

ATLANTA MUSIC PROJECT, INC.

(A Nonprofit Organization)

FINANCIAL STATEMENTS

Years Ended July 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlanta Music Project, Inc.

We have audited the accompanying financial statements of **Atlanta Music Project, Inc.** (a nonprofit organization), which comprise the statements of financial position as of July 31, 2019 and 2018, 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 audits. We conducted our audits 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Atlanta Music Project, Inc.** as of July 31, 2019 and 2018, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



Atlanta, Georgia
November 12, 2019

ATLANTA MUSIC PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 298,908	\$ 30,501
Grants receivable	70,500	59,900
Pledges receivable, net	<u>485,000</u>	<u>-</u>
Total current assets	854,408	90,401
PROPERTY AND EQUIPMENT, NET	1,539,421	97,738
OTHER ASSETS		
Long-term pledges receivable, net	219,349	-
Investments	<u>7,629</u>	<u>3,739</u>
Total other assets	<u>226,978</u>	<u>3,739</u>
	<u>\$ 2,620,807</u>	<u>\$ 191,878</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 249,132	\$ 44,633
Accrued expenses	32,337	26,201
Due to related parties	<u>35,000</u>	<u>39,993</u>
Total current liabilities	<u>316,469</u>	<u>110,827</u>
NET ASSETS		
Net assets without donor restrictions	1,479,938	72,388
Net assets with donor restrictions	<u>824,400</u>	<u>8,663</u>
Total net assets	<u>2,304,338</u>	<u>81,051</u>
	<u>\$ 2,620,807</u>	<u>\$ 191,878</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.**STATEMENT OF ACTIVITIES**

Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 158,963	\$ 150,000	\$ 308,963
Capital campaign	-	2,381,419	2,381,419
Government grants	169,451	-	169,451
Foundation grants	267,678	35,000	302,678
Program fees	38,185	-	38,185
In-kind contributions	32,864	-	32,864
Individual donations	98,471	-	98,471
Other revenue	11,101	43	11,144
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>1,750,725</u>	<u>(1,750,725)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>2,527,438</u>	<u>815,737</u>	<u>3,343,175</u>
FUNCTIONAL EXPENSES			
Program services	847,686	-	847,686
Management and general	165,102	-	165,102
Fundraising	<u>107,100</u>	<u>-</u>	<u>107,100</u>
Total functional expenses	<u>1,119,888</u>	<u>-</u>	<u>1,119,888</u>
CHANGE IN NET ASSETS	1,407,550	815,737	2,223,287
NET ASSETS			
Beginning of year	<u>72,388</u>	<u>8,663</u>	<u>81,051</u>
End of year	<u>\$ 1,479,938</u>	<u>\$ 824,400</u>	<u>\$ 2,304,338</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.**STATEMENT OF ACTIVITIES**

Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 55,942	\$ 67,500	\$ 123,442
Government grants	77,178	8,000	85,178
Foundation grants	417,696	-	417,696
Program fees	54,610	-	54,610
In-kind contributions	8,000	-	8,000
Individual donations	110,787	-	110,787
Other revenue	671	31	702
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>75,500</u>	<u>(75,500)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>800,384</u>	<u>31</u>	<u>800,415</u>
FUNCTIONAL EXPENSES			
Program services	650,925	-	650,925
Management and general	109,828	-	109,828
Fundraising	<u>71,925</u>	<u>-</u>	<u>71,925</u>
Total functional expenses	<u>832,678</u>	<u>-</u>	<u>832,678</u>
CHANGE IN NET ASSETS	(32,294)	31	(32,263)
NET ASSETS			
Beginning of year	<u>104,682</u>	<u>8,632</u>	<u>113,314</u>
End of year	<u>\$ 72,388</u>	<u>\$ 8,663</u>	<u>\$ 81,051</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended July 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 82,319	\$ 51,350	\$ 31,596	\$ 165,265
Salaries - teaching artists	212,000	-	-	212,000
Salaries - other	206,109	39,684	49,361	295,154
Payroll taxes and related	52,194	10,691	18,865	81,750
Instruments and music supplies	68,345	-	-	68,345
Summer Series lunches	11,353	-	-	11,353
Musical events	80,634	-	-	80,634
Evaluations	12,069	-	-	12,069
Professional fees	26,782	-	-	26,782
Advertising and promotion	10,533	10,533	-	21,066
Website	2,228	-	-	2,228
Insurance	16,901	2,983	-	19,884
Office expenses	-	36,648	-	36,648
Storage	11,327	-	-	11,327
Travel and meetings	8,283	8,283	-	16,566
Fundraising	-	-	7,278	7,278
Occupancy	14,789	4,930	-	19,719
Depreciation	<u>31,820</u>	<u>-</u>	<u>-</u>	<u>31,820</u>
Total expenses	<u>\$ 847,686</u>	<u>\$ 165,102</u>	<u>\$ 107,100</u>	<u>\$ 1,119,888</u>
Percent	<u>76%</u>	<u>15%</u>	<u>9%</u>	<u>100%</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended July 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 80,866	\$ 50,866	\$ 25,888	\$ 157,620
Salaries - other	130,398	33,888	25,340	189,626
Payroll taxes and related	29,804	6,003	10,722	46,529
Instruments and music supplies	21,821	-	-	21,821
Summer Series lunches	8,361	-	-	8,361
Teachers' fees	211,268	-	-	211,268
Musical events	37,800	-	-	37,800
Evaluations	57,181	-	-	57,181
Professional fees	18,946	-	-	18,946
Advertising and promotion	4,706	4,706	-	9,412
Website	2,632	-	-	2,632
Insurance	10,839	1,913	-	12,752
Office expenses	-	5,213	-	5,213
Storage	13,149	-	-	13,149
Travel and meetings	4,239	4,239	-	8,478
Fundraising	-	-	9,975	9,975
Occupancy	3,000	3,000	-	6,000
Depreciation	<u>15,915</u>	<u>-</u>	<u>-</u>	<u>15,915</u>
Total expenses	<u>\$ 650,925</u>	<u>\$ 109,828</u>	<u>\$ 71,925</u>	<u>\$ 832,678</u>
Percent	<u>78%</u>	<u>13%</u>	<u>9%</u>	<u>100%</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.**STATEMENTS OF CASH FLOWS**

Years Ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,223,287	\$ (32,263)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	31,820	15,915
Noncash contribution of property and equipment	(25,000)	-
Noncash contribution of investments	(3,900)	-
Unrealized (gains) losses on investments	<u>10</u>	<u>(568)</u>
	2,226,217	(16,916)
Changes in operating assets and liabilities:		
Grants receivable	(10,600)	(24,900)
Accounts payable	204,498	25,814
Accrued expenses	6,136	1,570
Bank overdraft	-	(3,692)
Due to related parties	<u>(4,993)</u>	<u>39,993</u>
Net cash and cash equivalents provided by operating activities	2,421,258	21,869
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,448,503)	-
FINANCING ACTIVITIES		
Pledges receivable, net	<u>(704,348)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	268,407	21,869
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>30,501</u>	<u>8,632</u>
End of year	<u>\$ 298,908</u>	<u>\$ 30,501</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Atlanta Music Project, Inc. ("the Organization") is a Georgia non-profit organization established to provide intensive, tuition free music education to underserved youth in their neighborhood in the Metropolitan Atlanta area. The Organization's activities are supported primarily through public and private grants and other means of public support.

Basis of Presentation - The financial statement presentation follows the recommendations of generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Financial Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, travel, advertising, and insurance are allocated based on estimates of time and effort, and occupancy and related expenses are allocated based on estimates of direct usage. All other expenses are allocated based on direct identification.

Contributions and Revenue - Contributions received are recorded as support and revenue without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional grants are recorded as revenue in the year the conditions are met. The continuation of the grants is subject to certain requirements.

The Organization recognized revenue for certain services received at the fair value of those services. These services include professional services that require specialized skill and services that create a non-financial asset. The Organization receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition have not been satisfied. Donations of equipment and investments are recorded as contributions at their estimated fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Concentration of Credit Risk - The Organization maintains cash balances at various financial institutions. At various times during 2019 and 2018, the cash balance was in excess of FDIC insured limits

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

Investments - The Organization carries investments in marketable securities with readily determinable fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Property and Equipment - Property and equipment are stated at cost and depreciated over its estimated useful lives using the straight-line or double declining method. Routine repairs and maintenance are charged to expense when incurred and renewals and betterments are capitalized. When property and equipment are retired or sold, the related cost and accumulated depreciation are removed from the respective accounts, and the resulting gains and losses are included in income.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require organizations to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at July 31, 2019 and 2018.

Income Taxes - The Organization is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements. The Organization is not considered to be a private foundation.

Uncertainty in Tax Positions - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt status in jeopardy, as of July 31, 2019.

Adoption of New Accounting Standards - The Organization adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. ASU 2016-14 addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all periods presented.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Standards Not Yet Adopted - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for fiscal years ending July 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for fiscal years ending July 31, 2022. Early application will be permitted. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

Subsequent Events - The Organization has evaluated subsequent events through November 12, 2019, the date the financial statements were available to be issued.

Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets less those unavailable for general expenditure within one year.

Financial Assets	
Cash	\$ 298,908
Grants receivable	70,500
Pledges receivable, net	704,349
Investments	<u>7,629</u>
	1,081,386
Less those available for general expenditure within one year:	
Purpose restrictions	<u>824,400</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 256,986</u>

In addition to financial assets available to meet general expenditures over the year, the Organization expects to cover its general expenditures by collecting revenue from new contributions, grants and program fees.

ATLANTA MUSIC PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - PLEDGES RECEIVABLE, NET

Receivable in less than one year	\$ 485,000
Receivable in one to two years	<u>255,000</u>
Total	740,000
Less:	
Discount to net present value	<u>35,651</u>
	<u>\$ 704,349</u>

Pledges receivable, net consists of amounts expected to be collected in connection with The Next Movement Capital Campaign and includes provisions for funding the construction of the Center for Music Education and financial sustainability, which comprises an operating reserve and endowment fund.

Discount rates ranging from 2.20% to 2.83% were applied to contributions due in more than one year for the year ended July 31, 2019. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at July 31, 2019.

NOTE 4 - CONDITIONAL PROMISE TO GIVE

During 2018, the Organization received a capital campaign pledge totaling \$300,000 that contained a condition stating the pledge will be paid once the capital campaign, including this grant, reaches \$2,894,652. At July 31, 2019, the campaign had not reached the donor specified threshold; therefore, the pledge represents a conditional promise to give, and will subsequently be recognized as capital campaign revenue when the donor condition is met.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

	<u>2019</u>	<u>2018</u>
Musical performance staging and equipment	\$ 547,500	\$ -
Musical instruments	116,678	116,678
Leasehold improvements	847,997	-
Furniture and fixtures	78,006	-
Computer equipment	10,381	10,381
Vehicle	<u>41,223</u>	<u>41,223</u>
Total cost	1,641,785	168,282
Less accumulated depreciation	<u>102,364</u>	<u>70,544</u>
	<u>\$ 1,539,421</u>	<u>\$ 97,738</u>

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - FAIR VALUE MEASUREMENTS

Fair values of the Organization's financial assets measured on a recurring basis at July 31, 2019 and 2018 are as follows:

	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Common stock	\$ <u>7,629</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,629</u>
	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Common stock	\$ <u>3,739</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,739</u>

Assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets.

Level 2 - Valuations are based on observable market information, including quoted prices from actual market transactions for similar assets in markets that are not active.

Level 3 - Valuations are based on prices or valuation techniques that require significant assumptions that are not observable in the market.

NOTE 7 - OPERATING LEASE

The Organization leases office space and equipment under non-cancelable operating leases expiring on various dates through May 20, 2023 with renewal options on the building lease through May 20, 2031. As of July 31, 2019, approximate future minimum lease payments required under operating leases that have initial or remaining non-cancelable terms in excess of one year are as follows:

2020	\$ 75,000
2021	75,000
2022	75,000
2023	<u>62,500</u>
	\$ <u>287,500</u>

Rental expense was \$19,718 in 2019 and \$6,000 in 2018.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes:		
Capital campaign	\$ 815,694	\$ -
Kindezi	<u>8,706</u>	<u>8,663</u>
	<u>\$ 824,400</u>	<u>\$ 8,663</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Capital campaign	\$ 1,565,725	\$ -
All Star Youth Orchestras	125,000	-
Summer Series Activities	25,000	65,000
Centers of Hope Activities	20,000	-
AMP Orchestra at Southbend	15,000	-
Programming inside of Georgia	-	8,000
Recreation Centers Program	<u>-</u>	<u>2,500</u>
	<u>\$ 1,750,725</u>	<u>\$ 75,500</u>

NOTE 9 - DUE TO RELATED PARTIES

Due to related parties at July 31, 2019 and 2018 consists of cash loans to the Organization from two board members. The amounts are due on demand and are without interest. The Organization paid one of the loans in full during 2019.