



(A Nonprofit Organization)

FINANCIAL STATEMENTS

Years Ended July 31, 2023 and 2022



BRADY WARE
& SCHOENFELD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlanta Music Project, Inc.

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Atlanta Music Project, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Atlanta Music Project, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Atlanta Music Project, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Atlanta Music Project, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in the Organization's Annual Report for 2023 and 2022. The other information comprises information on the Organization's operations, financial results, and financial position, but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Atlanta, Georgia
April 26, 2024

ATLANTA MUSIC PROJECT, INC.**STATEMENTS OF FINANCIAL POSITION**

July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,129,704	\$ 1,896,902
Grants receivable	241,300	339,435
Prepaid expenses	-	6,700
Promises to give	<u>270,000</u>	<u>-</u>
Total current assets	1,641,004	2,243,037
PROPERTY AND EQUIPMENT, NET	1,349,214	1,455,907
OPERATING LEASE RIGHT OF USE ASSET	640,188	-
OTHER ASSETS		
Long-term promises to give, net of current portion	498,582	-
Investments	<u>1,097,954</u>	<u>1,004,419</u>
	<u>\$ 5,226,942</u>	<u>\$ 4,703,363</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,491	\$ 10,426
Accrued expenses	54,156	50,635
Current portion of operating lease liability	<u>71,969</u>	<u>-</u>
Total current liabilities	139,616	61,061
LONG-TERM OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	<u>577,157</u>	<u>-</u>
Total liabilities	<u>716,773</u>	<u>61,061</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	2,187,907	3,317,302
Board Designated	<u>1,343,403</u>	<u>1,250,000</u>
	3,531,310	4,567,302
With donor restrictions:		
Purpose restrictions	575,043	75,000
Time restrictions	<u>403,816</u>	<u>-</u>
	<u>978,859</u>	<u>75,000</u>
Total net assets	<u>4,510,169</u>	<u>4,642,302</u>
	<u>\$ 5,226,942</u>	<u>\$ 4,703,363</u>

See notes to financial statements.

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

Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 92,942	\$ -	\$ 92,942
Government grants	122,000	313,900	435,900
Foundation grants	465,983	956,082	1,422,065
Program fees	48,146	31,000	79,146
Individual donations	142,790	-	142,790
Investment income, net	112,545	-	112,545
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>397,123</u>	<u>(397,123)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>1,381,529</u>	<u>903,859</u>	<u>2,285,388</u>
FUNCTIONAL EXPENSES			
Program services	1,899,814	-	1,899,814
Management and general	402,325	-	402,325
Fundraising	<u>115,381</u>	<u>-</u>	<u>115,381</u>
Total functional expenses	<u>2,417,520</u>	<u>-</u>	<u>2,417,520</u>
CHANGE IN NET ASSETS	(1,035,991)	903,859	(132,132)
NET ASSETS			
Beginning of year	<u>4,567,301</u>	<u>75,000</u>	<u>4,642,301</u>
End of year	<u>\$ 3,531,310</u>	<u>\$ 978,859</u>	<u>\$ 4,510,169</u>

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

Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Corporate funding	\$ 96,995	\$ -	\$ 96,995
Capital campaign	7,271	1,100	8,371
Government grants	315,600	-	315,600
Foundation grants	337,225	45,000	382,225
Program fees	31,851	-	31,851
Individual donations	260,575	2,916	263,491
Investment income, net	4,428	-	4,428
Other revenue	14,420	-	14,420
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>803,443</u>	<u>(803,443)</u>	<u>-</u>
Total support and revenue and reclassifications	<u>1,871,808</u>	<u>(754,427)</u>	<u>1,117,381</u>
FUNCTIONAL EXPENSES			
Program services	1,484,955	-	1,484,955
Management and general	398,127	-	398,127
Fundraising	<u>147,168</u>	<u>-</u>	<u>147,168</u>
Total functional expenses	<u>2,030,250</u>	<u>-</u>	<u>2,030,250</u>
CHANGE IN NET ASSETS	(158,442)	(754,427)	(912,869)
NET ASSETS			
Beginning of year	<u>4,725,743</u>	<u>829,427</u>	<u>5,555,170</u>
End of year	<u>\$ 4,567,301</u>	<u>\$ 75,000</u>	<u>\$ 4,642,301</u>

See notes to financial statements.

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

Year Ended July 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - officers	\$ 128,313	\$ 89,294	\$ 39,019	\$ 256,626
Salaries - teaching artists	433,632	-	-	433,632
Salaries - other	594,030	143,493	45,750	783,273
Payroll taxes and related	123,936	53,309	11,756	189,001
Instruments and music supplies	29,273	-	-	29,273
Summer Series lunches	16,014	-	-	16,014
Musical events	68,825	-	-	68,825
Evaluations	30,000	-	-	30,000
Scholarship awards	81,923	-	-	81,923
Professional fees	11,967	11,967	-	23,934
Advertising and promotion	-	20,136	-	20,136
Website	4,457	2,229	-	6,686
Insurance	44,001	6,107	-	50,108
Office expenses	84,607	48,425	-	133,032
Storage	11,855	-	-	11,855
Travel and meetings	2,166	15,401	-	17,567
Bank charges	-	2,173	-	2,173
Fundraising	-	-	18,856	18,856
Occupancy	88,122	9,791	-	97,913
Depreciation	<u>146,693</u>	<u>-</u>	<u>-</u>	<u>146,693</u>
Total expenses	<u>\$ 1,899,814</u>	<u>\$ 402,325</u>	<u>\$ 115,381</u>	<u>\$ 2,417,520</u>
Percent	<u>78%</u>	<u>17%</u>	<u>5%</u>	<u>100%</u>

See notes to financial statements.

ATLANTA MUSIC PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - officers	\$ 130,000	\$ 91,250	\$ 38,750	\$ 260,000
Salaries - teaching artists	283,403	-	-	283,403
Salaries - other	381,150	128,752	44,209	554,111
Payroll taxes and related	79,211	51,897	27,313	158,421
Instruments and music supplies	15,628	-	-	15,628
Summer Series lunches	2,359	-	-	2,359
Musical events	93,380	-	-	93,380
Evaluations	58,000	-	-	58,000
Scholarship awards	50,000	-	-	50,000
Professional fees	45,933	32,791	15,357	94,081
Advertising and promotion	-	5,326	-	5,326
Website	1,424	712	-	2,136
Insurance	36,244	5,031	-	41,275
Office expenses	89,094	50,994	-	140,088
Storage	10,892	-	-	10,892
Travel and meetings	784	5,576	-	6,360
Bank charges	-	2,448	-	2,448
Fundraising	-	-	21,539	21,539
Occupancy	60,300	20,100	-	80,400
Bad debt	-	3,250	-	3,250
Depreciation	147,153	-	-	147,153
Total expenses	\$ 1,484,955	\$ 398,127	\$ 147,168	\$ 2,030,250
Percent	72%	21%	7%	100%

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

Years Ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (132,132)	\$ (912,869)
Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities:		
Depreciation	146,693	147,153
Net realized and unrealized gains on investments	(89,491)	-
Amortization of operating right of use asset	72,862	-
Discount on promises to give	41,418	-
	<u>39,350</u>	(765,716)
Changes in operating assets and liabilities:		
Grants receivable	98,135	(160,435)
Prepaid expenses	6,700	(6,700)
Promises to give	(810,000)	212,729
Accounts payable	3,063	8,719
Accrued expenses	3,521	21,888
Operating lease liabilities	(63,923)	-
Net cash and cash equivalents used by operating activities	(723,154)	(689,515)
INVESTING ACTIVITIES		
Purchases of property and equipment	(39,999)	(3,702)
Purchases of investments	(705,661)	(1,004,419)
Proceeds from sale of investments	701,617	-
Net cash and cash equivalents used by investing activities	(44,043)	(1,008,121)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(767,197)	(1,697,636)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,896,901	3,594,537
End of year	<u>\$ 1,129,704</u>	<u>\$ 1,896,901</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 operate in under-resourced communities to provide world-class music training and performance opportunities that support youth growth and development in the Metropolitan Atlanta area. The Organization also provides after-school partnership sites in band, orchestra, and choir; a preparatory music school; private lessons; summer series and youth orchestra a choir programs; college and career support and scholarships. 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. The Organization does not have any net assets with donor restrictions that are perpetual in nature as of July 31, 2023 and 2022.

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 - Directly identifiable expenses are charged to programs and supporting services. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries, travel 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 statements 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.

Concentration of Credit Risk - Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization's investment policies provide for the investment of excess cash balances in deposits with major institutions and in other high quality short-term liquid money market instruments. The Organization maintains cash balances at various financial institutions. At various times during 2023 and 2022, the cash balance was in excess of FDIC insured limits.

The exposure to concentrations of credit risk relative to the Organization's investments is limited due to the Organization's investment objectives and policies which require, among other things, that securities be diversified, meet certain quality criteria, and utilize only high credit quality institutions for investments. The investments are not insured for market risk.

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" with the exception of those held within its investment portfolio.

Investments - Investments in marketable securities with readily determinable fair values are valued at their fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment are stated at cost and depreciated over its estimated useful lives using the straight-line 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, 2023 and 2022.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2023 and 2022.

Leases - In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective August 1, 2022 and recognized and measured leases existing at August 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Organization elected the available practical expedients to account for their existing operating lease, as an operating lease, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on August 1, 2022, beginning of the year of adoption, a lease liability of \$713,050 which represents the present value of the remaining operating lease payments of \$800,200 discounted using a risk free rate, and a ROU asset of \$713,050.

The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization leases a building with studio, performance and administrative space, and determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, and current and long-term operating lease liabilities on the balance sheet

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants, and does not include non-lease components.

The Organization has elected to apply the short-term lease exemption to one of their classes of underlying assets. In 2023, the Organization has only a small number of leases within this class of underlying asset that qualify for the exemption.

Subsequent Events - The Organization has evaluated subsequent events through April 26, 2024, 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 - REVENUE RECOGNITION

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.

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

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.

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,129,704	\$ 1,896,902
Grants receivable	241,300	339,435
Promise to give	768,582	-
Investments	<u>1,097,954</u>	<u>1,004,419</u>
	3,237,540	3,240,756
Less those available for general expenditure within one year:		
Purpose restrictions	978,859	75,000
Time restrictions	403,816	-
Investments board-designated for AMP Endowment Fund	1,093,403	1,000,000
Cash board-designated for Operating Reserve Fund	<u>250,000</u>	<u>250,000</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 511,462</u>	<u>\$ 1,915,756</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.

NOTE 4 - PROMISES TO GIVE

Promises to give is comprised of donations from two private foundations to cover scholarships and general operations.

	<u>2023</u>
Due in less than one year	\$ 270,000
Due in one to four years	<u>540,000</u>
	810,000
Less discount to net present value	<u>(41,418)</u>
	<u>\$ 768,582</u>

The discount rates for promises to give at July 31, 2023 range from 3.64% to 5.34% and the present value has been computed using these rates. There were no promises to give as of July 31, 2022.

ATLANTA MUSIC PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****NOTE 5 - PROPERTY AND EQUIPMENT, NET**

	<u>2023</u>	<u>2022</u>
Musical performance staging and equipment	\$ 587,500	\$ 547,500
Musical instruments	177,549	177,549
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>99,891</u>
Total cost	2,024,074	1,984,074
Less accumulated depreciation	<u>674,860</u>	<u>528,167</u>
	<u>\$ 1,349,214</u>	<u>\$ 1,455,907</u>

Depreciation expense was \$146,693 and \$147,153 for the years 2023 and 2022.

NOTE 6 - LEASING ACTIVITIES

The Organization has a non-cancelable operating lease for its building. The lease had an original term through May 2023 with an option to extend for two 4-year terms at stated rates. Management intends to remain in the building through May 2031 and has capitalized the lease to the end of the second renewal period upon lease implementation on August 1, 2022. In addition management has the right of first offer to purchase the property and right of first refusal to purchase the property in the event of a bona fide third party offer.

The following summarizes the weighted average remaining lease term and discount rate as of July 31, 2023:

	<u>2023</u>
Weighted Average Remaining Lease Term	
Operating leases	7.83 years
Weighted Average Discount Rate	
Operating leases	2.62%

The maturities of lease liabilities for the fiscal year ended July 31, 2023 were as follows:

Years Ending:	
2024	\$ 87,900
2025	87,900
2026	87,900
2027	89,150
2028	95,400
Thereafter	<u>270,300</u>
Total lease payments	718,550
Less imputed interest	<u>(69,424)</u>
Total lease liabilities	<u>\$ 649,126</u>

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASING ACTIVITIES - CONTINUED

The following summarizes the line items in the statements of functional expenses which include the components of lease expense for the years ended July 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease costs allocated in statements of functional expenses:		
Operating lease costs	\$ 97,913	\$ 80,400
Short-term lease costs	<u>9,386</u>	<u>-</u>
Total operating lease costs	<u>\$ 107,299</u>	<u>\$ 80,400</u>

The following summarizes cash flow information related to leases for the year ended July 31, 2023:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 88,975

NOTE 7 - FAIR VALUE MEASUREMENTS

The fair value of the Organization's assets measured on a recurring basis at July 31, 2023 and 2022 are as follows:

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,646	\$ -	\$ -	\$ 5,646
Money Market	36,252	-	-	36,252
Equities	57,722	-	-	57,722
Bond funds	365,294	-	-	365,294
Equity funds	98,036	-	-	98,036
Mutual Funds	<u>535,004</u>	<u>-</u>	<u>-</u>	<u>535,004</u>
Total	<u>\$ 1,097,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,097,954</u>

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,004,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,004,419</u>

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE MEASUREMENTS - CONTINUED

The Organization's assets carried at fair value are classified and disclosed in one of the following 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. The Organization has no Level 2 assets at July 31, 2023 and 2022.

Level 3 - Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about the assumptions market participants would use in pricing the investments. The Organization has no Level 3 assets at July 31, 2023 and 2022.

NOTE 8 - NET ASSETS

The detail of the Organization's net asset categories at July 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Undesignated	\$ 2,187,907	\$ 3,317,302
Designated for the following purposes:		
AMP Endowment	1,093,403	1,000,000
Operating reserve	<u>250,000</u>	<u>250,000</u>
Total designated	<u>1,343,403</u>	<u>1,250,000</u>
With donor restrictions for the following purposes:		
Scholarship fund	478,743	50,000
College/career counselor	-	25,000
Summer funding	96,300	-
General operating (time restriction)	<u>403,816</u>	<u>-</u>
Total subject to expenditure	<u>978,859</u>	<u>75,000</u>
Total net assets	<u>\$ 4,510,169</u>	<u>\$ 4,642,302</u>

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenses, funding the AMP Endowment fund and satisfying the restricted purposes as follows for the years ended July 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Capital campaign	\$ -	\$ 680,527
AMP scholarship fund	81,023	50,000
College/career counselor	25,000	25,000
AMP Academy	10,000	10,000
Classroom materials	25,000	2,916
Youth orchestras	2,500	35,000
After school bank and orchestras	17,500	-
Beginner level programs	5,000	-
Rental fees	5,000	-
AMP summer series	98,800	-
Music of African diaspora festival	6,000	-
General school programs	121,300	-
	<u>\$ 397,123</u>	<u>\$ 803,443</u>

NOTE 9 - ENDOWMENT

The Organization's endowment consists of funds established for a long-term endowment. The net assets associated with the funds included in the endowment are reported as net assets without donor restrictions in the accompanying financial statements. The endowment includes funds designated by the board to function as an endowment absent of any donor-imposed restrictions.

Endowment net assets consist of the following as of July 31, 2023:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Purpose</u>	<u>Total</u>
AMP Endowment	\$ 1,093,403	\$ -	\$ 1,093,403

Changes in endowment net assets consist of the following for 2023:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Purpose</u>	<u>Total</u>
Endowment net assets, July 31, 2022	\$ 1,000,000	\$ -	\$ 1,000,000
Investment Income	28,791	-	28,791
Net realized/unrealized gains	64,612	-	64,612
Total change in endowment funds	93,403	-	93,403
Endowment net assets, July 31, 2023	<u>\$ 1,093,403</u>	<u>\$ -</u>	<u>\$ 1,093,403</u>

ATLANTA MUSIC PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - ENDOWMENT - CONTINUED

Endowment net assets consist of the following as of July 31, 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions Purpose	Total
AMP Endowment	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

Changes in endowment net assets consist of the following for 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions Purpose	Total
Endowment net assets, July 31, 2021	\$ -	\$ -	\$ -
Contributions	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Endowment net assets, July 31, 2022	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

Investment and Spending Policy

The Organization has investment and spending policies for endowment assets that aim to maximize funds available for the Organization's mission and preservation of capital. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

NOTE 10 - RETIREMENT PLAN

The Organization participates in a pooled 401K plan that was established by Paychex Retirement LLC. The Organization makes qualified automatic safe harbor matching contribution equal to 100% of an employee's elective contributions for the plan year that do not exceed 1% of the employee's compensation for such plan year, plus 50% of an employee's elective contributions for the plan year that exceed 1% but do not exceed 6% of the employee's compensation for such plan year. For the years 2023 and 2022 the Organization contributed \$34,689 and \$22,171 to the plan.