

Atlanta Music Project, Inc.
Report on Audits of Financial Statements
For the Years Ended July 31, 2017 and 2016



Atlanta Music Project, Inc.

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of Atlanta Music Project, Inc. (a Georgia nonprofit organization), which comprise the statements of financial position as of July 31, 2017 and 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



McIntee Fusaro Del Corral, LLC

April 17, 2018
Fairfield, NJ



Atlanta Music Project, Inc.
Statements of Financial Position
July 31, 2017 and 2016

	ASSETS	
	2017	2016
Cash and Cash Equivalents	\$ -	\$ 10,844
Cash - Kindezi School (Note F)	8,632	8,601
Investments (Note C)	3,171	-
Grants Receivable (Note B)	35,000	45,083
Equipment - Net (Note E)	<u>113,653</u>	<u>96,837</u>
	<u>\$ 160,456</u>	<u>\$ 161,365</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 43,450	\$ 33,009
Cash Overdraft	<u>3,692</u>	<u>-</u>
	<u>47,142</u>	<u>33,009</u>
Net Assets		
Temporarily Restricted (Note F)	8,632	35,601
Unrestricted	<u>104,682</u>	<u>92,755</u>
	<u>113,314</u>	<u>128,356</u>
	<u>\$ 160,456</u>	<u>\$ 161,365</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statements of Activities
For the Years Ended July 31, 2017 and 2016

	Temporarily Restricted						2017 Total	2016 Total
	Unrestricted	Successful Education		PlayUSA Program	Total Temporarily Restricted			
		AMPlify at Kindezi	Kindezi School					
Support and Revenues								
Corporate Funding	\$ 72,155	\$ -	\$ -	\$ -	\$ -	\$ 72,155	\$ 190,813	
Government Grants	54,000	-	-	-	-	54,000	50,083	
Foundation Grants	394,564	-	-	3,000	3,000	397,564	333,182	
Individual Donations	185,027	-	-	-	-	185,027	166,593	
Program Fees	103,162	-	-	-	-	103,162	96,913	
In-Kind Contributions (Note D)	25,500	-	-	-	-	25,500	-	
Unrealized Gain on Investments	388	-	-	-	-	388	-	
Investment Income	30	12	19	-	31	61	152	
Net Assets Released From Restrictions	30,000	-	-	(30,000)	(30,000)	-	-	
Total Support and Revenues	864,826	12	19	(27,000)	(26,969)	837,857	837,736	
Expenses								
Program Services	690,603	-	-	-	-	690,603	702,562	
Management and General	137,021	-	-	-	-	137,021	131,577	
Fund Raising	7,123	-	-	-	-	7,123	1,808	
Total Expenses	834,747	-	-	-	-	834,747	835,947	
Change in Net Assets Before Depreciation	30,079	12	19	(27,000)	(26,969)	3,110	1,789	
Depreciation Expense	(18,152)	-	-	-	-	(18,152)	(22,701)	
Change in Net Assets	11,927	12	19	(27,000)	(26,969)	(15,042)	(20,912)	
Net Assets, Beginning of Year	92,755	(462)	9,063	27,000	35,601	128,356	149,268	
Net Assets, End of Year	\$ 104,682	\$ (450)	\$ 9,082	\$ -	\$ 8,632	\$ 113,314	\$ 128,356	

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statement of Functional Expenses
For the Year Ended July 31, 2017

	Program Services	Management and General	Fund Raising	Totals
Salaries - Officers	\$ 82,147	\$ 51,635	\$ -	\$ 133,782
Salaries - Others	165,413	53,287	-	218,700
Payroll Taxes and Benefits	28,524	12,225	-	40,749
Payroll Processing Fees	1,114	477	-	1,591
Instruments, Repairs and Music Supplies	21,938	-	-	21,938
Summer Series Lunches	12,358	-	-	12,358
Kindezi School Program Expenses	53,542	-	-	53,542
Teachers' Fees	176,048	-	-	176,048
Musical Events	40,892	-	-	40,892
Evaluations	67,112	-	-	67,112
Professional Fees	12,010	-	-	12,010
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	-	6,038	-	6,038
Storage	6,009	-	-	6,009
Travel and Meetings	5,416	5,416	-	10,832
Fundraising	-	-	7,123	7,123
Miscellaneous	-	605	-	605
	<u>\$ 690,603</u>	<u>\$ 137,021</u>	<u>\$ 7,123</u>	<u>\$ 834,747</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statement of Functional Expenses
For the Year Ended July 31, 2016

	Program Services	Management and General	Fund Raising	Totals
Salaries - Officers	\$ 79,287	\$ 49,735	\$ -	\$ 129,022
Salaries - Others	96,124	31,854	-	127,978
Payroll Taxes and Benefits	13,883	20,825	-	34,708
Payroll Processing Fees	622	933	-	1,555
Instruments, Repairs and Music Supplies	27,059	-	-	27,059
Kindezi School Program Expenses	126,164	-	-	126,164
Teachers' Fees	200,152	-	-	200,152
Musical Events	47,883	-	-	47,883
Evaluations	63,325	-	-	63,325
Professional Fees	13,830	-	-	13,830
Advertising and Promotion	4,769	4,769	-	9,538
Website	2,550	-	-	2,550
Board Development	-	2,035	-	2,035
Insurance	15,495	2,734	-	18,229
Office Supplies	-	9,669	-	9,669
Storage	3,906	-	-	3,906
Travel and Meetings	7,513	7,513	-	15,026
Fundraising	-	-	1,808	1,808
Miscellaneous	-	1,510	-	1,510
	<u>\$ 702,562</u>	<u>\$ 131,577</u>	<u>\$ 1,808</u>	<u>\$ 835,947</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Statements of Cash Flows
For the Years Ended July 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	\$ <u>(15,042)</u>	\$ <u>(20,912)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided for Operating Activities		
Depreciation	18,152	22,701
In-Kind Contributions (Musical Instruments)	(25,500)	-
Unrealized Gain on Investments	(388)	-
Decrease in Grants Receivable	10,083	24,917
Decrease in Other Receivable	-	3,500
Increase (Decrease) in Accounts Payable	10,441	(1,335)
Decrease in Loan Payable - Officer	-	(12,600)
Decrease in Deferred Revenue	-	(50,000)
Total Adjustments	<u>12,788</u>	<u>(12,817)</u>
Net Cash Used for Operating Activities	<u>(2,254)</u>	<u>(33,729)</u>
Cash Flows From Investing Activities		
Purchase of Investments	(2,783)	-
Purchase of Equipment	<u>(9,468)</u>	<u>(7,439)</u>
Net Cash Used for Investing Activities	<u>(12,251)</u>	<u>(7,439)</u>
Net Decrease in Cash and Cash Equivalents	(14,505)	(41,168)
Cash and Cash Equivalents, Beginning of Year	<u>19,445</u>	<u>60,613</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,940</u>	<u>\$ 19,445</u>

See Independent Auditors' Report and Notes to Financial Statements

Atlanta Music Project, Inc.
Notes to Financial Statements
July 31, 2017 and 2016

A - Nature of Activities and Summary of Significant Accounting Policies

1. Nature of Activities

The Atlanta Music Project, Inc. (the "Organization") provides intensive 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. Grants Receivable

Grants 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 grantor 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 grants 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, 2017 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2013 through 2015 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. Investments

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

8. 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
Vehicle	5 years
Computer Equipment	5 years

9. 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.

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>2017</u>	<u>2016</u>
Fulton County Arts Council	\$ 35,000	\$ 35,083
Spike TV	<u>-0-</u>	<u>10,000</u>
	<u>\$ 35,000</u>	<u>\$ 45,083</u>

C - Investments

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the measurement date.

Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization held only Level I investments as of July 31, 2017
Investments at fair value consist of the following:

Common Stock	<u>\$ 3,171</u>
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Cumulative unrealized gain on investments as of July 31, 2017 are as follows:

	Cost	Market	Cumulative Unrealized Gain
Common Stock	<u>\$ 2,783</u>	<u>\$ 3,171</u>	<u>\$ 388</u>

The following schedule summarizes the investment return in the statement of activities for the year ended July 31, 2017.

Interest, Dividends and Capital Gain Distributions from Investments	\$ 24
Unrealized Gain on Investments	<u>388</u>
Total Income from Investments	<u>\$ 412</u>

D - Donated Equipment

Donated equipment provided to the Organization for the year ended July 31, 2017 consisted of the following:

Musical Instruments	<u>\$25,500</u>
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Donated equipment of \$25,500 was capitalized and is reported on the Statement of Financial Position in Equipment – Net.

E - Equipment

Equipment consists of the following at July 31:

	<u>2017</u>	<u>2016</u>
Musical Instruments	\$ 116,678	\$ 81,710
Vehicle	41,223	41,223
Computer Equipment	<u>10,381</u>	<u>10,381</u>
	168,282	133,314
Less: Accumulated Depreciation	<u>54,629</u>	<u>36,477</u>
	<u>\$ 113,653</u>	<u>\$ 96,837</u>

Depreciation expense for the years ended July 31, 2017 and 2016 was \$18,152 and \$22,701, respectively.

F. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are assets whose use is limited by either donor imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specified purpose.

During the year ended July 31, 2016, a donor named Successful Education committed to raising and donating funds for two specific programs: the Atlanta Music Project's AMPLify at Kindezi School (40% of funds) and The Kindezi School's after-school program (60% of funds). The Organization controlled and managed the receipts and disbursements of funds for these two programs. The activity for these programs is reported on the Statements of Activities as Temporarily Restricted.

Temporarily Restricted Net Assets consist of the following:

	<u>2017</u>	<u>2016</u>
Successful Education – Kindezi School	\$ 8,632	\$ 8,601
Carnegie Hall Corporation		
2016-17 Play USA Program	<u>-0-</u>	<u>27,000</u>
	<u>\$ 8,632</u>	<u>\$ 35,601</u>

G - 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.

H - Tax Filing Compliance

The Organization was in compliance with applicable Federal and State regulations as of July 31, 2017 relative to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.

I - Reclassifications

Certain amounts previously reported have been reclassified to conform to current year presentation

J- Evaluation of Subsequent Events

The Organization has evaluated events subsequent to the balance sheet date for potential recognition or disclosure through April 17, 2018, the date which the financial statements were available to be issued.