



**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

MUSIC AND YOUTH INITIATIVE, INC.

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December 31, 2015 and 2014

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21 East Main Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Accountants' Review Report

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

We have reviewed the accompanying financial statements of Music and Youth Initiative, Inc. (a Massachusetts nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. 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'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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Alexander, Acorn, Fenning & Co., P.C.

Boston, Massachusetts
July 25, 2016

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Financial Position

December 31, 2015 and 2014

(See Independent Accountants' Review Report)

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 246,977	\$ 248,282
Contributions receivable	20,000	3,484
Inventory	14,364	11,795
Prepaid expenses	<u>1,242</u>	<u>1,530</u>
Total assets	<u>\$ 282,583</u>	<u>\$ 265,091</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 5,239</u>	<u>\$ 4,187</u>
Net Assets:		
Unrestricted	251,344	260,904
Temporarily restricted	<u>26,000</u>	<u>-</u>
Total net assets	<u>277,344</u>	<u>260,904</u>
Total liabilities and net assets	<u>\$ 282,583</u>	<u>\$ 265,091</u>

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2015 and 2014
 (See Independent Accountants' Review Report)

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Grants and contributions	\$ 321,280	\$ 66,000	\$ 387,280	\$ 294,263	\$ 40,000	\$ 334,263
Donated goods and services	164,280	-	164,280	216,980	-	216,980
Other	864	-	864	3,061	-	3,061
Net assets released from purpose restrictions	40,000	(40,000)	-	50,000	(50,000)	-
Total support and revenue	526,424	26,000	552,424	564,304	(10,000)	554,304
Operating Expenses:						
Program	448,563	-	448,563	486,634	-	486,634
Administration	41,044	-	41,044	41,870	-	41,870
Fundraising	46,377	-	46,377	37,032	-	37,032
Total operating expenses	535,984	-	535,984	565,536	-	565,536
Changes in net assets	(9,560)	26,000	16,440	(1,232)	(10,000)	(11,232)
Net Assets:						
Beginning of year	260,904	-	260,904	262,136	10,000	272,136
End of year	\$ 251,344	\$ 26,000	\$ 277,344	\$ 260,904	\$ -	\$ 260,904

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

(See Independent Accountants' Review Report)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 16,440	\$ (11,232)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(16,516)	(3,484)
Inventory	(2,569)	(301)
Prepaid expenses	288	(239)
Accounts payable and accrued expenses	<u>1,052</u>	<u>15</u>
Net cash used in operating activities	(1,305)	(15,241)
Cash and Cash Equivalents:		
Beginning of year	<u>248,282</u>	<u>263,523</u>
End of year	<u><u>\$ 246,977</u></u>	<u><u>\$ 248,282</u></u>

MUSIC AND YOUTH INITIATIVE, INC.

Statements of Functional Expenses
 For the Years Ended December 31, 2015 and 2014
 (See Independent Accountants' Review Report)

	2015			2014				
	Program	Adminis- tration	Fundraising	Total	Program	Adminis- tration	Fundraising	Total
Personnel and Related:								
Donated salaries and wages	\$ 100,000	\$ 27,250	\$ 27,750	\$ 155,000	\$ 133,500	\$ 26,750	\$ 34,750	\$ 195,000
Salaries and wages	59,535	3,500	13,000	76,035	62,295	-	-	62,295
Employee benefits	10,347	616	1,759	12,722	20,494	-	-	20,494
Payroll taxes	4,256	250	929	5,435	4,134	-	-	4,134
Total personnel and related	<u>174,138</u>	<u>31,616</u>	<u>43,438</u>	<u>249,192</u>	<u>220,423</u>	<u>26,750</u>	<u>34,750</u>	<u>281,923</u>
Other:								
Grants	238,563	-	-	238,563	232,369	-	-	232,369
Travel	13,420	-	-	13,420	4,721	20	-	4,741
Program supplies	7,100	-	-	7,100	8,633	-	-	8,633
Professional fees	1,307	4,645	423	6,375	5,035	6,519	-	11,554
Office	3,715	1,307	-	5,022	1,531	3,022	54	4,607
Occupancy	2,410	1,164	-	3,574	4,703	2,271	-	6,974
Payroll processing fees	2,708	-	-	2,708	2,987	-	-	2,987
Meetings	1,747	611	-	2,358	2,772	550	-	3,322
Telephone	2,277	-	-	2,277	1,905	-	-	1,905
Fundraising	-	-	1,490	1,490	-	-	1,600	1,600
Insurance	-	1,477	-	1,477	-	1,477	-	1,477
Printing, publications and postage	212	-	1,018	1,230	526	715	628	1,869
Miscellaneous	706	224	8	938	579	546	-	1,125
Curriculum development	260	-	-	260	450	-	-	450
Total other	<u>274,425</u>	<u>9,428</u>	<u>2,939</u>	<u>286,792</u>	<u>266,211</u>	<u>15,120</u>	<u>2,282</u>	<u>283,613</u>
Total expenses	<u>\$ 448,563</u>	<u>\$ 41,044</u>	<u>\$ 46,377</u>	<u>\$ 535,984</u>	<u>\$ 486,634</u>	<u>\$ 41,870</u>	<u>\$ 37,032</u>	<u>\$ 565,536</u>

The accompanying notes are an integral part of these statements.

MUSIC AND YOUTH INITIATIVE, INC.

Notes to Financial Statements
December 31, 2015 and 2014
(See Independent Accountants' Review Report)

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 Massachusetts and Texas. 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 (U.S. GAAP) 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 their 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, 2015 and 2014
(See Independent Accountants' Review Report)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Organization received donated goods valued at \$9,280 and \$17,980 during 2015 and 2014, 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 Organization then donates these goods to various clubhouses in support of their programs. 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 during 2014. 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 2014 statement of functional expenses. There were no donated legal services received in 2015.

For the years ended December 31, 2015 and 2014, 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 for 2015 and 2014 was \$155,000 and \$195,000, respectively, 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, 2015 and 2014.

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, 2015 and 2014
(See Independent Accountants' Review Report)

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 July 25, 2016, 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 contributions receivable 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, 2015 and 2014, since substantially all outstanding balances were received subsequent to year-end. Contributions receivable are written off when they are determined to be uncollectible.

3. RELATED PARTY TRANSACTIONS

The Organization made grants of approximately \$16,400 and \$33,500 in 2015 and 2014, 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
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4. CONCENTRATION

The Organization received 48% and 36% of its unrestricted grants and contributions from one funder during 2015 and 2014, respectively.

Contributions receivable at December 31, 2015 were due from one funder.

5. PENSION PLAN

The Organization had 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 was able to make a discretionary contribution to the Plan. For the year ended December 31, 2014, discretionary contributions were \$5,823, and are included in employee benefits in the accompanying 2014 statement of functional expenses. Effective January 1, 2015, the Organization amended the Plan to discontinue contributions to the Plan. The Organization terminated the Plan effective November 2015.

6. OPERATING LEASE

The Organization had entered into an operating lease agreement through June 30, 2015. The Organization was responsible for its proportionate share of operating expenses. Rent expense under the terms of the lease agreement for the years ended December 31, 2015 and 2014, was \$3,434 and \$6,704, respectively, and is included in occupancy in the accompanying statements of functional expenses. The lease was not extended when it expired in June 2015, and the Organization no longer rents an office space.

7. CONDITIONAL GRANT

In December 2015, the Organization received a conditional grant for up to \$55,380 to purchase equipment for certain clubhouses. Since the grant is conditional on the Organization meeting certain objectives, the grant is not reflected in the accompanying financial statements at December 31, 2015.