

EDUCATION THROUGH MUSIC-LOS ANGELES

FINANCIAL STATEMENTS

AUGUST 31, 2011

EDUCATION THROUGH MUSIC-LOS ANGELES

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Independent Accountants' Review Report

Board of Directors
 Education Through Music-Los Angeles
 2501 West Burbank Boulevard, Suite 305
 Burbank, California 91505-2347

Members of the Board:

We have reviewed the accompanying statement of financial position of Education Through Music-Los Angeles (a nonprofit organization) as of August 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Miller, Kaplan, Arase & Co., LLP
 MILLER, KAPLAN, ARASE & CO., LLP

May 1, 2012

EDUCATION THROUGH MUSIC-LOS ANGELES
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2011

ASSETS

Cash and Cash Equivalents	\$ 175,557
Accounts Receivable, Net	2,525
Furniture and Equipment, Net (Note 3)	<u>36,800</u>
<u>TOTAL ASSETS</u>	<u>\$ 214,882</u>

LIABILITIES AND NET ASSETSLIABILITIES

Accounts Payable	\$ 1,400
Payroll Taxes Payable	<u>4,563</u>
<u>TOTAL LIABILITIES</u>	<u>5,963</u>

NET ASSETS

Unrestricted	208,919
Temporarily Restricted	<u>-</u>
<u>TOTAL NET ASSETS</u>	<u>208,919</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 214,882</u>

LEARNING THROUGH MUSIC-LOS ANGELES
STATEMENT OF ACTIVITIES
SEPTEMBER 1, 2010 TO AUGUST 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
Public Support:			
Contributions	\$ 142,946	\$ 44,950	\$ 187,896
Government Grants	23,200	-	23,200
Board Support	30,178	-	30,178
Special Event Revenue	\$ 125,033		
Less: Cost of Direct Benefits to Donors	<u>(16,175)</u>		
Net Revenues from Special Events	108,858	-	108,858
Donated Services (Note 2-E)	<u>23,265</u>	<u>-</u>	<u>23,265</u>
<u>TOTAL PUBLIC SUPPORT</u>	328,447	44,950	373,397
Program Fees	124,979	-	124,979
Net Assets Released from Restriction	<u>44,950</u>	<u>(44,950)</u>	<u>-</u>
<u>TOTAL PUBLIC SUPPORT AND REVENUE</u>	<u>498,376</u>	<u>-</u>	<u>498,376</u>
<u>EXPENSES</u>			
Programs	293,038	-	293,038
Management and General	21,842	-	21,842
Fundraising	<u>58,749</u>	<u>-</u>	<u>58,749</u>
<u>TOTAL EXPENSES</u>	<u>373,629</u>	<u>-</u>	<u>373,629</u>
<u>CHANGE IN NET ASSETS</u>	124,747	-	124,747
<u>NET ASSETS</u>			
Beginning of the Year	<u>84,172</u>	<u>-</u>	<u>84,172</u>
End of the Year	<u>\$ 208,919</u>	<u>\$ -</u>	<u>\$ 208,919</u>

(See independent accountants' review report)
(Attached notes are an integral part of this statement)

EDUCATION THROUGH MUSIC-LOS ANGELES
STATEMENT OF FUNCTIONAL EXPENSES
SEPTEMBER 1, 2010 TO AUGUST 31, 2011

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>PERSONNEL COSTS</u>				
Salaries and Wages	\$ 177,836	\$ 10,562	\$ 22,685	\$ 211,083
Payroll Taxes	16,561	1,327	2,726	20,614
Employee Benefits	4,368	627	1,248	6,243
<u>TOTAL PERSONNEL COSTS</u>	<u>198,765</u>	<u>12,516</u>	<u>26,659</u>	<u>237,940</u>
 <u>OTHER EXPENSES</u>				
Advertising	518	1,685	4,990	7,193
Bank Fees	403	665	3,170	4,238
Conferences	678	99	51	828
Consultants	22,981	1,506	1,006	25,493
Contractors	8,297	-	-	8,297
Depreciation	4,234	168	168	4,570
Dues and Subscriptions	169	10	20	199
Events	1,175	-	13,058	14,233
Information Technology	-	200	-	200
Insurance	2,292	491	491	3,274
Location	6,284	-	-	6,284
Marketing	1,772	-	-	1,772
Material and Services Fee	14,000	2,000	4,000	20,000
Occupancy	7,835	1,678	1,678	11,191
Office Expense	559	434	172	1,165
Piano Movers	2,490	-	-	2,490
Postage	407	123	13	543
Printing and Publications	1,822	20	1,413	3,255
Production	5,970	-	249	6,219
Repairs and Maintenance	149	-	-	149
Supplies	5,769	247	485	6,501
Training	2,757	-	-	2,757
Travel	3,712	-	1,126	4,838
<u>TOTAL OTHER EXPENSES</u>	<u>94,273</u>	<u>9,326</u>	<u>32,090</u>	<u>135,689</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>\$ 293,038</u>	<u>\$ 21,842</u>	<u>\$ 58,749</u>	<u>\$ 373,629</u>

(See independent accountants' review report)
(Attached notes are an integral part of this statement)

EDUCATION THROUGH MUSIC-LOS ANGELES
STATEMENT OF CASH FLOWS
SEPTEMBER 1, 2010 TO AUGUST 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 124,747
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,570
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Assets -	
Accounts Receivable	1,483
Increase (Decrease) in Liabilities:	
Accounts Payable	1,400
Payroll Taxes Payable	<u>3,302</u>
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>135,502</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Instruments	(25,697)
Purchases of Furniture and Equipment	<u>(1,806)</u>
 <u>NET CASH (USED) BY INVESTING ACTIVITIES</u>	 <u>(27,503)</u>

<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	107,999
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</u>	<u>67,558</u>
<u>CASH AND CASH EQUIVALENTS - END OF THE YEAR</u>	<u>\$ 175,557</u>

EDUCATION THROUGH MUSIC-LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

NOTE 1 - NATURE OF ACTIVITIES

Education Through Music-Los Angeles, an independent 501(c)(3) organization, began in the Fall of 2006 to provide and promote the integration of music into the curricula of disadvantaged schools in order to enhance students' academic performance and creative and general development. ETM-LA is based on the successful ETM model (New York, 1991).

Every child deserves a well-rounded education: one that includes music. Yet 61% of schools in California do not even have one full-time equivalent arts specialist. ETM-LA utilizes a comprehensive program that incorporates music into the education of every child, including those with special needs. ETM-LA forms long-term partnerships with inner-city elementary and middle schools that lack the resources to develop school-wide music programs. We ensure high-quality instruction by hiring qualified music teachers, providing ongoing training, and performing regular program assessments. We encourage academic teachers and ETM-LA music teachers to collaborate so that music can reinforce learning and development in all areas. And we help schools embrace music as a core subject by involving all members of the school community.

ETM-LA receives support in the form of contributions from individuals, foundations and corporations and from government grants. In addition, schools that benefit from ETM-LA's services pay program fees to participate in its programs. Such fees comprised approximately 24% of ETM-LA's total revenue for the year ended August 31, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, ETM-LA considers all highly liquid investments available for current use and with an initial maturity of three months or less to be cash equivalents.

C. Furniture and Equipment

All expenditures over \$500 for furniture and equipment, including musical instruments are capitalized and recorded at cost. Donated property is capitalized at its estimated market value on the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives as shown in Note 4.

D. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no permanently restricted or temporarily restricted net assets as of August 31, 2011.

EDUCATION THROUGH MUSIC-LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Donated Services

ETM-LA receives donated services from a number of unpaid volunteer consultants. The value of their services in the year ended August 31, 2011 has been estimated to be \$14,165 based on comparable levels of expertise and classifications. In addition musical instruments with an estimated value of \$9,100 were donated during the year. These amounts are included as both revenue and expense in the financial statements.

F. Functional Allocation of Expenses

The costs of providing ETM-LA's programs and other activities are reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Income Taxes

ETM-LA is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income tax in the accompanying financial statements. In addition, ETM-LA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

ETM-LA has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that ETM-LA has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Information returns for years subsequent to August 31, 2008 (2007 for state returns) are subject to examination by authorities.

I. Contributions Receivable

Contributions receivable is estimated based on contributions made on or before August 31 for which payment had not yet been received. No allowance is provided for uncollectible accounts. There were no contributions receivable as of August 31, 2011.

J. Accounts Receivable

Accounts receivable is reported net of the allowance for doubtful accounts, if any. Accounts receivable at year-end comprise reimbursements due under government grants, which are paid after program services are provided. There was no allowance for doubtful accounts as of August 31, 2011.

EDUCATION THROUGH MUSIC-LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE 3 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	<u>Assets in Years</u>	<u>August 31, 2011</u>
Musical Instruments	5-10	\$ 49,059
Furniture and Equipment	5-10	<u>10,335</u>
		59,394
Accumulated Depreciation		<u>(22,594)</u>
		<u>\$ 36,800</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

One member of ETM-LA's board of directors is an attorney whose firm provides pro-bono services to ETM-LA. The value of such services is estimated to be approximately \$14,000 for the year ended August 31, 2011, and has been included in the financial statements.

All members of ETM-LA's board of directors are required to make contributions or bring in contributions from other sources ("give or get") totaling \$5,000 each year.

NOTE 5 - MATERIAL AND SERVICES FEE

ETM-LA is based on the successful ETM model established in New York in 1991. ETM-LA is a separate entity and operates independently of the New York organization. However Education Through Music in New York provides certain curricula, materials and limited administrative support under a contract with ETM-LA for a material and services fee of \$20,000.

NOTE 6 - GOVERNMENT GRANTS

ETM-LA receives government grants from the Los Angeles County Arts Commission (LACAC) and the Los Angeles Department of Cultural Affairs (DCA). Such grants are paid when invoiced by ETM-LA based upon certain program service criteria. ETM-LA recognizes revenue under the grant(s) when it invoices LACAC and DCA after program services have been provided.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2012, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.