

# FINANCIAL STATEMENTS

**Community Music Center of Boston**

**For the Year Ended June 30, 2009**



**R.J. GOLD & COMPANY, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNITY MUSIC CENTER OF BOSTON

FINANCIAL STATEMENTS

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For the Year Ended June 30, 2009

(With Comparative Totals for June 30, 2008)

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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, 2009, 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 2008 financial statements, and in our report dated November 14, 2008 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, 2009, 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 29, 2009

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals for June 30, 2008)

ASSETS

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted Endowment	2009	2008
	Undesignated	Board Designated					
<b>CURRENT ASSETS</b>							
Cash	\$ 80,053	\$ -	\$ 80,053	\$ -	\$ 2,500	\$ 82,553	\$ 139,538
Investments	1,326	1,111,814	1,113,140	13,410	303,577	1,430,127	1,848,666
Accounts receivable	98,614	-	98,614	-	-	98,614	82,831
Grants and gifts receivable	9,487	-	9,487	150,000	-	159,487	315,780
Prepaid expenses	1,580	-	1,580	-	-	1,580	1,651
Due to / from interfund transfers	(125,000)	-	(125,000)	125,000	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>66,060</b>	<b>1,111,814</b>	<b>1,177,874</b>	<b>288,410</b>	<b>306,077</b>	<b>1,772,361</b>	<b>2,388,466</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>							
Leasehold improvements	726,933	-	726,933	-	-	726,933	723,963
Furniture, fixtures and instruments	412,306	-	412,306	-	-	412,306	398,267
	1,139,239	-	1,139,239	-	-	1,139,239	1,122,230
Less accumulated depreciation	688,640	-	688,640	-	-	688,640	637,148
	450,599	-	450,599	-	-	450,599	485,082
<b>TOTAL ASSETS</b>	<b>\$ 516,659</b>	<b>\$ 1,111,814</b>	<b>\$ 1,628,473</b>	<b>\$ 288,410</b>	<b>\$ 306,077</b>	<b>\$ 2,222,960</b>	<b>\$ 2,873,548</b>

The Accompanying Notes are an Integral Part of These Financial Statements

COMMUNITY MUSIC CENTER OF BOSTON

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals for June 30, 2008)

LIABILITIES AND NET ASSETS

	Unrestricted			Temporarily Restricted	Permanently Restricted Endowment	2009	2008
	Undesignated	Board Designated	Total				
LIABILITIES							
Accounts payable and accrued expenses	\$ 19,222	\$ -	\$ 19,222	\$ -	\$ -	\$ 19,222	\$ 19,876
Deferred income	-	-	-	-	-	-	6,833
TOTAL LIABILITIES	19,222	-	19,222	-	-	19,222	26,709
NET ASSETS	497,437	1,111,814	1,609,251	288,410	306,077	2,203,738	2,846,839
TOTAL LIABILITIES AND NET ASSETS	\$ 516,659	\$ 1,111,814	\$ 1,628,473	\$ 288,410	\$ 306,077	\$ 2,222,960	\$ 2,873,548

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, 2009

(With Comparative Totals for June 30, 2008)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2009	2008
	Undesignated Unrestricted	Board Designated Unrestricted					
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>							
Public support							
Contributions and grants	\$ 425,917	-	\$ 425,917	\$ 100,000	\$ 1,500	\$ 527,417	\$ 846,854
Donated materials and services	9,281	-	9,281	-	-	9,281	26,801
	<u>435,198</u>	<u>-</u>	<u>435,198</u>	<u>100,000</u>	<u>1,500</u>	<u>536,698</u>	<u>873,655</u>
Investment and earned income							
Tuition	720,221	-	720,221	-	-	720,221	674,200
Contracts	399,112	-	399,112	-	-	399,112	546,304
Net investment income	1,810	62,300	64,110	8,636	-	72,746	74,787
Unrealized gain (loss) on investments	-	(337,344)	(337,344)	(29,527)	-	(366,871)	(15,535)
Realized gain (loss) on investments	-	17,628	17,628	-	-	17,628	595
Other	4,260	-	4,260	-	-	4,260	4,063
	<u>1,125,403</u>	<u>(257,416)</u>	<u>867,987</u>	<u>(20,891)</u>	<u>-</u>	<u>847,096</u>	<u>1,284,414</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>1,560,601</u>	<u>(257,416)</u>	<u>1,303,185</u>	<u>79,109</u>	<u>1,500</u>	<u>1,383,794</u>	<u>2,158,069</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<u>1,685,601</u>	<u>(257,416)</u>	<u>1,428,185</u>	<u>(45,891)</u>	<u>1,500</u>	<u>1,383,794</u>	<u>2,158,069</u>

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, 2009

(With Comparative Totals for June 30, 2008)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2009	2008
	Unrestricted	Board Designated Unrestricted					
<b>EXPENSES</b>							
Program services							
General music	991,933	-	991,933	-	-	991,933	966,556
Schools outreach	401,290	-	401,290	-	-	401,290	380,484
Music Therapy	142,480	-	142,480	-	-	142,480	158,367
	<u>1,535,703</u>	<u>-</u>	<u>1,535,703</u>	<u>-</u>	<u>-</u>	<u>1,535,703</u>	<u>1,505,407</u>
Supporting services							
Administrative	368,508	70	368,578	-	-	368,578	336,773
Development	122,614	-	122,614	-	-	122,614	112,226
	<u>491,122</u>	<u>70</u>	<u>491,192</u>	<u>-</u>	<u>-</u>	<u>491,192</u>	<u>448,999</u>
<b>TOTAL EXPENSES</b>	<u>2,026,825</u>	<u>70</u>	<u>2,026,895</u>	<u>-</u>	<u>-</u>	<u>2,026,895</u>	<u>1,954,406</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<u>(341,224)</u>	<u>(257,486)</u>	<u>(598,710)</u>	<u>(45,891)</u>	<u>1,500</u>	<u>(643,101)</u>	<u>203,663</u>
<b>TRANSFER OF NET ASSETS IN ACCORDANCE WITH THE INVESTMENT RETURN POLICY</b>	15,954	-	15,954	(15,954)	-	-	-
<b>TRANSFER FROM BOARD DESIGNATED NET ASSETS</b>	144,000	(144,000)	-	-	-	-	-
<b>TRANSFER FROM UNRESTRICTED NET ASSETS</b>	(18,292)	-	(18,292)	18,292	-	-	-
<b>CHANGE IN NET ASSETS</b>	<u>(199,562)</u>	<u>(401,486)</u>	<u>(601,048)</u>	<u>(43,553)</u>	<u>1,500</u>	<u>(643,101)</u>	<u>203,663</u>
<b>NET ASSETS, BEGINNING OF YEAR- RESTATED</b>	696,999	1,513,300	2,210,299	331,963	304,577	2,846,839	2,643,176
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 497,437</u>	<u>\$ 1,111,814</u>	<u>\$ 1,609,251</u>	<u>\$ 288,410</u>	<u>\$ 306,077</u>	<u>\$ 2,203,738</u>	<u>\$ 2,846,839</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, 2009

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(With Comparative Totals for June 30, 2008)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (643,101)	\$ 203,663
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,493	50,214
Unrealized (gains) losses on investments	366,871	15,535
Realized (gains) losses on investments	(17,628)	(595)
(Increase) decrease in assets:		
Accounts receivable	(15,783)	11,105
Grants and gifts receivable	156,293	(293,041)
Prepaid expenses	71	(1,651)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(654)	8,509
Deferred income	(6,833)	(17,427)
<b>CASH USED FOR OPERATING ACTIVITIES</b>	<b>(109,271)</b>	<b>(23,688)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(17,010)	(14,891)
Purchase of investments	(295,683)	(37,981)
Sale of investments	364,979	44,122
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>52,286</b>	<b>(8,750)</b>
<b>NET DECREASE IN CASH</b>	<b>(56,985)</b>	<b>(32,438)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>139,538</b>	<b>171,976</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 82,553</b>	<b>\$ 139,538</b>

The Accompanying Notes are an Integral Part of These Financial Statements



COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2008, from which the summarized information was derived.

Basis of Presentation and Net Asset Classifications

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, The Music Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FSP-117-1, *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 (FSP 117-1)*. FSP 117-1 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). The FSP 117-1 also improves disclosure about an organizations 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)

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June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Net Asset Classifications (continued)

The Commonwealth of Massachusetts adopted UPMIFA on July 2, 2009 effective for funds existing or established on or after June 30, 2009. CMCB has adopted FSP 117-1 for the year ending June 30, 2009. 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)

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June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Net Asset Classifications (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.

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

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June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

In 2008, CMCB adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 establishes a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. All of CMCB's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. In 2007, CMCB's investments are reported at fair value, with amounts determined according to market values reported by the custodians and trustees. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

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

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

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

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June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of CMCB to review its plans for future property improvements and acquisitions and 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 \$12,838 and \$10,505 for the years ended June 30, 2009 and 2008, respectively.

Contributed Support

CMCB follows the Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, 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.

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

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June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

CMCB is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, the Music Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(A)(2).

CMCB has deferred the application of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes until fiscal years that begin after December 31, 2008, as permitted by FIN 48. The Music Center recognizes the effect of uncertain tax positions in the financial statements on a more likely than not basis, such that current or deferred tax assets and liabilities are immediately recognized when the related uncertain tax position is taken or is expected to be taken. Any changes in uncertain tax positions are recorded in the period the ultimate outcome becomes known.

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.

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. No balances exceeded the insured limits at June 30, 2009.

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

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 June 30, 2009

NOTE B - INVESTMENTS

Investments as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 4,479	\$ 3,884	\$ 4,479	\$ 4,622
Mutual funds	1,189,525	1,316,379	1,387,459	1,841,089
U.S. government obligations	108,538	108,538	1,629	1,629
Other	-	1,326	-	1,326
	<u>\$ 1,302,542</u>	<u>\$ 1,430,127</u>	<u>\$ 1,393,567</u>	<u>\$ 1,848,666</u>

NOTE C - 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	\$ 9,487	\$ 25,000	\$ -	\$ 34,487
Between one and five years	-	125,000	-	125,000
More than five years	-	-	-	-
Gross unconditional promises to give	9,487	150,000	-	159,487
Less: unamortized discount	-	-	-	-
Net unconditional promises to give	<u>\$ 9,487</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 159,487</u>

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

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 June 30, 2009

NOTE D - BOARD DESIGNATED NET ASSETS

As of June 30, 2009 and 2008, Board designated net assets consisted of \$1,111,814 and \$1,513,300, 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.

NOTE E - RESTRICTED NET ASSETS

Temporarily Restricted

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

	2009	Restated 2008
Organizational support	\$ 75,000	\$ -
Schools in concert	200,000	300,000
Investment income restricted for future use	13,410	31,963
	\$ 288,410	\$ 331,963

Permanently Restricted

Permanently restricted net assets as of June 30, 2009 and 2008 consist of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Jacob and Esther Gordon Scholarship Fund	\$ 50,000	\$ 52,034	\$ 50,000	\$ 60,435
L.I.S.Z. Foundation Scholarship Fund	83,500	90,704	83,500	93,570
Katherine C. Jones Scholarship Fund	28,558	28,380	28,558	33,180
John Kleshinski Memorial Fund	67,611	79,892	66,111	68,274
Marilla MacDill Fund	25,042	25,848	25,042	29,978
Miscellaneous Other Assets	51,366	42,629	51,366	51,103
	\$ 306,077	\$ 319,487	\$ 304,577	\$ 336,540



COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009

NOTE E - 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 type of fund as of June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 13,410	\$ 306,077	\$ 319,487
Board-designated funds	<u>1,111,814</u>	<u>-</u>	<u>-</u>	<u>1,111,814</u>
Total funds	<u>\$ 1,111,814</u>	<u>\$ 13,410</u>	<u>\$ 306,077</u>	<u>\$ 1,431,301</u>

Upon adopting FSP 117-1, CMCB has restated the beginning balances of temporarily restricted net assets and permanently restricted net assets to enhance the disclosure of undistributed income from endowment assets. All income earned as of June 30, 2008 but not yet expended has been restated as an increase of temporarily restricted net assets and a decrease of permanently restricted net assets. This restatement had no effect on net income as previously reported.

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

June 30, 2009

NOTE E - RESTRICTED NET ASSETS (continued)

Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 1,513,300	\$ 31,963	\$ 304,577	\$ 1,849,842
Investment return:				
Investment income	62,300	8,636	-	70,936
Fees and charges	( 70)	-	-	( 70)
Gain from sale of investments	17,628	-	-	17,628
Unrealized losses (depreciation)	( 337,344)	(29,527)	-	(366,871)
Total investment return	( 257,486)	(20,891)	-	(278,377)
Contributions	-	-	1,500	1,500
Appropriations for expenditure	-	(15,954)	-	(15,954)
Transfer to/from unrestricted funds	( 144,000)	18,292	-	(125,708)
Endowment assets, end of year	<u>\$ 1,111,814</u>	<u>\$ 13,410</u>	<u>\$ 306,077</u>	<u>\$ 1,413,303</u>

COMMUNITY MUSIC CENTER OF BOSTON

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009

NOTE F - OPERATING LEASES

CMCB leases its facilities under an operating lease expiring in 2020. Under this agreement the Music Center is obligated to pay a base rent plus a maximum annual rent increase of 10% based on prior year's rent until June 30, 2010. Commencing with the lease year beginning July 1, 2011 the rent may be increased by the landlord by an amount determined by an expert chosen by the landlord and an expert chosen by the tenant to appraise and determine an appropriate nonprofit market rent. Beginning July 1, 2010, CMCB may terminate the lease with one year's written notice.

The Future minimum commitment based on the maximum annual rent increase (and an assumed termination date of June 30, 2011) is as follows:

<u>Fiscal year ending June 30,</u>	
2010	\$ 70,560
2011	77,616
2012	85,378
2013	93,915
2014	103,307
Thereafter	<u>876,783</u>
	<u>\$ 1,307,559</u>

The amount of rent expense incurred for the years ended June 30, 2009 and 2008 amounted to \$70,560 and \$66,934, respectively.

NOTE G - 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 H - EVALUATION OF SUBSEQUENT EVENTS

CMCB has evaluated subsequent events occurring after the balance sheet date of June 30, 2009 through September 29, 2009, 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, 2009

(With Comparative Totals for June 30, 2008)

	Program Services			Supporting Services			Total	
	General Music	Schools Outreach	Music Therapy	Total	Administrative	Development	Total	Total
<b>REVENUE</b>								
Public support	\$ 110,966	\$ 154,300	\$ 20,750	\$ 286,016	\$ 225,355	\$ -	\$ 225,355	\$ 511,371
Investment and earned income	753,207	276,185	92,646	1,122,038	(249,833)	218	(249,615)	872,423
<b>TOTAL REVENUE</b>	<b>864,173</b>	<b>430,485</b>	<b>113,396</b>	<b>1,408,054</b>	<b>(24,478)</b>	<b>218</b>	<b>(24,260)</b>	<b>1,383,794</b>
<b>EXPENSE</b>								
Salaries	567,396	335,538	104,767	1,007,701	204,930	55,731	260,661	1,268,362
Employee benefits	40,520	16,461	5,817	62,798	15,993	3,541	19,534	82,332
Payroll taxes	58,791	24,874	9,045	92,710	14,698	5,653	20,351	113,061
	666,707	376,873	119,629	1,163,209	235,621	64,925	300,546	1,463,755
Advertising	4,157	-	-	4,157	8,681	-	8,681	12,838
Bank charges	-	-	-	-	7,740	-	7,740	9,167
Collaborations	222	662	-	884	-	-	-	884
Depreciation	19,053	13,388	10,298	42,739	4,634	4,120	8,754	51,493
Dues and subscriptions	-	-	-	-	1,915	-	1,915	2,830
Events	1,000	-	-	1,000	-	10,855	10,855	20,233
Instruments	2,044	3,524	-	5,568	-	-	-	5,568
Insurance	-	-	-	-	17,067	-	17,067	16,493
Library	1,153	-	-	1,153	-	265	265	1,418
Miscellaneous	314	445	100	859	796	-	796	1,655
Musicians - artists	7,626	98	330	8,054	-	450	450	8,504
Postage and mailing	5,236	272	-	5,508	3,050	1,841	4,891	10,399
Professional expenses	2	-	-	2	25,098	30,245	55,343	55,345
Printing and graphic design	11,509	-	-	11,509	3,087	8,075	11,162	22,671
Repairs and maintenance	4,807	232	-	5,039	40,767	-	40,767	45,806
Scholarships & tuition discounts	197,915	-	1,091	199,006	-	-	-	199,006
Rent and utilities	63,650	4,243	11,032	78,925	4,243	1,697	5,940	84,865
Supplies	5,120	1,553	-	6,673	10,203	141	10,344	17,017
Telephone	-	-	-	-	4,387	-	4,387	4,387
Transportation	1,418	-	-	1,418	1,289	-	1,289	2,707
<b>TOTAL EXPENSE</b>	<b>991,933</b>	<b>401,290</b>	<b>142,480</b>	<b>1,535,703</b>	<b>368,578</b>	<b>122,614</b>	<b>491,192</b>	<b>2,026,895</b>
<b>EXCESS (DEFICIT) OF REVENUE</b>	<b>\$(127,760)</b>	<b>\$ 29,195</b>	<b>\$ (29,084)</b>	<b>\$ (127,649)</b>	<b>\$ (393,056)</b>	<b>\$ (122,396)</b>	<b>\$ (515,452)</b>	<b>\$ (643,101)</b>
<b>INCOME OVER EXPENSES</b>								<b>\$ 203,663</b>