

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Ansonia Music Outreach Organization, Inc.
New York, NY

We have reviewed the accompanying statement of financial position of Ansonia Music Outreach Organization, Inc. (a nonprofit organization) as of December 31, 2012, 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.

Rich and Bander, LLP

New York, NY
February 4, 2013

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current assets

| | |
|-----------------------------|----------------------|
| Cash and cash equivalents | \$ 57,684 |
| Grants receivable | 10,110 |
| Total current assets | <u>67,794</u> |

Property and equipment, net of accumulated depreciation **5,022**

TOTAL ASSETS **\$ 72,816**

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|---------------------------------------|----------------------|
| Accounts payable and accrued expenses | \$ 22,890 |
| Total current liabilities | <u>22,890</u> |

Net assets

| | |
|-------------------------|----------------------|
| Unrestricted | 2,755 |
| Temporarily restricted | 47,171 |
| Total net assets | <u>49,926</u> |

TOTAL LIABILITIES AND NET ASSETS **\$ 72,816**

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|------------------|
| Revenue and support | | | |
| Grants and contributions | | | |
| Foundations | \$ 110,393 | \$ 36,677 | \$ 147,070 |
| Government | 4,517 | 9,363 | 13,880 |
| Corporate | 7,341 | 591 | 7,932 |
| In-kind contributions | 888 | - | 888 |
| Total grants and contributions | 123,139 | 46,631 | 169,770 |
| Program service revenue | | | |
| Performances | 2,642 | - | 2,642 |
| Total program service revenue | 2,642 | - | 2,642 |
| Other income | | | |
| Miscellaneous income | 5,112 | - | 5,112 |
| Total other income | 5,112 | - | 5,112 |
| Net assets released from restrictions | 49,585 | (49,585) | - |
| | 180,478 | (2,954) | 177,524 |
| Expenses | | | |
| Program services | 175,934 | - | 175,934 |
| Supporting services | | | |
| Management and general | 10,583 | - | 10,583 |
| Fundraising | 6,706 | - | 6,706 |
| | 193,223 | - | 193,223 |
| Decrease in net assets | (12,745) | (2,954) | (15,699) |
| Net assets - beginning of year | 15,500 | 50,125 | 65,625 |
| Net assets - end of year | \$ 2,755 | \$ 47,171 | \$ 49,926 |

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Program Services | Management & General | Fundraising | Total |
|----------------------------|-----------------------------|-------------------------------------|------------------------|--------------------------|
| Artistic fees | \$ 56,239 | \$ - | \$ - | \$ 56,239 |
| Administrative salaries | 55,269 | - | - | 55,269 |
| Occupancy | 10,149 | 5,148 | - | 15,297 |
| Software and Equipment | 13,543 | - | - | 13,543 |
| Promotional | 11,938 | - | - | 11,938 |
| Payroll taxes | 9,049 | - | - | 9,049 |
| Employee benefits | 5,334 | - | - | 5,334 |
| Professional fees | - | 2,888 | 1,486 | 4,374 |
| Travel | 3,145 | - | - | 3,145 |
| Utilities | 2,002 | 885 | - | 2,887 |
| Pension plan contributions | 2,586 | - | - | 2,586 |
| Office expense | 163 | - | 2,390 | 2,553 |
| Information Technology | 1,463 | - | 520 | 1,983 |
| Music & Scores | 1,828 | - | - | 1,828 |
| Telephone and internet | 1,014 | - | 780 | 1,794 |
| Postage and shipping | 506 | - | 1,245 | 1,751 |
| Interest | - | 1,547 | - | 1,547 |
| Depreciation | 1,102 | - | - | 1,102 |
| Insurance | 604 | - | - | 604 |
| State Reporting Fees | - | - | 285 | 285 |
| Bank charges | - | 115 | - | 115 |
| | <u>\$ 175,934</u> | <u>\$ 10,583</u> | <u>\$ 6,706</u> | <u>\$ 193,223</u> |

See accompanying notes and independent accountants' review report.

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | |
|---|-------------------------|
| Cash flows from operating activities: | |
| Decrease in net assets | \$ (15,699) |
| <i>Adjustments to reconcile change in net assets</i> | |
| <i>to net cash flows used in operating activities:</i> | |
| Depreciation | 1,102 |
| (Increase) decrease in operating assets: | |
| Grants receivable | (8,295) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable and accrued expenses | 111 |
| Total adjustments | <u>(7,082)</u> |
| Net cash used in operating activities | <u>(22,781)</u> |
| | |
| Cash flows from financing activities: | |
| Line of credit advances | 24,250 |
| Line of credit repayments | <u>(24,250)</u> |
| Net cash from financing activities | <u>-</u> |
| | |
| Net decrease in cash and cash equivalents | (22,781) |
| | |
| Cash and cash equivalents, beginning of year | 80,465 |
| | |
| Cash and cash equivalents, end of year | <u><u>\$ 57,684</u></u> |
| | |
| Supplemental disclosures of cash flow information: | |
| Cash paid during the year for: | |
| Interest | <u>\$ 1,547</u> |
| Income taxes | <u>\$ -</u> |

**ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Ansonia Music Outreach Organization, Inc. (the "Organization") was organized as a not-for-profit organization on June 18, 1992 under the laws of the State of New York. The Organization is dedicated to help establish the musical arts as a more essential and valuable experience in the lives of the general public. The Organization's programs for the year ended December 31, 2012 were as follows:

Access to Music – Offers arts events such as free live concerts, music appreciation classes, open rehearsals, and interactive workshops to underserved communities and audiences.

Music for the Young – Presents innovative concerts and events to young people designed to inspire interest in classical music and the arts, encourage creativity, and help make the arts an integral part of the school curriculum.

Composer Workshop – Gives composers of merit the opportunity to create new works, makes accessible important music of our time, and works on ways in which the particular music style or message of new works can be communicated to a general audience, particularly young audience.

Phoenix Ensemble – Presents events designed to inspire a new and diverse audience for classical music.

The Organization's programs are supported primarily by foundation, government, and corporate contributions.

Basis of Accounting

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program service revenue earned but not yet received that are expected to be collected within one year are recorded as accounts receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made.

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2012

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as grants receivable at 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. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are recorded at cost. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

| | <u>Years</u> |
|-----------------|--------------|
| Rehearsal Piano | 5 |

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

Program service revenue is recognized when earned.

In-kind contributions are reflected as contributions at their fair value at date of donation and are offset by like amounts included in expenses.

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2012

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended December 31, 2012 advertising costs were \$2,771.

Contributed Services

A number of volunteers have donated significant amounts of time to the Organization. Directors and officers have also made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

Use of Estimates

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

Date of Management's Review

Management has evaluated subsequent events through January 10, 2013 which is the date the financial statements were available to be issued.

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2012

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2012, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

3) GRANTS RECEIVABLE

Grants receivable represent primarily grant commitments received at December 31, 2012, but not collected as of the financial statement date and consists of the following:

| | |
|------------------------------------|------------------|
| NYS Council on the Arts | \$ 5,640 |
| Manhattan Borough President | 3,000 |
| NYC Department of Cultural Affairs | 1,050 |
| Center on the Square | <u>420</u> |
| | <u>\$ 10,110</u> |

These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2012. Depreciation expense for the year then ended was \$1,102.

| | |
|--------------------------------|-----------------|
| Rehearsal Piano | \$ 6,124 |
| Less: accumulated depreciation | <u>(1,102)</u> |
| | <u>\$ 5,022</u> |

5) NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended December 31, 2012, amounts released from restrictions totaling \$49,585 were available for Access to Music programs.

6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$47,171 as of December 31, 2012 is available for use beginning January 2013 for Access to Music programs.

ANSONIA MUSIC OUTREACH ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2012

7) LINE OF CREDIT

At December 31, 2012, the Organization had two unused lines of credits with both of its financial institutions. The lines of credit provide \$15,000 and \$10,000, respectively, in financing available to be drawn upon as needed at a rate of 9.25% and 5.00% per annum, respectively. During the year, the Organization was advanced a total \$24,250 and repaid the same amount. Interest expense on the lines of credit for the year totaled \$1,547.

8) RELATED PARTY AND EXPENSE SHARING AGREEMENT

The Organization had an expense sharing agreement with the Organization's Artistic Director in which the Artistic Director provides rehearsal and office space to the Organization. The Organization is responsible for half of the monthly lease payment. Occupancy expense for the year ended December 31, 2012 was \$15,297.

In addition, the Organization is required to pay its proportionate share of utilities and telephone and internet expenses. Utilities and telephone and internet expenses for the year ended December 31, 2012 were \$2,887 and \$1,794, respectively.

9) PENSION PLAN

The Organization maintains a Savings Incentive Match Plan for Employees Individual Retirement Account, whereby the employees may elect to contribute a portion of their gross wages upon meeting length of service requirements. The Organization makes a matching contribution of up to 3% of employee gross wages. For the year ended December 31, 2012, the Organization made matching contributions of \$2,586.

10) COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

11) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2012, the Organization received an in-kind donation in the form of donated software. This amount has been recognized as both in-kind contribution revenue and related software expense for the fair market value of \$888 in the accompanying financial statements.

12) CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at two major financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2012, there were no uninsured balances.