



**FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**MUSIC AND YOUTH INITIATIVE, INC.**

Contents  
December 31, 2014 and 2013

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### Independent Accountants' Review Report

To the Board of Directors of  
Music and Youth Initiative, Inc.:

We have reviewed the accompanying statements of financial position of Music and Youth Initiative, Inc. (the Organization) (a Massachusetts nonprofit corporation) as of December 31, 2014 and 2013, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Alexander, Brown, Pinning & Co., P.C.*

Boston, Massachusetts  
May 29, 2015

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Financial Position

December 31, 2014 and 2013

(See Independent Accountants' Review Report)

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<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current Assets:		
Cash and cash equivalents	\$ 248,282	\$ 263,523
Contributions receivable	3,484	-
Inventory	11,795	11,494
Prepaid expenses	1,530	1,291
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 265,091</u>	<u>\$ 276,308</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,187	\$ 4,172
	<u>          </u>	<u>          </u>
Net Assets:		
Unrestricted	260,904	262,136
Temporarily restricted	-	10,000
	<u>          </u>	<u>          </u>
Total net assets	<u>260,904</u>	<u>272,136</u>
	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 265,091</u>	<u>\$ 276,308</u>

The accompanying notes are an integral part of these statements.

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Activities

For the Years Ended December 31, 2014 and 2013

(See Independent Accountants' Review Report)

	<u>2014</u>	<u>2013</u>
<b>Unrestricted Net Assets:</b>		
Support and revenue:		
Grants and contributions	\$ 294,263	\$ 317,835
Donated goods and services	216,980	261,418
Other	3,061	5,192
Net assets released from purpose restrictions	<u>50,000</u>	<u>44,500</u>
Total support and revenue	<u>564,304</u>	<u>628,945</u>
Operating expenses:		
Program	486,634	508,669
Administration	41,870	34,608
Fundraising	<u>37,032</u>	<u>36,019</u>
Total operating expenses	<u>565,536</u>	<u>579,296</u>
Changes in unrestricted net assets	<u>(1,232)</u>	<u>49,649</u>
<b>Temporarily Restricted Net Assets:</b>		
Purpose restricted grants	40,000	25,000
Net assets released from purpose restrictions	<u>(50,000)</u>	<u>(44,500)</u>
Changes in temporarily restricted net assets	<u>(10,000)</u>	<u>(19,500)</u>
Changes in net assets	<u>\$ (11,232)</u>	<u>\$ 30,149</u>

The accompanying notes are an integral part of these statements.

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Changes in Net Assets  
For the Years Ended December 31, 2014 and 2013  
(See Independent Accountants' Review Report)

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Net Assets, December 31, 2012</b>	\$ 212,487	\$ 29,500	\$ 241,987
Changes in net assets	<u>49,649</u>	<u>(19,500)</u>	<u>30,149</u>
<b>Net Assets, December 31, 2013</b>	262,136	10,000	272,136
Changes in net assets	<u>(1,232)</u>	<u>(10,000)</u>	<u>(11,232)</u>
<b>Net Assets, December 31, 2014</b>	<u><u>\$ 260,904</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 260,904</u></u>

The accompanying notes are an integral part of these statements.

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

(See Independent Accountants' Review Report)

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	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (11,232)	\$ 30,149
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(3,484)	-
Inventory	(301)	8,610
Prepaid expenses	(239)	(30)
Accounts payable and accrued expenses	15	160
	<u>(15,241)</u>	<u>38,889</u>
Net cash provided by (used in) operating activities	(15,241)	38,889
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>263,523</u>	<u>224,634</u>
End of year	<u>\$ 248,282</u>	<u>\$ 263,523</u>

The accompanying notes are an integral part of these statements.

**MUSIC AND YOUTH INITIATIVE, INC.**

Statements of Functional Expenses  
 For the Years Ended December 31, 2014 and 2013  
 (See Independent Accountants' Review Report)

	2014			2013				
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
<b>Personnel and Related:</b>								
Donated salaries and wages	\$ 133,500	\$ 26,750	\$ 34,750	\$ 195,000	\$ 133,500	\$ 26,750	\$ 34,750	\$ 195,000
Salaries and wages	62,295	-	-	62,295	55,215	-	-	55,215
Employee benefits	20,494	-	-	20,494	21,471	-	-	21,471
Payroll taxes	4,134	-	-	4,134	3,916	-	-	3,916
<b>Total personnel and related</b>	<b>220,423</b>	<b>26,750</b>	<b>34,750</b>	<b>281,923</b>	<b>214,102</b>	<b>26,750</b>	<b>34,750</b>	<b>275,602</b>
<b>Other:</b>								
Grants	232,369	-	-	232,369	216,502	-	-	216,502
Professional fees	5,035	6,519	-	11,554	48,761	4,147	-	52,908
Program supplies	8,633	-	-	8,633	5,983	-	-	5,983
Occupancy	4,703	2,271	-	6,974	4,173	1,370	-	5,543
Travel	4,721	20	-	4,741	3,866	20	-	3,886
Office	1,531	3,022	54	4,607	4,298	-	26	4,324
Meetings	2,772	550	-	3,322	2,523	379	46	2,948
Payroll processing fees	2,987	-	-	2,987	2,792	-	-	2,792
Telephone	1,905	-	-	1,905	2,175	-	-	2,175
Printing, publications and postage	526	715	628	1,869	155	556	10	721
Fundraising	-	-	1,600	1,600	-	-	1,187	1,187
Insurance	-	1,477	-	1,477	539	1,052	-	1,591
Miscellaneous	579	546	-	1,125	300	334	-	634
Curriculum development	450	-	-	450	2,500	-	-	2,500
<b>Total other</b>	<b>266,211</b>	<b>15,120</b>	<b>2,282</b>	<b>283,613</b>	<b>294,567</b>	<b>7,858</b>	<b>1,269</b>	<b>303,694</b>
<b>Total expenses</b>	<b>\$ 486,634</b>	<b>\$ 41,870</b>	<b>\$ 37,032</b>	<b>\$ 565,536</b>	<b>\$ 508,669</b>	<b>\$ 34,608</b>	<b>\$ 36,019</b>	<b>\$ 579,296</b>

The accompanying notes are an integral part of these statements.



## MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements  
December 31, 2014 and 2013  
(See Independent Accountants' Review Report)

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### 1. OPERATIONS AND NONPROFIT STATUS

Music and Youth Initiative, Inc. (the Organization) was formed in 2005 and provides financially efficient and high quality after school music programs for underserved urban youth in eastern Massachusetts. The Organization partners with professional youth development organizations to host and operate music clubhouses in their existing facilities.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC regulations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Net Assets

**Unrestricted net assets** are those net resources that bear no external restrictions and are generally available for use by the Organization to carry on its operations.

**Temporarily restricted net assets** consist of amounts received with purpose restrictions, which have not yet been expended for its designated purpose.

#### Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted net assets when received or pledged. Transfers are made to unrestricted net assets as costs associated with purpose restrictions are incurred or time restrictions have lapsed. All other revenue is recorded when earned.

#### Expense Allocation

Expenses related directly to programs are allocated to program expense, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

#### Grants Expense

The Organization recognizes grants expense upon the awarding of the grant.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. These amounts are all considered cash and cash equivalents for the purpose of the statements of cash flows.

## MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements  
December 31, 2014 and 2013  
(See Independent Accountants' Review Report)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Donated Goods and Services

The Organization received donated goods valued at \$17,980 and \$24,209 during 2014 and 2013, respectively, in support of various aspects of its programs. The donated goods are valued at the approximate fair value as determined by the donor on the date of donation. The value of the donated goods is included in grants in the accompanying statements of functional expenses.

The Organization also received donated legal services of \$4,000 and \$42,209 during 2014 and 2013, respectively. Donated legal services are recorded based on pro-bono invoices or statements provided by the service provider. The donated legal services are included in professional fees in the accompanying statements of functional expenses.

For the years ended December 31, 2014 and 2013, the Organization's two founders and current Board members functioned as the Organization's Chief Executive Officer and Chief Financial Officer. The estimated value of their services was \$195,000 for each year and is presented as donated salaries and wages in the accompanying statements of functional expenses.

#### Inventory

Inventory consists of music equipment that the Organization grants in support of its programs. Inventory purchased by the Organization is valued at cost and donated inventory is valued at the approximate fair value as determined by the donor at the time of donation.

#### Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2014 and 2013. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Fair Value Measurement

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

## **MUSIC AND YOUTH INITIATIVE, INC.**

Notes to Financial Statements  
December 31, 2014 and 2013  
(See Independent Accountants' Review Report)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fair Value Measurement (Continued)**

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### **Subsequent Events**

Subsequent events have been evaluated through May 29, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

#### **Contributions Receivable**

Contributions receivable consist of amounts committed to the Organization. An allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. No allowance was deemed necessary at December 31, 2014, since substantially all outstanding balances were received subsequent to year-end. Accounts are written off when they are determined to be uncollectible.

### **3. RELATED PARTY TRANSACTIONS**

The Organization made grants of approximately \$33,500 and \$23,000 in 2014 and 2013, respectively, to two nonprofit organizations. One of the Organization's Board members is a Board member of one of these nonprofit organizations. Another Board member is also the Executive Director of the other nonprofit organization. These amounts are included in grants in the accompanying statements of functional expenses.

## **MUSIC AND YOUTH INITIATIVE, INC.**

Notes to Financial Statements  
December 31, 2014 and 2013  
(See Independent Accountants' Review Report)

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### **4. CONCENTRATION**

The Organization received 36% and 33% of its unrestricted grants and contributions from one funder during 2014 and 2013, respectively.

### **5. PENSION PLAN**

The Organization has a qualified retirement plan (the Plan) under Section 401(k) of the IRC covering all eligible employees, as defined in the Plan. Under the Plan, the Organization may make a discretionary contribution to the Plan. For the years ended December 31, 2014 and 2013, these discretionary contributions were \$5,823 and \$5,758, respectively, and are included in employee benefits in the accompanying statements of functional expenses. Subsequent to year-end, the Organization amended the Plan to discontinue contributions to the Plan.

### **6. OPERATING LEASE**

The Organization entered into an operating lease agreement through June 30, 2015. The Organization is responsible for its proportionate share of operating expenses. Rent expense under the terms of the lease agreement for the years ended December 31, 2014 and 2013, was \$6,704 and \$6,363, respectively, and is included in occupancy in the accompanying statements of functional expenses. Future minimum rent payments for 2015 are \$3,434.

### **7. RECLASSIFICATIONS**

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.