

MUSICOPIA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**MUSICOPIA, INC.
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JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Musicopia, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Musicopia, Inc., (a nonprofit corporation and component of the Musicopia, Inc. and Dancing Classrooms Philly consolidated entity), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.

Auditor's 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 Musicopia, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Musicopia, Inc.'s 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The financial statements referred to above include only the financial data of Musicopia, Inc., which is part of a consolidated entity with Dancing Classrooms Philly. The financial data of Dancing Classrooms Philly is not included in these financial statements.



Brinker Simpson & Company, LLC
Springfield, Pennsylvania
December 14, 2021

MUSICOPIA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 623,565	\$ 705,213
Unconditional promises to give	195,000	60,521
Accounts receivable	139,728	48,493
Other current assets	-	25,913
Total Current Assets	958,293	840,140
Fixed Assets		
Equipment and furniture	72,568	44,698
Less: Accumulated depreciation and amortization	(14,071)	(3,725)
Total Fixed Assets	58,497	40,973
Other Assets		
Unconditional promises to give restricted for long-term purposes	195,000	-
Total Assets	\$ 1,211,790	\$ 881,113
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,331	\$ 44,555
Current portion of Paycheck Protection Program loan	109,150	24,888
Deferred revenue	4,410	15,168
Total Current Liabilities	116,891	84,611
Long-Term Liabilities		
Paycheck Protection Program loan, net of current portion	-	85,312
Total Liabilities	116,891	169,923
Net Assets		
Without donor restrictions	502,526	522,549
With donor restrictions	592,373	188,641
Total Net Assets	1,094,899	711,190
Total Liabilities and Net Assets	\$ 1,211,790	\$ 881,113

The accompanying notes are an integral part of these financial statements.

MUSICOPIA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support				
Grants and contributions	\$ 211,468	\$ 878,985	\$ 1,090,453	\$ 522,031
Forgiveness of Paycheck Protection Program loan	110,200	-	110,200	-
In-kind donations	77,248	-	77,248	59,786
Special events (net of expenses of \$9,138 and \$11,571)	21,977	-	21,977	20,681
Net assets released from donor restrictions	475,253	(475,253)	-	-
Total Support	896,146	403,732	1,299,878	602,498
Revenues				
Orchestra	31,605	-	31,605	39,905
School concerts	120,374	-	120,374	67,663
Other concerts	3,840	-	3,840	9,380
Program service fees	39,145	-	39,145	36,922
Interest income	219	-	219	934
Management fee	100,000	-	100,000	115,200
Sale of instruments	-	-	-	9,487
Total Revenues	295,183	-	295,183	279,491
Total Support and Revenues	1,191,329	403,732	1,595,061	881,989
Expenses				
Program services	938,094	-	938,094	862,890
Management and general	152,534	-	152,534	160,694
Fundraising	120,724	-	120,724	112,423
Total Expenses	1,211,352	-	1,211,352	1,136,007
Changes in Net Assets	(20,023)	403,732	383,709	(254,018)
Net Assets, Beginning of Year	522,549	188,641	711,190	965,208
Net Assets, End of Year	\$ 502,526	\$ 592,373	\$ 1,094,899	\$ 711,190

The accompanying notes are an integral part of these financial statements.

MUSICOPIA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2020

	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 340,946	\$ 68,631	\$ 111,480	\$ 521,057	\$ 492,972
Payroll taxes and employee benefits	83,989	3,127	2,965	90,081	78,521
Independent contractors	228,920	7,600	-	236,520	346,719
Bank charges and other fees	47	6,890	51	6,988	6,079
Depreciation	-	10,346	-	10,346	3,725
Grant expenses	10,000	-	-	10,000	-
Insurance	-	11,717	-	11,717	9,073
Instrument purchase/maintenance	68,994	-	-	68,994	54,384
Interest	-	11	-	11	38
Internet	10,229	6,271	3,271	19,771	13,163
Licenses, permits and dues	-	310	269	579	250
Meetings	1,280	303	279	1,862	11,638
Miscellaneous	225	2,352	270	2,847	1,855
Office	8,095	8,605	958	17,658	8,147
Postage and shipping	483	1,743	803	3,029	1,798
Program expenses	147,703	156	89	147,948	43,570
Printing	2,791	776	288	3,855	3,974
Professional services	30,370	19,872	-	50,242	40,750
Promotional expenses	-	-	-	-	200
Telephone	182	3,748	1	3,931	4,087
Training	-	-	-	-	25
Travel and entertainment	3,840	76	-	3,916	15,039
Total Functional Expenses	\$ 938,094	\$ 152,534	\$ 120,724	\$ 1,211,352	\$ 1,136,007

The accompanying notes are an integral part of these financial statements.

MUSICOPIA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 383,709	\$ (254,018)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,346	3,725
Forgiveness of Paycheck Protection Program loan	(110,200)	-
Change in:		
Unconditional promises to give	(329,479)	362,279
Accounts receivable	(91,235)	(33,883)
Other current assets	25,913	(25,913)
Accounts payable and accrued expenses	(41,224)	42,877
Deferred revenue	(10,758)	15,168
Net Cash Provided by (Used in) Operating Activities	(162,928)	110,235
Cash Flows used in Investing Activities		
Purchase of equipment	(27,870)	(44,698)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	109,150	110,200
Net Change in Cash	(81,648)	175,737
Cash, Beginning of Year	705,213	529,476
Cash, End of Year	\$ 623,565	\$ 705,213
Supplemental Disclosure		
Cash paid for interest	\$ 11	\$ 38
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1: NATURE OF OPERATIONS

Musicopia, Inc., formerly Strings for Schools, Inc. (the “Organization”) was incorporated under the laws of Pennsylvania in 1974. The Organization was founded by a single string quartet that sought to fill the growing voids in music education while inspiring young people to understand and appreciate classical music, providing broader and deeper array of music-in-education programs for students in the Delaware Valley Schools. Nearly 100 professional ensembles and solo teaching artists of the highest caliber make up Musicopia’s roster, representing musical traditions from around the globe. In the 2020-2021 academic year, these teaching artists taught over 144 programs to 8,883 students. The Organization is supported primarily through donor contributions and grants.

Musicopia’s mission is to provide opportunities for children to experience, learn, perform, and appreciate music. Founded in 1974, Musicopia envisions transformative arts programs in all school communities promoting a culture of creativity, mutual respect, dedication, and joy.

Building sustained partnerships with school districts throughout the region, Musicopia is a leader in revitalizing music programs for schools plagued by budget cuts. By working collaboratively with school administrators and teachers, Musicopia’s engaging and interactive programs help to provide equitable access to music programming for low-income youth attending under-resourced schools. 80% of Musicopia’s students organization-wide are identified as economically disadvantaged and live in struggling neighborhoods that are far from Philadelphia’s rich artistic and cultural assets.

Programs include:

Residency Programs: each multi-part residency begins with an assembly for the entire school. A core group of students participates in workshops that allow students to go in-depth to learn about and play music with concepts of the residency theme. The program concludes with an assembly where the core group performs with the teaching artists for the school.

Fostering Artistry and Musical Excellence (FAME): provides year-round in-school and after-school instruction for ensembles, helping to support bands, choirs, and provide coaching for students studying instruments, including voice, guitar, bass, percussion, violin, and sound engineering.

Gift of Music: collects, repairs, and places donated instruments with schools and students who cannot afford to buy or rent an instrument. Over the course of a decade, Musicopia has collected and repaired more than 5,800 donated musical instruments and placed over \$1 million in new and repaired instruments with those students who need them the most. Gift of Music placed more than 500 instruments and supplies with 50 schools and organizations in the 2020-2021 school year.

Adopt-A-School: currently serves twelve Title 1 schools. Each partner receives a strategic assessment of their existing music program, and a customized year-long plan of programs is created to meet the needs of each school. Offerings include residency programs, instrument donations, repairs, and purchases, vocal and instrumental music coaching sessions, in-school performance ensemble and community concert support, music teacher support, and field trips to the area’s cultural attractions.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1: NATURE OF OPERATIONS (continued)

Musicopia String Orchestra: after-school orchestra for primarily inner-city students ages 7-18, drawing from 22 Philadelphia schools. Full and partial financial aid is provided to families who are unable to afford the program. Supplemental activities include intensive chamber coaching for advanced students, group lessons, performance opportunities, and collaborations with guest composers and performers.

Musicopia Drumlines: after-school percussion programs targeting at-risk students grades 3-12 with the goal of inspiring participants to develop musical skills, self-discipline, self-confidence, and a desire to graduate. With no cost to participants, Drumlines has grown into a vital music program that has won many titles and performed widely at parades, private events, and professional sports games.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

Consolidation

Effective July 2012, the Organization entered into an affiliation agreement with Dancing Classrooms Philly. As part of this agreement, the Organization received an annual management fee of \$100,000 for the year ended June 30, 2021 from Dancing Classrooms Philly for management services rendered. On June 2, 2014, the Board of Directors of Musicopia, Inc. and its affiliated organization, Dancing Classrooms Philly, approved amendments to the organizations' bylaws establishing a common set of bylaws and a common Board of Directors, effective July 1, 2014.

These financial statements do not include the financial position or results of operations of Dancing Classrooms Philly, which is a separate 501(c)(3) entity that offers licensed professional ballroom dancing programs for Philadelphia schoolchildren.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis, revenues are recognized when earned and expenses when incurred.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets.

Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses, including functional expenses, during the reporting period. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (codified as “ASC 606”) as well as other clarifications and technical guidance related to this new revenue standard, including ASC 340-40, *Other Assets and Deferred Costs- Contracts with Customers* (“ASC 340-40”). ASC 606 superseded the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance. The Company adopted ASC 606 and ASC 340-40 on January 1, 2020 (the effective date) using the full retrospective transition method. There was no required adjustment to net assets as a result of the cumulative effect of applying ASC 606 to active contracts as of the adoption date.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Salaries, payroll taxes and employee benefits are allocated based on estimates of time and effort. Independent contractors and professional services are allocated based on full-time equivalents. All other expenses related to more than one function are allocated based on estimates of time and effort.

Accounts Receivable

The Organization's accounts receivable are recorded at net realizable value. The Organization's management concluded that, based on its review of its accounts receivable balances, a valuation allowance was not needed. Management writes off balances that remain after exhausting all reasonable collection efforts and concluding that additional collection efforts are not justified.

Unconditional Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. For the year ended June 30, 2021, the entire long-term portion of unconditional promises to give is expected to be collected during the year ended June 30, 2023. Conditional promises to give are not included in support until the conditions are met. Based upon historical collection experience, management has determined that no allowance for doubtful accounts is necessary.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment and Furniture

Purchased property is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. These donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property is depreciated using the straight-line method over estimated useful lives. The useful life range was 5 to 15 years. Depreciation expense was \$10,346 for the year ended June 30, 2021. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$3,500 and expenses normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying value of long-lived assets may not be recovered.

Other Current Assets

Other current assets represented donated instruments that the Organization had in stock as of June 30, 2020 that were not yet distributed to program participants. Donated instruments are valued at fair market value based on the type of instrument and condition.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

Conditional promises to give, that is, those with a measure performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. There were no refundable advances as of June 30, 2021. At June 30, 2021, there were no contributions that have not been recognized in the accompanying Statements of Activities and Changes in Net Assets because the condition on which they depend has not yet been met.

Exchange Revenues

In accordance with ASC 606, revenue is recognized upon the transfer of control of promised products and/or services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those products and services. Revenue is recognized net of any taxes collected from customers and subsequently remitted to government authorities.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization may execute more than one contract or agreement with a single customer. The separate contracts or agreements may be viewed as one combined arrangement or separate arrangements for revenue recognition purposes. To reach appropriate conclusions regarding whether such arrangements should be combined, the Organization evaluates whether the agreements were negotiated as a package with a single commercial objective, whether the amount of consideration to be paid in one agreement depends on the price and/or performance of another agreement, or whether the goods or services promised in the agreements represent a single performance obligation. The conclusions reached can impact the allocation of the transaction price to each performance obligation and the timing of revenue recognition related to those arrangements.

The Organization records management fees at the amount that reflects the consideration that the Organization expected to be entitled to in exchange for providing operational, management and financial support on a monthly basis. The management fee is billed as the services are performed and recognized over time as the performance obligation is performed.

The Organization's orchestra fees are reported at the amount that reflects the consideration that the Organization expects to be entitled to in exchange for providing musical instruction and performance experience. The amounts are due from families and includes variable consideration for discounts as well as implicit price concessions. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by any discounts available for families with financial need. The Organization determines its estimates of adjustments based on established eligibility criteria, its discount policies, and historical experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to orchestra fee revenue in the period of the change. There were no significant adjustments to orchestra revenues for the year ended June 30, 2021. Subsequent changes that are determined to be the resolve of an adverse change in the family's ability to pay are recorded as bad debt expense. There was no bad debt expense for the year ended June 30, 2021. Generally, the Organization bills orchestra families in advance of the services being provided. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization utilizes the portfolio approach for orchestra fees. The specific orchestra that a student participates in will vary based on experience. Within the different levels of orchestra, the length of the session and associated curriculum may vary. Revenue for performance obligations for all orchestra levels are satisfied over time on the straight-line basis for the associated session length in accordance with the input method. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from the start of the orchestra season to the point when it is no longer required to provide services to a student, which is the time at which the orchestra session is complete.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization also provides professional services for musical instruction and in-school residencies to schools. The program services fees and concert revenue lines are reported at the amount that reflects the consideration that the Organization expects to be entitled to in exchange for providing instruction or in-school residencies. The Organization typically bills for these services based on an established contract rate. For these revenue lines, the Organization may bill for portions of the services up front. Any amounts received prior to providing services are recorded as deferred revenue within the Statements of Financial Position.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization utilizes the portfolio approach for concert revenues and program fees. For each school, the length of sessions, the number of sessions, and the associated curriculum may vary. In addition, some schools will have a performance at the end of the contract while others may not. The Organization utilizes a standard contract rate and will adjust the fee in accordance with the expected level of service required to complete the contract. Revenue for the performance obligation is satisfied over time on the straight-line basis for the associated session length in accordance with the input method. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from the start of contracted instructional sessions to the point when it is no longer required to provide services to a school, which is the time at which there are no longer any contracted instructional sessions.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(A) and, therefore, is not required to disclose the aggregate amount of the transaction prices allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. As required by the FASB Accounting Standards Codification, entities are required to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This standard had no impact on the Organization's financial statements. Generally, the Organization's tax returns remain subject to examination by taxing authorities for three years.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

In February 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which affects all entities that hold financial assets and net investment losses that are not accounted for at fair value through net income. The ASU is effect for fiscal years beginning after December 15, 2022, with early adoption permitted. The Organization is currently evaluating the impact the pronouncement may have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statements of Activities and Changes in Net Assets, apart from contributions of cash and other financial assets and to disclose contributions of nonfinancial assets. ASU 2020-07 will expand the presentation and disclosure requirements of ASC 958-605 with no change in the recognition and measurement requirements for contributed nonfinancial assets. As part of the additional disclosure requirements, not-for-profit entities must disclose the disaggregation of the amount of contributed nonfinancial assets recognized within the Statements of Activities and Changes in Net Assets that depicts the type of contributed nonfinancial assets. For each disaggregated category, the not-for-profit entity must provide additional qualitative and quantitative information regarding the valuation and usage of the nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year end:	
Cash	\$ 623,565
Accounts receivable	139,728
Unconditional promises to give	390,000
Total Financial Assets	<u>1,153,293</u>
Less amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	<u>(195,000)</u>
Financial Assets available to meet expenditures over the next twelve months	<u><u>\$ 958,293</u></u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses. As part of its liquidity plan, excess cash is invested in interest bearing accounts, including money market accounts. The Organization has a \$25,000 line of credit available to meet cash flow needs.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization's principal financial instrument subject to credit risk is its cash. The Organization maintains cash in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash is placed with high quality institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

For the year ended June 30, 2021, one grantor represented 50.4% of total grants and contributions as well as 70% of total accounts receivable and unconditional promises to give.

NOTE 5: DONATED GOODS AND SERVICES

The following goods and services were donated to the Organization during the year ended June 30, 2021:

Musical instruments	<u><u>\$ 77,248</u></u>
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In addition, the Organization receives other donated services from a variety of unpaid volunteers who assist in a number of capacities, but these services do not meet the criteria for recognition as contributed services.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6: LINE OF CREDIT

The Organization has available an unsecured line of credit that provides for advances up to a maximum of \$25,000, bearing interest at prime plus 1%. During August 2020, the line of credit auto-renewed for a calendar year. Subsequent to year-end in August 2021, the line of credit was extended for another year. There was no outstanding balance at June 30, 2021.

NOTE 7: NET ASSETS

Net assets with donor restrictions at June 30, 2021 are as follows:

Specific purpose	\$ 86,598
Passage of time	505,775
Total	<u>\$ 592,373</u>

Net assets without donor restrictions at June 30, 2021 are as follows:

Undesignated	\$ 412,526
Board-designated Net Assets	90,000
Total	<u>\$ 502,526</u>

The Board has designated funds to be set aside to be used in the next fiscal year in line with budgetary goals of the Organization.

Net assets released from net assets with donor restrictions for the year ended June 30, 2021 were as follows:

Satisfaction of purpose restrictions	\$ 358,753
Satisfaction of time restrictions	116,500
Total	<u>\$ 475,253</u>

NOTE 8: PAYCHECK PROTECTION PROGRAM LOAN

In the prior fiscal year, as a result of COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "Act") was signed into law. The Act amended the Small Business Act to include a new guaranteed, unsecured loan program (the "Paycheck Protection Program"). During the year ended June 30, 2021, the Organization received full forgiveness on the first draw of the PPP loan program. The amount of the forgiveness on the first-round PPP loan in the amount of \$110,200 was recognized as income in the Statement of Activities and Changes in Net Assets.

MUSICOPIA, INC.
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NOTE 8: PAYCHECK PROTECTION PROGRAM LOAN (continued)

In the current fiscal year, The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “PPP2 Act”), which was included in the Consolidated Appropriation Act, 2021 (“2021 Appropriations Act”), allowed for a second draw on the PPP loan program. The Organization applied for a second-round loan under the Paycheck Protection Program. In February 2021, the loan was approved in the amount of \$109,150.

The second-round loan has a term of five years and is subject to interest of 1%, with a deferral of payments for the first ten months following the completion of the Organization’s covered period. The Organization has elected to utilize a twenty-four-week covered period. The loan and accrued interest can be forgiven up to 100%, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, as defined in the Act. Subsequent to year-end, on October 29, 2021 the Organization received notice from its PPP second-round lender that the entire principal of \$109,150 will be forgiven. Therefore, the entire amount has been treated as current in the Statements of Financial Position.

NOTE 9: RISKS AND UNCERTAINTIES

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally, and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The full extent of any adverse impact of the COVID-19 outbreak on the Organization’s financial statements cannot be predicted at this time.

NOTE 10: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition through December 14, 2021, the date on which the financial statements were available to be issued.

Subsequent to year-end, Musicopia entered into a lease agreement for orchestra rehearsal space for the period of September 1, 2021 to June 30, 2022. The total commitment for Musicopia, Inc. will be rental expense of \$12,000.

On October 29, 2021, the Organization was informed by its lender that the full amount of the PPP round-2 loan would be forgiven.