

Give a Note Foundation
Financial Statements and
Independent Auditor's Report
June 30, 2013 and 2012

Give a Note Foundation

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Independent Auditor's Report

The Board of Directors
Give a Note Foundation

We have audited the accompanying financial statements of Give a Note Foundation, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Give a Note Foundation as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Bethesda, Maryland
October 22, 2013

Give a Note Foundation
Statement of Financial Position
June 30, 2013 and 2012

	<u>Assets</u>	
	2013	2012
Current assets		
Cash and cash equivalents	\$ 101,144	\$ 56,034
Contributions receivable, net	19,813	20,513
Investments	35,031	26,083
Prepaid expenses	2,605	-
Total assets	\$ 158,593	\$ 102,630
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 9,840
Total liabilities	-	9,840
Net assets		
Unrestricted net assets	158,593	92,790
Total net assets	158,593	92,790
Total liabilities and net assets	\$ 158,593	\$ 102,630

See notes to financial statements

Give a Note Fondation

Statement of Activities

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue and other support		
Contributions and donations	\$ 66,477	\$ 91,379
In-kind goods and services	<u>185,898</u>	<u>209,733</u>
Total operating revenue and other support	<u>252,375</u>	<u>301,112</u>
Operating expenses		
Program expenses	13,849	55,953
Management and general	119,306	109,312
Fundraising	<u>62,365</u>	<u>44,469</u>
Total operating expenses	<u>195,520</u>	<u>209,734</u>
Change in net assets before other changes	<u>56,855</u>	<u>91,378</u>
Other changes		
Unrealized gain on investments	<u>8,948</u>	<u>1,412</u>
Total other changes	<u>8,948</u>	<u>1,412</u>
Change in net assets	65,803	92,790
Net assets, beginning of year	<u>92,790</u>	<u>-</u>
Net assets, end of year	<u>\$ 158,593</u>	<u>\$ 92,790</u>

See notes to financial statements

Give a Note Foundation

Statement of Functional Expenses

Years ended June 30, 2013 and 2012

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses - 2013</u>
Expenses				
Total salaries and benefits	\$ 6,214	\$ 18,641	\$ 37,283	\$ 62,138
Travel, meals and entertainment	1,358	12,210	5,434	19,002
Publication ads	4,765	-	4,843	9,608
Professional fees	-	9,750	-	9,750
Management Fees	-	19,200	-	19,200
Printing and publications	-	-	3,955	3,955
Postage	-	1,121	-	1,121
Event logistics	-	2,674	1,782	4,456
Awards and medallions	-	-	-	-
Facilities and program meeting	-	-	-	-
Cost of sales	-	134	-	134
Subsidies to states	-	130	-	130
Overhead	1,511	4,534	9,068	15,114
Administrative allocation	-	50,912	-	50,912
Total expenses	\$ 13,849	\$ 119,306	\$ 62,365	\$ 195,520
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses - 2012</u>
Expenses				
Total salaries and benefits	\$ 16,517	\$ 21,904	\$ 13,719	\$ 52,140
Travel, meals and entertainment	-	12,137	-	12,137
Publication ads	7,245	-	805	8,050
Professional fees	-	44,552	-	44,552
Management Fees	-	11,655	-	11,655
Printing and publications	7,314	317	7,314	14,945
Postage	-	-	381	381
Awards and medallions	-	750	189	939
Facilities and program meeting	4,067	-	4,067	8,134
Overhead	5,102	4,412	4,412	13,926
Administrative allocation	15,708	13,585	13,582	42,875
Total expenses	\$ 55,953	\$ 109,312	\$ 44,469	\$ 209,734

See notes to financial statements

Give a Note Fondation

Statement of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 65,803	\$ 92,790
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributed stock	-	(24,671)
Unrealized gain on investments	(8,948)	(1,412)
Changes in assets and liabilities		
Increase in prepaid expenses	(2,605)	(20,513)
Decrease in accounts and contributions receivable	700	9,840
Decrease in accounts payable and accrued expenses	(9,840)	-
Net cash provided by operating activities	<u>45,110</u>	<u>56,034</u>
Net increase in cash and cash equivalents	45,110	56,034
Cash and cash equivalents, beginning	<u>56,034</u>	<u>-</u>
Cash and cash equivalents, end	<u><u>\$ 101,144</u></u>	<u><u>\$ 56,034</u></u>
Significant noncash investing and financing activities		
Donated investments	<u><u>\$ -</u></u>	<u><u>\$ (27,945)</u></u>

See notes to financial statements

Give a Note Foundation
Notes to Financial Statements
June 30, 2013 and 2012

Note 1 - Organization and Purpose

Give a Note Foundation (the Foundation) is a nonprofit organization whose mission is to expand and increase music education opportunities for all children, especially those in low-wealth and underserved areas. Through strategic partnerships and grassroots campaigns, the Foundation connects musicians, teachers, students, policymakers, and community members and empowers them to fight for music education in children's lives. The Foundation was incorporated in the state of Virginia on June 18, 2009. Primary support for the Foundation comes from contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Revenue, other than contributions, is recognized when earned; expenses are recorded when the obligation is incurred. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending upon the existence and/or nature of any donor imposed restrictions.

Basis of Presentation

These financial statements present net assets, revenue, expenses, gains and losses based on the existence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Revenue from sources other than contributions and investment income are reported as increases in unrestricted net assets.

The Foundation has no temporarily or permanently restricted net assets.

Revenue Recognition

Revenue, other than contributions, is recognized when earned.

Contributions received are recorded as unrestricted. Noncash and in-kind contributions are recorded as revenue at the fair value of their items or services contributed.

Give a Note Foundation

Notes to Financial Statements - Continued

June 30, 2013 and 2012

Glee “Shout” Program

The Foundation entered into an agreement with Columbia Records and Twentieth Century Fox Television. The agreement states that 100% of net proceeds from U.S. downloads of the 500th Glee Musical Performance song, “Shout,” from March 5, 2013 through May 9, 2013 (the end of Glee’s fourth season), will be given to the Give a Note Foundation. As of June 30, 2013, no proceeds were received and \$16,800 remains due to the Foundation based on approximately 21,000 downloads during the campaign.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments, purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains its cash, cash equivalent, and investment balances in accounts at two financial institutions. The balances are generally insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) up to specified limits by each institution. At times throughout the year, cash, cash equivalent, and investment balances may exceed these limits; however, the Foundation has not experienced any losses with respect to balances in excess of FDIC or SIPC coverage. Management believes that no significant concentration of credit risk exists as of June 30, 2013.

Contributions Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management’s estimate of the amount of receivables that will be uncollectable based on a periodic review of the balance. As of June 30, 2013 and 2012, respectively, all amounts included in contributions receivable are due from an affiliate, National Association for Music Education (NAfME), and comprise of contributions that have been received by NAfME on behalf of the Foundation. Given the nature of this balance, and the certainty that all amounts will be transferred subsequent to the end of the year, there is no allowance for doubtful accounts as of June 30, 2013 and 2012, respectively.

Investments

During the year ended June 30, 2012, the Foundation received an anonymous donation of stock. These investments are recorded at their fair value as of June 30, 2013 and 2012, respectively. Investments are classified under assets on the

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Notes to Financial Statements - Continued

June 30, 2013 and 2012

accompanying statement of financial position, as management's intent to hold these funds.

Financial Risk

The Foundation invests and manages a portfolio that may contain, at limits predetermined by the Board of Directors, common shares of publicly-traded companies. Such investments are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Income Taxes

The Foundation has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is subject to income taxes on revenue generated from other sources unrelated to its exempt purpose. Due to its tax exempt status, the Foundation is not subject to income taxes and does not have any unrelated business income for the year ended June 30, 2013. The Foundation is required to file and does file tax returns with the IRS and other taxing authorities. Income tax returns filed by the Foundation are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open. Accordingly, these financial statements do not reflect a provision for income taxes and the Foundation has no other tax positions which must be considered for disclosure.

Use of 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 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.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly,

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Notes to Financial Statements - Continued

June 30, 2013 and 2012

certain costs have been allocated among the programs and supporting service benefited.

Note 3 - Investments

At June 30, 2013 and 2012, investments held in brokerage investment accounts was as follows:

	Fair Value	
	2013	2012
Equity securities	<u>\$ 35,031</u>	<u>\$ 26,083</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2013 and 2012:

	2013	2012
Unrealized gain	<u>\$ 8,948</u>	<u>\$ 1,412</u>

Note 4 - Fair Value of Financial Instruments

The Foundation conforms to the Fair Value Measurements and Disclosures Topic the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification). The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the Foundation uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access;
- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

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Notes to Financial Statements - Continued

June 30, 2013 and 2012

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of the Foundation's investments, which include equity securities, utilize quoted market prices in active markets and, as such, are included in Level 1 of the fair value hierarchy. No other assets are measured at fair value as of June 30, 2013 and 2012, respectively. The following table presents the fair value of assets measured on a recurring basis at June 30, 2013 and 2012:

	Fair value measurement as of June 30, 2013 using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 35,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,031</u>

	Fair value measurement as of June 30, 2012 using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 26,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,083</u>

Note 5 - Affiliated Organization

The Foundation is an affiliate of NAFME. The Foundation was formed by the leadership of NAFME as a separate corporation, and obtained a separate 501(c)(3) exemption status with the IRS. Although economic interest exists between the Foundation and NAFME, the Foundation maintains a board that is independent from that of NAFME, and therefore, does not consolidate its assets, liabilities, net assets or activities with those of NAFME.

During the year ended June 30, 2013 and 2012, on behalf of the Foundation, NAFME paid for operating expenses in the amount of \$57,734 and \$90,952, respectively, the Foundation's portion of salaries and benefits for shared employees of \$62,138 and \$52,700, respectively, and supplied facilities, overhead, and contributed administrative services in the amount of \$66,026 and \$56,242, respectively. In addition, NAFME pledged to pay expenses incurred and outstanding as of June 30, 2013 and 2012 of \$- and \$9,840, respectively. All amounts, per the cost sharing agreement with NAFME, have been donated to the Foundation during the year ended June 30, 2013 and 2012, and appear as in-kind contributed goods and services on the statement of activities. All ongoing expenses, salaries, benefits, facilities, and administrative services will continue to be donated until April 1, 2014.

Give a Note Foundation

Notes to Financial Statements - Continued

June 30, 2013 and 2012

Note 6 - Subsequent Events

Events that occur after the statement of position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of position date require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through October 22, 2013 (the date the financial statements were available to be issued) and concluded that the following subsequent events have occurred that would require disclosure in the financial statements.