

## **Music for Life**

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Financial Statements  
For the Years Ended  
December 31, 2017 and 2016  
With Independent Auditor's Report

**Music for Life**  
**Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**With Independent Auditor's Report**

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## INDEPENDENT AUDITOR'S REPORT

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TO THE BOARD OF DIRECTORS

Music for Life  
Springfield, Virginia

We have audited the accompanying financial statements of Music for Life (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

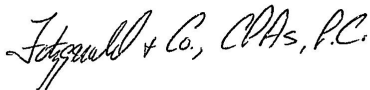
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 organization'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 organization'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 Music for Life as of December 31, 2017 and 2016, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Vienna, Virginia  
September 18, 2018

**Music for Life**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 170,364	\$ 175,554
Grants receivable	17,852	20,468
Pledges receivable	2,071	-
Inventory for use	34,579	35,460
Inventory for sale	8,422	7,325
Total current assets	<u>\$ 233,288</u>	<u>\$ 238,807</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 900	\$ 309
Credit card payable	3,444	6,718
Payroll liabilities	<u>3,153</u>	<u>3,036</u>
Total current liabilities	7,497	10,063
NET ASSETS:		
Unrestricted	207,928	204,982
Temporarily restricted net assets	<u>17,863</u>	<u>23,762</u>
Total net assets	<u>225,791</u>	<u>228,744</u>
	<u>\$ 233,288</u>	<u>\$ 238,807</u>

**Music for Life**  
**Statements of Activities**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE:		
Contributions	\$ 52,638	\$ 37,623
Donated services	56,559	118,800
Product sales	485	3,047
Other income	902	220
Net assets released from restrictions	<u>51,603</u>	<u>23,174</u>
Total support and revenue	162,187	182,864
EXPENSES:		
Cost of goods sold	300	1,080
Program services	150,957	169,499
General and administrative	5,115	3,649
Fundraising	<u>2,869</u>	<u>2,119</u>
Total expenses	159,241	176,347
Change in unrestricted net assets	<u>2,946</u>	<u>6,517</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	45,704	46,936
Net assets released from restriction	<u>(51,603)</u>	<u>(23,174)</u>
Change in temporarily restricted net assets	<u>(5,899)</u>	<u>23,762</u>
CHANGE IN NET ASSETS	(2,953)	30,279
NET ASSETS, BEGINNING OF YEAR	<u>228,744</u>	<u>198,465</u>
NET ASSETS, END OF YEAR	<u>\$ 225,791</u>	<u>\$ 228,744</u>

**Music for Life**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Goods sold</u>	<u>Total</u>
Advertising and promotions	\$ -	\$ -	\$ 2,869	\$ -	\$ 2,869
Dues and subscriptions	118	286	-	-	404
Guitars and accessories	11,587	-	-	300	11,887
Internet services	-	433	-	-	433
Insurance	3,018	-	-	-	3,018
Mailing, delivery and postage	148	-	-	-	148
Occupancy	4,097	-	-	-	4,097
Office expenses	-	1,422	-	-	1,422
Professional fees	69,760	2,974	-	-	72,734
Salary and wages	55,651	-	-	-	55,651
State registration fees	425	-	-	-	425
Training and teaching supplies	6,153	-	-	-	6,153
	<u>\$ 150,957</u>	<u>\$ 5,115</u>	<u>\$ 2,869</u>	<u>\$ 300</u>	<u>\$ 159,241</u>



**Music for Life**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Goods sold</u>	<u>Total</u>
Advertising and promotions	\$ -	\$ -	\$ 2,119	\$ -	\$ 2,119
Dues and subscriptions	196	145	-	-	341
Guitars and accessories	15,069	-	-	1,080	16,149
Internet services	-	558	-	-	558
Insurance	3,152	-	-	-	3,152
Mailing, delivery and postage	26	123	-	-	149
Occupancy	3,663	-	-	-	3,663
Office expense	105	80	-	-	185
Professional fees	123,993	2,725	-	-	126,718
Salary and wages	21,204	-	-	-	21,204
State registration fees	290	-	-	-	290
Training and teaching supplies	1,801	18	-	-	1,819
	<u>\$ 169,499</u>	<u>\$ 3,649</u>	<u>\$ 2,119</u>	<u>\$ 1,080</u>	<u>\$ 176,347</u>

**Music for Life**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,953)	\$ 30,279
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities affecting operations:		
(Increase) decrease in grants receivable	2,616	(20,468)
(Increase) decrease in pledges receivable	(2,071)	-
(Increase) decrease in inventory	(216)	4,723
Increase (decrease) in accounts payable	591	(2,267)
Increase (decrease) in credit card payable	(3,274)	2,262
Increase in payroll liabilities	117	3,036
Net cash provided by (used in) operating activities	<u>(5,190)</u>	<u>17,565</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,190)	17,565
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>175,554</u>	<u>157,989</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 170,364</u>	<u>\$ 175,554</u>



## Music for Life

### Notes to Financial Statements December 31, 2016 and 2015

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#### A. ORGANIZATION

Music for Life was originally formed as a chapter of Guitars not Guns; a federally exempt 501(C) (3) entity that incorporated in the state of California on July 24, 2000. Music for Life incorporated as an independent legal entity in 2010 and obtained its own federal tax exempt 501(C) (3) status under the name GnG NCA, which it continued to use until it legally changed its name to Music for Life effective December 11, 2014. Through April 2013, Music for Life continued its affiliation with Guitars not Guns.

Music for Life is a volunteer based charity that provides music educational programs and mentoring to at-risk and other deserving youth as well as underserved adults who may not otherwise have the opportunity. Music for Life is a community based organization that provides these individuals a positive alternative to the self-destructive behaviors of substance abuse, crime, truancy, and gang activity. Their programs provide each student with a musical instrument and case, music book and other related items. Music for Life has three programs in operation: (1) an after-school guitar program in the neighborhoods where the students live; (2) an after-school band orchestra program in middle and high school; and (3) the STEM Guitar Project, all in the metropolitan DC area. Music for Life is supported primarily through donor contributions, grants, and product sales.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting** - The records of Music for Life are maintained on the accrual basis of accounting, under which revenue is recognized when earned and expenses are recorded as incurred.

**Financial statement presentation** – Music for Life reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no permanently restricted net assets as of December 31, 2017 and 2016.

**Use of estimates and assumptions** - The preparation of financial statements in conformity with generally accepted accounting principles 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 support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Income taxes** - The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization complies with the accounting for uncertainty in income taxes guidance, FASB Codification topic 740, "Accounting for Income Taxes". The accounting guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. There are no uncertain tax positions as of December 31, 2017. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in the applicable operating expense account. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended 2017, 2016 and 2015 are subject to examination by the IRS, generally for three years after it is filed.

## Music for Life

### Notes to Financial Statements December 31, 2016 and 2015

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#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and cash equivalents** - The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents.

**Pledges and grants receivable** – Pledges and grants receivable consists of amounts due from donors within one year. Payments are received by the Organization under various payment plans. The Organization maintains an allowance for doubtful accounts based on the expected collectability of all receivables. The allowance for doubtful accounts was zero as of both December 31, 2017 and 2016.

**Inventory** - Inventory consists of T-shirts, guitars, educational books, videos and printed information. Inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory is classified as for use (items to be used in fulfillment of its mission) and for sale (donated items which cannot be used in fulfillment of its mission). Donated items are recorded at their fair market value at the time of the contribution.

**Contributions** – Contributions received are unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. The Organization reports gifts of cash as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

**Donated services** – Donated services are recognized at fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased. Donated services are recorded as both revenue and support and program services, and therefore, there is no effect on the change in net assets.

**Functional allocation of expenses** - The costs of providing program and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and the supporting services benefited.

**Advertising** - The Organization charges advertising costs to expense as incurred. For the years ended December 31, 2017 and 2016, total advertising costs incurred were \$2,869 and \$2,119, respectively.

#### C. TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted when donors restrict the use of their donation to a specific purpose. Temporarily restricted net assets as of December 31, 2017 and 2016 were \$17,863 and \$23,762, respectively and consisted of funds to be used to provide music classes in a specific geographic location.

## **Music for Life**

### **Notes to Financial Statements December 31, 2016 and 2015**

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#### **D. NET ASSETS RELEASED FROM RESTRICTION**

Net assets are released from donors' restrictions when the expenses are incurred that satisfy the donor restricted purpose. Net assets released from restrictions during the year ended December 31, 2017 and 2016 were \$51,603 and \$23,174, respectively and consisted of amounts used to provide music classes in different geographic locations.

#### **E. CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject Music for Life to concentrations of credit risk consist of cash. Music for Life maintains its operating cash accounts in a national financial institution whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization had no uninsured cash balances at December 31, 2017 and 2016.

#### **F. DONATED SERVICES**

The Organization received pro bono services in 2016 valued at \$118,800 from a major consulting firm to create a database management system to store and query data related to the Performance Measurement Plan to assist in curriculum evaluation, adjustments, and future types of programs to be offered. It received pro bono services valued at \$56,559 in 2017 from a law firm to create an Employee Handbook. The value of the donated services are included in professional fees in the accompanying Statements of Functional Expenses.

#### **G. SUBSEQUENT EVENTS**

The Organization has evaluated all subsequent events through September 18, 2018, the date that the financial statements are available to be issued.

**Music for Life**  
**Balance Sheet**  
As of December 31, 2018

Dec 31, 18

**ASSETS**

**Current Assets**

**Checking/Savings**

1002 · Access National Bank Checking	30,500.00
1003 · Access National Bank Money Mkt	102,085.83
1004 · Cash -Music for Life- BofA 5672	39,766.09
1005 · Cash - GNG NCA -BofA 6911	13,899.41

**1040 · Petty cash**

1041 · VA - Petty Cash	155.00
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<b>Total 1040 · Petty cash</b>	<b>155.00</b>
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**1070 · Savings & short-term Investment**

1073 · Spark Rewards 3620 CapOne	3.14
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<b>Total 1070 · Savings &amp; short-term Investment</b>	<b>3.14</b>
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<b>Total Checking/Savings</b>	<b>186,409.47</b>
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**Accounts Receivable**

1110 · Accounts receivable	179.45
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1240 · Grants receivable	29,775.92
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<b>Total Accounts Receivable</b>	<b>29,955.37</b>
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**Other Current Assets**

**1410 · Inventories for sale**

1410.1 · Tee Shirt supply	1,066.83
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1410 · Inventories for sale - Other	6,584.09
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<b>Total 1410 · Inventories for sale</b>	<b>7,650.92</b>
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1420 · Inventories for use	9,739.72
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<b>Total Other Current Assets</b>	<b>17,390.64</b>
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<b>Total Current Assets</b>	<b>233,755.48</b>
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<b>TOTAL ASSETS</b>	<b><u>233,755.48</u></b>
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**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

2010 · Accounts payable	2,659.17
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<b>Total Accounts Payable</b>	<b>2,659.17</b>
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**Credit Cards**

2053 · Credit Card CapOne 3620	106.44
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<b>Total Credit Cards</b>	<b>106.44</b>
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**Other Current Liabilities**

2150 · Accrued expenses - other	2,089.34
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24000 · Payroll Liabilities	1,007.34
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<b>Total Other Current Liabilities</b>	<b>3,096.68</b>
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<b>Total Current Liabilities</b>	<b>5,862.29</b>
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<b>Total Liabilities</b>	<b>5,862.29</b>
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**Equity**

3010 · Unrestricted(retained earnings)	225,790.79
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<b>Net Income</b>	<b>2,102.40</b>
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**Music for Life**  
**Balance Sheet**  
As of December 31, 2018

	<u>Dec 31, 18</u>
Total Equity	227,893.19
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>233,755.48</u></b>

**Music for Life**  
**Profit & Loss**  
January through December 2018

Jan - Dec 18

Ordinary Income/Expense

Income

4 - Contributed support

4010 - Indiv/business contribution

4012 - Individual Contribution 43,976.44

4013 - Employer Matching Funds 1,050.00

4015 - Other Contributions 3,720.00

4017 - In Memory Of 9,244.36

Total 4010 - Indiv/business contribution 57,990.80

4130 - Donated guitars 6,830.00

4131 - Accessories/Other Instruments 52.00

4230 - Foundation/trust grants 24,500.00

4540 - Local government grants 56,447.31

Total 4 - Contributed support 145,820.11

5 - Earned Revenue

5310 - Interest-savings/short-term inv 1,470.10

5440 - Non-program sales

5441 - Tee Shirt Sales -299.79

5442 - Raffle

5442.1 - Guitar 264.72

5442 - Raffle - Other 482.81

Total 5442 - Raffle 747.53

Total 5440 - Non-program sales 447.74

Total 5 - Earned Revenue 1,917.84

Total Income 147,737.95

Expense

66000 - Payroll Expenses 0.00

7000 - Grant & contract expense

7050 - Specific assistance - ind 135.00

Total 7000 - Grant & contract expense 135.00

7200 - Salaries & related expenses

7220 - Salaries & wages 49,627.25

7230 - Simple IRA ER Match 1,482.31

7240 - Employee Benefits - Other 6,000.00

7250 - Payroll taxes 3,796.49

Total 7200 - Salaries & related expenses 60,906.05

7500 - Other personnel expenses

7510 - Fundraising fees

7511 - Fund Raising Exps 2,894.73

Total 7510 - Fundraising fees 2,894.73

7520 - Accounting fees 464.52

7540 - Professional fees - other 20,529.15

Total 7500 - Other personnel expenses 23,888.40

8100 - Non-personnel expenses

8110 - Supplies

**Music for Life**  
**Profit & Loss**  
January through December 2018

	<u>Jan - Dec 18</u>
8112 · Office supplies	782.40
8115 · Guitars/accessories	42,155.40
8117 · Training/teaching supplies	397.98
<b>Total 8110 · Supplies</b>	<b>43,335.78</b>
8120 · Donated materials & supplies	430.91
8130 · Telephone & telecommunications	
8133 · Internet Services	242.35
<b>Total 8130 · Telephone &amp; telecommunications</b>	<b>242.35</b>
8140 · Postage, shipping, delivery	121.86
8160 · Equip rental & maintenance	160.00
<b>Total 8100 · Non-personnel expenses</b>	<b>44,290.90</b>
8200 · Occupancy expenses	
8210 · Rent, parking, other occupancy	4,404.12
<b>Total 8200 · Occupancy expenses</b>	<b>4,404.12</b>
8300 · Travel & meetings expenses	
8310 · Travel	2,071.90
8320 · Conference,convention,meeting	136.70
<b>Total 8300 · Travel &amp; meetings expenses</b>	<b>2,208.60</b>
8500 · Miscellaneous expenses	
8520 · Insurance - non-employee	3,016.44
8590 · Other expenses	0.54
<b>Total 8500 · Miscellaneous expenses</b>	<b>3,016.98</b>
8600 · Business expenses	
8605 · CPA Fee - Audit Financial Stmtns	6,282.60
8670 · Organizational (corp) expenses	
8671 · State Registration Fees	502.90
<b>Total 8670 · Organizational (corp) expenses</b>	<b>502.90</b>
<b>Total 8600 · Business expenses</b>	<b>6,785.50</b>
<b>Total Expense</b>	<b>145,635.55</b>
<b>Net Ordinary Income</b>	<b>2,102.40</b>
<b>Net Income</b>	<b>2,102.40</b>

**Music for Life**  
**Statement of Cash Flows**  
January through December 2018

	<u>Jan - Dec 18</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	2,102.40
Adjustments to reconcile Net Income to net cash provided by operations:	
1110 - Accounts receivable	1,591.70
1210 - Pledges receivable	300.00
1240 - Grants receivable	-11,923.92
1410 - Inventories for sale	770.50
1420 - Inventories for use	24,839.11
1460 - Deposits	0.54
2010 - Accounts payable	-1,264.40
2053 - Credit Card CapOne 3620	-313.26
2150 - Accrued expenses - other	2,089.34
24000 - Payroll Liabilities	-2,146.06
Net cash provided by Operating Activities	<u>16,045.95</u>
Net cash increase for period	16,045.95
Cash at beginning of period	170,363.52
Cash at end of period	<u><u>186,409.47</u></u>