

Atlanta Music Project, Inc.
Report on Audits of Financial Statements
For the Years Ended July 31, 2014 and 2013



Atlanta Music Project, Inc.

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McIntee Fusaro Del Corral, LLC
Certified Public Accountants & Forensic Consultants

David G. McIntee, CPA/CFF, CVA
Darren J. Fusaro, CPA, CFE
Isabel Del Corral, CPA

Independent Auditors' Report

To the Board of Trustees of
Atlanta Music Project, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Atlantic Music Project, Inc. (a Georgia nonprofit organization), which comprise the statements of financial position as of July 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' 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 entity'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 entity'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 Atlanta Music Project, Inc. and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McIntee Fusaro Del Corral, LLC
McIntee Fusaro Del Corral, LLC

October 30, 2014
Fairfield, NJ



Atlanta Music Project, Inc.
Statements of Financial Position
July 31, 2014 and 2013

	ASSETS	
	2014	2013
Cash and Cash Equivalents	\$ 47,674	\$ 64,245
Grants Receivable (Note B)	-	5,500
Other Receivable	3,500	3,500
Equipment - Net (Note C)	54,304	54,874
	\$ 105,478	\$ 128,119

LIABILITIES AND UNRESTRICTED NET ASSETS

Accounts Payable and Accrued Expenses	\$ 19,042	\$ 19,570
Due to Grantor	8,342	46,327
Deferred Revenue	30,000	50,000
Total Liabilities	57,384	115,897
Unrestricted Net Assets	48,094	12,222
	\$ 105,478	\$ 128,119

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statements of Activities
For the Years Ended July 31, 2014 and 2013

Unrestricted Net Assets

	2014	2013
Support and Revenues		
Public Grants	\$ 123,913	\$ 258,184
Contributions	190,269	52,705
In-Kind Contributions (Note D)	1,575	40,668
Program Fees	34,840	37,181
Special Events - Net	17,154	-
Interest Income	20	96
	<u>367,771</u>	<u>388,834</u>
 Total Support and Revenues	 <u>367,771</u>	 <u>388,834</u>
 Expenses		
Program Services	273,601	286,679
Management and General	56,870	49,558
Fund Raising	1,428	2,849
	<u>331,899</u>	<u>339,086</u>
 Total Expenses	 <u>331,899</u>	 <u>339,086</u>
 Change in Unrestricted Net Assets	 35,872	 49,748
Unrestricted Net Assets (Deficit), Beginning of Year	<u>12,222</u>	<u>(37,526)</u>
Unrestricted Net Assets, End of Year	<u>\$ 48,094</u>	<u>\$ 12,222</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Supplementary Information
Statement of Functional Expenses
For the Year Ended July 31, 2014

	Program Services	Management and General	Fund Raising	Totals
Officer Salary	\$ 92,874	\$ 23,218	\$ -	\$ 116,092
Salaries	23,300	5,825	-	29,125
Payroll Taxes and Benefits	9,073	2,268	-	11,341
Instruments, Repairs and Music Supplies	10,321	-	-	10,321
In-Kind Costs	1,575	-	-	1,575
Teachers' Fees	105,182	-	-	105,182
Training/Performance Fees	2,176	-	-	2,176
Musical Events	9,062	-	-	9,062
Professional Fees	-	7,500	-	7,500
Advertising and Promotion	1,846	469	813	3,128
Insurance	6,528	3,215	-	9,743
Office Supplies	-	8,252	-	8,252
Outside Contract Services/Consultants	6,493	-	-	6,493
Travel and Meetings	1,659	4,486	-	6,145
Depreciation Expense	3,512	-	-	3,512
Fundraising	-	-	580	580
Telephone	-	650	-	650
Repairs and Maintenance	-	503	-	503
Dues and Subscriptions	-	85	-	85
Miscellaneous	-	399	35	434
	<u>\$ 273,601</u>	<u>\$ 56,870</u>	<u>\$ 1,428</u>	<u>\$ 331,899</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Supplementary Information
Statement of Functional Expenses
For the Year Ended July 31, 2013

	Program Services	Management and General	Fund Raising	Totals
Officer Salary	\$ 39,245	\$ 9,811	\$ -	\$ 49,056
Salaries	22,146	5,536	-	27,682
Payroll Taxes and Benefits	6,559	1,640	-	8,199
Instruments, Repairs and Music Supplies	33,544	-	-	33,544
In-Kind Costs	3,668	-	-	3,668
Teachers' Fees	106,656	-	-	106,656
Training/Performance Fees	11,503	-	-	11,503
Musical Events	3,384	-	-	3,384
Professional Fees	-	10,937	-	10,937
Advertising and Promotion	6,365	1,618	2,805	10,788
Insurance	5,359	2,639	-	7,998
Office Supplies	-	8,592	-	8,592
Outside Contract Services/Consultants	43,491	-	-	43,491
Travel and Meetings	2,143	5,795	-	7,938
Depreciation Expense	2,616	-	-	2,616
Staff Development	-	950	-	950
Telephone	-	300	-	300
Repairs and Maintenance	-	732	-	732
Dues and Subscriptions	-	500	-	500
Miscellaneous	-	508	44	552
	<u>\$ 286,679</u>	<u>\$ 49,558</u>	<u>\$ 2,849</u>	<u>\$ 339,086</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statements of Cash Flows
For the Years Ended July 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in Unrestricted Net Assets	<u>\$ 35,872</u>	<u>\$ 49,748</u>
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used for Operating Activities		
Depreciation	3,512	2,616
In-Kind Contributions	-	(37,000)
Decrease in Grants Receivable	5,500	33,802
Increase in Other Receivable	-	(3,500)
Decrease in Accounts Payable	(528)	(15,012)
(Decrease) Increase in Due to Grantor	(37,985)	46,327
Decrease in Deferred Revenue	<u>(20,000)</u>	<u>(102,801)</u>
Total Adjustments	<u>(49,501)</u>	<u>(75,568)</u>
Net Cash Used for Operating Activities	<u>(13,629)</u>	<u>(25,820)</u>
Cash Flows From Investing Activities		
Purchase of Equipment	<u>(2,942)</u>	<u>-</u>
Net Cash Used for Investing Activities	<u>(2,942)</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(16,571)	(25,820)
Cash and Cash Equivalents, Beginning of Year	<u>64,245</u>	<u>90,065</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 47,674</u></u>	<u><u>\$ 64,245</u></u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Notes to Financial Statements
July 31, 2014 and 2013

A - Nature of Activities and Summary of Significant Accounting Policies

1. Nature of Activities

The Atlanta Music Project, Inc. (the "Organization") provides intense music education to underserved youth in their neighborhood in the Metropolitan Atlanta area. Its activities are supported primarily through public and private grants and other means of public support.

2. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, these financial statements reflect all significant receivables, payables and other liabilities.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

All net assets not specifically restricted by donors are considered to be available for unrestricted use. Restricted net assets may only be utilized in accordance with the purpose established by their donors and grantors. Restrictions are considered satisfied when expenses are incurred which conform to grantor and donor specifications, rules or regulations. Net assets which have been earmarked for specific purposes by the governing board of the Organization are classified as unrestricted.

3. Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

5. Income Taxes

The Organization was incorporated as a not-for-profit corporation under the laws of the State of Georgia and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's evaluation on July 31, 2014 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2010 through 2013 tax years remain subject to examination by the Internal Revenue Service. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have an impact on the financial statements.

6. Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

7. Equipment and Depreciation

The Organization follows the practice of capitalizing all expenditures and contributions of fixed assets in excess of \$1,000 at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis.

Estimated useful lives are as follows:

Musical Instruments	10 - 30 years
Computer Equipment	5 years

8. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are met during the year are recorded as temporarily restricted and are also included in restrictions satisfied by payments in the Statement of Activities. Contributions of securities or real property are recorded at fair market value.

9. Deferred Revenue

Deferred revenue consists of payments received in advance that relate to services to be rendered in the subsequent year.

10. Allocation of Expenses

The cost of providing the various programs and other activities at the Organization have been allocated among the programs and supporting services benefited based on methods considered by management to be reasonable.

11. Fund Raising

Fund Raising includes the direct costs and the allocation of other costs involved in special events based on methods considered by management to be reasonable.

12. Donated Equipment

Donations of equipment are recorded as contributions at their estimated fair value at the date of donation and are depreciated each year for the amount of depreciation expense relating to the donated equipment.

13. Donated Services

Volunteers from the community have donated a significant number of hours in assisting the Organization in achieving the goals of its programs. The value of this contributed time is not reflected in the statement of activities.

B - Grants Receivable

Grants receivable are deemed to be fully collectable by management and are composed of the following amounts due at July 31:

	<u>2014</u>	<u>2013</u>
City of Atlanta's Office of Consumer Affairs – Gilbert House Program	<u>\$ -0-</u>	<u>\$ 5,500</u>

C - Property and Equipment

Property and equipment consists of the following at July 31:

	<u>2014</u>	<u>2013</u>
Musical Instruments	\$ 59,051	\$ 59,051
Computer Equipment	<u>2,942</u>	<u>-0-</u>
	61,993	59,051
Less: Accumulated Depreciation	<u>7,689</u>	<u>4,177</u>
	<u>\$ 54,304</u>	<u>\$ 54,874</u>

Depreciation expense for the years ended July 31, 2014 and 2013 was \$3,512 and \$2,616, respectively.

D - Donated Equipment

Donated equipment provided to the Organization for the years ended July 31, 2014 and 2013 consisted of musical instruments of \$1,575 and \$37,000, respectively. \$-0- and \$37,000 of this was capitalized and depreciated and is shown on the Statement of Financial Position at July 31, 2014 and 2013, respectively.

E - Special Events

Funds were received from a golf tournament run by a board member for the benefit of the Organization. Net revenues of \$17,154 is reported in the Statements of Activities. A condensed statement of revenues and expenses follows:

Revenues	\$ 22,540
Expenses	<u>5,386</u>
Net Revenues	<u>\$ 17,154</u>

F - Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U. S. Federal Deposit Insurance Corporation (FDIC) insured \$250,000 limit. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

G - Tax Filing Compliance

The Organization was in compliance with applicable Federal and State regulations as of July 31, 2014 relative to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.

H- Evaluation of Subsequent Events

The Organization has evaluated events subsequent to the balance sheet date for potential recognition or disclosure through October 30, 2014, the date which the financial statements were available to be issued.