

**FROM THE TOP, INC.**

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

FOR THE YEAR ENDED JUNE 30, 2014

**FROM THE TOP, INC.**  
FOR THE YEAR ENDED JUNE 30, 2014

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## FROM THE TOP

### FY14 Program Report

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#### Mission Statement

From the Top celebrates the power of music in the hands of extraordinary young people by:

- Unleashing the potential of young musicians as leaders in the arts;
- Trumpeting the role of music to impact and enrich lives; and
- Inspiring and building new audiences with a deeper appreciation for classical music.

#### About From the Top

Based in Boston, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and YouTube broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

During FY14, From the Top's operating budget was \$3.7 million, with approximately 78% of revenue derived from contributed income and 22% from earned sources.

#### Content and Production

From the Top produces *From the Top with Host Christopher O'Riley*, the most popular one-hour classical music program on public radio. *From the Top* is recorded before live audiences at theaters and concert halls across the country and aired on public radio stations each week. From the Top's YouTube channel features talented and inspiring young people sharing music both on stage and in their communities.

FY14 saw the Content and Production team experimenting with new video concepts while sustaining the high quality of radio recordings and broadcasts. Key accomplishments in FY14:

- Showcased the exceptional talents of more than 312\* pre-collegiate, classical musicians, ages 8 to 18, on NPR's *From the Top with Host Christopher O'Riley*.
- Visited 16 cities and towns across the country to record and produce 18 original live radio shows.
- Broadcast *From the Top* weekly episodes on 228 NPR radio stations nationwide—delivering entertainment to more than 700,000 listeners.
- Produced 44 videos featuring From the Top alumni and performers, and received more than 220,000 views on the From the Top YouTube channel. One such video led to the featured violinist's making a guest appearance on *Good Morning America*.

\*Several ensembles that appeared on From the Top did not supply musician counts, so this number is conservative

## Education and Outreach

From the Top believes that musicians can be leaders in their community. Every From the Top musician learns to take music beyond the concert hall, developing the skills needed to reach new audiences and create positive change through music.

In FY14, From the Top received significant grants from the William R. Kenan Jr. Charitable Trust, the Howard and Geraldine Polinger Family Foundation, and the Free for All Concert Fund, to support expanded outreach programming in six locations: Chattanooga, Tennessee; Boston, Massachusetts; Morehead, Kentucky; Miami, Florida; Tacoma, Washington; and Norfolk, Virginia. This support enabled From the Top to significantly increase the numbers of students reached through its educational outreach programs. Key accomplishments in FY14:

- Engaged 115 young musicians in From the Top's Arts Leadership Workshop, helping them explore communication skills, leadership concepts, and audience engagement techniques.
- Provided 41 educational outreach programs led by From the Top performers reaching more than 4,000 schoolchildren, adults, seniors, and underserved audiences around the country.
- Involved 45 Boston-area young musicians, ages 14 to 18, in From the Top's Center for the Development of Arts Leaders in Boston. The teens donated hundreds of hours of music-related community service, which included teaching after school programs at underserved elementary schools and performing free community concerts for seniors, families, patients, and others. More than 4,000 people at five Boston-area nonprofits benefited from the teens' efforts.

## Scholarship and Recruitment

In FY14, From the Top received more than 700 applications to appear on *From the Top with Host Christopher O'Riley*, and laid the groundwork to hire a new Director of Alumni and Admissions and improve/streamline the recruitment and admissions process in FY15.

From the Top awarded 20 young artists with scholarships of \$10,000 through the Jack Kent Cooke Young Artist Award Program, which supports advanced musical training and the opportunity to appear on *From the Top with Host Christopher O'Riley*.

- FY14 marked the 200<sup>th</sup> scholarship given and more than \$2 million in funds awarded.
- FY14 Award recipients range in age from 13 to 18; they hail from thirteen states; two are originally from China.
- FY14 Award recipients were 35% Asian, 20% Caucasian, 10% African American, 15% of mixed heritage, and 20% Latino/Hispanic, which represents a significant increase in Latino/Hispanic representation.
- The Class of 2014's median adjusted gross income was \$29,729 and average annual income was \$27,211, which is the lowest average income in the history of the program.

## Marketing and Communications

In an increasingly diverse media climate, From the Top reached nearly 300,000 online visitors through expanded use of social media content and online video (Facebook, Twitter, YouTube). In addition, new staff members were hired to expand marketing capabilities. These include laying the groundwork for a new website in FY15 and increased digital, social, and traditional media efforts to increase From the Top's audience dramatically over the next three years.

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***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, 2014, and 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.

## **Other Matters**

### ***Other information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program report for fiscal year 2014 on pages i through ii 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 has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express or provide any assurance on it.

### ***Supplemental information***

Our audit was conducted for the purpose of forming an opinion on the 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.

## **Report on Summarized Comparative Information**

The financial statements of From the Top, Inc. as of and for the year ended June 30, 2013, were audited by other auditors whose report dated December 9, 2013, expressed an unmodified opinion on those financial statements. The prior year summarized comparative information should be read in conjunction with the financial statements for the year ended June 30, 2013 from which the summarized information was derived.



Boston, Massachusetts  
January 6, 2015

**FROM THE TOP, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
 JUNE 30, 2014  
 (with comparative totals for 2013)

**ASSETS**

	2014			2013
	Unrestricted	Restricted Temporarily	Total	
<b>Current assets:</b>				
Cash (Note 2)	\$ 375,070	\$ 231,003	\$ 606,073	\$ 1,043,076
Accounts receivable, net (Notes 1, 3)	207,060	739,313	946,373	516,213
Investments (Notes 1, 12)	17,160	-	17,160	17,308
Prepaid expenses	42,217	-	42,217	39,289
Total current assets	<u>641,507</u>	<u>970,316</u>	<u>1,611,823</u>	<u>1,615,886</u>
<b>Property and equipment:</b>				
Property and equipment, net (Note 4)	<u>77,289</u>	<u>-</u>	<u>77,289</u>	<u>106,485</u>
<b>Other assets:</b>				
Long-term accounts receivable, net (Notes 1, 3)	-	-	-	105,253
Investments (Notes 1, 12)	<u>505,421</u>	<u>-</u>	<u>505,421</u>	<u>505,403</u>
	<u>505,421</u>	<u>-</u>	<u>505,421</u>	<u>610,656</u>
Total assets	<u>\$ 1,224,217</u>	<u>\$ 970,316</u>	<u>\$ 2,194,533</u>	<u>\$ 2,333,027</u>

**LIABILITIES**

<b>Current liabilities:</b>				
Accounts payable	\$ 40,138	\$ -	\$ 40,138	\$ 19,011
Accrued wages payable	49,240	-	49,240	40,408
Accrued expenses	80,841	-	80,841	73,635
Deferred revenue (Note 9)	<u>117,490</u>	<u>-</u>	<u>117,490</u>	<u>218,412</u>
Total current liabilities	<u>287,709</u>	<u>-</u>	<u>287,709</u>	<u>351,466</u>
Total liabilities	<u>287,709</u>	<u>-</u>	<u>287,709</u>	<u>351,466</u>

**NET ASSETS**

Unrestricted net assets (Note 15)	936,508	-	936,508	712,833
Temporarily restricted net assets (Note 5)	<u>-</u>	<u>970,316</u>	<u>970,316</u>	<u>1,268,728</u>
Total net assets	<u>936,508</u>	<u>970,316</u>	<u>1,906,824</u>	<u>1,981,561</u>
Total liabilities and net assets	<u>\$ 1,224,217</u>	<u>\$ 970,316</u>	<u>\$ 2,194,533</u>	<u>\$ 2,333,027</u>

**FROM THE TOP, INC.**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(with comparative totals for 2013)

	<b>2014</b>			<b>2013</b>
	<b>Unrestricted</b>	<b>Restricted Temporarily</b>	<b>Total</b>	
<b>Public Support:</b>				
Contributions (Notes 1, 8)	\$ 1,143,156	\$ 844,500	\$ 1,987,656	\$ 2,164,504
Government support (Notes 1, 7)	22,900	34,500	57,400	125,500
Event revenue	423,505	-	423,505	414,975
In-kind contributions (Notes 1, 6)	197,152	6,146	203,298	243,785
Total public support	1,786,713	885,146	2,671,859	2,948,764
<b>Program Services Fees:</b>				
Carriage fees (Note 9)	368,480	-	368,480	386,000
Road show fees	430,059	-	430,059	387,329
Educational fees (Note 9)	3,451	-	3,451	5,661
Total program service fees	801,990	-	801,990	778,990
<b>Other Revenue:</b>				
Merchandise sales	3,263	-	3,263	4,525
Other income	18,981	-	18,981	7,351
Total other revenue	22,244	-	22,244	11,876
<b>Net Assets Released from Restrictions (Notes 1, 5):</b>				
Expiration of time restrictions	307,778	(307,778)	-	-
Satisfaction of program restrictions	875,780	(875,780)	-	-
Total net assets released from restrictions	1,183,558	(1,183,558)	-	-
Total support and revenue	3,794,505	(298,412)	3,496,093	3,739,630
<b>Expenses:</b>				
Program services	2,493,999	-	2,493,999	2,343,030
General and administrative	444,708	-	444,708	405,304
Fundraising	632,123	-	632,123	570,209
Total expenses	3,570,830	-	3,570,830	3,318,543
Change in net assets	223,675	(298,412)	(74,737)	421,087
<b>Net Assets, Beginning</b>	712,833	1,268,728	1,981,561	1,560,474
<b>Net Assets, Ending</b>	\$ 936,508	\$ 970,316	\$ 1,906,824	\$ 1,981,561

See notes to financial statements.



**FROM THE TOP, INC.**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014  
(with comparative totals for 2013)

	<b>2014</b>				<b>2013</b>
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>General and Administrative</b>	<b>Fundraising</b>		
Production costs	\$ 349,007	\$ -	\$ -	\$ 349,007	\$ 360,931
Event expenses	12,130	-	85,697	97,827	83,251
Payroll and payroll taxes	1,144,650	296,458	379,439	1,820,547	1,690,605
Fringe benefits	111,390	20,282	23,505	155,177	153,102
Advertising	18,264	-	-	18,264	15,141
Scholarships	213,806	-	-	213,806	200,871
Insurance	10,519	5,856	762	17,137	16,272
Maintenance and repair	5,629	1,221	1,581	8,431	8,467
Marketing	44,696	3,825	37,196	85,717	62,169
Office expenses	69,489	13,327	44,797	127,613	104,499
Professional fees	130,950	74,833	15,827	221,610	245,169
Rent (Note 10)	68,550	16,069	20,796	105,415	98,261
Telephone / internet	10,955	2,457	2,813	16,225	16,844
Travel, lodging and meals	279,813	5,395	13,258	298,466	232,682
Depreciation	24,151	4,985	6,452	35,588	30,279
Total expenses	<u>\$ 2,493,999</u>	<u>\$ 444,708</u>	<u>\$ 632,123</u>	<u>\$ 3,570,830</u>	<u>\$ 3,318,543</u>

**FROM THE TOP, INC.**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014  
(with comparative totals for 2013)

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (74,737)	\$ 421,087
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	35,588	30,279
Other adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities (include detail)		
Net realized and unrealized (gains) losses on investments	138	10
Investment income reinvested	(8)	(128)
Donated property and equipment	-	(52,676)
Amortization of discounts	(8,646)	(6,690)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(316,261)	(295,812)
Prepaid expenses	(2,928)	(2,791)
Increase (decrease) in liabilities:		
Accounts payable	34,332	(10,664)
Accrued expenses and accrued wages payable	16,038	11,125
Deferred revenue	(100,922)	(37,588)
Net cash provided by (used in) operating activities	<b>(417,406)</b>	56,152
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(19,597)	(8,910)
Net cash provided by (used in) investing activities	<b>(19,597)</b>	(8,910)
Net increase (decrease) in cash	<b>(437,003)</b>	47,242
Cash, beginning of year	<b>1,043,076</b>	995,834
Cash, end of year	<b>\$ 606,073</b>	<b>\$ 1,043,076</b>

**FROM THE TOP, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. Organization and summary of significant accounting policies**

**Organization and nature of operations**

From the Top, Inc. (the Organization or From the Top) is an independent non-profit organization that celebrates the power of music in the hands of extraordinary young people, reaching more than one million people each year. The Organization was organized under Massachusetts General Law Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Based in Boston, Massachusetts, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and YouTube broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

***National tour, broadcasts, and digital media***

In fifteen years, From the Top has recorded more than **290 radio and television broadcasts** before **live audiences in 35 states and two international cities**, featuring nearly **3,000 young artists**. From the Top's **radio show** is distributed by **National Public Radio (NPR)** to nearly **230** stations coast to coast and is the most popular weekly classical music program on public radio. From the Top's **PBS television series** *From the Top at Carnegie Hall* received two **Emmy Awards** and aired for two seasons. From the Top's website includes a full archive of radio and television episodes, in addition to exclusive video, backstage blog, and links to From the Top's social media platforms, YouTube channel, podcast, and mobile application.

***Education and outreach programs***

From the Top prepares and mentors young musicians across the country to become instruments of change in their communities. Education programs range from half-day arts leadership workshops to full-day in-school residencies and community outreach events. Each year, thousands of students experience the power of From the Top role models in classroom visits and community programs across the country. Additionally, millions of second through twelfth graders learn about From the Top performers in music textbooks and online lesson plans in partnership with Macmillan/McGraw Hill Publishers.

In Boston, through the formation of the Center for the Development of Arts Leaders (CDAL Boston), From the Top established the first center of its kind focusing on developing and training teen musicians to be arts leaders. Between 2011 and 2014, more than 80 teen musicians have donated over 8,000 hours of community service – increasing access to high-quality music and learning opportunities for more than 4,500 schoolchildren, seniors, and patients in greater Boston.

***Scholarship and recruitment program***

Since 2005, **From the Top and the Jack Kent Cooke Foundation** have awarded more than **\$2.0 million in scholarships to 200 exceptional young musicians with financial need**. In addition to providing these young artists with an opportunity to perform on From the Top's national broadcasts, recipients are awarded scholarships of up to \$10,000 to continue their musical studies.

## FROM THE TOP, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

#### 1. Organization and summary of significant accounting policies - continued

##### Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net 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:

<i>Unrestricted net assets</i>	Net assets that are not subject to donor-imposed restrictions;
<i>Temporarily restricted net assets</i>	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
<i>Permanently restricted net assets</i>	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, 2014.

##### 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.

##### 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 reporting period. Actual results could differ from those estimates.

##### Accounts receivable

Accounts receivable are stated at the amount the 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, 2014.

## **FROM THE TOP, INC.**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED JUNE 30, 2014**

#### **1. Organization and summary of significant accounting policies - continued**

##### **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 \$1,000. 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. Amortization expense is included in depreciation.

##### **Investments**

The Organization's investments consist of money market funds which are carried at their fair values. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on various methods, including the average cost method, first-in first-out method, and last-in last-out method, depending on the type of underlying investment. Investment income restricted by a donor is reported as an increase in temporarily restricted net assets. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

##### **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.

##### **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. The Organization had no conditional promises to give at June 30, 2014.

## **FROM THE TOP, INC.**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**FOR THE YEAR ENDED JUNE 30, 2014**

#### **1. Organization and summary of significant accounting policies - continued**

##### **Contributions and donor restrictions - continued**

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 the 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, 2014 totaled \$103,981.

##### **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, 2014. 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 of June 30, 2014. 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, 2011, 2012 and 2013.

##### **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, 2013 from which the summarized information was derived.

##### **Reclassifications**

Certain amounts presented in the 2013 summarized comparative information have been reclassified to conform to the 2014 presentation format.

# FROM THE TOP, INC.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

### 1. Organization and summary of significant accounting policies - continued

#### Subsequent events

The Organization has evaluated subsequent events through January 6, 2015, 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) up to \$250,000. As of June 30, 2014, the Organization's operating cash account held approximately \$520,300, of which \$270,300 was not insured by the FDIC.

At June 30, 2014, the Organization held investments (see Note 12) totaling \$522,581 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, 2014 consists of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pledges			
Contributions	\$ 820,000	\$ -	\$ 820,000
Government support	30,000	-	30,000
Event revenue	27,465	-	27,465
In-kind contributions	<u>60,645</u>	<u>-</u>	<u>60,645</u>
	938,110	-	938,110
Discount on pledges	<u>( 3,032)</u>	<u>-</u>	<u>( 3,032)</u>
Subtotal	<u>935,078</u>	<u>-</u>	<u>935,078</u>
Merchandise sales	25	-	25
Educational fees	2,067	-	2,067
Other	<u>9,203</u>	<u>-</u>	<u>9,203</u>
Subtotal	<u>11,295</u>	<u>-</u>	<u>11,295</u>
Total	<u>\$ 946,373</u>	<u>\$ -</u>	<u>\$ 946,373</u>

**FROM THE TOP, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

**3. Accounts receivable and significant customers - continued**

The Organization had pledges receivable representing the following at June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 168,300	\$ 651,700	\$ 820,000
Government support	-	30,000	30,000
Event revenue	27,465	-	27,465
In-kind contributions	<u>-</u>	<u>60,645</u>	<u>60,645</u>
	195,765	742,345	938,110
Discount on pledges	<u>-</u>	<u>( 3,032)</u>	<u>( 3,032)</u>
<b>Total</b>	<b><u>\$ 195,765</u></b>	<b><u>\$ 739,313</u></b>	<b><u>\$ 935,078</u></b>
Receivables due in less than one year	195,765	742,345	938,110
Receivables due in one to five years	-	-	-
Receivables due in more than five years	<u>-</u>	<u>-</u>	<u>-</u>
	195,765	742,345	938,110
Discount on pledges	<u>-</u>	<u>( 3,032)</u>	<u>( 3,032)</u>
<b>Total</b>	<b><u>\$ 195,765</u></b>	<b><u>\$ 739,313</u></b>	<b><u>\$ 935,078</u></b>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2014, approximately 17% of the Organization's contributions were received from one donor. At June 30, 2014, \$590,000 was receivable from this donor.

**4. Property and equipment**

Property and equipment at June 30, 2014 consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 34,532	(\$ 28,852)	\$ 5,680
Production equipment	103,386	( 95,512)	7,874
Office and computer equipment	<u>293,322</u>	<u>( 229,587)</u>	<u>63,735</u>
	<u>\$ 431,240</u>	<u>(\$ 353,951)</u>	<u>\$ 77,289</u>

At June 30, 2014, property and equipment with an original cost of \$296,361 was fully depreciated and still in service.



**FROM THE TOP, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

**5. Restricted net assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Scholarship & recruitment	\$ 521,417
Operations	250,000
Education	105,000
Office Rent	57,613
Corporate Soiree	20,000
Board Development	<u>16,286</u>
	<u>\$ 970,316</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, time or by the occurrence of other events specified by the donor during the year ended June 30, 2014 as follows:

Scholarship & recruitment	\$ 533,576
Operations	245,500
Radio	192,000
Education	126,490
Office Rent	62,278
Corporate Soiree	20,000
Board Development	<u>3,714</u>
	<u>\$ 1,183,558</u>

**6. In-kind donations**

The value of donated goods and services included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2014 are as follows:

	Expenses			
	<u>Program</u>	<u>General and</u>		
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ 110,980	\$ 57,592	\$ 12,500	\$ 181,072
Event expenses	11,350	-	4,730	16,080
Rent	<u>40,499</u>	<u>9,493</u>	<u>12,286</u>	<u>62,278</u>
Total	<u>\$ 162,829</u>	<u>\$ 67,085</u>	<u>\$ 29,516</u>	<u>\$ 259,430</u>

**FROM THE TOP, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

**6. In-kind donations - continued**

	<u>Revenue</u> <u>Contributions</u>
Professional fees	\$ 181,072
Event expenses	16,080
Rent	<u>6,146</u>
Total	<u>\$ 203,298</u>

**7. Contingencies**

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts (NEA) 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 \$30,000 have been recognized as income during the year ended June 30, 2014 all of which are receivable at year end from NEA.

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.

**8. Grant agreements**

**Scholarship and recruitment program**

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support the identification of applicants for the Organization's scholarship and recruitment 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 seven additional agreements, with the latest grant awarded in April 2014, totaling \$515,000, for the period June 1, 2014 through May 31, 2015. Grants awarded have ranged in value from \$500,000 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, 2014

**8. Grant agreements - continued**

**Scholarship and recruitment program - continued**

A summary of cumulative activity through June 30, 2014 is as follows:

Grant amounts	\$ 5,231,755
Cumulative expenditures incurred	
Scholarships	( 1,979,554)
Program and administrative costs	( <u>2,730,784</u> )
Grant funds remaining	\$ <u>521,417</u>

Grant funds held by award year as of June 30, 2014 is as follows:

Grant period ending:	
May 31, 2015	\$ 481,700
May 31, 2014	39,137
Prior	<u>580</u>
Grant funds remaining	\$ <u>521,417</u>

**Education and community outreach programs**

***Arts leadership program***

The Organization conducts school and community performances and presentations in up to 18 communities across the country, leveraging the power of young performers ages 8 to 18 as role models for approximately 2,100 students each year. These range from one-day events, to extended partnerships and residencies. In addition, all From the Top performers participate in arts leadership workshops, which allow them to explore the power of music to inspire and create change and to help them develop their own interests and leadership projects once they return home. During the year ended June 30, 2013, the Organization was awarded \$105,000 in support of this program from two grantors to be used during fiscal year 2015. A summary of cumulative activity for this program during the year ended June 30, 2014 is as follows:

Grant awards as of June 30, 2013	\$ 96,990
Current year grants awarded	105,000
Current year expenditures	( <u>96,990</u> )
Grant awards remaining at June 30, 2014	\$ <u>105,000</u>

## FROM THE TOP, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

#### 9. 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 From the Top 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, 2013.

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.

Effective May 18, 2011, the Organization entered into an amended agreement with NPR extending the term of the distribution agreement for one additional program year (January 1, 2012 through December 31, 2012). The terms of the amended agreement provided for a guaranteed minimum of \$380,000 to be paid for program year 2012. In addition, if station carriage fees exceed the guaranteed minimum, all excess fees will be paid 100% to the Organization. All other provisions of the agreement were not substantially changed.

The Organization has subsequently entered into three additional amendments to the agreement, extending the terms through program year 2014 (January 1, 2014 - December 31, 2014). Provisions of the agreements call for a guaranteed minimum of \$380,000 to be paid in program year 2013 and 100% of station carriage fees, with no guaranteed minimum, to be paid in program year 2014. The terms of the latest amendment (amendment #5) also changed the sponsorship revenue terms. Commencing in August, 2013, NPR will no longer share a portion of sponsorship revenue received.

Amounts totaling \$368,480 and \$86,240 have been recognized as revenue and deferred revenue, respectively, for the year ended June 30, 2014.

In December 2014, the Organization entered into an amended agreement with NPR to extend the term of the distribution agreement for one additional program year (January 1, 2015 – December 31, 2015). Provisions of the agreement call for 97% of station carriage fees, with no guaranteed minimum, to be paid for program year 2015. The agreement also grants NPR with the right of first refusal to acquire broadcast rights for new programs for one additional one-year period, commencing on January 1, 2016.

##### 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, 2014, royalties of \$3,451 were earned and are included in educational fees in the Statement of Activities.

**FROM THE TOP, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

**10. Leasing arrangements**

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 2014 was \$105,415, including releases of temporarily restricted income of \$62,278.

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

Year ended	
June 30, 2015	\$ <u>32,655</u>
	\$ <u>32,655</u>

**11. 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 full-time employee who is willing to contribute at least \$650 per year to the Plan to participate. The Plan provides for no sponsor matching or contribution.

**12. 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, 2014.

For the year ended June 30, 2014, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 522,711
Stock donation	63,489
Purchase of investments	-
Sale of investments	( 63,517)
Investment income (expense)	
Dividend and interest, net of fees of \$215	( 207)
Realized/unrealized gain (loss)	<u>105</u>
Investments, end of year	\$ <u>522,581</u>

## FROM THE TOP, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

#### 13. Fair value measurements

The Organization follows FASB's guidance on fair value measurements, which provides 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:

- Level 1* Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs;
- Level 2* 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
- Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to level 3 inputs.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2014.

*Money market funds* Valued at the daily closing price as reported by the fund.

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 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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 522,581	\$ -	\$ -	\$ 522,581
Total assets at fair value	\$ 522,581	\$ -	\$ -	\$ 522,581

**FROM THE TOP, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014

**14. Note payable**

**Line of credit**

The Organization entered into a revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is subject to review by the financial institution annually and is currently due for review on January 31, 2015. 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, 2014.

**15. 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, 2014, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$505,421 for this purpose. The Organization has segregated these funds, which are included in 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.

A summary of the activity during fiscal year 2014 is as follows:

Balance, July 1, 2013	\$	9,641
Deposits		-
Transfer to operations	(	<u>9,641</u> )
Balance, June 30, 2014	\$	<u>-</u>

**16. Supplemental cash flow information**

Schedule of noncash investing and financing activities:

Costs incurred for purchase of property and equipment during the year	\$	6,392
Amounts included in accounts payable at beginning of year		<u>13,205</u>
Payments for property and equipment	\$	<u>19,597</u>

**SUPPLEMENTAL INFORMATION**



**FROM THE TOP, INC.**

SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

FOR THE YEAR ENDED JUNE 30, 2014

	<b>Program Services</b>				<b>Total</b>
	<b>Content and Production</b>	<b>Education and Community Outreach</b>	<b>Marketing and Communications</b>	<b>Scholarship and Recruitment</b>	
Production costs	\$ 349,007	\$ -	\$ -	\$ -	\$ 349,007
Event expenses	11,350	780	-	-	12,130
Payroll and payroll taxes	486,800	286,340	264,783	106,727	1,144,650
Fringe benefits	60,164	20,605	24,405	6,216	111,390
Advertising	-	-	11,814	6,450	18,264
Scholarships	-	-	-	213,806	213,806
Insurance	8,991	623	593	312	10,519
Maintenance and repair	2,459	1,293	1,230	647	5,629
Marketing	5,780	6,648	25,349	6,919	44,696
Office expenses	24,308	16,035	20,695	8,451	69,489
Professional fees	54,834	23,995	51,374	747	130,950
Rent	26,845	17,015	16,183	8,507	68,550
Telephone / internet	5,307	2,298	2,245	1,105	10,955
Travel, lodging and meals	195,056	46,499	17,667	20,591	279,813
Depreciation and amortization	11,211	5,279	5,021	2,640	24,151
<b>Total expenses</b>	<b>\$ 1,242,112</b>	<b>\$ 427,410</b>	<b>\$ 441,359</b>	<b>\$ 383,118</b>	<b>\$ 2,493,999</b>