

MUSICOPIA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

**MUSICOPIA, INC.
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JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Musicopia, Inc.
Philadelphia, Pennsylvania

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

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

Management's Responsibility 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; 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.

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 Musicopia, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Musicopia, 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 Musicopia, 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.

Report on Summarized Comparative Information

We have previously audited Musicopia, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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.

A handwritten signature in black ink that reads "Brinker Simpson & Company, LLC". The signature is written in a cursive, flowing style.

Brinker Simpson & Company, LLC
Media, Pennsylvania
February 21, 2023

MUSICOPIA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|--|-------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 467,833 | \$ 623,565 |
| Unconditional promises to give | 221,131 | 195,000 |
| Accounts receivable | 68,937 | 139,728 |
| Refundable Employee Retention Credit | 54,415 | - |
| Prepaid expenses | 4,519 | - |
| Due from affiliate | 26,632 | - |
| Total Current Assets | 843,467 | 958,293 |
| Fixed Assets | | |
| Equipment and furniture | 68,884 | 72,568 |
| Less: Accumulated depreciation and amortization | (25,810) | (14,071) |
| Total Fixed Assets | 43,074 | 58,497 |
| Other Assets | | |
| Unconditional promises to give restricted for long-term purposes | - | 195,000 |
| Total Assets | \$ 886,541 | \$ 1,211,790 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 18,283 | \$ 3,331 |
| Current portion of Paycheck Protection Program loan | - | 109,150 |
| Deferred revenue | 8,770 | 4,410 |
| Total Liabilities | 27,053 | 116,891 |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated- available for general activities | 416,368 | 412,526 |
| Board designated capital reserve | 54,000 | 90,000 |
| Total Without Donor Restrictions | 470,368 | 502,526 |
| With donor restrictions | 389,120 | 592,373 |
| Total Net Assets | 859,488 | 1,094,899 |
| Total Liabilities and Net Assets | \$ 886,541 | \$ 1,211,790 |

See accompanying notes.

MUSICOPIA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|--|-------------------------------|----------------------------|-------------------|---------------------|
| Support | | | | |
| Grants and contributions | \$ 167,977 | \$ 253,572 | \$ 421,549 | \$ 1,090,453 |
| Forgiveness of Paycheck Protection Program Loan | 109,150 | - | 109,150 | 110,200 |
| In-kind donations | 316,607 | - | 316,607 | 77,248 |
| Special events (net of expenses of \$14,761 and \$9,138) | 39,200 | - | 39,200 | 21,977 |
| Net assets released from donor restrictions | 456,825 | (456,825) | - | - |
| Total Support | <u>1,089,759</u> | <u>(203,253)</u> | <u>886,506</u> | <u>1,299,878</u> |
| Revenues | | | | |
| Orchestra | 25,156 | - | 25,156 | 31,605 |
| School concerts | 207,114 | - | 207,114 | 120,374 |
| Other concerts | 5,385 | - | 5,385 | 3,840 |
| Program service fees | 59,870 | - | 59,870 | 39,145 |
| Interest income | 155 | - | 155 | 219 |
| Management fee | 153,000 | - | 153,000 | 100,000 |
| Sale of instruments | 14,765 | - | 14,765 | - |
| Total Revenues | <u>465,445</u> | <u>-</u> | <u>465,445</u> | <u>295,183</u> |
| Total Support and Revenues | <u>1,555,204</u> | <u>(203,253)</u> | <u>1,351,951</u> | <u>1,595,061</u> |
| Expenses | | | | |
| Program services | 1,355,144 | - | 1,355,144 | 938,094 |
| Management and general | 202,033 | - | 202,033 | 152,534 |
| Fundraising | 84,600 | - | 84,600 | 120,724 |
| Total Expenses | <u>1,641,777</u> | <u>-</u> | <u>1,641,777</u> | <u>1,211,352</u> |
| Increase (Decrease) in Net Assets from Support and Revenues | <u>(86,573)</u> | <u>(203,253)</u> | <u>(289,826)</u> | <u>383,709</u> |
| Other Revenues | | | | |
| Claim for Employee Retention Credit | 54,415 | - | 54,415 | - |
| Change in Net Assets | <u>(32,158)</u> | <u>(203,253)</u> | <u>(235,411)</u> | <u>383,709</u> |
| Net Assets, Beginning of Year | <u>502,526</u> | <u>592,373</u> | <u>1,094,899</u> | <u>711,190</u> |
| Net Assets, End of Year | <u>\$ 470,368</u> | <u>\$ 389,120</u> | <u>\$ 859,488</u> | <u>\$ 1,094,899</u> |

See accompanying notes.

MUSICOPIA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2021

| | 2022 | | | | 2021 |
|-------------------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Total |
| Salaries | \$ 449,567 | \$ 88,982 | \$ 71,881 | \$ 610,430 | \$ 521,057 |
| Payroll taxes and employee benefits | 61,409 | 28,346 | 7,492 | 97,247 | 90,081 |
| Independent contractors | 334,843 | - | - | 334,843 | 236,520 |
| Advertising | - | - | 470 | 470 | - |
| Bank charges and other fees | 8,481 | 7,229 | 41 | 15,751 | 6,988 |
| Depreciation | - | 12,086 | - | 12,086 | 10,346 |
| Enrichment | 42,947 | - | 240 | 43,187 | 140,000 |
| Facility rental | 88,402 | - | - | 88,402 | 7,948 |
| Grant expenses | 29,500 | 3,337 | - | 32,837 | 10,000 |
| Insurance | - | 9,938 | - | 9,938 | 11,717 |
| Instrument purchase/maintenance | 165,106 | - | - | 165,106 | 68,994 |
| Interest | - | 143 | - | 143 | 11 |
| Internet | 6,786 | 9,610 | 1,239 | 17,635 | 19,771 |
| Licenses and permits | - | 340 | - | 340 | 579 |
| Meetings | 3,010 | 808 | 849 | 4,667 | 1,862 |
| Miscellaneous | - | 749 | - | 749 | 2,847 |
| Office | 4,315 | 2,237 | 524 | 7,076 | 17,658 |
| Postage and shipping | 305 | 2,207 | 808 | 3,320 | 3,029 |
| Printing | 2,720 | 353 | 786 | 3,859 | 3,855 |
| Professional services | 139,791 | 29,008 | - | 168,799 | 50,242 |
| Professional memberships | 3,497 | 3,104 | 270 | | |
| Supplemental support | 5,529 | - | - | | |
| Telephone | - | 3,514 | - | 3,514 | 3,931 |
| Training | 39 | 42 | - | 81 | - |
| Travel and entertainment | 8,897 | - | - | 8,897 | 3,916 |
| Total Functional Expenses | \$ 1,355,144 | \$ 202,033 | \$ 84,600 | \$ 1,641,777 | \$ 1,211,352 |

See accompanying notes.

MUSICOPIA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Changes in net assets | \$ (235,411) | \$ 383,709 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation | 12,086 | 10,346 |
| Forgiveness of Paycheck Protection Program Loan | (109,150) | (110,200) |
| Contribution of fixed assets | 3,337 | - |
| Change in: | | |
| Unconditional promises to give | 168,869 | (329,479) |
| Accounts receivable | 70,791 | (91,235) |
| Refundable Employee Retention Credit | (54,415) | - |
| Prepaid expenses | (4,519) | - |
| Other current assets | - | 25,913 |
| Due from affiliate | (26,632) | - |
| Accounts payable and accrued expenses | 14,952 | (41,224) |
| Deferred revenue | 4,360 | (10,758) |
| Net Cash Used in Operating Activities | (155,732) | (162,928) |
| Cash Flows used in Investing Activities | | |
| Purchase of equipment | - | (27,870) |
| Cash Flows from Financing Activities | | |
| Proceeds from Paycheck Protection Program Loan | - | 109,150 |
| Net Change in Cash | (155,732) | (81,648) |
| Cash, Beginning of Year | 623,565 | 705,213 |
| Cash, End of Year | \$ 467,833 | \$ 623,565 |
| Supplemental Disclosure | | |
| Cash paid for interest | \$ 143 | \$ 11 |

See accompanying notes.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 150 professional ensembles and solo teaching artists of the highest caliber make up Musicopia’s roster, representing musical traditions from around the globe. In the 2021-2022 academic year, these teaching artists taught 5,519 programs to 15,331 students. The Organization is supported primarily through donor contributions and grants.

Musicopia’s mission is to provide equitable access to music education and enrichment, encouraging self-confidence, global awareness, dedication and joy in Pre-K to 12th grade students and their communities. 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 twenty years, Musicopia has collected and repaired more than 6,000 donated musical instruments and placed over \$1 million in new and repaired instruments with those students who need them the most. Gift of Music collected 554 instruments in the 2021-2022 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, 2022

NOTE 1: NATURE OF OPERATIONS (continued)

Musicopia String Orchestra: after-school orchestra for primarily inner-city students ages 7-18, drawing from 30 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 \$153,000 for the year ended June 30, 2022 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 social dancing programs for Philadelphia region 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, 2022

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 US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year financial statements.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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 is five to fifteen years. Depreciation expense was \$12,086 for the year ended June 30, 2022. 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.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as they are incurred. Advertising expense for the year ended June 30, 2022 totaled \$470 and are included in the Statement of Functional Expenses.

Deferred Revenue

Deferred revenue represents funds received on contracts for work not yet performed by the Organization. Deferred revenue will be recognized as income once the contracted work has been performed.

Support and revenues

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, 2022. At June 30, 2022, 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.

Revenue from exchange transactions, orchestra, school concerts, other concerts, and program service fees, are recognized when services are provided at rates determined in respective agreements. Revenue from the management fee is invoiced monthly as services are provided to Dancing Classrooms Philly. The amount charged for management fee is determined based on contractual agreement. All other revenue is recognized when received.

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, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The new guidance requires 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 or other financial assets. The standard also increases the disclosure requirements about contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received, and providing information on valuation techniques. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Organization adopted the standard on July 1, 2021. The standard did not have a material impact on the financial statements, with the exception of increased disclosure.

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 leases that are not accounted for at fair value through net income. The ASU is effective 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.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2022:

| | |
|---|--------------------------|
| Financial assets at year end: | |
| Cash | \$ 467,833 |
| Accounts receivable | 68,937 |
| Unconditional promises to give | <u>221,131</u> |
| Financial Assets available to meet expenditures over the next twelve months | <u><u>\$ 757,901</u></u> |

The Organization's goal is generally to maintain financial assets to meet four to six months of operating expenses. As part of its liquidity plan, excess cash is invested in interest bearing accounts, including money market accounts.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4: DONATED GOODS AND SERVICES

The Organization receives various forms of in-kind contributions including instruments, rehearsal space, and in-kind services. In-kind contributions are reported as contributions at their estimated fair market value on the date of receipt and reported as expenses when utilized. In-kind contributions are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

The following goods and services were donated to the Organization during the year ended June 30, 2022:

| <u>Non-financial contributions category</u> | <u>Type of contributions for beneficiaries</u> | <u>Valuation</u> | <u>Contribution amount</u> |
|---|--|--|--------------------------------|
| Instruments | Various instruments | Third-party estimates using wholesale prices of identical or similar products. | \$ 124,699 |
| Facility usage | Rehearsal space | Third-party estimates using fair market value of rent prices. | 69,300 |
| In-kind services | Professional consulting services | Third-party estimates using billing rates in like circumstances. | <u>122,608</u> |
| Total | | | <u><u>\$ 316,607</u></u> |

NOTE 5: RETIREMENT PLAN

In January 2022, the Organization adopted a Simple IRA Plan which covers all employees meeting regulated eligibility requirements. For employees electing to participate, the Organization matches their contributions in an amount up to 3% of the participants' compensation. Employees may make elective salary deferrals to the Plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions amount to \$3,782 for the year ended June 30, 2022.

MUSICOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6: RELATED PARTY

The Organization has amounts due from Dancing Classrooms Philly for management fees. No interest is charged on the outstanding balances and the balances are due on demand. The amount due from Dancing Classrooms Philly at June 30, 2022 was \$26,632.

NOTE 7: LINE OF CREDIT

During the year, the Organization had an unsecured line of credit available that provided for advances up to a maximum of \$25,000, bearing interest at prime plus 1%. During August 2021, the line of credit auto renewed for a calendar year. The Organization did not renew the line of credit and officially closed the account on May 12, 2022. There was no outstanding balance at June 30, 2022.

NOTE 8: NET ASSETS

Net assets with donor restrictions at June 30, 2022 are as follows:

| | |
|------------------|-------------------|
| Specific purpose | \$ 65,877 |
| Passage of time | 323,243 |
| Total | <u>\$ 389,120</u> |

Net assets without donor restrictions at June 30, 2022 are as follows:

| | |
|-----------------------------|-------------------|
| Undesignated | \$ 416,368 |
| Board-designated Net Assets | 54,000 |
| Total | <u>\$ 470,368</u> |

Net assets released from net assets with donor restrictions for the year ended June 30, 2022 are as follows:

| | |
|--------------------------------------|-------------------|
| Satisfaction of purpose restrictions | \$ 157,260 |
| Satisfaction of time restrictions | 299,565 |
| Total | <u>\$ 456,825</u> |

NOTE 9: EMPLOYEE RETENTION CREDIT

The Organization was eligible to claim employee retention credits for certain quarters during the year ended June 30, 2022 as a result of reduction in revenue, in those quarters, as prescribed under the program. The Organization recorded a refundable credit of \$54,415 and recognized the amount as other revenues during the year ended June 30, 2022. The full amount was received on October 11, 2022, subsequent to year end.

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NOTE 10: PAYCHECK PROTECTION PROGRAM LOAN

On February 7, 2021, the Organization obtained a second Paycheck Protection Program loan totaling \$109,150. The second Paycheck Protection Program loan was forgiven on October 29, 2021 and has been included in support on the Statements of Activities and Changes in Net Assets.

NOTE 11: 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 future operations cannot be predicted at this time.

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 21, 2023, the date on which the financial statements were available to be issued.