

Melodic Caring Project

Financial Statements with
Independent Accountant's Compilation Report

Years Ended June 30, 2017 and 2016

Larson Gross 

Melodic Caring Project

Contents

	Page
Independent Accountant's Compilation Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-8

Independent Accountant's Compilation Report

To the Board of Directors
Melodic Caring Project
Mount Vernon, Washington

Management is responsible for the accompanying financial statements of Melodic Caring Project (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Larson Gross PLLC

Bellingham, Washington
March 23, 2018

Melodic Caring Project

Statements of Financial Position

June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 110,464	\$ 43,495
Equipment held for sale	5,918	6,179
Other assets	<u>1,432</u>	<u>2,257</u>
Total current assets	117,814	51,931
Property and equipment, net	<u>12,884</u>	<u>23,408</u>
Total assets	<u><u>\$ 130,698</u></u>	<u><u>\$ 75,339</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,216	\$ 298
Net assets		
Unrestricted net assets	127,482	75,041
Temporarily restricted net assets	<u>-</u>	<u>-</u>
	<u>127,482</u>	<u>75,041</u>
Total liabilities and net assets	<u><u>\$ 130,698</u></u>	<u><u>\$ 75,339</u></u>

Melodic Caring Project

Statements of Activities

Years Ended June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Community grants and contributions	\$ 76,970	\$ -	\$ 76,970	\$ 20,823	\$ -	\$ 20,823
Program income	22,574	-	22,574	31,307	-	31,307
Special events, net of direct expenses of \$89,612 and \$69,745 for 2017 and 2016, respectively	63,655	-	63,655	70,587	-	70,587
In-kind and non-cash contributions	50,100	-	50,100	89,440	-	89,440
Loss on disposal of property and equipment	(6,628)	-	(6,628)	-	-	-
Other	663	-	663	144	-	144
Net assets released from restrictions	-	-	-	15,960	(15,960)	-
Total support and revenue	207,334	-	207,334	228,261	(15,960)	212,301
Operating expenses						
Program services	141,592	-	141,592	147,292	-	147,292
Management and general	13,055	-	13,055	22,073	-	22,073
Fundraising	246	-	246	16,662	-	16,662
Total expenses	154,893	-	154,893	186,027	-	186,027
Change in net assets	52,441	-	52,441	42,234	(15,960)	26,274
Net assets - beginning of year	75,041	-	75,041	32,807	15,960	48,767
Net assets - end of year	<u>\$ 127,482</u>	<u>\$ -</u>	<u>\$ 127,482</u>	<u>\$ 75,041</u>	<u>\$ -</u>	<u>\$ 75,041</u>

Melodic Caring Project

Statements of Functional Expenses

Years Ended June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special events	\$ -	\$ -	\$ 89,612	\$ 89,612	\$ -	\$ -	\$ 69,745	\$ 69,745
In-kind production equipment rental	45,000	-	-	45,000	63,000	-	-	63,000
Production	31,794	-	-	31,794	32,051	-	86	32,137
Travel	30,420	31	-	30,451	18,139	82	-	18,221
Professional fees	16,933	3,750	-	20,683	13,885	3,078	-	16,963
Wages and payroll taxes	6,459	-	-	6,459	-	-	-	-
In-kind rent, parking, and utilities	-	5,100	-	5,100	-	10,200	-	10,200
Depreciation	3,565	891	-	4,456	7,427	1,857	-	9,284
Marketing and promotion	2,550	655	-	3,205	1,430	1,063	225	2,718
Insurance	-	2,519	-	2,519	692	1,039	-	1,731
Office	1,956	152	-	2,108	3,670	2,044	111	5,825
Dues and subscriptions	1,656	-	-	1,656	885	20	-	905
Auto	669	-	-	669	4,820	-	-	4,820
Merchandise	-	-	223	223	-	1,624	-	1,624
In-kind radio advertising	-	-	-	-	-	-	16,240	16,240
Miscellaneous	590	(43)	23	570	1,293	1,066	-	2,359
	<u>141,592</u>	<u>13,055</u>	<u>89,858</u>	<u>244,505</u>	<u>147,292</u>	<u>22,073</u>	<u>86,407</u>	<u>255,772</u>
Less: direct expenses of special events	-	-	(89,612)	(89,612)	-	-	(69,745)	(69,745)
Total expenses	<u>\$ 141,592</u>	<u>\$ 13,055</u>	<u>\$ 246</u>	<u>\$ 154,893</u>	<u>\$ 147,292</u>	<u>\$ 22,073</u>	<u>\$ 16,662</u>	<u>\$ 186,027</u>

Melodic Caring Project

Statement of Cash Flows

June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 52,441	\$ 26,274
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	4,456	9,284
Loss on disposal of property and equipment	6,628	-
(Increase) decrease in assets		
Other assets	825	(2,257)
Increase (decrease) in liabilities		
Accounts payable	<u>2,918</u>	<u>(3,895)</u>
Net cash provided by operating activities	67,268	29,406
Cash flows from investing activity		
Proceeds from sale of equipment	800	-
Purchase of property and equipment	<u>(1,099)</u>	<u>(17,281)</u>
Net cash used by investing activities	<u>(299)</u>	<u>(17,281)</u>
Net increase in cash and cash equivalents	66,969	12,125
Cash and cash equivalents - beginning of year	<u>43,495</u>	<u>31,370</u>
Cash and cash equivalents - end of year	<u><u>\$ 110,464</u></u>	<u><u>\$ 43,495</u></u>

Melodic Caring Project

Notes to Financial Statements

June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

Note 1 – Summary of Significant Accounting Policies

Nature of activities – The Melodic Caring Project (the Organization) is a Washington non-profit Organization formed in Mount Vernon, Washington. The Organization's mission is to bridge the gap between music, technology and patients battling serious illness and accomplishes this mission through streaming LIVE, personalized concerts to children and teens in hospitals, embracing the medically proven healing properties of music to alleviate pain, reduce anxiety, and aid in the overall wellness and well-being of the patient. The Organization's model meets a real and pressing need in the market by offering ease, accessibility and comfort to those suffering from serious illness or injury, especially those quarantined and/or suffering from immune deficiency.

The Organization puts on the Raise a Record Gala event annually. The revenue generated from this event and costs for putting it on make up the entire special events revenue, net of expenses balance on the statements of activities.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to externally imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time. The Organization had no temporarily restricted net assets as of June 30, 2017 or 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2017 or 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as unrestricted net assets.

Melodic Caring Project

Notes to Financial Statements

June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

Note 1 – Summary of Significant Accounting Policies – (Continued)

Cash and cash equivalents – All highly liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Equipment held for sale – Equipment no longer used in operations, which the Organization plans to dispose of by way of sale, is classified as equipment held for sale. Equipment held for sale is valued at its carrying amount on the date it ceased being used in operations, less any impairment.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of \$500. Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of 3 to 6 years.

Program income – Represents income from music and entertainment venues for mission-related work performed by the Organization that mutually benefits the venue. Program income is recognized as services are performed.

Community grants and contributions – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Of the total community grants and contributions, 98% was received from one donor for the year ended June 30, 2017.

Donated equipment, materials, and services – Donations of supplies, equipment, and other goods are recorded at fair value on the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers include significant time spent by the founders to operate the Organization and are not recorded in the accompanying financial statements as they do not meet the criteria for recognition under ASC 958-605-25-16, *Not-for-Profit Entities – Recognition of Contributed Services*.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Melodic Caring Project

Notes to Financial Statements

June 30, 2017 and 2016

(See Independent Accountant's Compilation Report)

Note 1 – Summary of Significant Accounting Policies – (Continued)

Federal income tax – The Organization is a nonprofit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision of income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year's financial statements to conform to the current year's financial statement presentation.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 23, 2018, the date the financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Equipment	\$ 32,909	\$ 32,465
Furniture and fixtures	-	10,000
Vehicles	-	12,448
Accumulated depreciation	(20,025)	(31,505)
	<u>\$ 12,884</u>	<u>\$ 23,408</u>

Note 3 – Related Party

The Organization rents production equipment for \$1,000 per month from Melodic Caring Productions (the Corporation), a for-profit corporation owned by the Organization's founders. The Corporation's normal rental rate for its equipment is \$3,000 per show. The difference between the total rental fees and the payments to the Corporation are considered a donation and have been recognized as in-kind contributions and in-kind production equipment rental expense in these financial statements.