

COMMUNITY MUSIC CENTER OF BOSTON

FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

(With Comparative Totals for June 30, 2009)

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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 statements of financial position of Community Music Center of Boston ("CMCB" a nonprofit Massachusetts corporation) as of June 30, 2010, 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 CMCB'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 CMCB's 2009 financial statements, and in our report dated September 29, 2009 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, 2010, 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.

R. J. Gold & Company, P.C.

September 28, 2010

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF FINANCIAL POSITION

June 30, 2010

(With Comparative Totals for June 30, 2009)

ASSETS

	Unrestricted				Permanently Restricted Endowment	2010	2009
	Undesignated	Board Designated	Total	Temporarily Restricted			
CURRENT ASSETS							
Cash	\$ 312,096	\$ -	\$ 312,096	\$ -	\$ 4,000	\$ 316,096	\$ 82,553
Investments	1,326	1,281,250	1,282,576	50,786	329,077	1,662,439	1,430,127
Accounts receivable	122,175	-	122,175	-	-	122,175	98,614
Grants and gifts receivable	3,060	-	3,060	121,665	-	124,725	159,487
Prepaid expenses	-	-	-	-	-	-	1,580
Due to / from interfund transfers	(251,500)	-	(251,500)	251,500	-	-	-
TOTAL CURRENT ASSETS	187,157	1,281,250	1,468,407	423,951	333,077	2,225,435	1,772,361
PROPERTY AND EQUIPMENT, at cost							
Leasehold improvements	728,683	-	728,683	-	-	728,683	726,933
Furniture, fixtures and instruments	418,151	-	418,151	-	-	418,151	412,306
Less accumulated depreciation	1,146,834	-	1,146,834	-	-	1,146,834	1,139,239
	722,045	-	722,045	-	-	722,045	688,640
	424,789	-	424,789	-	-	424,789	450,599
TOTAL ASSETS	\$ 611,946	\$ 1,281,250	\$ 1,893,196	\$ 423,951	\$ 333,077	\$ 2,650,224	\$ 2,222,960

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF FINANCIAL POSITION (continued)

June 30, 2010

(With Comparative Totals for June 30, 2009)

LIABILITIES AND NET ASSETS

	Unrestricted			Temporarily Restricted	Permanently Restricted Endowment	2010	2009
	Undesignated	Board Designated	Total				
LIABILITIES							
Accounts payable and accrued expenses	\$ 20,166	\$ -	\$ 20,166	\$ -	\$ -	\$ 20,166	\$ 19,222
Deferred income	12,518	-	12,518	-	-	12,518	-
TOTAL LIABILITIES	32,684	-	32,684	-	-	32,684	19,222
NET ASSETS	579,262	1,281,250	1,860,512	423,951	333,077	2,617,540	2,203,738
TOTAL LIABILITIES AND NET ASSETS	\$ 611,946	\$ 1,281,250	\$ 1,893,196	\$ 423,951	\$ 333,077	\$ 2,650,224	\$ 2,222,960

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, 2010

(With Comparative Totals for June 30, 2009)

	Unrestricted			Temporarily Restricted	Permanently Restricted Endowment	2010	2009
	Undesignated Unrestricted	Board Designated Unrestricted	Total Unrestricted				
REVENUE, GAINS, AND OTHER SUPPORT							
Public support							
Contributions and grants	\$ 755,701	-	\$ 755,701	\$ 300,804	\$ 27,000	\$ 1,083,505	\$ 527,417
Donated materials and services	30,839	-	30,839	-	-	30,839	9,281
	<u>786,540</u>	<u>-</u>	<u>786,540</u>	<u>300,804</u>	<u>27,000</u>	<u>1,114,344</u>	<u>536,698</u>
Investment and earned income							
Tuition	722,471	-	722,471	-	-	722,471	720,221
Contracts	361,946	-	361,946	-	-	361,946	399,112
Net investment income	1,332	33,288	34,620	10,176	-	44,796	72,746
Unrealized gain (loss) on investments	-	51,800	51,800	22,392	-	74,192	(366,871)
Realized gain (loss) on investments	-	37,150	37,150	-	-	37,150	17,628
Other	4,138	-	4,138	-	-	4,138	4,260
	<u>1,089,887</u>	<u>122,238</u>	<u>1,212,125</u>	<u>32,568</u>	<u>-</u>	<u>1,244,693</u>	<u>847,096</u>
TOTAL PUBLIC SUPPORT AND REVENUE	1,876,427	122,238	1,998,665	333,372	27,000	2,359,037	1,383,794
NET ASSETS RELEASED FROM RESTRICTION	183,386	-	183,386	(183,386)	-	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	2,059,813	122,238	2,182,051	149,986	27,000	2,359,037	1,383,794

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, 2010

(With Comparative Totals for June 30, 2009)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2010	2009
	Undesignated Unrestricted	Board Designated Unrestricted					
EXPENSES							
Program services							
General music	980,762	-	980,762	-	-	980,762	991,933
Schools outreach	321,602	-	321,602	-	-	321,602	401,290
Music therapy	132,006	-	132,006	-	-	132,006	142,480
	<u>1,434,370</u>	<u>-</u>	<u>1,434,370</u>	<u>-</u>	<u>-</u>	<u>1,434,370</u>	<u>1,535,703</u>
Supporting services							
Administrative	398,026	205	398,231	-	-	398,231	368,578
Development	112,633	-	112,633	-	-	112,633	122,614
	<u>510,659</u>	<u>205</u>	<u>510,864</u>	<u>-</u>	<u>-</u>	<u>510,864</u>	<u>491,192</u>
TOTAL EXPENSES	<u>1,945,030</u>	<u>205</u>	<u>1,945,235</u>	<u>-</u>	<u>-</u>	<u>1,945,235</u>	<u>2,026,895</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	114,783	122,033	236,816	149,986	27,000	413,802	(643,101)
TRANSFER OF NET ASSETS IN ACCORDANCE WITH THE INVESTMENT RETURN POLICY	14,445	-	14,445	(14,445)	-	-	-
TRANSFER TO BOARD DESIGNATED NET ASSETS	(47,403)	47,403	-	-	-	-	-
CHANGE IN NET ASSETS	<u>81,825</u>	<u>169,436</u>	<u>251,261</u>	<u>135,541</u>	<u>27,000</u>	<u>413,802</u>	<u>(643,101)</u>
NET ASSETS, BEGINNING OF YEAR	497,437	1,111,814	1,609,251	288,410	306,077	2,203,738	2,846,839
NET ASSETS, END OF YEAR	<u>\$ 579,262</u>	<u>\$ 1,281,250</u>	<u>\$ 1,860,512</u>	<u>\$ 423,951</u>	<u>\$ 333,077</u>	<u>\$ 2,617,540</u>	<u>\$ 2,203,738</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, 2010

(With Comparative Totals for June 30, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 413,802	\$ (643,101)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,403	51,493
Unrealized (gains) losses on investments	(74,192)	366,871
Realized gains on investments	(37,150)	(17,628)
(Increase) decrease in assets:		
Accounts receivable	(23,561)	(15,783)
Grants and gifts receivable	34,762	156,293
Prepaid expenses	1,580	71
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	944	(654)
Deferred income	12,518	(6,833)
	362,106	(109,271)
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,593)	(17,010)
Purchase of investments	(385,674)	(295,683)
Sale of investments	264,704	364,979
	(128,563)	52,286
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	233,543	(56,985)
CASH AT BEGINNING OF YEAR	82,553	139,538
CASH AT END OF YEAR	\$ 316,096	\$ 82,553

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Community Music Center of Boston (the "CMCB" or "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

CMCB 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 CMCB have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 CMCB's financial statements for the year ended June 30, 2009, 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 designation endowment funds) whether or not the organization is subject to UPMIFA.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

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, CMCB has the ability to distribute so much of the income of any trust, separate gift, devise, bequest, or fund as the Board, 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 CMCB
- (7) The needs of CMCB 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 CMCB
- (9) The investment policy of CMCB

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, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Investment and Spending Policies

CMCB 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, CMCB 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). CMCB 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 CMCB'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, CMCB expects its current spending policy to allow its endowment assets to grow. This is consistent with CMCB'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, CMCB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

CMCB 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 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.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Music Center has adopted ASC 820, Fair Value Measurements, formerly known as SFAS No. 157, for the year ended June 30, 2010. The statement requires that CMCB 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.

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.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

CMCB 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 is 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 CMCB 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.

Deferred Income

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

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$10,149 and \$12,838 for the years ended June 30, 2010 and 2009, respectively.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010. Additionally, CMCB 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, 2009, 2008, and 2007.

Financial Instruments

Financial instruments that potentially subject CMCB to concentrations of credit risk consist of cash, cash equivalents, and accounts receivable. Concentrations of credit risk with respect to accounts receivable is 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, 2009 and 2008 because of the relatively short maturity of these instruments.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 and 2009, amounts exceeding the insured limits are \$61,495 and \$0, respectively.

NOTE B - INVESTMENTS

Investments as of June 30, 2010 and 2009 are as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ -	\$ -	\$ 4,479	\$ 3,884
Exchange traded funds	68,544	71,118	23,081	24,668
Mutual funds	826,894	992,686	850,799	917,322
U.S. government obligations	556,539	597,309	424,183	482,927
Other	-	1,326	-	1,326
	<u>\$ 1,451,977</u>	<u>\$ 1,662,439</u>	<u>\$ 1,302,542</u>	<u>\$ 1,430,127</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.

Fair values of assets measured on a recurring basis at of June 30, 2010 and 2009 are as follows:

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

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE C – FAIR VALUE MEASUREMENTS (continued)

<u>June 30, 2009</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	\$ 3,884	\$ 3,884	\$ -	\$ -
Exchange traded funds	24,668	24,668	-	-
Mutual funds	917,322	917,322	-	-
U.S. government obligations	482,927	482,927	-	-
Other	<u>1,326</u>	<u>-</u>	<u>-</u>	<u>1,326</u>
	<u>\$ 1,430,127</u>	<u>\$ 1,428,801</u>	<u>\$ -</u>	<u>\$ 1,326</u>

NOTE D – GRANTS RECEIVABLE

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

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	\$ 3,060	\$ 25,000	\$ -	\$ 28,060
Between one and five years	-	96,665	-	96,665
More than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross unconditional promises to give	3,060	121,665	-	124,725
Less: unamortized discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 3,060</u>	<u>\$ 121,665</u>	<u>\$ -</u>	<u>\$ 124,725</u>

NOTE E - BOARD DESIGNATED NET ASSETS

As of June 30, 2010 and 2009, Board designated net assets consisted of \$1,281,250 and \$1,111,814, respectively, in cash and marketable securities. Income from board designated net assets is reinvested and CMCB may make internal loans from board designated assets to unrestricted assets to fund operating capital needs.

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE F - RESTRICTED NET ASSETS

Temporarily Restricted

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

	<u>2010</u>	<u>2009</u>
Organizational support	\$ 102,165	\$ 75,000
Music therapy	30,000	-
Schools in concert	100,000	200,000
Schools outreach	141,000	-
Investment income restricted for future use	50,786	13,410
	<u>\$ 423,951</u>	<u>\$ 288,410</u>

Permanently Restricted

Permanently restricted net assets as of June 30, 2010 and 2009 consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Jacob and Esther Gordon Scholarship Fund	\$ 50,000	\$ 54,986	\$ 50,000	\$ 52,034
L.I.S.Z. Foundation Scholarship Fund	99,000	111,134	83,500	90,704
Katherine C. Jones Scholarship Fund	28,560	30,066	28,558	28,380
John Kleshinski Memorial Fund	79,109	95,384	67,611	79,892
Marilla MacDill Fund	25,042	27,326	25,042	25,848
Miscellaneous other assets	51,366	45,662	51,366	42,629
	<u>\$ 333,077</u>	<u>\$ 364,558</u>	<u>\$ 306,077</u>	<u>\$ 319,487</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE F - RESTRICTED NET ASSETS (continued)

Endowment

CMCB'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 CMCB 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, CMCB 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 CMCB in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition by fund type as of June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 50,786	\$ 333,077	\$ 383,863
Board-designated funds	<u>1,281,250</u>	<u>-</u>	<u>-</u>	<u>1,281,250</u>
Total funds	<u>\$ 1,281,250</u>	<u>\$ 50,786</u>	<u>\$ 333,077</u>	<u>\$ 1,665,113</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE F - RESTRICTED NET ASSETS (continued)

Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 1,111,814	\$ 13,413	\$ 306,077	\$1,431,304
Investment return:				
Investment income	33,288	10,176	-	43,464
Fees and charges	(205)	(54)	-	(259)
Gain from sale of investments	37,150	-	-	37,150
Realized gains (appreciation)	<u>51,800</u>	<u>22,392</u>	<u>-</u>	<u>74,192</u>
Total investment return	<u>122,033</u>	<u>32,514</u>	<u>-</u>	<u>154,547</u>
Contributions	-	-	27,000	27,000
Appropriations for expenditure	-	(14,445)	-	(14,445)
Transfer to/from unrestricted funds	<u>47,403</u>	<u>19,304</u>	<u>-</u>	<u>66,707</u>
Endowment assets, end of year	<u>\$ 1,281,250</u>	<u>\$ 50,786</u>	<u>\$ 333,077</u>	<u>\$ 1,665,113</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

NOTE G - OPERATING LEASES

CMCB 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>	
2011	\$ 78,600
2012	78,600
2013	80,952
2014	83,388
2015	85,884
Thereafter	<u>473,148</u>
	<u>\$ 880,572</u>

The amount of rent expense incurred for the years ended June 30, 2010 and 2009 amounted to \$70,560 for each year.

NOTE H - EMPLOYEE BENEFITS PLAN

CMCB 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 CMCB under this retirement plan.

NOTE I - EVALUATION OF SUBSEQUENT EVENTS

CMCB has evaluated subsequent events occurring after the balance sheet date of June 30, 2010 through September 29, 2010, 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, 2010

(With Comparative Totals for June 30, 2009)

	Program Services			Supporting Services			Total
	General Music	Schools Outreach	Music Therapy	Administrative	Development	Total	
REVENUE							
Public support	\$ 305,511	\$ 206,000	\$ 45,665	\$ 536,650	\$ 5,219	\$ 541,869	\$ 1,099,045
Investment and earned income	761,800	223,866	102,042	172,284	-	172,284	1,259,992
TOTAL REVENUE	<u>1,067,311</u>	<u>429,866</u>	<u>147,707</u>	<u>708,934</u>	<u>5,219</u>	<u>714,153</u>	<u>2,359,037</u>
EXPENSE							
Salaries	569,625	263,562	97,550	195,800	55,813	251,613	1,182,350
Employee benefits	41,019	16,384	5,844	12,767	3,525	16,292	79,539
Payroll taxes	52,972	22,411	8,150	13,243	5,094	18,337	101,870
	663,616	302,357	111,544	221,810	64,432	286,242	1,363,759
Advertising	3,850	-	-	6,299	-	6,299	10,149
Bank charges	-	-	-	7,955	-	7,955	7,955
Collaborations	240	-	-	3,500	-	3,500	3,740
Depreciation	12,359	8,685	6,681	3,006	2,672	5,678	33,403
Dues and subscriptions	300	652	-	2,600	-	2,600	3,552
Events	750	-	-	17,384	7,050	24,434	25,184
Instruments	2,250	2,450	-	-	-	-	4,700
Insurance	-	-	-	15,933	-	15,933	15,933
Library	238	22	-	-	-	260	260
Miscellaneous	-	170	-	1,949	-	1,949	2,119
Musicians - artists	5,964	75	-	200	-	200	6,239
Postage and mailing	3,590	450	-	3,284	-	4,670	8,710
Professional expenses	610	-	-	21,686	1,386	43,870	44,480
Printing and graphic design	6,069	305	470	28,731	12,974	41,705	48,549
Repairs and maintenance	5,348	-	-	40,773	-	40,773	46,121
Scholarships & tuition discounts	195,244	-	2,481	-	-	-	197,725
Rent and utilities	62,479	4,165	10,830	4,165	1,665	5,830	83,304
Supplies	4,676	2,091	-	11,958	270	12,228	18,995
Telephone	-	-	-	6,434	-	6,434	6,434
Transportation	13,179	180	-	564	-	564	13,923
TOTAL EXPENSE	<u>980,762</u>	<u>321,602</u>	<u>132,006</u>	<u>398,231</u>	<u>112,633</u>	<u>510,864</u>	<u>1,945,235</u>
EXCESS (DEFICIT) OF REVENUE							
INCOME OVER EXPENSES	<u>\$ 86,549</u>	<u>\$ 108,264</u>	<u>\$ 15,701</u>	<u>\$ 310,703</u>	<u>\$ (107,414)</u>	<u>\$ 203,289</u>	<u>\$ 413,802</u>
							<u>\$ (643,101)</u>