

ATLANTA MUSIC PROJECT, INC.

(A Nonprofit Organization)

FINANCIAL STATEMENTS

Years Ended July 31, 2018 and 2017

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BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of July 31, 2018, 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.

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 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.

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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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of **Atlanta Music Project, Inc.** as of July 31, 2017, were audited by other auditors whose report dated April 17, 2018, expressed an unmodified opinion on those statements.



Atlanta, Georgia
January 8, 2019

ATLANTA MUSIC PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,501	\$ 8,632
Grants receivable	<u>59,900</u>	<u>35,000</u>
Total current assets	90,401	43,632
EQUIPMENT, NET	97,738	113,653
INVESTMENTS	<u>3,739</u>	<u>3,171</u>
	<u>\$ 191,878</u>	<u>\$ 160,456</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 44,633	\$ 18,819
Accrued expenses	26,201	24,631
Bank overdraft	-	3,692
Due to related parties	<u>39,993</u>	<u>-</u>
Total current liabilities	<u>110,827</u>	<u>47,142</u>
NET ASSETS		
Unrestricted	72,388	104,682
Temporarily restricted	<u>8,663</u>	<u>8,632</u>
Total net assets	<u>81,051</u>	<u>113,314</u>
	<u>\$ 191,878</u>	<u>\$ 160,456</u>

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

Year Ended July 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Corporate funding	\$ 123,442	\$ -	\$ 123,442
Government grants	85,178	-	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
	<u>800,384</u>	<u>31</u>	<u>800,415</u>
Total support and revenue and reclassifications			
	<u>800,384</u>	<u>31</u>	<u>800,415</u>
FUNCTIONAL EXPENSES			
Program services	678,281	-	678,281
Management and general	144,422	-	144,422
Fundraising	9,975	-	9,975
	<u>832,678</u>	<u>-</u>	<u>832,678</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 ACTIVITIES**

Year Ended July 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Corporate funding	\$ 72,155	\$ -	\$ 72,155
Government grants	54,000	-	54,000
Foundation grants	397,564	-	397,564
Program fees	103,162	-	103,162
In-kind contributions	37,500	-	37,500
Individual donations	185,026	-	185,026
Other revenue	419	31	450
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>27,000</u>	<u>(27,000)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>876,826</u>	<u>(26,969)</u>	<u>849,857</u>
FUNCTIONAL EXPENSES			
Program services	717,783	-	717,783
Management and general	139,993	-	139,993
Fundraising	<u>7,123</u>	<u>-</u>	<u>7,123</u>
Total functional expenses	<u>864,899</u>	<u>-</u>	<u>864,899</u>
CHANGE IN NET ASSETS	11,927	(26,969)	(15,042)
NET ASSETS			
Beginning of year	<u>92,755</u>	<u>35,601</u>	<u>128,356</u>
End of year	<u>\$ 104,682</u>	<u>\$ 8,632</u>	<u>\$ 113,314</u>

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

Year Ended July 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 93,292	\$ 64,328	\$ -	\$ 157,620
Salaries - other	142,561	47,065	-	189,626
Payroll taxes and related	32,571	13,958	-	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 supplies	-	5,213	-	5,213
Storage	13,149	-	-	13,149
Travel and meetings	4,239	4,239	-	8,478
Fundraising	-	-	9,975	9,975
Rent	3,000	3,000	-	6,000
Depreciation	<u>15,915</u>	<u>-</u>	<u>-</u>	<u>15,915</u>
Total expenses	<u>678,281</u>	<u>144,422</u>	<u>9,975</u>	<u>832,678</u>
Percent	<u>82%</u>	<u>17%</u>	<u>1%</u>	<u>100%</u>

ATLANTA MUSIC PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 82,147	\$ 51,635	\$ -	\$ 133,782
Salaries - other	165,413	53,287	-	218,700
Payroll taxes and related	29,636	12,701	-	42,337
Instruments and music supplies	27,402	-	-	27,402
Summer Series lunches	12,358	-	-	12,358
Teachers' fees	221,018	-	-	221,018
Musical events	44,030	-	-	44,030
Evaluations	67,112	-	-	67,112
Professional fees	18,010	-	-	18,010
Advertising and promotion	3,781	3,781	-	7,562
Website	1,463	-	-	1,463
Board development	-	1,292	-	1,292
Insurance	12,836	2,265	-	15,101
Office supplies	-	6,011	-	6,011
Storage	6,009	-	-	6,009
Travel and meetings	5,416	5,416	-	10,832
Fundraising	-	-	7,123	7,123
Rent	3,000	3,000	-	6,000
Miscellaneous	-	605	-	605
Depreciation	18,152	-	-	18,152
	<u>717,783</u>	<u>139,993</u>	<u>7,123</u>	<u>864,899</u>
Total expenses				
Percent	<u>83%</u>	<u>16%</u>	<u>1%</u>	<u>100%</u>

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

Years Ended July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (32,263)	\$ (15,042)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Depreciation	15,915	18,152
Noncash contribution of equipment	-	(25,500)
Noncash contribution of investments	-	(2,783)
Unrealized gain on investments	<u>(568)</u>	<u>(388)</u>
	(16,916)	(25,561)
Changes in operating assets and liabilities:		
Grants receivable	(24,900)	10,083
Accounts payable	25,814	14,017
Accrued expenses	1,570	(3,576)
Bank overdraft	(3,692)	3,692
Due to related parties	<u>39,993</u>	<u>-</u>
Net cash and cash equivalents provided (used) by operating activities	21,869	(1,345)
INVESTING ACTIVITIES		
Purchases of equipment	<u>-</u>	<u>(9,468)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,869	(10,813)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>8,632</u>	<u>19,445</u>
End of year	<u>\$ 30,501</u>	<u>\$ 8,632</u>

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 Organization reports 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. Restricted net assets are maintained in accordance with applicable donor stipulations. The Organization does not have any permanently restricted net assets.

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.

Contributions and Revenue - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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

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.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Equipment - Equipment is 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, 2018 and 2017.

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, 2018.

Subsequent Events - The Organization has evaluated subsequent events through January 8, 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 - EQUIPMENT, NET

	<u>2018</u>	<u>2017</u>
Musical instruments	\$ 116,678	\$ 116,678
Vehicle	41,223	41,223
Computer equipment	<u>10,381</u>	<u>10,381</u>
Total cost	168,282	168,282
Less accumulated depreciation	<u>70,544</u>	<u>54,629</u>
	<u>\$ 97,738</u>	<u>\$ 113,653</u>

ATLANTA MUSIC PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair values of the Organization's financial assets measured on a recurring basis at July 31, 2018 and 2017 are as follows:

	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	\$ 3,739	\$ -	\$ -	\$ 3,739

	2017			
	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	\$ 3,171	\$ -	\$ -	\$ 3,171

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 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at July 31, 2018 and 2017 consist of the following:

	2018	2017
Successful education - Kindezi School	\$ 8,663	\$ 8,632

NOTE 5 - DUE TO RELATED PARTIES

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