



(A Nonprofit Organization)

FINANCIAL STATEMENTS

Years Ended July 31, 2021 and 2020



BRADY WARE
& SCHOENFELD

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Brady, Ware & Schoenfeld, Inc.

Atlanta, Georgia
February 1, 2022

ATLANTA MUSIC PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,594,537	\$ 339,169
Grants receivable	179,000	-
Promises to give	<u>212,729</u>	<u>415,000</u>
Total current assets	3,986,266	754,169
PROPERTY AND EQUIPMENT, NET	1,599,358	1,680,185
LONG-TERM PROMISES TO GIVE, NET	<u>-</u>	<u>176,155</u>
	<u>\$ 5,585,624</u>	<u>\$ 2,610,509</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,707	\$ 44,205
Accrued expenses	28,747	29,240
Bank overdraft	<u>-</u>	<u>2,021</u>
Total current liabilities	<u>30,454</u>	<u>75,466</u>
NET ASSETS		
Net assets without donor restrictions	4,725,743	1,803,392
Net assets with donor restrictions	<u>829,427</u>	<u>731,651</u>
Total net assets	<u>5,555,170</u>	<u>2,535,043</u>
	<u>\$ 5,585,624</u>	<u>\$ 2,610,509</u>

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

Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 61,533	\$ -	\$ 61,533
Capital campaign	-	15,155	15,155
Government grants	230,000	-	230,000
Foundation grants	279,995	150,000	429,995
Program fees	20,023	-	20,023
In-kind contributions	15,400	-	15,400
Individual donations	3,427,998	-	3,427,998
Other revenue	1,058	-	1,058
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>67,379</u>	<u>(67,379)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>4,103,386</u>	<u>97,776</u>	<u>4,201,162</u>
FUNCTIONAL EXPENSES			
Program services	829,752	-	829,752
Management and general	256,734	-	256,734
Fundraising	<u>94,549</u>	<u>-</u>	<u>94,549</u>
Total functional expenses	<u>1,181,035</u>	<u>-</u>	<u>1,181,035</u>
CHANGE IN NET ASSETS	2,922,351	97,776	3,020,127
NET ASSETS			
Beginning of year	<u>1,803,392</u>	<u>731,651</u>	<u>2,535,043</u>
End of year	<u>\$ 4,725,743</u>	<u>\$ 829,427</u>	<u>\$ 5,555,170</u>

See notes to financial statements.

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

Year Ended July 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 189,355	\$ -	\$ 189,355
Capital campaign	-	504,742	504,742
Government grants	202,024	-	202,024
Foundation grants	473,412	-	473,412
Program fees	44,409	-	44,409
In-kind contributions	21,222	-	21,222
Individual donations	116,953	-	116,953
Other revenue	4,670	-	4,670
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>381,770</u>	<u>(381,770)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>1,433,815</u>	<u>122,972</u>	<u>1,556,787</u>
FUNCTIONAL EXPENSES			
Program services	928,631	-	928,631
Management and general	270,915	-	270,915
Fundraising	<u>126,536</u>	<u>-</u>	<u>126,536</u>
Total functional expenses	<u>1,326,082</u>	<u>-</u>	<u>1,326,082</u>
CHANGE IN NET ASSETS	107,733	122,972	230,705
NET ASSETS			
Beginning of year	<u>1,695,659</u>	<u>608,679</u>	<u>2,304,338</u>
End of year	<u>\$ 1,803,392</u>	<u>\$ 731,651</u>	<u>\$ 2,535,043</u>

ATLANTA MUSIC PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 84,736	\$ 62,043	\$ 22,692	\$ 169,471
Salaries - teaching artists	157,960	-	-	157,960
Salaries - other	231,229	79,399	31,586	342,214
Payroll taxes and related	44,132	27,681	16,451	88,264
Instruments and music supplies	6,023	-	-	6,023
Musical events	14,192	-	-	14,192
Evaluations	2,314	-	-	2,314
Professional fees	22,763	16,250	7,610	46,623
Advertising and promotion	598	-	-	598
Website	3,551	1,776	-	5,327
Insurance	29,776	4,133	-	33,909
Office expenses	44,240	25,573	-	69,813
Storage	9,470	-	-	9,470
Travel and meetings	99	704	-	803
Fundraising	-	-	16,210	16,210
Occupancy	39,175	39,175	-	78,350
Depreciation	139,494	-	-	139,494
	<u>\$ 829,752</u>	<u>\$ 256,734</u>	<u>\$ 94,549</u>	<u>\$ 1,181,035</u>
Total expenses	<u>\$ 829,752</u>	<u>\$ 256,734</u>	<u>\$ 94,549</u>	<u>\$ 1,181,035</u>
Percent	<u>70%</u>	<u>22%</u>	<u>8%</u>	<u>100%</u>

ATLANTA MUSIC PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries - officers	\$ 122,406	\$ 51,916	\$ -	\$ 174,322
Salaries - teaching artists	231,139	-	-	231,139
Salaries - other	197,209	29,429	95,376	322,014
Payroll taxes and related	49,880	10,217	18,029	78,126
Instruments and music supplies	1,083	-	-	1,083
Summer Series lunches	576	-	-	576
Musical events	31,342	-	-	31,342
Professional fees	26,558	17,490	-	44,048
Advertising and promotion	4,593	4,593	-	9,186
Website	2,767	-	-	2,767
Insurance	50,433	8,900	-	59,333
Office expenses	-	120,934	-	120,934
Storage	8,553	-	-	8,553
Travel and meetings	6,686	6,686	-	13,372
Fundraising	-	-	13,131	13,131
Occupancy	56,250	18,750	-	75,000
Bad debt	-	2,000	-	2,000
Depreciation	139,156	-	-	139,156
	<u>\$ 928,631</u>	<u>\$ 270,915</u>	<u>\$ 126,536</u>	<u>\$ 1,326,082</u>
Total expenses				
Percent	<u>70%</u>	<u>20%</u>	<u>10%</u>	<u>100%</u>

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

Years Ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 3,020,127	\$ 230,705
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	139,494	139,156
Noncash contribution of property and equipment	-	(4,000)
Net realized and unrealized gains on investments	-	(4,664)
	<u>3,159,621</u>	361,197
Changes in operating assets and liabilities:		
Grants receivable	(179,000)	70,500
Accounts payable	(42,498)	(420,650)
Accrued expenses	(493)	(3,097)
Bank overdraft	(2,021)	2,021
	<u>2,935,609</u>	9,971
Net cash and cash equivalents provided by operating activities		
	<u>2,935,609</u>	9,971
INVESTING ACTIVITIES		
Purchases of property and equipment	(58,667)	(60,197)
Proceeds from sale of investments	-	12,293
	<u>(58,667)</u>	(47,904)
Net cash and cash equivalents used by investing activities		
	<u>(58,667)</u>	(47,904)
FINANCING ACTIVITIES		
Promises to give, net	378,426	78,194
	<u>378,426</u>	78,194
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,255,368	40,261
CASH AND CASH EQUIVALENTS		
Beginning of year	339,169	298,908
	<u>339,169</u>	<u>298,908</u>
End of year	<u>\$ 3,594,537</u>	<u>\$ 339,169</u>
NONCASH TRANSACTIONS		
Due to related party loan applied to promise to give	<u>\$ -</u>	<u>\$ 35,000</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. For the years ended July 31, 2021 and 2020, the Organization recognized \$12,200 and \$17,122 for professional services. 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 2021 and 2020, 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".

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, 2021 and 2020.

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, 2021.

Recently Issued Accounting Standards Not Yet Adopted - 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, 2023. 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 February 1, 2022, the date the financial statements were available to be issued.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - REVENUE RECOGNITION

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance."

The Organization adopted the requirements of the new guidance as of August 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance did not require any significant changes to the Organization's accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, or deferred costs. Accordingly, there has been no adjustment to net assets or any other statement of financial position accounts as of August 1, 2019, to reflect adoption of the new guidance.

The Organization derives its revenue primarily from contributions, grants and program fees. Contributions and grants are accounted for under contribution guidance established by ASU 2018-08. Program fees are recognized over time as the benefits from music related instruction is provided, in amounts that reflect the consideration the Organization expects to be entitled to and in exchange for the value provided from the instruction. Incidental items that are immaterial in the context of the contracts are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

The Organization's contracts are cancelable at any time by either party. The Organization's standard payment terms for programs are typically due at the time of registration for the program. The Organization does not have any significant financing components. There is no variable consideration related to services provided.

NOTE 3 - 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 and cash equivalents	\$ 3,594,537
Grants receivable	179,000
Promises to give, net	<u>212,729</u>
	3,986,266
Less those available for general expenditure within one year:	
Purpose restrictions	<u>829,427</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 3,156,839</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 4 - PROMISES TO GIVE, NET

Promises to give consists of \$141,196 net of present value discount of \$3,804 expected to be collected in connection with the Next Movement Capital Campaign and includes provisions for funding and financial sustainability, which comprises an operating reserve and endowment fund. Additionally, promises to give, net includes the final balance due of \$71,533, net of present value discount of \$3,467, in connection with a three year operating grant.

Discount rates ranging from 1.59% to 2.53% were applied to contributions received in prior years. Management has determined that the promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at July 31, 2021.

NOTE 5 - PAYCHECK PROTECTION PROGRAM GRANT

The Organization was granted a loan in the amount of \$114,975 under the Paycheck Protection Program ("PPP") administered by a Small Business Administration "SBA" approved partner. The loan was uncollateralized and fully guaranteed by the Federal Government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$114,975 as government grants revenue for the year ended July 31, 2020. The Organization applied for and received forgiveness of the PPP loan in May 2021.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

	<u>2021</u>	<u>2020</u>
Musical performance staging and equipment	\$ 547,500	\$ 547,500
Musical instruments	173,847	173,847
Leasehold improvements	1,070,747	1,070,747
Furniture and fixtures	78,006	78,006
Computer equipment	10,381	10,381
Vehicle	<u>99,891</u>	<u>41,223</u>
Total cost	1,980,372	1,921,704
Less accumulated depreciation	<u>381,014</u>	<u>241,519</u>
	<u>\$ 1,599,358</u>	<u>\$ 1,680,185</u>

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, 2021, 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:

2022	\$ 75,000
2023	<u>62,500</u>
	<u>\$ 137,500</u>

Rental expense was \$78,350 in 2021 and \$75,000 in 2020.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes:		
Capital campaign	\$ 679,427	\$ 722,939
Kindezi	-	8,712
Scholarship fund	100,000	-
College/career counselor	<u>50,000</u>	<u>-</u>
	<u>\$ 829,427</u>	<u>\$ 731,651</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended July 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Capital campaign	\$ 58,667	\$ 381,770
Kindezi	<u>8,712</u>	<u>-</u>
	<u>\$ 67,379</u>	<u>\$ 381,770</u>