

FROM THE TOP, INC.

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011



FROM THE TOP, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
From the Top, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of From the Top, Inc. as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated December 9, 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 From the Top, Inc. 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 basic financial statements as a whole. The schedule of functional expenses - program services on page 20 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.

Ercolini & Company LLP

Boston, Massachusetts
November 29, 2011

FROM THE TOP, INC.
STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2011
 (with comparative totals for 2010)

ASSETS

	2011			2010
	Unrestricted	Restricted Temporarily	Total	
Current assets:				
Cash (Note 2)	\$ 269,917	641,644	\$ 911,561	\$ 1,018,880
Accounts receivable, net (Notes 1, 3)	241,983	401,549	643,532	527,725
Investments (Notes 1, 13)	17,536	-	17,536	17,678
Prepaid expenses	42,994	-	42,994	17,036
Total current assets	<u>572,430</u>	<u>1,043,193</u>	<u>1,615,623</u>	<u>1,581,319</u>
Property and equipment:				
Property and equipment, net (Note 4)	<u>90,360</u>	<u>-</u>	<u>90,360</u>	<u>69,391</u>
Other assets:				
Accounts receivable, net (Notes 1, 3)	-	162,376	162,376	-
Investments (Notes 1, 13)	<u>504,923</u>	<u>-</u>	<u>504,923</u>	<u>503,957</u>
	<u>504,923</u>	<u>162,376</u>	<u>667,299</u>	<u>503,957</u>
Total assets	<u>\$ 1,167,713</u>	<u>\$ 1,205,569</u>	<u>\$ 2,373,282</u>	<u>\$ 2,154,667</u>

LIABILITIES

Current liabilities:				
Accounts payable	\$ 42,292	\$ -	\$ 42,292	\$ 11,121
Accrued wages payable	24,974	-	24,974	22,974
Accrued expenses	38,243	-	38,243	63,281
Advances payable (Note 5)	21,450	-	21,450	21,450
Deferred revenue (Note 10)	<u>219,000</u>	<u>-</u>	<u>219,000</u>	<u>191,500</u>
Total current liabilities	<u>345,959</u>	<u>-</u>	<u>345,959</u>	<u>310,326</u>
Total liabilities	<u>345,959</u>	<u>-</u>	<u>345,959</u>	<u>310,326</u>

NET ASSETS

Unrestricted net assets (Note 16)	821,754	-	821,754	859,769
Temporarily restricted net assets (Note 6)	<u>-</u>	<u>1,205,569</u>	<u>1,205,569</u>	<u>984,572</u>
Total net assets	<u>821,754</u>	<u>1,205,569</u>	<u>2,027,323</u>	<u>1,844,341</u>
Total liabilities and net assets	<u>\$ 1,167,713</u>	<u>\$ 1,205,569</u>	<u>\$ 2,373,282</u>	<u>\$ 2,154,667</u>

FROM THE TOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

	2011			2010
	Unrestricted	Restricted Temporarily	Total	
Public Support:				
Contributions (Notes 1, 9)	\$ 609,045	\$ 1,118,650	\$ 1,727,695	\$ 1,936,458
Government support (Notes 1, 8)	317,198	95,000	412,198	436,001
Event revenue	336,055	152,000	488,055	408,400
In-kind contributions (Notes 1, 7)	213,433	292,762	506,195	213,253
Total public support	1,475,731	1,658,412	3,134,143	2,994,112
Program Services Fees:				
Carriage fees (Note 10)	362,788	-	362,788	354,496
Road show fees	348,491	-	348,491	336,259
Educational fees (Note 10)	16,949	-	16,949	29,698
Total program service fees	728,228	-	728,228	720,453
Other Revenue:				
Merchandise sales	5,993	-	5,993	7,761
Other income	11,912	-	11,912	18,171
Total other revenue	17,905	-	17,905	25,932
Net Assets Released from Restrictions (Notes 1, 6):				
Expiration of time restrictions	265,776	(265,776)	-	-
Satisfaction of program restrictions	1,171,639	(1,171,639)	-	-
Total support and revenue	3,659,279	220,997	3,880,276	3,740,497
Expenses:				
Program services	2,570,439	-	2,570,439	2,522,751
General and administrative	455,075	-	455,075	391,932
Fundraising	671,780	-	671,780	624,704
Total expenses	3,697,294	-	3,697,294	3,539,387
Change in net assets	(38,015)	220,997	182,982	201,110
Net Assets, Beginning	859,769	984,572	1,844,341	1,643,231
Net Assets, Ending	\$ 821,754	\$ 1,205,569	\$ 2,027,323	\$ 1,844,341

FROM THE TOP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

	2011				2010
	Program Services	Supporting Services		Total	
		General and Administrative	Fundraising		
Direct production costs	\$ 380,092	\$ -	\$ -	\$ 380,092	\$ 365,124
Event expenses	10,485	-	87,357	97,842	71,721
Payroll and payroll taxes	1,103,359	283,949	338,121	1,725,429	1,565,047
Fringe benefits	96,230	23,072	33,524	152,826	144,992
Advertising	22,777	-	-	22,777	19,636
Scholarships	215,893	-	-	215,893	285,390
Insurance	8,371	5,270	1,994	15,635	11,850
Maintenance and repair	5,203	1,194	1,457	7,854	8,263
Marketing	61,126	3,346	13,457	77,929	103,772
Office expenses	98,581	15,355	42,387	156,323	162,227
Professional fees	197,724	94,571	110,705	403,000	369,113
Rent (Note 11)	63,314	14,291	20,038	97,643	101,303
Telephone / internet	12,661	2,852	3,355	18,868	29,829
Travel, lodging and meals	263,143	7,240	13,856	284,239	249,822
Depreciation	31,480	3,935	5,529	40,944	51,298
Total expenses	\$ 2,570,439	\$ 455,075	\$ 671,780	\$ 3,697,294	\$ 3,539,387

FROM THE TOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 182,982	\$ 201,110
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	40,944	51,298
Investment income reinvested	(973)	(619)
Donated property and equipment	(10,540)	-
Amortization of discounts	-	(3,903)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(278,183)	199,285
Prepaid expenses	(25,958)	(150)
Increase (decrease) in liabilities:		
Accounts payable	31,171	(18,503)
Accrued expenses	(23,038)	21,905
Deferred revenue	27,500	(24,000)
	<u>(56,095)</u>	<u>426,423</u>
Cash flows from investing activities:		
Purchases of property and equipment	(51,373)	(7,725)
Withdrawals from investments	149	-
Proceeds from sale of investments	-	500,000
Purchases of investments	-	(500,000)
	<u>(51,224)</u>	<u>(7,725)</u>
Cash flows from financing activities:		
Repayment of advances payable	-	(40,000)
	<u>-</u>	<u>(40,000)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(40,000)</u>
Net increase (decrease) in cash	(107,319)	378,698
Cash, beginning of year	<u>1,018,880</u>	<u>640,182</u>
Cash, end of year	<u>\$ 911,561</u>	<u>\$ 1,018,880</u>
Schedule of noncash investing and financing activities:		
Costs incurred for purchase of fixed assets during the year	\$ (61,913)	\$ (1,548)
In-kind donations of property and equipment	<u>10,540</u>	<u>-</u>
Payments for fixed assets	<u>\$ (51,373)</u>	<u>\$ (1,548)</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. Organization and summary of significant accounting policies

Organization and nature of operations

From the Top, Inc. (the Organization or FTT) is a Massachusetts non-profit corporation organized under M.G.L. Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

From the Top is the preeminent showcase for America's best young musicians. Through award-winning NPR and PBS programs, online media, a national tour of live events, and education programs, From the Top shares the stories and performances of pre-collegiate musicians ages 8 to 18 with millions each week. Each program provides a compelling and entertaining window into the world of a diverse group of young people, who pursue life with passion, determination, and joy. These performers inspire the pursuit of excellence, and encourage participation in the arts as an integral part of a vibrant and civil society. From the Top's training and mentorship programs prepare young musicians to connect with new audiences, serve as positive peer role models, and give back to their communities in many ways.

From the Top's landmark radio program, with host Christopher O'Riley, is distributed by National Public Radio (NPR) to more than 200 stations nationwide and reaches nearly 700,000 listeners a week. The Organization's scholarship program - the Jack Kent Cooke Young Artist Award - annually provides 20 deserving young musicians with a \$10,000 scholarship to further their education. From the Top's Center for the Development of Arts Leaders (CDAL) prepares young musicians to be instruments of change in their communities through multiple pathways, sending performers into classrooms, youth organizations, and arts programs across the country. CDAL training programs for young musicians range from a half-day arts leadership orientation as part of From the Top tapings to a year-long intensive program that includes team building, mentoring and applied community service projects.

Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted assets, in accordance with guidance issued by the Financial Accounting Standards Board (FASB). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions;

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets at June 30, 2011.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

1. Organization and summary of significant accounting policies - continued

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Accounts receivable

Accounts receivable are stated at the amount Organization's management expects to collect from outstanding balances. The Organization's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after the Organization's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are deemed to be fully collectible by the Organization's management at June 30, 2011.

Property and equipment

All acquisitions of furniture, equipment, computer software and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The Organization capitalizes these costs if the amounts incurred exceed a range of \$1,000 to \$3,000 based on the nature of the expenditure. Furniture, equipment and computer software are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated on a straight-line basis over their estimated useful lives which range from three to five years. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the length of the related leases or the estimated useful lives of the assets.

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Investment income is recognized when earned. Investment income restricted by a donor is reported as an increase in unrestricted net assets if the restriction is met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income is recognized.

Revenue recognition

All revenue from program services, educational fees, royalties, event revenue and sales are recognized when the programs and events have taken place or the services are performed. Payments received in advance of programs and events taking place and services performed are deferred until earned.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

1. Organization and summary of significant accounting policies - continued

Contributions and donor restrictions

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended June 30, 2011 totaled \$100,706.

Income taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2011. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

1. Organization and summary of significant accounting policies - continued

Income taxes - continued

of June 30, 2011. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2008, 2009 and 2010.

Prior year summarized information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Recent accounting pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and non-recurring fair value measurements. The guidance requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. The new disclosures and clarifications of existing disclosures are effective for fiscal years and interim periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption by the Organization of the applicable required disclosures in 2011 had no impact on the Organization's financial statements. The Organization does not believe that its adoption of the required disclosures for 2012 will have a material impact on the Organization's 2012 financial statements.

In May, 2011, the FASB issued guidance which further amends the measurement and disclosure requirements related to recurring and nonrecurring fair value measurements. The standard clarifies the fair value measurement guidance applicable to highest-and-best-use and valuation premise, measuring fair value of an instrument classified in equity and financial instruments managed within a portfolio, and the application of premiums and discounts in a fair value measurement. Additionally, the guidance requires expanded disclosure of fair value measurements categorized in Level 3, use of an asset in a way that differs from the asset's highest-and-best-use, and items not measured at fair value but for which fair value is required to be disclosed. These disclosures are effective for fiscal years and interim periods beginning after December 15, 2011. The Organization does not believe that its adoption of the guidance in 2013 will have a material impact on the Organization's 2013 financial statements.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

1. Organization and summary of significant accounting policies - continued

Subsequent events

The Organization has evaluated subsequent events through November 29, 2011, which is the date these financial statements were available to be issued.

2. Concentration of credit risk

The Organization maintains its cash accounts with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, effective December 31, 2010, all funds in a non-interest bearing account are insured in full by the FDIC through December 31, 2012. This temporary unlimited coverage is in addition to and separate from the \$250,000 coverage available to depositors under the FDIC's general deposit insurance rules. As of June 30, 2011, the Organization's cash balances were fully insured by the FDIC.

At June 30, 2011, the Organization held investments (see Note 13) of \$522,459 in money market funds which were not insured and are subject to credit risk.

Account balances fluctuate throughout the Organization's monthly business cycle, which may result in the balances exceeding insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business.

Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

3. Accounts receivable and significant customers

Accounts receivable at June 30, 2011 consists of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pledges			
Contributions	\$ 254,456	\$ -	\$ 254,456
Government support	194,436	-	194,436
Event revenue	101,000	-	101,000
In-kind contributions	<u>64,610</u>	<u>186,367</u>	<u>250,977</u>
	614,502	186,367	800,869
Discount on pledges	<u>-</u>	<u>(23,991)</u>	<u>(23,991)</u>
Subtotal	<u>614,502</u>	<u>162,376</u>	<u>776,878</u>
Road show fees	22,000		22,000
Royalties	5,665	-	5,665
Other	<u>1,365</u>	<u>-</u>	<u>1,365</u>
Subtotal	<u>29,030</u>	<u>-</u>	<u>29,030</u>
Total	<u>\$ 643,532</u>	<u>\$ 162,376</u>	<u>\$ 805,908</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

3. Accounts receivable and significant customers - continued

The Organization had pledges receivable representing the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 122,517	\$ 131,939	\$ 254,456
Government support	89,436	105,000	194,436
Event revenue	1,000	100,000	101,000
In-kind contributions	<u>-</u>	<u>250,977</u>	<u>250,977</u>
	212,953	587,916	800,869
Discount on pledges	<u>-</u>	<u>(23,991)</u>	<u>(23,991)</u>
Total	<u>\$ 212,953</u>	<u>\$ 563,925</u>	<u>\$ 776,878</u>
Receivables due in less than one year	212,953	401,549	614,502
Receivables due in one to five years	-	186,367	186,367
Receivables due in more than five years	<u>-</u>	<u>-</u>	<u>-</u>
	212,953	587,916	800,869
Discount on pledges	<u>-</u>	<u>(23,991)</u>	<u>(23,991)</u>
Total	<u>\$ 212,953</u>	<u>\$ 563,925</u>	<u>\$ 776,878</u>

Pledges receivable measured at fair value and net realizable value consist of the following at June 30, 2011:

Measured at fair value	\$ 226,985
Measured at net realizable value	<u>549,893</u>
	<u>\$ 776,878</u>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2011, approximately 20% of the Organization's contributions were received from one donor. At June 30, 2011, no amounts were receivable from this donor.

4. Property and equipment

Property and equipment at June 30, 2011 consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 34,532	(\$ 17,493)	\$ 17,039
Computer software	40,330	(40,330)	-
Production equipment	101,950	(80,290)	21,660
Office and computer equipment	<u>189,386</u>	<u>(137,725)</u>	<u>51,661</u>
	<u>\$ 366,198</u>	<u>(\$ 275,838)</u>	<u>\$ 90,360</u>

At June 30, 2011, property and equipment with an original cost of \$125,353 was fully depreciated and still in service.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

5. Related party transactions

The Organization owes Concert Productions, Inc. \$21,450 at June 30, 2011 for advances made by CPI to the Organization in prior years. During the year ended June 30, 2011, FTT did not make any repayments on these advances. Additionally, no advances were received from CPI during this period. All advances are non-interest bearing and due on demand. The Organization repaid this obligation in full in July 2011.

6. Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2011:

Event	100,000
Office Rent	226,986
Education	711,644
Radio	96,939
Television	<u>70,000</u>
	<u>\$ 1,205,569</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor during the year ended June 30, 2011 as follows:

Event	\$ 52,000
Office Rent	65,776
Education	826,683
Time	200,000
Radio	<u>292,956</u>
	<u>\$ 1,437,415</u>

7. In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding program expenses or assets for the year ended June 30, 2011 are as follows:

	Expenses			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ 100,000	\$ 77,164	\$ 12,500	\$ 189,664
Event expenses	10,485	-	2,000	12,485
Marketing	-	-	743	743
Office Equipment	-	-	-	-
Rent	<u>42,649</u>	<u>9,617</u>	<u>13,512</u>	<u>65,778</u>
Total	<u>\$ 153,134</u>	<u>\$ 86,781</u>	<u>\$ 28,755</u>	<u>\$ 268,670</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

7. In-kind donations - continued

	Property and Equipment	Revenue
Professional fees	\$ -	\$ 189,664
Event expenses	-	12,485
Marketing	-	743
Office Equipment	10,540	10,540
Rent	-	292,763
Total	<u>\$ 10,540</u>	<u>\$ 506,195</u>

8. Contingencies

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts (NEA), the U.S. Department of Education (DOE), and other agencies. This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under OMB Circular A-133. Federal grants totaling \$393,398 have been recognized as income during the year ended June 30, 2011. Accounts receivable include \$105,000 due from NEA and \$85,676 due from DOE at June 30, 2011.

The Organization receives funding from various state agencies and private foundations. Expenditures of funds from the federal and state agencies and certain private foundations require compliance with the grant agreements and are subject to audit by the grantor. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of the Organization's management, disallowed expenditures, if any, will not have a material effect on the financial position of the Organization.

9. Grant agreements

Jack Kent Cooke Foundation

Scholarship Program

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support outreach to identify applicants for the Jack Kent Cooke Foundation's Young Scholars Program and to support the Organization's scholarship program. The original grant was awarded in March 2005 for the period June 1, 2005 through May 31, 2006 and provided for two one-year renewal periods. Since the grant renewals, the Organization has entered into three additional agreements, with the latest grant awarded in May 2011, totaling \$523,755, for the period June 1, 2011 through May 31, 2012. In addition, the Organization received approval to transfer \$16,959 of the 2010 / 2011 award to the 2011 / 2012 award. Grants awarded have ranged in value from \$508,500 to \$585,000.

Each agreement contains provisions that grant funds will be expended in accordance with the grant proposal as itemized in the proposed project budget. Any line item that exceeds more than 10 percent of the proposed budget must be agreed to in writing from the grantor. In addition, funds remaining at the completion of the grant period must be returned to the grantor unless the grantor agrees otherwise in writing.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

9. Grant agreements - continued

Jack Kent Cooke Foundation - continued

A summary of cumulative activity through June 30, 2011 is as follows:

Grant amounts	\$ 3,701,755
Cumulative expenditures incurred	
Scholarships	(1,369,253)
Program and administrative costs	<u>(1,769,952)</u>
Grant funds remaining	<u>\$ 562,550</u>

Grant funds held by award year as of June 30, 2011 is as follows:

Grant Period Ending:	
May 31, 2008	\$ 1,328
May 31, 2009	1,209
May 31, 2010	374
May 31, 2011	29,488
May 31, 2012	<u>530,151</u>
Grant funds remaining	<u>\$ 562,550</u>

Center for the Development of Arts Leaders

The Organization entered into an agreement with the Jack Kent Cooke Foundation in September 2010 to support the Organization's new initiative, the Center for the Development of Arts Leaders (CDAL) Boston Pilot program. The pilot program connects local youth with opportunities to use music to contribute back to the community and includes a combination of retreats, applied service projects and mentoring. Collaborating in teams, the aspiring arts leaders will be matched with community partners to design and implement a project, using their talent and passion to make a difference for the people they are serving. The grant is for a period of eighteen (18) months, commencing on July 1, 2010, in the amount of \$255,000. In addition to the funds awarded by the Jack Kent Cooke Foundation, the Organization was awarded additional grants from other grantors totaling \$60,000 in support of this program.

In February 2011 the Organization received approval from the Wallace Foundation to use remaining grant funds from the Organization's peer-to-peer education program for use in the Center for the Development of Arts Leaders program. Funds approved for this use totaled \$32,492.

A summary of cumulative activity through June 30, 2011 is as follows:

Jack Kent Cooke Foundation	\$ 255,000
Wallace Foundation	32,492
Other	<u>60,000</u>
Total awards	347,492
Cumulative program expenditures incurred	<u>(235,273)</u>
Total funds remaining	<u>\$ 112,219</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

9. Grant agreements - continued

Wallace Foundation

The Organization entered into a grant agreement with the Wallace Foundation in December 2006. The agreement provides the Organization with funds to support a peer-to-peer education program in the Boston Public School system and to provide funds to cover administrative costs associated with the program. The agreement provides that all costs are to be incurred during the grant period with unexpended amounts to be returned to the grantor unless approval is received to use funds to support other programs.

The grant agreement is for a period of four years, commencing on January 1, 2007 and concluding on December 31, 2010. The original grant amount was \$368,000 and was increased by \$44,000 to a total of \$412,000. Investment earnings on funds received and not spent on program related costs are restricted and must be used in accordance with the grant agreement.

In February 2011 the Organization received approval to use the remaining funds totaling \$32,492 for the Organization's Center for the Development of Arts Leaders (CDAL) program. Additional funds totaling \$5,952 were released from restriction related to the CDAL program.

A summary of cumulative activity through June 30, 2011 is as follows:

Grant amount	\$ 412,000
Investment earnings	11,683
Cumulative expenditures incurred	
Program	(308,350)
Administrative costs	(82,841)
Grant funds approved for use in CDAL program	(<u>32,492</u>)
Grant funds remaining	<u>\$ -</u>

10. Contractual agreements

NPR Agreement

In May 2009, the Organization entered into a distribution agreement with National Public Radio (NPR) to become the distributor of the radio shows produced by FTT for a three year term commencing on January 1, 2009. The agreement also grants NPR with the right of first refusal to acquire broadcast rights for new programs for one additional consecutive three-year period, commencing on January 1, 2012.

Provisions of the agreement provide for NPR to pay a minimum of \$350,000 of station carriage fees each program year. Additional fees may be due to the Organization if actual carriage fees exceed the minimum amount in each program year. In addition, NPR will share a portion of sponsorship revenue received by NPR as follows; (i) 100% of the first \$375,000 received each program year and (ii) 50% of the amount over \$399,000 received in program year 2009 and 50% of the amount over \$379,500 received in program years 2010 and 2011.

Amounts totaling \$350,000 and \$175,000 have been recognized as income and deferred revenue, respectively, for the year ended June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

10. Contractual agreements - continued

NPR Agreement - continued

The Organization has entered into a verbal agreement extending the terms of the distribution agreement for a one year period through December 31, 2012. There were no changes to the provisions of the agreement.

Other

The Organization entered into an agreement to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books. During the year ended June 30, 2011, royalties of approximately \$10,984 were earned and are included in educational fees in the statement of activities.

11. Leasing arrangements

The Organization leased office space under the terms of a five year lease through December 31, 2006. Pursuant to the terms of the initial lease, the Organization received the use of this space at no charge. The lease was amended, effective October 2004, to increase the leased premises by 1,164 square feet, to be provided for by monthly payments on the additional space through September 30, 2008. During the year ended June 30, 2007, the lease was further amended, effective January 1, 2007, and incorporated the following changes: (i) increased the leased premises by 896 square feet, (ii) provided for rental payments on 1,164 square feet, and (iii) provided for a lease expiration date of December 31, 2009.

The Organization was a tenant-at-will for the period January 1, 2010 through June 30, 2010, operating under the terms of the lease which expired December 31, 2009.

Effective July 1, 2010, the Organization entered into a new lease agreement for its office space for a period of five years through June 30, 2015. Monthly payments commence at \$2,294 and escalate to \$2,721 over the term of the lease. Pursuant to the terms of the agreement, the Organization receives the use of the space at a cost below the fair market value, valued at \$292,763, net of a discount of \$23,991 over the term of the lease. This amount was recorded as an in-kind contribution during fiscal year 2011.

Under the provisions of the agreement, the Organization may also be responsible for the payment of operating costs or taxes, as defined in the agreement.

Rental expense for 2011 was \$97,643 including releases of temporarily restricted income of \$65,778.

Future scheduled minimum rental payments under the lease, at the reduced charge, are as follows:

Year ended	
June 30, 2012	\$ 28,690
June 30, 2013	29,856
June 30, 2014	31,022
June 30, 2015	<u>32,655</u>
	<u>\$ 122,223</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

12. Employee benefit plan

The Organization sponsors an individual based tax sheltered retirement savings plan under Section 403(b) of the Internal Revenue Code. This plan enables any employee who is willing to contribute at least \$200 per year to the Plan. The Plan provides for no sponsor matching or contribution.

13. Investments

As part of its cash management program, the Organization maintains an investment portfolio. Investments consist of money market funds and are valued at fair value which approximates cost at June 30, 2011.

For the year ended June 30, 2011, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 521,635
Purchase of investments	-
Sale of investments	-
Investment income	
Dividend and interest, net of fees of \$149	824
Amounts appropriated for operations	<u>-</u>
Investments, end of year	<u>\$ 522,459</u>

14. Fair value measurements

Effective July 1, 2008, the Organization adopted FASB's guidance on fair value measurements. The guidance establishes a framework for measuring fair value and expands related disclosures. Broadly, the guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs.

The fair value hierarchy under the guidance is as follows:

<i>Level 1</i>	Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
<i>Level 2</i>	Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
<i>Level 3</i>	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

14. Fair value measurements - continued

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 522,459	\$ -	\$ -	\$ 522,459
Pledges receivable	<u>-</u>	<u>-</u>	<u>226,985</u>	<u>226,985</u>
Total assets at fair value	<u>\$ 522,459</u>	<u>\$ -</u>	<u>\$ 226,985</u>	<u>\$ 749,444</u>

The fair value of pledges receivable that are due in more than one year is estimated by discounting expected future cash flows using a rate of return determined by management of the Organization.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2011:

Balance, July 1, 2010	\$ -
Unrealized gains (losses)	-
New promises received	292,763
Collections	(65,778)
Contributed revenue	<u>-</u>
Balance, June 30, 2011	<u>\$ 226,985</u>

15. Notes payable

Line of Credit

The Organization entered into a new revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is renewable annually and currently expires on November 18, 2011. The maximum amount available is \$150,000. Monthly payments of principal, as determined by the lender, and interest are due at the bank's prime rate for commercial loans plus 1.5%, on any outstanding balance. The line is secured by the general assets of the Organization, including funds held in accounts at the institution, and is subject to annual renewal. The agreement also contains certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year. There was no activity on the line of credit during the year ended June 30, 2011. The Organization has renewed the line of credit, subject to examination of the fiscal year 2011 audited financial statements by the financial institution.

16. Board and CEO designated assets

During fiscal year 2007, the Board of Directors established a goal of reserving \$900,000 of the Organization's unrestricted net assets as a working capital reserve. As of June 30, 2011, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$504,923 for this purpose.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2011

16. Board and CEO designated assets - continued

The Organization has segregated these funds, which are included in the long-term investments, into a money market account.

During fiscal year 2010, the Organization established a CEO-designated fund to honor its founding CEOs and Board members. The Founders' Fund was established to provide working capital to enable the Organization to take advantage of new opportunities that advance the Organization's mission. During fiscal year 2011, \$21,100 of these funds were transferred to operations. As of June 30, 2011, the CEO-designated portion of unrestricted net assets totaled \$99,650. The Organization has segregated these funds, which are included in unrestricted cash, into a checking account with the Organization's financial institution.

SUPPLEMENTAL INFORMATION

FROM THE TOP, INC.

SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

FOR THE YEAR ENDED JUNE 30, 2011

	Program Services				
	Marketing & Communications	Radio	CDAL	Cooke	Total
Direct production costs	\$ -	\$ 380,092	\$ -	\$ -	\$ 380,092
Event expenses	-	10,485	-	-	10,485
Payroll and payroll taxes	277,468	419,337	331,218	75,336	1,103,359
Fringe benefits	18,608	47,334	29,267	1,021	96,230
Advertising	8,003	-	-	14,774	22,777
Scholarships	-	-	-	215,893	215,893
Insurance	827	6,346	948	250	8,371
Maintenance and repair	1,289	1,854	1,668	392	5,203
Marketing	30,668	5,763	14,963	9,732	61,126
Office expenses	18,294	44,972	29,360	5,955	98,581
Professional fees	54,416	52,754	89,664	890	197,724
Rent	17,523	20,210	20,267	5,314	63,314
Telephone / internet	3,058	5,068	3,621	914	12,661
Travel, lodging and meals	4,760	195,571	41,063	21,749	263,143
Depreciation and amortization	4,809	19,567	5,645	1,459	31,480
Total expenses	\$ 439,723	\$ 1,209,353	\$ 567,684	\$ 353,679	\$ 2,570,439