Give a Note Foundation

Financial Statements and Independent Auditor's Report

June 30, 2014 and 2013

Give a Note Foundation

Index

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, 2014 and 2013, 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 audits. We conducted our audits 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, 2014 and 2013, 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 19, 2014

Give a Note Foundation

Statements of Financial Position
June 30, 2014 and 2013

Assets

	2014	2013
Current assets		
Cash and cash equivalents	$ 121,437	$ 101,144
Contributions receivable, net	1,811	19,813
Investments	39,613	35,031
Prepaid expenses	2,295	2,605
Total assets	$ 165,156	$ 158,593

Liabilities and Net Assets

Net assets		
Unrestricted net assets	$ 165,156	$ 158,593
Total net assets	165,156	158,593
Total liabilities and net assets	$ 165,156	$ 158,593

See Notes to Financial Statements.

Give a Note Fondation

Statements of Activities
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenue and other support		
Contributions and donations	$ 92,585	$ 66,477
In-kind goods and services	141,218	185,898
Sales	15,930	-
Interest income	82	-
Total operating revenue and other support	249,815	252,375
Operating expenses		
Program expenses	109,910	13,849
Management and general	117,695	119,306
Fundraising	20,229	62,365
Total operating expenses	247,834	195,520
Change in net assets before other changes	1,981	56,855
Other changes		
Unrealized gain on investments	4,582	8,948
Total other changes	4,582	8,948
Change in net assets	6,563	65,803
Net assets, beginning of year	158,593	92,790
Net assets, end of year	$ 165,156	$ 158,593

See Notes to Financial Statements.

Give a Note Foundation

Statements of Functional Expenses
Years Ended June 30, 2014 and 2013

	2014			
Expenses	Programs	Management and General	Fundraising	Total Expenses - 2014
Salaries and benefits	$ 5,509	$ 23,636	$ 5,040	$ 34,185
Travel	7,055	7,296	-	14,351
Publication ads	-	2,830	440	3,270
Audit and tax return fees	-	13,250	-	13,250
Insurance and charitable registration fees	-	4,019	8,601	12,620
Production and printing	-	11,389	-	11,389
Postage	-	287	310	597
Grants and awards	5,029	-	-	5,029
Event logistics and functions	85,930	25,017	-	110,947
Cost of sales	-	2,115	-	2,115
Overhead	1,584	7,145	1,443	10,172
Administrative allocation	4,803	20,711	4,395	29,909
Total expenses	$ 109,910	$ 117,695	$ 20,229	$ 247,834

	2013			
Expenses	Programs	Management and General	Fundraising	Total Expenses - 2013
Salaries and benefits	$ 6,214	$ 18,641	$ 37,283	$ 62,138
Travel	1,358	12,210	5,434	19,002
Publication ads	4,765	-	4,843	9,608
Audit and tax return fees	-	9,750	-	9,750
Insurance and charitable registration fees	-	19,200	-	19,200
Production and printing	-	-	3,955	3,955
Postage	-	1,121	-	1,121
Event logistics	-	2,674	1,782	4,456
Cost of sales	-	134	-	134
Subsidies to states	-	130	-	130
Overhead	1,512	4,534	9,068	15,114
Administrative allocation	-	50,912	-	50,912
Total expenses	$ 13,849	$ 119,306	$ 62,365	$ 195,520

See Notes to Financial Statements.

Give a Note Fondation

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 6,563	$ 65,803
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(4,582)	(8,948)
Changes in assets and liabilities		
Decrease (increase) in prepaid expenses	310	(2,605)
Decrease in contributions receivable	18,002	700
Increase (decrease) in accounts payable and accrued expenses	-	(9,840)
Net cash provided by operating activities	20,293	45,110
Net increase in cash and cash equivalents	20,293	45,110
Cash and cash equivalents, beginning	101,144	56,034
Cash and cash equivalents, end	$ 121,437	$ 101,144

See Notes to Financial Statements.

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

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, 2014, all proceeds were received by 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, 2014.

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, respectively. Investments are classified under assets on the 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.

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, certain costs have been allocated among the programs and supporting service benefited. Administration expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the Foundation.

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, 2014. 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 2011 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.

Note 3 - Investments

At June 30, 2014 and 2013, investments held in brokerage investment accounts was as follows:

	Fair Value	
	2014	2013
Equity securities	$ 39,613	$ 35,031

The following summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014 and 2013:

	2014	2013
Unrealized gain	$ 4,582	$ 8,948

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.

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, 2014 and 2013, respectively. The following table presents the fair value of assets measured on a recurring basis at June 30, 2014 and 2013:

	Fair value measurement as of June 30, 2014 using			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 39,613	$ -	$ -	$ 39,613

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

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, 2014 and 2013, on behalf of the Foundation, NAfME agreed to pay for operating expenses in the amount of $67,052 and $57,734, respectively, the Foundation's portion of salaries and benefits for shared employees of $34,185 and $62,138, respectively, and supplied facilities, overhead, and contributed administrative services in the amount of $39,981 and $66,026, respectively. All amounts, per the cost sharing agreement with NAfME, have been donated to the Foundation during the year ended June 30, 2014 and 2013, and appear as in-kind contributed goods and services on the statement of activities. During the year ended June 30, 2014, the terms of the cost sharing agreement were renewed and will continue until one party exercises the right to

stop providing a ninety day notice. As of June 30, 2014, the cost sharing agreement is still in effect.

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 19, 2014 (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.