



## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2021**

DC YOUTH ORCHESTRA PROGRAM  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

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## Independent Auditor's Report

To the Board of Directors of  
DC Youth Orchestra Program

We have audited the accompanying financial statements of DC Youth Orchestra Program (a nonprofit organization), which comprise the statement of financial position as of August 31, 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 DC Youth Orchestra Program as of August 31, 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.

*Alta CPA Group, LLC*

January 20, 2022

DC YOUTH ORCHESTRA PROGRAM  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 612,611
Contributions Receivable	223,600
Accounts Receivable, Net of Allowance	79
Prepaid Expenses	<u>7,347</u>
Total Current Assets	843,637

Fixed Assets:

Furniture, Fixtures, and Equipment	376,778
Less Accumulated Depreciation	<u>(312,715)</u>
Net Fixed Assets	64,063

Other Assets:

Investments, at Market	<u>529,220</u>
Total Other Assets	<u>529,220</u>

Total Assets	<u><u>\$ 1,436,920</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 40,921
Deferred Revenue	<u>139,157</u>
Total Current Liabilities	<u>180,078</u>
Total Liabilities	180,078

Net Assets:

Without Donor Restrictions	1,089,308
With Donor Restrictions	<u>167,534</u>
Total Net Assets	<u>1,256,842</u>
Total Liabilities and Net Assets	<u><u>\$ 1,436,920</u></u>

See auditor's report and accompanying notes to financial statements.

DC YOUTH ORCHESTRA PROGRAM  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Contributions	\$ 936,501	\$ 167,534	\$ 1,104,035
Program Income	272,679	-	272,679
Investment Income	76,438	-	76,438
Merchandise Sales	1,418	-	1,418
Miscellaneous Revenue	370	-	370
Net Assets Released from Restrictions	<u>290,631</u>	<u>(290,631)</u>	<u>-</u>
 Total Support and Revenue	 1,578,037	 (123,097)	 1,454,940
EXPENSES			
Program Services	882,767	-	882,767
Fundraising Expenses	129,216	-	129,216
Administrative Expenses	<u>151,651</u>	<u>-</u>	<u>151,651</u>
 Total Expenses	 <u>1,163,634</u>	 <u>-</u>	 <u>1,163,634</u>
 Change in Net Assets	 414,403	 (123,097)	 291,306
 Net Assets at Beginning of Year	 <u>674,905</u>	 <u>290,631</u>	 <u>965,536</u>
 Net Assets at End of Year	 <u>\$ 1,089,308</u>	 <u>\$ 167,534</u>	 <u>\$ 1,256,842</u>

See auditor's report and accompanying notes to financial statements.

DC YOUTH ORCHESTRA PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021

	Education and Training	Fundraising Expenses	Administrative Expenses	Total
Artistic Contracts	\$ 173,274	\$ -	\$ -	\$ 173,274
Bad Debt	2,640	-	-	2,640
Bank and Credit Card Fees	6,514	10,008	-	16,522
Benefits	40,776	7,657	4,183	52,616
Concert Expenses	345	-	-	345
Conferences	-	195	220	415
Curriculum & Instrument	14,278	-	-	14,278
Custodial and Security	53,047	-	-	53,047
Depreciation	15,106	-	5,835	20,941
Development	-	60	5,740	5,800
Dues and Subscriptions	7,713	9,000	2,630	19,343
Insurance	6,298	-	1,574	7,872
Interest Expense	-	-	1,033	1,033
Marketing	26,125	7,901	891	34,917
Meals and Hospitality	1,686	204	3,748	5,638
Merchandise Orders	6,340	-	207	6,547
Office Expense	751	-	546	1,297
Payroll Fees	-	-	4,543	4,543
Payroll Taxes	36,281	6,813	3,722	46,816
Postage	-	1,480	560	2,040
Professional Fees	31,590	8,330	68,988	108,908
Recordings	10,100	-	-	10,100
Salaries and Wages	407,888	76,592	41,847	526,327
Storage Unit	-	-	3,881	3,881
Telephone	2,076	976	1,503	4,555
Tuition Assistance	39,939	-	-	39,939
Total Expenses	\$ <u>882,767</u>	\$ <u>129,216</u>	\$ <u>151,651</u>	\$ <u>1,163,634</u>

See auditor's report and accompanying notes to financial statements.

DC YOUTH ORCHESTRA PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 291,306
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities:	
Unrealized and Realized Gain on Investments	(70,191)
Depreciation	20,941
Noncash Contributions of Securities	(109,602)
Forgiveness of PPP Loan	(96,600)
Increase in Contributions Receivable	(139,439)
Decrease in Accounts Receivable	86
Increase in Prepaid Expenses	(4,266)
Decrease in Accounts Payable and	
Accrued Expenses	(34,843)
Increase in Deferred Revenue	<u>3,101</u>
Net Cash Used by Operating Activities	(139,507)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(19,024)
Sale of Investments	161,187
Purchase of Investments	<u>(194,067)</u>
Net Cash Used by Investing Activities	(51,904)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(191,411)
Cash and Cash Equivalents Balance at Beginning of Year	<u>804,022</u>
Cash and Cash Equivalents Balance at End of Year	<u><u>\$ 612,611</u></u>

See auditor's report and accompanying notes to financial statements.



DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities and is not subject to federal or state income taxes. The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers cash on hand, cash in banks, and cash invested with a short-term maturity of three months or less to be cash equivalents. The Organization maintains cash in bank deposit amounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Contributions Receivable

Contributions receivable represent amounts due from government agencies or private donors based on the terms of the related grant agreements. Receivables are due in less than one year.

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, 2021, the allowance for doubtful accounts was \$1,000.

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 straightline 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 sixteen 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.

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2021.

Student fee revenues are exchange transactions in nature and consist of all fee revenues earned related to student participation in DCYOP programs. DCYOP recognizes revenues without donor restrictions 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, while after-school programs are tuition-free.

We determine revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide. Our performance

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Performance Obligations (Continued)*

obligations are primarily satisfied at the point in time when each concert is held, and related income is released at that time. We have elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. We expect to recognize substantially all revenue on these remaining performance obligations over the next twelve months.

*Contract Balances*

The timing of billings, cash collections, and revenue recognition results in accounts receivable (contract assets) and deferred revenue on the statement of financial position. Receivables are only recognized to the extent that it is probable that the Organization will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. We receive advance payments of deposits on future seasons from our customers before revenue is recognized, which are recorded as deferred revenue.

*Costs to Obtain a Contract*

We have elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Certain costs, such as salary, payroll taxes, and employee benefits, are allocated based on estimates of staff time spent on each functional area.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing their asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Subsequent Events

The Organization evaluated subsequent events through the date that the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to January 20, 2022 that would have a material impact on the financial statements.

NOTE 2- LIQUIDITY AND AVAILABILITY

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization may at times utilize leases or debt for significant purchases. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$	612,611
Accounts Receivable		223,679
Investments		<u>529,220</u>
Total Current Financial Assets at Year End		1,365,510
Amounts Unavailable for General Expenditures		
Within One Year, Due to:		
Restricted by Donors		<u>(167,534)</u>
Total Financial Assets Available for General Expenditure Within One Year	\$	<u>1,197,976</u>

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 3 - FIXED ASSETS

A summary of fixed assets is as follows:

Musical Instruments	\$ 213,045
Office Furniture and Equipment	86,862
Computer Hardware	63,788
Computer Software	<u>13,083</u>
Total	376,778
Less: Accumulated Depreciation	<u>(312,715)</u>
Net Fixed Assets	\$ <u>64,063</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The following tables present the Organization's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of August 31:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual Funds	\$ 144,079	\$ ---	\$ ---	\$ 144,079
Equities	<u>385,141</u>	<u>---</u>	<u>---</u>	<u>385,141</u>
Total	\$ <u>529,220</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>529,220</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31 are as follows:

Purpose Restricted	\$ 60,000
Time Restricted – General	<u>107,534</u>
Total	\$ <u>167,534</u>

DC YOUTH ORCHESTRA PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

During the year ended August 31, 2020, the Organization applied for and was approved for a loan of \$97,633 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for 24 weeks after funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the principal, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan was forgiven during the year ended August 31, 2021.

NOTE 7 - 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 net assets without donor restrictions 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.