

**MUSIC WILL, INC.**  
**(A NOT-FOR-PROFIT ORGANIZATION)**

Independent Auditors' Report and  
Financial Statements for the  
Year Ended June 30, 2023  
(With Comparative Totals for the  
Year Ended June 30, 2022)

# MUSIC WILL, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Music Will, Inc.

### **Opinion**

We have audited the accompanying financial statements of Music Will, 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 Music Will, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Music Will, 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 Music Will, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 Auditors' 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.

## **Auditors' Responsibilities for the Audit of the Financial Statements (cont.)**

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 Music Will, 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 Music Will, 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 Music Will, Inc.'s (formerly known as Little Kids Rock, Inc.) 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2023. 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.



Fairfield, New Jersey  
May 10, 2024

# MUSIC WILL, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,914,934	\$ 4,927,596
Unconditional promises to give	1,771,246	1,002,655
Inventory	263,928	227,243
Prepaid expenses	145,436	112,375
Total current assets	<u>6,095,544</u>	<u>6,269,869</u>
 SECURITY DEPOSITS	 350	 350
 LONG-TERM UNCONDITIONAL PROMISES TO GIVE, NET	 <u>559,362</u>	 <u>266,108</u>
 TOTAL ASSETS	 <u>\$ 6,655,256</u>	 <u>\$ 6,536,327</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 378,463	\$ 230,094
Accrued expenses	58,711	43,964
Deferred revenue	145,712	103,935
TOTAL LIABILITIES	<u>582,886</u>	<u>377,993</u>
 NET ASSETS:		
Without donor restrictions	4,033,835	4,789,804
With donor restrictions	<u>2,038,535</u>	<u>1,368,530</u>
Total net assets	<u>6,072,370</u>	<u>6,158,334</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,655,256</u>	 <u>\$ 6,536,327</u>

**MUSIC WILL, 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	Total	
			2023	2022
<b>PUBLIC SUPPORT AND REVENUES:</b>				
Contributions	\$ 1,621,370	\$ 3,618,718	\$ 5,240,088	\$ 3,446,419
Special events	666,738	-	666,738	1,306,629
Non-cash contributions	301,779	-	301,779	1,243,384
Program service revenue	342,096	-	342,096	68,622
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,948,713	(2,948,713)	-	-
Total public support and revenues	5,880,696	670,005	6,550,701	6,065,054
<b>EXPENSES:</b>				
Program services:				
Music education	3,885,054	-	3,885,054	3,075,998
Musical instruments and curriculum resources	551,156	-	551,156	1,412,894
Total program services	4,436,210	-	4,436,210	4,488,892
Supporting services:				
Management and general	897,538	-	897,538	763,525
Fundraising	689,818	-	689,818	579,277
Cost of direct benefit to donors	460,770	-	460,770	522,225
Total supporting services	2,048,126	-	2,048,126	1,865,027
Total expenses	6,484,336	-	6,484,336	6,353,919
Changes in net assets before non-operating activities	(603,640)	670,005	66,365	(288,865)
<b>NON-OPERATING ACTIVITIES:</b>				
Paycheck Protection Program Forgiveness	-	-	-	579,707
Other income	13,934	-	13,934	2,884
Interest income	68,308	-	68,308	-
Bad debt expense	(234,571)	-	(234,571)	-
Total non-operating activities	(152,329)	-	(152,329)	582,591
CHANGE IN NET ASSETS	(755,969)	670,005	(85,964)	293,726
NET ASSETS, BEGINNING OF YEAR	4,789,804	1,368,530	6,158,334	5,864,608
NET ASSETS, END OF YEAR	\$ 4,033,835	\$ 2,038,535	\$ 6,072,370	\$ 6,158,334

**MUSIC WILL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

	Program Services			Supporting Services			Total	
	Music Education	Musical Instruments and Curriculum Resources	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	2023	2022
Personnel costs:								
Salaries and wages	\$ 1,845,236	\$ -	\$ 1,845,236	\$ 570,148	\$ 458,084	\$ -	\$ 2,873,468	\$ 2,845,146
Fringe benefits	218,892	-	218,892	55,180	45,904	-	319,976	249,259
Payroll taxes	153,276	-	153,276	38,639	32,143	-	224,058	221,230
Total personnel costs	2,217,404	-	2,217,404	663,967	536,131	-	3,417,502	3,315,636
Professional fees	513,242	-	513,242	113,648	37,802	-	664,692	326,230
Program workshops and events	531,479	-	531,479	-	-	-	531,479	114,255
Musical instruments and curriculum resources	-	551,156	551,156	-	-	-	551,156	1,412,894
Special events	1,537	-	1,537	100	4,891	460,770	467,298	522,225
Travel, meals and entertainment	274,314	-	274,314	24,936	58,420	-	357,670	180,381
Information technology and communications	233,943	-	233,943	33,206	30,529	-	297,678	341,798
Office supplies and expenses	47,440	-	47,440	9,060	6,902	-	63,402	15,770
Licenses, dues, and fees	4,032	-	4,032	38,865	504	-	43,401	43,432
Occupancy	17,835	-	17,835	4,081	3,627	-	25,543	12,948
Company events and meetings	15,196	-	15,196	3,440	2,990	-	21,626	1,736
Insurance	12,805	-	12,805	2,899	2,520	-	18,224	16,277
Training and Conferences	9,777	-	9,777	1,993	1,502	-	13,272	22,918
Video and photography	2,276	-	2,276	515	3,431	-	6,222	4,515
Advertising and promotion	2,004	-	2,004	501	-	-	2,505	14,235
Other expenses	1,770	-	1,770	327	569	-	2,666	8,669
Total expenses	\$ 3,885,054	\$ 551,156	\$ 4,436,210	\$ 897,538	\$ 689,818	\$ 460,770	\$ 6,484,336	\$ 6,353,919

# MUSIC WILL, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (85,964)	\$ 293,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of the Paycheck Protection Program loan	-	(579,707)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	(1,061,845)	596,573
Inventory	(36,685)	874
Prepaid expenses	(33,061)	67,000
Security deposits	-	(350)
Increase (decrease) in operating liabilities:		
Accounts payable	148,369	190,471
Accrued expenses	14,747	(8,375)
Deferred revenue	41,777	144
Net cash (used in) provided by operating activities	<u>(1,012,662)</u>	<u>560,356</u>
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,012,662)	560,356
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>4,927,596</u>	<u>4,367,240</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 3,914,934</u>	<u>\$ 4,927,596</u>



# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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### 1. NATURE OF ACTIVITIES

Music Will, Inc. (the "Organization") was incorporated in the State of California in 2001. The Organization is operated exclusively for charitable and educational purposes, with a particular focus on music education in elementary and secondary schools in the United States. Business and administrative functions of the Organization are located in the State of New Jersey. The following descriptions provide more detail regarding specific programs run by the Organization:

*Mentorship:* The Organization provides training and support for teachers and other types of mentors enrolled in the music education program in order to help facilitate and establish a safe, nurturing, supportive and fun environment for students.

*Music Education:* In accordance with its mission, the Organization provides music education to students, primarily from low income backgrounds, in order to foster musicianship, to develop confidence, responsibility, discipline and other lifelong values.

*Musical Instruments and Curriculum Resources:* The Organization obtains and provides musical instruments and other curriculum resources to students to use in their participation in music production, recording and performances.

On August 16, 2022, the Organization formally amended their certificate of incorporation in the State of California to change the corporate name from Little Kids Rock, Inc. to Music Will, Inc., which was approved by the State of California on August 24, 2022.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** --- The Organization presents its financial statements in accordance with guidance issued by the American Institute of Certified Public Accountants' Audit & Accounting Guide for *Not-for-Profit Entities* and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

ASC paragraphs 958-205-45-2(a) through (d) establish standards for external financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions: net assets with donor restrictions and net assets without donor restrictions.

ASC paragraphs 958-605-45-3 through 7, *Contributions Received*, require that unconditional promises to give be recorded as receivables and revenue and require the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Basis of Presentation (cont.) ---**

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and cash equivalents** --- The Organization considers all cash without donor imposed restrictions, short-term securities and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Restricted cash** --- Restricted cash is the portion of cash that will be used to cover expenditures that have been restricted by the donor.

**Accounts receivable** --- Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

**Inventory** --- Musical instruments and other curriculum resources are recorded as program service expenses when they are distributed to schools and other music education programs.

Instruments that are purchased by the Organization for distribution are recorded at the cost of such purchases. Such instruments are shipped directly to the schools when the order is fulfilled and, therefore, are not a component of inventory.

Instruments or other tangible items that are contributed to the Organization are valued at the market value of such in-kind donations when received, and are included in Inventory to the extent they have not yet been distributed. Curriculum resources, such as access to online lessons and streamed media, that are contributed to the Organization are perceived not to have any value to the Organization or donor until they are activated upon distribution and used for program services. Once activated, these items are recognized at market value.

Musical instruments purchased for ongoing use by the Organization in conducting teacher workshops or otherwise carrying out programmatic activities are recorded as inventory, and are stated at the lower of cost or net realizable value.

Inventory also includes costs associated with the development of a specialized percussion instrument for future distribution to schools and other music education programs.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Revenue and support recognition** --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for use without restrictions unless specifically restricted by the donor. Conditional promises to give are reported when the conditions on which they depend are met by the Organization. Unconditional promises to give due in the next year are recorded at their net realizable value. Management assesses the time value of money based on material pledges to the Organization and the length of time to be received. Material unconditional promises to give due in subsequent years are reported on the Statement of Financial Position at the present value of their net realizable value, using interest rates consistent with investment rates applicable to the years in which the promises are to be received.

The Organization accounts for revenues from special events as an exchange transaction as each party to the transaction receives and sacrifices commensurate value.

The Organization accounts for program service arrangements as exchange transactions and recognizes revenues after the Organization has performed the services agreed with the other party.

Funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position, so as to match revenues with expenses.

**Fixed assets** --- Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 2-5 years. Depreciation is provided based upon the actual number of months in use during the year the costs are capitalized. The Organization's policy is to capitalize fixed assets with a purchase price of \$5,000 or more and a useful life of one year or more. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Major renewal and improvements are capitalized.

**Non-cash contributions** --- The Organization discloses all contributed goods and services regardless of whether the goods and/ or services received are recognized as revenue in the financial statements.

Items sold to the public or used in fundraising are reported as revenue at the cash value received in the exchange at the time of sale, with the resulting non-operating gain or loss being the difference between the fair value received from the donor and the cash received at the time of the sale. Alternatively, if a nonfinancial asset is used internally and otherwise not sold, the revenue is offset by the asset or related expense.

**Income taxes** --- The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under corresponding state statutes in all 50 states. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Income taxes (cont.)** --- The Organization adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended June 30, 2023 and 2022, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

The Organization files an informational return with the Internal Revenue Service and all 50 U.S. State jurisdictions. The Organization's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after they were filed. Each state has its own statutes governing the examination period. The Organization hires a third party to file registrations in all 50 states and as such, the third party maintains the compliance for these state filings.

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

**Functional allocation of expenses** --- Expenses are charged to each program based on direct expenditures incurred. Any program or supporting service expenditure not directly chargeable is allocated based on an indirect cost pool that is reasonable and consistently applied. Program expenses are those related to music education and musical instruments. Management and general relate to administrative expenses related to those programs. Fundraising includes direct and indirect costs of special events.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating supplies and other general office expenses. Rent, utilities and other facility and overhead costs are allocated based upon the number of employees directly allocated to each function.

**Allocation of joint costs** --- Costs incurred in connection with joint activities that include both fundraising and program components are assessed and attributed specifically to these components. As part of its mission, the Organization provides opportunities for students to participate in music performance and, as such, costs directly related to such performances at joint activities are considered program related expenses.

### 3. CONCENTRATIONS OF CREDIT RISK

**Arising from cash deposits in excess of insured limits** --- The Organization maintains its cash accounts in three financial institutions. During the year, cash balances may exceed federally insured limits of \$250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institutions.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

### 4. PROMISES TO GIVE

**Unconditional promises** --- Total unconditional promises to give consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Promises without donor restriction	\$ 873,189	\$ 1,106,375
Promises with donor restriction:		
Program expansion:		
Chicago	30,000	-
Colorado	350,000	-
Los Angeles County	-	5,550
Miami	282,320	230
New Hampshire	-	14,000
New Jersey	-	50,000
New York	-	65,470
Other Florida	-	30,000
Other Midwest	-	10,400
Other Northeast	-	610
Other South	50,500	10,251
Other West	-	10,225
Program expansion	594,584	24,810
Digital initiatives	-	24,800
Modern Band Summit	315,783	5,625
Gross unconditional promises to give	2,496,376	1,358,346
Less: Discount for long-term pledges	62,694	33,892
Allowance for uncollectible pledges	103,074	55,691
Net unconditional promises to give	<u>\$ 2,330,608</u>	<u>\$ 1,268,763</u>
Amounts Due in:		
Less than one year	\$ 1,771,246	\$ 1,002,655
One to five years	559,362	266,108
Total	<u>\$ 2,330,608</u>	<u>\$ 1,268,763</u>

The pledges receivable have been recorded at their net present value using an approximate discount rate of 3-5% for the years ended June 30, 2023 and 2022.

**Conditional promises** --- The Organization has received two conditional matching contributions. The first of which was an \$875,000 match to be met during the period from July 1, 2022 through June 30, 2026. As of June 30, 2023, the Organization is entitled to receive \$282,320 of the contribution which has been recognized as unconditional promises to give on the statement of financial position, restricted to Miami and restricted contributions on the statement of activities.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 5. INVENTORY

Inventory consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Musical instruments	\$ 142,336	\$ 115,701
Instrument development	121,592	111,542
Total	<u>\$ 263,928</u>	<u>\$ 227,243</u>

### 6. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Contributed technology licenses for future periods	\$ 19,440	\$ 19,440
Fees for future Modern Band Summits	123,273	56,145
Program service contracts	-	28,350
Unmet conditional contributions	2,999	-
Total	<u>\$ 145,712</u>	<u>\$ 103,935</u>

### 7. LINE OF CREDIT

The Organization established a \$1,250,000 line of credit with JPMorgan Chase Bank on December 12, 2022, which replaced the former line that was in effect, with similar terms as of June 30, 2023 and 2022. Balances on the line are due back in full on or before December 12, 2023, unless the note is extended or renewed by the bank. Interest on the unpaid principal balance is computed on the basis of actual days elapsed in a 360 day year at the “Adjusted SOFR Rate” (the “Note Rate”) and at the rate of 3.00% per annum above the Note Rate. The line was taken for working capital purposes and is secured by all assets of the Organization. As of June 30, 2023 and 2022, there were no amounts outstanding at year-end.

### 8. PAYCHECK PROTECTION PROGRAM LOAN

On June 15, 2021, the Organization obtained a Paycheck Protection Program loan in the amount of \$579,707, pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) enacted March 27, 2020.

On May 17, 2022, the SBA granted full forgiveness of the Paycheck Protection Loan received on June 15, 2021, which is recognized as revenue in non-operating activities on the Statement of Activities.

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

### 9. NET ASSETS WITH DONOR RESTRICTIONS/ PRIOR PERIOD ADJUSTMENT

Net assets with donor restrictions are available for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Location (general program operations):		
Colorado	\$ 650,000	\$ -
Connecticut	-	248,230
Los Angeles County	-	84,770
Miami	551,200	520,000
New Jersey	-	34,350
New York	-	5,000
Other Florida	-	113,180
Other Midwest	-	115,000
Tampa	10,841	-
Program expansion	<u>826,494</u>	<u>268,000</u>
Total net assets with donor restrictions	<u>\$ 2,038,535</u>	<u>\$ 1,388,530</u>
Prior period adjustment	<u>-</u>	<u>(20,000)</u>
Total net assets with donor restrictions	<u>\$ 2,038,535</u>	<u>\$ 1,368,530</u>

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions specified by donors during the years ended June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Location (general program operations):		
Atlanta	\$ 45,251	\$ -
Central California	78,620	-
Chicago	198,903	100,443
Colorado	163,150	5,000
Connecticut	400,544	140,880
Dallas	158,358	-
Los Angeles County	314,770	117,529
Maine	-	40,000
Miami	251,122	328,458
New Hampshire	32,986	-
New Jersey	102,392	79,650
New York	161,685	44,970
Pennsylvania	240,234	11,000
San Francisco Bay Area	2,000	18,072
Savannah	27,500	10,800
Tampa	4,159	-
Other Florida	138,379	161,804

# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 9. NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Table continues from previous page:

	<u>2023</u>	<u>2022</u>
Location (general program operations):		
Other Midwest	177,561	-
Other South	5,274	5,000
Other West	71,485	-
Capital Grant – Office Equipment	10,000	12,895
Digital Initiative	-	217,445
Higher education	-	50,000
Program expansion	364,340	1,258,041
	<u>                    </u>	<u>                    </u>
Total net assets released from restrictions	<u>\$ 2,948,713</u>	<u>\$ 2,601,987</u>

### 10. NON-CASH DONATIONS

Non-cash donations consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Curriculum resources	\$ 150,479	\$ 1,015,454
Auction items	79,035	119,152
Program instruments	45,700	82,213
Information technology	19,440	19,440
Professional fees	7,125	7,125
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 301,779</u>	<u>\$ 1,243,384</u>

During the Coronavirus pandemic, the Organization received non-cash donations of curriculum resources, such as access to online lessons and streamed media, that were recognized when activated, upon distribution to schools, teachers and students. As of June 30, 2022, the Organization had available to use curriculum resources valued at \$4.8 million. During the year ended June 30, 2023, the primary donor of these resources restricted all future access because in-person programming had fully resumed. Accordingly, as of June 30, 2023 and 2022, the potential future value of such curriculum resources received but not yet activated was approximately \$0 and \$4.8 million.

### 11. FRINGE BENEFITS

The Organization provides its employees with group health, dental, vision and life insurance. Insurance is effective 30 days from an employee's date of hire. Music Will, Inc. assumes responsibility for 90% of monthly premiums for an employee's coverage and 50% of monthly premiums for an employee's dependent's coverage. Additionally, the Organization offers a flexible spending account and commuter plan benefits to its employees. For the years ended June 30, 2023 and 2022, the Organization incurred expenses related to these benefits of \$267,681 and \$190,085, respectively.



# MUSIC WILL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 (CONTINUED)

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### 11. FRINGE BENEFITS (CONT.)

The Organization offers a 403(b) retirement plan which matches employee contributions up to a maximum of 3% of the employee's salary. The Organization incurred expenses of \$52,295 and \$59,174 for its share of contributions into the plan for the years ended June 30, 2023 and 2022.

### 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's liquidity management plan is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of 90 days operating expenses is invested in short-term investments, including certificates of deposit and money market funds. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with existing financial assets plus funding provided by anticipated contributions from the general public. Furthermore, as described in Note 7, the Organization has a \$1,250,000 line of credit available to meet cash flow needs.

The following represents the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 3,914,934	\$ 4,927,596
Unconditional promises to give, expected to be received in less than one year	<u>1,771,246</u>	<u>1,002,655</u>
Total current financial assets at year-end	5,686,180	5,930,251
Less amounts not available for general expenditures within one year due to:		
Donor-restricted funding	<u>2,038,535</u>	<u>1,368,530</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,647,645</u>	<u>\$ 4,561,721</u>

### 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2024, the date on which the financial statements were available to be issued, and have determined that except as noted below there are no subsequent events that require disclosure.

**Line of credit** --- As detailed in Note 7, the line was due and paid back in full on December 12, 2023. On December 20, 2023, the Organization entered into a \$1,000,000 line of credit with a bank in New York, due December 20, 2024. Interest on the unpaid balance of the line is computed on the basis of the actual number of days elapsed in a year of 360 days at the rate of 4.870% per annum plus the Secured Overnight Financing Rate ("SOFR"). Collateral on the line consists of all of the Organization's property or assets, whether real, personal or missed, tangible or intangible, now or in the future subject to any lien in favor of the bank, securing or intending to secure, any of the liabilities.