

DC YOUTH ORCHESTRA
PROGRAM

FINANCIAL STATEMENTS

For the Years Ended
August 31, 2020 and 2019
and
Report Thereon

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
DC Youth Orchestra Program

We have audited the accompanying financial statements of the DC Youth Orchestra Program, which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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

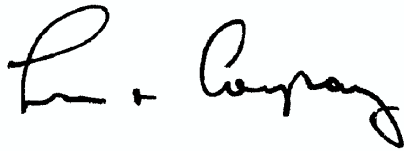
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the DC Youth Orchestra Program as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "L. + Company". The signature is written in a cursive, flowing style.

Washington, D.C.
April 22, 2021

DC YOUTH ORCHESTRA PROGRAM
STATEMENTS OF FINANCIAL POSITION
August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 804,022	\$ 444,010
Contributions receivable	84,161	343,350
Accounts receivable, net allowance	165	779
Prepaid expenses	3,081	11,225
Investments	316,547	144,338
Property and equipment, net	<u>65,980</u>	<u>59,163</u>
Total Assets	<u>\$1,273,956</u>	<u>\$ 1,002,865</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 75,764	\$ 30,943
Deferred revenue	136,056	180,687
Note Payable	<u>96,600</u>	<u>-</u>
Total Liabilities	<u>308,420</u>	<u>211,630</u>
Net Assets		
Without restrictions	674,905	408,550
With restrictions	<u>290,631</u>	<u>382,685</u>
Total Net Assets	<u>965,536</u>	<u>791,235</u>
Total Liabilities and Net Assets	<u>\$1,273,956</u>	<u>\$ 1,002,865</u>

The accompanying notes are an integral
part of the financial statements

DC YOUTH ORCHESTRA PROGRAM
STATEMENTS OF ACTIVITIES
For the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and support		
Contributions	\$ 563,179	\$ 479,544
Student fees	440,580	415,198
Contract revenue	--	50,000
Investment income	66,924	4,855
Other income	7,528	8,744
Net assets released from restrictions	<u>416,764</u>	<u>346,480</u>
 Total Revenue	 <u>1,494,975</u>	 <u>1,304,821</u>
Expenses		
Program service expenses		
Education and training	912,860	1,039,193
International concerts and tours	<u>--</u>	<u>132</u>
 Total Program Service Expenses	 912,860	 1,039,325
Supporting service expenses		
Management and general	153,867	122,771
Fundraising	<u>161,893</u>	<u>118,843</u>
 Total Expenses	 <u>1,228,620</u>	 <u>1,280,939</u>
 Change in net assets without restrictions	 <u>266,355</u>	 <u>23,882</u>
Change in net assets with restrictions		
Contributions	324,710	444,765
Net assets released from restrictions	<u>(416,764)</u>	<u>(346,480)</u>
 Change in net assets with restrictions	 <u>(92,054)</u>	 <u>98,285</u>
 Change in net assets	 174,301	 122,167
 Net Assets - beginning of year	 <u>791,235</u>	 <u>669,068</u>
 Net Assets - end of year	 <u>\$ 965,536</u>	 <u>\$ 791,235</u>

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DC YOUTH ORCHESTRA PROGRAM
STATEMENTS OF CASH FLOWS
For the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 174,301	\$ 122,167
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation expense	19,868	13,835
Unrealized and realized gain on investments	(64,876)	(2,583)
Noncash contributions of securities	(136,718)	(142,057)
Decrease (increase) in:		
Contributions receivable	259,189	(40,900)
Accounts receivable	614	45
Prepaid expenses	8,144	17,580
Increase (decrease) in:		
Accounts payable and accrued expenses	44,821	(317)
Deferred revenue	<u>(44,631)</u>	<u>14,636</u>
Net Cash Provided by/(Used in) Operating Activities	<u>260,712</u>	<u>(17,594)</u>
Cash Flows from Investing Activities		
Purchases of equipment	(26,685)	(42,386)
Purchases of investments	(113,820)	-
Proceeds from sales of investments	<u>143,205</u>	<u>90,043</u>
Net Cash Provided by Investing Activities	<u>2,700</u>	<u>47,657</u>
Cash Flows from Financing Activities		
PPP loan proceeds	<u>96,600</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>96,600</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	360,012	30,063
Cash and Cash Equivalents, Beginning of Year	<u>444,010</u>	<u>413,947</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 804,022</u></u>	<u><u>\$ 444,010</u></u>

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DC YOUTH ORCHESTRA PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2020

	Education and Training	International Tour	Management and General	Fundraising	Total
Payroll & Related	424,705	-	52,454	124,123	601,282
Artistic Contract	225,813	-	-	-	225,813
Occupancy	74,287	-	10,306	-	84,593
Other Professional Fees	23,467	-	21,686	22,796	67,949
Legal	3,776	-	-	-	3,776
Tuition Assistance	73,463	-	-	-	73,463
Accounting	-	-	47,817	-	47,817
Office Expense	24,649	-	6,189	2,606	33,444
Depreciation	19,868	-	-	-	19,868
Conferences	7,646	-	2,918	1,256	11,820
Information Technology	4,816	-	937	602	6,355
Merchandise	1,472	-	-	-	1,472
Equipment Rental & Repai	6,508	-	-	-	6,508
Insurance	11,708	-	2,927	-	14,635
Miscellaneous	-	-	5,646	163	5,809
Dues & Subscriptions	5,332	-	2,447	10,123	17,902
Travel	53	-	445	-	498
Bad Debt	3,857	-	-	-	3,857
Advertising	1,440	-	95	224	1,759
Total	<u>912,860</u>	<u>-</u>	<u>153,867</u>	<u>161,893</u>	<u>1,228,620</u>

The accompanying notes are an integral
part of the financial statements

DC YOUTH ORCHESTRA PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2019

	Education and Training	International Tour	Management and General	Fundraising	Total
Payroll & Related	405,593	-	25,631	55,546	486,770
Artistic Contract	224,927	-	-	-	224,927
Occupancy	114,168	-	10,408	-	124,576
Other Professional Fees	42,307	-	5,573	55,622	103,502
Legal	89,363	-	10,266	-	99,629
Tuition Assistance	73,813	-	-	-	73,813
Accounting	-	-	43,586	-	43,586
Office Expense	29,259	-	6,609	3,402	39,270
Depreciation	13,835	-	-	-	13,835
Conferences	3,461	-	6,646	1,241	11,348
Information Technology	7,749	-	2,247	1,000	10,996
Merchandise	7,749	-	300	-	8,049
Equipment Rental & Repai	7,425	-	-	-	7,425
Insurance	5,924	-	1,481	-	7,405
Miscellaneous	6,606	-	152	49	6,807
Dues & Subscriptions	2,382	-	2,743	1,527	6,652
Travel	2,451	132	2,758	162	5,503
Bad Debt	-	-	4,121	-	4,121
Advertising	2,181	-	250	294	2,725
Total	<u>1,039,193</u>	<u>132</u>	<u>122,771</u>	<u>118,843</u>	<u>1,280,939</u>

The accompanying notes are an integral
part of the financial statements

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

1. ORGANIZATION

DC Youth Orchestra Program (DCYOP), is a nonprofit corporation organized under the laws of the District of Columbia and Section 501(c)(3) of the Internal Revenue Code. The mission of DCYOP is “music for young people; achievement for life.” Its goals are to provide affordable, accessible, quality music instruction and performance opportunities for young people in the D.C. area, to develop a Youth Orchestra capable of competing successfully at the national and international levels, and to instill in its students the discipline and focus necessary to succeed academically, as well as musically.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

DCYOP’s financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking accounts and money market accounts. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. DCYOP holds certain cash equivalents whose balances may at times exceed the insured limit. Management believes these amounts are not subject to any significant credit risk.

Continued

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable represent amounts due from government agencies or private donors based on the terms of the related grant agreements. All receivables are due in less than one year. DCYOP also has conditional support totaling \$80,000 to be received upon the completion of certain milestones in the year ended August 31, 2021.

Accounts Receivable

Accounts receivable represent student fees and equipment rental fees billed to DCYOP's participants. DCYOP determines an allowance for doubtful accounts based on management's historical knowledge of collectability. As of August 31, 2020 and 2019, the allowance for doubtful accounts was \$3,120 and \$1,680, respectively.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Depreciation is recorded over the estimated useful lives of three to seven years using the straight-line method. It is DCYOP's policy to capitalize all property and equipment not related to musical instruments with a cost over \$1,000. DCYOP has also established capitalization thresholds for 16 separate classes of instruments. Each instrument class has a unique capitalization threshold for individual instrument purchases ranging from \$700 to \$10,000. Regardless of instrument class, all bulk instrument purchases costing in excess of \$2,500 are capitalized.

Expenditures for major repairs and improvements are capitalized and expenditures for minor repairs and maintenance costs are expensed as incurred in line with the capitalization policy. DCYOP also accepts donations of musical instruments that have been professionally appraised by a third party. The musical instruments are capitalized at the appraised fair market value and depreciated over the estimated useful life.

Classification of Net Assets

DCYOP's net assets are reported as follows:

- Net assets without restrictions include revenue and contributions available for the operations of the organization.

Continued

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Net assets with restrictions represent amounts that are specifically restricted by donors for various purposes or for use in future time periods. When the donor restrictions are met, the net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met within the same fiscal year are reported as net assets without restrictions.

Revenue Recognition

Contributions are recorded as revenue and support when received or pledged, whichever occurs first. DCYOP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to one of DCYOP's programs or to future periods. Revenue recognized on grants and contributions that have been earned or committed to DCYOP, but have not been received, is reflected as contributions receivable in the accompanying statement of financial position.

Unconditional promises to give that are expected to be collected within one year are recorded at their 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-free interest rates appropriate for the expected term of the promise to give. There were no long-term unconditional promises to give and associated discounts recognized as of August 31, 2020.

Student fee revenues are exchange transactions in nature and consist of all fee revenues earned related to student participation in DCYOP programs. DCYOP recognizes unrestricted revenues from student fees within the fiscal year in which the programs are predominantly conducted. Tuition assistance is for DCYOP's program sites at Takoma Education Campus, Eastern High School, and George Washington University, while the Children's Orchestra program is tuition-free.

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DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing DCYOP's various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been directly allocated to programs, management and general, and fundraising based on the nature of the expenses. Certain indirect costs have been proportionately allocated among programs, management and general, and fundraising based on a percentage of personnel costs across departments.

New Accounting Pronouncements Adopted

During fiscal year 2020, DCYOP adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard was issued by FASB to clarify the principles for recognizing revenue for any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets within the scope of this standard. ASU 2014-09 establishes a five-step process to identify, allocate, and recognize exchange transactions derived from contracts with customers.

DCYOP also adopted the FASB Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in DCYOP's fiscal year 2022.

Continued

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update is intended to improve transparency about the measurement of contributed nonfinancial assets and to establish uniform industry-wide presentation. This update will require recipients of contributed nonfinancial assets to disclose these transactions separately on the statement of activities, as well as include a disaggregation of the contributed nonfinancial assets disclosing certain qualitative information regarding their measurement and utilization. The guidance is effective beginning in DCYOP's fiscal year 2023.

DCYOP is evaluating the effects that the updated standard will have on the financial statements and plans to adopt the new ASU at the required implementation date.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 804,022
Contributions and accounts receivable due within one year	<u>84,326</u>
Total financial assets	<u>888,348</u>
Less: Accounts payable and accrued expenses	75,764
Less: Note payable	96,600
Less: Net assets with restrictions	<u>290,631</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 425,353</u>

Continued

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

4. INVESTMENTS

Accounting Standards Codification (ASC) Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities that the organization has the ability to access at the measurement date;

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace;

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant the fair value measurement in its entirety.

Investments, recorded at fair value, consisted of the following at August 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2020				
Equity securities	\$ 214,744	\$ --	\$ --	\$ 214,744
Mutual funds	<u>101,803</u>	<u>--</u>	<u>--</u>	<u>101,803</u>
Total	<u>\$ 316,547</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 316,547</u>
2019				
Equity securities	\$ 78,933	\$ --	\$ --	\$ 78,933
Mutual funds	<u>65,405</u>	<u>--</u>	<u>--</u>	<u>65,405</u>
Total	<u>\$ 144,338</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 144,338</u>

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DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

4. INVESTMENTS (continued)

Investment income for the years ended August 31 was as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 5,509	\$ 2,272
Realized and unrealized gain	64,876	2,583
Investment fees	<u>(3,461)</u>	<u>--</u>
Total	<u>\$ 66,924</u>	<u>\$ 4,855</u>

5. PROPERTY AND EQUIPMENT

At August 31, fixed assets consisted of the following:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 145,231	\$ 145,231
Musical instruments	212,523	185,838
Accumulated depreciation	<u>(291,774)</u>	<u>(271,906)</u>
Property and equipment, net	<u>\$ 65,980</u>	<u>\$ 59,163</u>

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Purpose restricted	\$ 142,071	\$ 213,635
General Operating, time restricted	<u>148,560</u>	<u>169,050</u>
Total net assets with restrictions	<u>\$ 290,631</u>	<u>\$ 382,685</u>

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

7. DONATED SERVICES AND FACILITIES

DCYOP receives donated professional services that are recorded at fair value as revenue and expense at the time the services are received. Donated services amounted to \$3,776 and \$99,629 for the years ended August 31, 2020 and 2019, respectively.

DCYOP previously used office and classroom space and instrument storage rooms provided by the District of Columbia Public Schools. The value of the contributed space has not been estimated and is not reflected in the financial statements. The costs associated with maintaining and operating the donated program space were paid for by the District of Columbia Public Schools. For the years ended August 31, 2020 and 2019, these costs have been recorded as in-kind contributions and expenses of \$0 and \$56,030, respectively.

8. COLLECTIONS

DCYOP has elected not to capitalize the cost or value of its sheet music collection. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements. The items are cataloged, preserved, and cared for on a regular basis.

9. LEASE COMMITMENT

DCYOP entered into an operating lease in March 2017 for office space in Washington, DC, that expired on June 30, 2020. Rent expense for the years ended August 31, 2020 and 2019, was \$46,951 and \$52,041, respectively.

10. INCOME TAXES

DCYOP is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. As of August 31, 2020, and 2019, no provision for income taxes was made as DCYOP had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

DC YOUTH ORCHESTRA PROGRAM
Notes to Financial Statements
For the Years Ended August 31, 2020 and 2019

11. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

DCYOP received a loan from PNC Bank in the amount of \$96,600 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Security (CARES) Act. The loan is subject to a note dated May 3, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether DCYOP will be eligible for forgiveness, in whole or in part. However, management expects the proceeds of this loan to be fully forgiven. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning either a) on the date that SBA remits DCYOP's forgiveness amount to PNC Bank or b) 10 months after the loan forgiveness covered period. The loan may be repaid at any time with no prepayment penalty.

12. SUBSEQUENT EVENTS

In preparing these financial statements, DCYOP has evaluated events and transactions for potential recognition or disclosure through April 22, 2021, the date the financial statements were available to be issued. There exists significant uncertainty about the future impact of COVID-19 on the global economy during the ongoing pandemic. Further impacts on DCYOP's fiscal year 2021 financial activities cannot be assessed as of the date of our audit report due to the unpredictable nature of the pandemic. There were no other events that required recognition or disclosure in these financial statements.