Fair market value standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs to determine value. Fair value standards also require the Music Center to classify its financial instruments into a three level hierarchy, based on the priority of inputs to valuation technique, as follows:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. The types of instruments included in Level 1 include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans and public company equity securities with legal restrictions.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies and interests in other investment partnerships.

In some instances, the inputs that are used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For more information on the fair value of the Music Center's financial instruments, see Note C - Fair Value Measurements.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Income and gains earned where the restrictions have not yet been met are recorded as increases to temporarily restricted net assets until such time that the time or purpose restriction has been met or accomplished.

Accounts Receivable

Uncollectible accounts receivables are charged to the allowance for doubtful accounts based upon a periodic review of the accounts. All accounts are unsecured and do not bear interest. Uncollectible receivables are charged off when there is no likelihood that the receivable will be collected.

Property and Equipment

The Music Center capitalizes all expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	15 years
Furniture and equipment	5 years
Instruments	5 years

Property and equipment of the Music Center are evaluated for possible impairment in accordance with ASC 360-10 and 360-20, Accounting for the Impairment or Disposal of Long Lived Assets, formerly known as SFAS No. 144, required whenever events or circumstances indicate that the assets' undiscounted expected future cash flows are not sufficient to recover their carrying amounts. If the carrying amount exceeds the expected future cash flows, the Music Center measures the amount of impairment by comparing the asset to its fair value.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Music Center to review its plans for future property improvements, acquisitions, future program services, and events from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements, acquisitions, services, and events.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Income

Income from service contracts from outreach programs is deferred and recognized in the period to which it relates, when applicable.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$7,235 and \$10,149 for the years ended June 30, 2011 and 2010, respectively.

Contributed Support

The Music Center has adopted ASC 958-605 required for Accounting for Contributions Received and Contributions Made, formerly known as SFAS No. 116, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Contributions that are restricted or temporarily restricted by the donor are reported as increases in unrestricted net assets if the restriction expired in the fiscal year in which the contributions are recognized.

Contributions of donated non-cash assets are recorded at fair market value on the date the property is received. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received.

Accounting for Uncertain Tax Positions

The Music Center has adopted ASC 740-10 in applying Accounting for Uncertainty in Income Taxes, formerly known as FASB Interpretation No. 48. The Music Center accounts for the effect of any uncertain tax positions in the financial statements based on a "more likely than not" basis, such that current or deferred tax assets or liabilities are immediately recognized when the related uncertain tax position is taken or expected to be taken. Any changes in uncertain tax positions are recorded in the period the outcome becomes known.

Management has evaluated significant tax positions against the criteria established by professional standards and believes that there are no such positions requiring accounting recognition as of June 30, 2011. The Music Center believes that its tax-exempt status would more likely than not be sustained under examination. The Music Center's tax returns that have been filed and are subject to examination are for the years ended June 30, 2010, 2009, and 2008.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial instruments that potentially subject the Music Center to concentrations of credit risk consist of cash, cash equivalents, and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to a lack of concentration in its client base and the diverse composition and size of clientele comprising the Music Center's accounts receivable. The carrying amounts of certain financial instruments including cash, cash equivalents, marketable securities, accounts receivable, and payables approximate fair value as of June 30, 2011 and 2010 because of the relatively short maturity of these instruments.

Concentrations of Credit Risk Arising from Cash Deposits In Excess of Insured Limits

The Music Center maintains its cash balances in one financial institution located in Boston, Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. For the years ended June 30, 2011 and 2010, amounts exceeding the insured limits are \$43,864 and \$61,495, respectively.

NOTE B - INVESTMENTS

Investments as of June 30, 2011 and 2010 are as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 10,100	\$ 10,325	\$ -	\$ -
Exchange traded funds	767,721	830,076	68,544	71,118
Mutual funds	966,512	1,251,926	826,894	992,686
U.S. government obligations	89,022	89,022	556,539	597,309
Other	-	1,326	-	1,326
	<u>\$ 1,833,355</u>	<u>\$ 2,182,675</u>	<u>\$ 1,451,977</u>	<u>\$ 1,662,439</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair values for common stocks, mutual funds and U.S. government obligations are determined by reference to quoted market prices and other relevant information generated by market transactions.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE C – FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at of June 30, 2011 and 2010 are as follows:

<u>June 30, 2011</u>	<u>Fair Value</u>	<u>Prices in Active Markets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Common stocks	\$ 10,325	\$ 10,325	\$ -	\$ -
Exchange traded funds	830,076	830,076	-	-
Mutual funds	1,251,926	1,251,926	-	-
U.S. government obligations	89,022	89,022	-	-
Other	<u>1,326</u>	<u>-</u>	<u>-</u>	<u>1,326</u>
	<u>\$ 2,182,675</u>	<u>\$ 2,181,349</u>	<u>\$ -</u>	<u>\$ 1,326</u>

<u>June 30, 2010</u>	<u>Fair Value</u>	<u>Prices in Active Markets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Common stocks	\$ -	\$ -	\$ -	\$ -
Exchange traded funds	71,118	71,118	-	-
Mutual funds	992,686	992,686	-	-
U.S. government obligations	597,309	597,309	-	-
Other	<u>1,326</u>	<u>-</u>	<u>-</u>	<u>1,326</u>
	<u>\$ 1,662,439</u>	<u>\$ 1,661,113</u>	<u>\$ -</u>	<u>\$ 1,326</u>

NOTE D – GRANTS AND GIFTS RECEIVABLE

Unconditional promises to give are included in the financial statements as grants receivable and revenue of the appropriate net asset category.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE D – GRANTS AND GIFTS RECEIVABLE (continued)

Unconditional promises to give are expected to be realized in the following periods:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
In one year or less	\$ 2,440	\$ 136,334	\$ 4,786	\$ 143,560
Between one and five years	-	100,000	-	100,000
More than five years	-	-	-	-
Gross unconditional promises to give	2,440	236,334	4,786	243,560
Less: unamortized discount	-	-	-	-
Net unconditional promises to give	<u>\$ 2,440</u>	<u>\$ 236,334</u>	<u>\$ 4,786</u>	<u>\$ 243,560</u>

Conditional installment intentions have not been recorded by the Music Center from individual donors as of June 30, 2011. The conditions were self-imposed by each donor and based on their future ability to meet their intended hopes and expectations.

NOTE E - BOARD DESIGNATED NET ASSETS

As of June 30, 2011 and 2010, Board Designated net assets consisted of \$1,716,020 and \$1,281,250, respectively, in cash and marketable securities. Income from Board Designated net assets is reinvested and the Music Center may make internal loans from Board Designated assets to unrestricted assets to fund operating capital needs.

NOTE F - RESTRICTED NET ASSETS

Temporarily Restricted

Temporarily restricted net assets are available for facilities and academic programs and consist of:

	<u>2011</u>	<u>2010</u>
Organizational support	\$ 121,334	\$ 102,165
Music therapy	15,000	30,000
Schools in concert	200,000	100,000
Schools outreach	-	141,000
Capital improvements	62,450	-
Investment income restricted for future use	74,764	50,786
	<u>\$ 473,548</u>	<u>\$ 423,951</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE F - RESTRICTED NET ASSETS (continued)

Permanently Restricted

Permanently restricted net assets as of June 30, 2011 and 2010 consist of the following:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Jacob and Esther Gordon Scholarship Fund	\$ 50,000	\$ 61,483	\$ 50,000	\$ 54,986
L.I.S.Z. Foundation Scholarship Fund	123,000	147,999	99,000	111,134
Katherine C. Jones Scholarship Fund	28,558	33,777	28,560	30,066
John Kleshinski Memorial Fund	110,099	136,652	79,109	95,384
Marilla MacDill Fund	25,542	31,080	25,042	27,326
Ryan-Morrissey Fund	10,000	10,000	-	-
Miscellaneous other assets	<u>52,366</u>	<u>53,337</u>	<u>51,366</u>	<u>45,662</u>
	<u>\$ 399,565</u>	<u>\$ 474,328</u>	<u>\$ 333,077</u>	<u>\$ 364,558</u>

Endowment

The Music Center's endowment consists of funds established to support scholarships and specific programs, and to provide organizational support. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds designated by the Board to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Music Center has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless otherwise stated in the gift instrument. As a result of this interpretation, the Music Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment fund, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Music Center in a manner consistent with the standard of prudence prescribed by UPMIFA. At June 30, 2011, permanently restricted investments are reported at cost with unrealized gains reported as part of temporarily restricted investments in the amount of \$74,763.

COMMUNITY MUSIC CENTER OF BOSTON
 NOTES TO FINANCIAL STATEMENTS (continued)

 June 30, 2011

NOTE F - RESTRICTED NET ASSETS (continued)

Endowment (continued)

Endowment net asset composition by fund type as of June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 74,764	\$ 399,565	\$ 474,329
Board-designated funds	<u>1,716,020</u>	<u>-</u>	<u>-</u>	<u>1,716,020</u>
Total funds	<u>\$ 1,716,020</u>	<u>\$ 74,764</u>	<u>\$ 399,565</u>	<u>\$ 2,190,349</u>

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	<u>\$ 1,281,250</u>	<u>\$ 50,786</u>	<u>\$ 333,077</u>	<u>\$1,665,113</u>
Investment return:				
Investment income	41,817	14,072	-	55,889
Fees and charges	(618)	(266)	-	(884)
Gain from sale of investments	97,089	18,675	-	115,764
Realized gains (appreciation)	<u>118,088</u>	<u>26,203</u>	<u>-</u>	<u>144,291</u>
Total investment return	<u>256,376</u>	<u>58,684</u>	<u>-</u>	<u>315,060</u>
Contributions	-	(19,304)	66,488	47,184
Appropriations for expenditure	-	(15,402)	-	(15,402)
Transfer to/from unrestricted funds	<u>178,394</u>	<u>-</u>	<u>-</u>	<u>178,394</u>
Endowment assets, end of year	<u>\$ 1,716,020</u>	<u>\$ 74,764</u>	<u>\$ 399,565</u>	<u>\$ 2,190,349</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

NOTE G - OPERATING LEASES

The Music Center leases its facilities under an operating lease expiring in 2020 with an additional five year option effective July 1, 2020. Under this agreement the Music Center is obligated to pay a base, scheduled rent until June 30, 2015. Commencing with the lease year beginning July 1, 2015 the rent is subject to a fair market value adjustment for the following five years.

The future minimum commitment based on the maximum annual rent increase is as follows:

<u>Fiscal year ending June 30,</u>	
2012	\$ 78,600
2013	80,952
2014	83,388
2015	85,884
2016	88,675
Thereafter	<u>384,472</u>
	<u>\$ 801,971</u>

The amount of rent expense incurred for the years ended June 30, 2011 and 2010 amounted to \$78,600 and \$70,560, respectively.

NOTE H - EMPLOYEE BENEFITS PLAN

The Music Center maintains a 403(b) non-contributory employee retirement plan covering all eligible employees. Under the plan the employees are eligible to defer a portion of their salary before taxes to this retirement plan. There were no expenses incurred by the Music Center under this retirement plan.

NOTE I - EVALUATION OF SUBSEQUENT EVENTS

The Music Center has evaluated subsequent events occurring after the balance sheet date of June 30, 2011 through September 21, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COMMUNITY MUSIC CENTER OF BOSTON
SCHEDULE OF FUNCTIONAL ACTIVITIES

For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

	Program Services		Supporting Services		Total	
	General Music	Schools Outreach	Music Therapy	Administrative	Development	Total
REVENUE						
Public support	\$ 86,302	\$ 222,058	\$ 24,170	\$ 948,992	\$ 2,646	\$ 951,638
Investment and earned income	775,136	229,448	91,413	335,325	-	1,431,322
TOTAL REVENUE	861,438	451,506	115,583	1,284,317	2,646	2,715,490
EXPENSE						
Salaries	610,276	305,110	105,505	202,752	59,764	1,283,407
Employee benefits	43,365	17,951	6,559	17,930	3,880	89,685
Payroll taxes	56,431	23,875	8,682	14,108	5,426	108,522
	710,072	346,936	120,746	234,790	69,070	1,481,614
Advertising	1,920	250	100	4,965	-	7,235
Bank charges	-	-	-	12,166	-	12,166
Collaborations	3,250	225	-	-	-	3,475
Depreciation	14,445	10,151	7,808	3,514	3,123	39,041
Dues and subscriptions	-	-	705	3,465	-	4,170
Events	6,700	-	-	1,414	10,344	18,458
Instruments	4,191	1,152	-	-	-	5,343
Insurance	-	-	-	18,440	-	18,440
Library	1,131	-	-	-	400	1,531
Miscellaneous	473	-	-	1,486	-	1,959
Musicians - artists	8,860	300	-	-	300	9,460
Postage and mailing	2,894	392	-	4,961	909	9,156
Professional expenses	-	-	-	23,528	24,129	47,657
Printing and graphic design	8,164	-	500	6,484	14,286	20,770
Repairs and maintenance	4,263	-	119	4,382	-	48,163
Scholarships & tuition discounts	199,648	-	1,455	-	-	201,103
Rent and utilities	70,734	4,716	12,260	4,715	1,886	94,311
Supplies	8,031	667	50	15,974	1,308	26,030
Telephone	-	-	-	5,041	-	5,041
Transportation	16,303	960	-	1,360	-	18,623
TOTAL EXPENSE	1,061,079	365,749	143,743	390,466	125,755	2,086,792
EXCESS (DEFICIT) OF REVENUE						
INCOME OVER EXPENSES	\$ (199,641)	\$ 85,757	\$ (28,160)	\$ 893,851	\$ (123,109)	\$ 770,742
						\$ 413,802