



RAE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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BOSTON MUSIC PROJECT, INC.

Financial Statements

Year Ended June 30, 2023

Mission Statement

The mission of Boston Music Project is to ensure the long-term social and musical success of our students, and to positively impact them, their families, and the community through quality education and performance.



www.bostonmusicproject.org

BOSTON MUSIC PROJECT, INC.

Financial Statements

Year Ended June 30, 2023

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Independent Auditors' Report

To the Board of Directors
Boston Music Project, Inc.
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Music Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 Boston Music Project, Inc. as of June 30, 2023, and the changes in 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 Boston Music Project, 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.

Responsibilities of Management 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, and for 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 Boston Music Project, 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 Boston Music Project, 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 Boston Music Project, 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 Boston Music Project, Inc.'s 2022 financial statements, and our report dated May 9, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RAE & Associates, LLC

RAE & Associates, LLC
Braintree, Massachusetts
May 14, 2024

BOSTON MUSIC PROJECT, INC.

Statement of Financial Position

As of June 30, 2023

(with comparative totals as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 22,449	\$ 24,882
Accounts and contributions receivable	716,285	332,413
Prepaid expenses	882	1,953
Property and equipment, net	<u>9,107</u>	<u>3,677</u>
Total assets	<u>\$ 748,723</u>	<u>\$ 362,925</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 114,242	\$ 27,255
Deferred revenue	<u>8,244</u>	<u>8,180</u>
Total Liabilities	<u>122,486</u>	<u>35,435</u>
Net assets:		
Without donor restrictions	578,737	226,490
With donor restrictions	<u>47,500</u>	<u>101,000</u>
Total net assets	<u>626,237</u>	<u>327,490</u>
Total liabilities and net assets	<u>\$ 748,723</u>	<u>\$ 362,925</u>

BOSTON MUSIC PROJECT, INC.

Statement of Activities

For the Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<i>Revenue and support:</i>				
Tuition revenue	\$ 320,291	\$ -	\$ 320,291	\$ 253,268
Registration revenue	10,890	-	10,890	6,505
Summer instruments rental revenue	3,825	-	3,825	3,297
Other programs revenue	611,069	-	611,069	259,731
Contributions and grants	650,532	-	650,532	493,766
Donated goods and services	49,218	-	49,218	49,200
Other income	7,544	-	7,544	147,172
Net assets released from restrictions	53,500	(53,500)	-	-
Total revenue and support	1,706,869	(53,500)	1,653,369	1,212,939
<i>Expenses:</i>				
Program expenses	1,011,764	-	1,011,764	707,344
Fundraising expenses	130,212	-	130,212	102,027
General and administration	212,646	-	212,646	86,236
Total expenses	1,354,622	-	1,354,622	895,607
Change in net assets	352,247	(53,500)	298,747	317,332
Net assets, beginning	226,490	101,000	327,490	10,158
Net assets, ending	\$ 578,737	\$ 47,500	\$ 626,237	\$ 327,490

The accompanying notes are an integral part of these financial statements

BOSTON MUSIC PROJECT, INC.

Statement of Cash Flows

For the Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 298,747	\$ 317,332
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,699	2,988
Note payable forgiveness	-	(147,172)
Changes in assets and liabilities:		
Accounts and contributions receivable	(383,872)	(275,494)
Prepaid expenses	1,071	(1,953)
Accounts payable and accrued expenses	86,987	3,635
Deferred revenue	64	8,180
Net cash provided by (used in) operating activities	<u>6,696</u>	<u>(92,484)</u>
<i>Cash flows from investing activities:</i>		
Purchases of fixed assets	<u>(9,129)</u>	<u>(4,579)</u>
Net cash used in investing activities	<u>(9,129)</u>	<u>(4,579)</u>
Net change in cash and cash equivalents	(2,433)	(97,063)
Cash and cash equivalents - beginning of year	<u>24,882</u>	<u>121,945</u>
Cash and cash equivalents - end of year	<u>\$ 22,449</u>	<u>\$ 24,882</u>

BOSTON MUSIC PROJECT, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	<u>Program Expenses</u>	<u>Fundraising Expenses</u>	<u>General and Administration</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries	\$ 700,326	\$ 44,366	\$ 142,621	\$ 887,313	\$ 577,837
Payroll taxes	72,369	4,585	14,738	91,692	71,693
Fringe benefits	2,106	133	429	2,668	-
Contracted services	40,393	34,420	598	75,411	55,116
Total personnel	<u>815,194</u>	<u>83,504</u>	<u>158,386</u>	<u>1,057,084</u>	<u>704,646</u>
Rent and utilities	42,000	-	-	42,000	42,000
Professional services fees	-	-	16,850	16,850	15,125
Student concerts and special events	-	40,752	-	40,752	44,787
Postage and printing	288	-	862	1,150	934
Office expense	625	2,612	4,541	7,778	6,864
Outreach and promotion	800	830	3,771	5,401	7,323
Professional development	-	-	-	-	75
Instruments rental & repairs	116,150	-	-	116,150	34,151
Other programs expenses	33,008	-	16,218	49,226	22,203
Bank fees	-	2,514	5,282	7,796	4,539
Interest expense	-	-	69	69	1,012
Taxes and licenses	-	-	490	490	551
Payroll services	-	-	2,296	2,296	2,840
Insurance	-	-	3,881	3,881	5,569
Depreciation	3,699	-	-	3,699	2,988
Total expenses	<u>\$ 1,011,764</u>	<u>\$ 130,212</u>	<u>\$ 212,646</u>	<u>\$ 1,354,622</u>	<u>\$ 895,607</u>

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 1 – Organization

Founded in 2011 and organized as a Massachusetts corporation on June 9, 2015, Boston Music Project (formerly Josiah Quincy Orchestra Program, Ltd.) (“BMP” or “the Organization”) is a creative youth development program that uses an intensive and unique ensemble-based music curriculum to help underserved children develop the necessary executive functions and social-emotional skills to succeed at school and in life. Boston Public School students in pre-kindergarten through twelfth grade attend the program every week. Students participate in orchestra and choir rehearsals, group lessons, music theory classes, digital music training, and team-building activities. BMP serves over 1,000 students with programming in 14 schools in the City of Boston.

BMP is inspired by El Sistema, the Venezuelan initiative that uses music education as a vehicle for social change. The El Sistema philosophy of having students help each other through the music-learning process is at the heart of the Organization’s mission, and as a result, BMP creates not only great musicians, but also caring individuals who will grow up to be active members of society. The Organization believes that every child can learn to express music deeply, receive its many benefits, and make different critical life choices as a result of this learning. BMP welcomes any child to participate, regardless of musical ability, cultural background, developmental delays, or any other reasons.

Program Services

BMP focuses on helping young children develop executive functions, a set of cognitive processes such as working memory, inhibitory control, and cognitive flexibility. According to research from the Harvard Center on the Developing Child, poverty stressors inhibit the development of executive function skills, which are highly predictive of academic and life success. The prefrontal cortex, the part of the brain where executive functions develop, is quite responsive to intervention well into adolescence, which is why BMP applies music learning to improving these skills.

Through the creation of a fun and nurturing musical environment, students also develop valuable social-emotional skills. Every ensemble performs regularly, giving students safe opportunities to take risks. These frequent “experiences of success” help students build their sense of self-efficacy and personal fulfillment. While traditional music programs focus on individual student success, BMP trains students to work together as an ensemble to achieve greatness of sound. This focus on collaboration, rather than competition, fosters responsibility, sensitivity, leadership, and cooperative learning among children.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional support is recognized when notification of the contribution is received.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 2 - Summary of Significant Accounting Policies

Classification of Net Assets

Not-for-profit accounting requires that net assets, revenues, expenses, and gains and losses be classified based on the existence or absence of donor-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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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.

Expenses are reported as decreases in net assets. Expirations of donor-imposed restrictions recognized as net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Net assets with donor restrictions at June 30, 2023 and 2022 amounted to \$47,500 and \$101,000, respectively.

Cash and Cash Equivalents

For purposes of the statement of position and the statement of cash flows, BMP considers all unrestricted cash held in demand accounts, cash held in savings accounts and other highly liquid resources with an original maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

BMP records furniture, fixtures and equipment in excess of \$1,000 at cost, if purchased, or if donated, at fair market value at the date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues. The estimated useful lives are as follows:

Furniture and equipment	3-5 years
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BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization receives contributions and grants from private foundations, individuals, government agencies, and other private entities.

Contributions and grants are recognized in the appropriate category of net assets in the period received. BMP performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Revenue Accounted for in Accordance with Contribution Accounting

Contributions

BMP follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Statement of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made, as updated by FASB ASU 2018-08, Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made. This financial accounting standard requires that contributions be recorded as receivables and revenues, and requires BMP to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction conditions are satisfied, at which time it is reclassified to net assets without donor restrictions.

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. BMP reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of BMP’s programs or to a future year. When a donor 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 as net assets released from restrictions.

BMP reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets.

Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Contributed Goods and Services

BMP records various types of in-kind support including contributed goods, property and professional services. Donated services are recognized as revenue 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 typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. Amounts reflected in the accompanying financial statements as donated goods and services revenue are offset by amounts included in expenses or fixed assets.

Additionally, BMP may receive amounts of skilled, contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when BMP satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, BMP combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue requiring a performance obligation by transferring a good to, or performing a service for, a customer consist of program service fees revenue. Program service fees amounted to \$946,075 and \$522,801 for the years ended June 30, 2023 and 2022, respectively.

The following table presents a disaggregation of BMP's service fees revenue by programs and services, for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Tuition revenue	\$ 320,291	\$ 253,268
Registration fees	10,890	6,505
Instruments rental	3,825	3,297
Partner program	571,600	228,497
Community activation	37,350	28,930
Other revenue	2,119	2,304
	<u>\$ 946,075</u>	<u>\$ 522,801</u>

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Amount received prior to providing a service is reported as deferred revenue in the statement of financial position until the service is provided.

Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grant Revenue

BMP derives revenues through grants received from various private foundations and grantor agencies. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable foundations and grantor agencies. Grant revenue is recorded in accordance with the provisions of the applicable award amounts, including the recognition of any purpose or time restriction on the use of the proceeds.

Deferred Revenue

Deferred revenue represents tuition payments received in advance for next year programs. They are recognized as revenue in the year the programs are held. Therefore, the related fees and tuition payments received by BMP for those programs are recorded as deferred revenue in the accompanying statements of financial position. Deferred revenue as of June 30, 2023 and 2022 amounted to \$8,244 and 8,180, respectively.

Allowance for Doubtful Accounts

When necessary, the Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of existing receivables. All receivables and pledges are expected to be collected in full; therefore, no allowance for bad debt was recorded as of June 30, 2023 and 2022, respectively.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates 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 and assumptions.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). Additionally, BMP qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Organization is also exempt from Massachusetts state taxes. Therefore, there is no provision for federal and or state taxes. The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services, which are summarized on a functional basis in the accompanying statement of activities. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated by using a salary-based formula or other statistical basis. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are included in the following categories:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fundraising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization did not have leasing arrangement with a term of 12 months or more during the years ended June 30, 2023 and 2022

Note 3 - Adoption of Accounting Pronouncement

In July 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 3 - Adoption of Accounting Pronouncement (Continued)

Leases are classified as either finance or operating, with classification affecting the method in which expenses are recorded on the statement of operations and changes in net assets.

The Organization did not have any long-term leasing arrangement during 2023 and 2022, as a result the adoption did not have any effect on amounts reported in the statements of activities or the statements of position for the years ended June 30, 2023 and 2022.

In September 2020, 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 standard requires additional presentation and disclosures related to nonfinancial assets contributed to a not-for-profit entity, including separate presentation of contributed nonfinancial assets and disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities. The changes became effective for the Organization on June 1, 2021. The adoption of this ASU did not have a significant impact on the Organization's financial statements and disclosures.

Note 4 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 23,928	\$ 14,799
Less accumulated depreciation	<u>(14,821)</u>	<u>(11,122)</u>
Property and equipment, net	<u>\$ 9,107</u>	<u>\$ 3,677</u>

Depreciation expense was \$3,699 and \$2,988 for the years ended June 30, 2023 and 2022, respectively.

Note 5 - Line of Credit

On May 12, 2016, the Organization entered into a promissory term note agreement for a \$10,000 revolving line of credit facility with a bank ("the LoC"). Advances on the LoC bear interest of 9.9%, and monthly payments representing principal and interest payments are required to be paid each month.

The line of credit is unsecured; however, the bank holds the right of setoff and can deduct the balance due from BMP's checking account held with the bank. The LoC is renewable annually. There was no outstanding balance on the LoC as of June 30, 2023 and 2022.

Note 6 – Note Payable

The Organization received Paycheck Protection Program ("PPP") loan under the CARES Act in the amounts of \$63,865 in June 2020, and a second PPP loan of \$82,547 in March 2021. The loans are available to pay payroll costs, utilities and rent/mortgage interest over an eight- or twenty-four-week period from the time the individual loan is obtained. Provided the loan amount is used to pay these costs the loan will be forgiven. Should any portion of the loan not be forgiven it will become a five (5) year term loan at 1% per year. The interest on any unforgiven portion of the loan will be deferred for the first six (6) months of the loan.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 6 – Note Payable (Continued)

Management reflected the loan on its Statement of Financial Position at the principal balance received and outstanding. Additionally, management accrued interest on the balance at the rate of 1% per year.

In July 2021 the Organization applied for and received forgiveness for the full amounts of its Paycheck Protection Program loans, along with accrued interest totaling \$1,012. As a result, revenue in the amount of \$147,172 was recognized by the Organization for the year ended June 30, 2022 related to the debt forgiveness, which is included in other revenue on the accompanying financial statements.

Note 7 - Advertising Expenses

Advertising costs are expensed as incurred. Advertising costs incurred by the Organization for the years ended June 30, 2023 and 2022 were \$5,401 and \$7,323, respectively.

Note 8 - Concentration of Risk

The Organization maintains cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

Note 9 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet dates, comprised the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 22,449	\$ 24,882
Accounts receivable	716,285	332,413
Prepaid expenses and other assets	<u>882</u>	<u>1,953</u>
Total financial assets	<u>\$ 739,616</u>	<u>\$ 359,248</u>
Amounts not available to be used within one year:		
Funds held with purpose or time restrictions	<u>-</u>	<u>(47,500)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 739,616</u>	<u>\$ 311,748</u>

The Organization manages its liquidity by developing and adopting annual and monthly operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditure, liabilities and other obligations come due.

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 amounted to \$47,500, and \$101,000, respectively, and represented funds received or receivable by the Organization that are restricted for specific programs or purposes, or by time.

BOSTON MUSIC PROJECT, INC.

Notes to Financial Statements

For the Year Ended June 30, 2023

(with summarized comparative totals for the year ended June 30, 2021)

Note 11 - Donated Goods and Services

In 2015 BMP entered into a Memorandum of Understanding with Josiah Quincy Elementary School (“the School”), effective as of November 15, 2015 (the “MOU”). Under the terms of the MOU, the School provides use of the School’s facilities to BMP. In exchange, the Organization provides its before-school music and social development program to the School’s students.

Revenue recognized from donated goods and services received by the Organization amounted to \$49,218 and \$49,200 for the years ended June 30, 2023 and 2022, respectively, and included rent contributions from the School, as well as free instruments rental from a music store.

Those donated goods and services are reflected in expenses on the accompanying statements of activities as follows:

	<u>2023</u>	<u>2022</u>
Instruments rental	\$ 7,218	\$ 7,200
Rent and utilities	<u>42,000</u>	<u>42,000</u>
	<u>\$ 49,218</u>	<u>\$ 49,200</u>

Note 12 - Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Note 13 – Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the current year’s presentation.

Note 14 - Subsequent Events

Subsequent events have been evaluated through, May 14, 2024 which is the date the financial statements were available to be issued.