Melodic Caring Project

Financial Statements with
Independent Accountant's Compilation Report

Years Ended June 30, 2019 and 2018

Larson Gross

Melodic Caring Project

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Larson Gross

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, 2019 and 2018, 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.

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September 20, 2019

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Melodic Caring Project

Statements of Financial Position

June 30, 2019 and 2018

(See Independent Accountant's Compilation Report)

	2019	2018
Assets		
Current assets		
Cash	$ 215,543	$ 207,282
Accounts receivable	18,647	5,982
Prepaid expenses	1,541	6,422
Total current assets	235,731	219,686
Property and equipment, net	20,957	9,657
Total assets	$ 256,688	$ 229,343
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 16,228	$ 12,456
Accrued payroll and related liabilities	69,269	4,590
Total current liabilities	85,497	17,046
Net assets		
Without donor restrictions	168,191	152,297
With donor restrictions	3,000	60,000
Total net assets	171,191	212,297
Total liabilities and net assets	$ 256,688	$ 229,343

Melodic Caring Project

Statements of Activities

Years Ended June 30, 2019 and 2018

(See Independent Accountant's Compilation Report)

	2019			2018		
Support and revenue	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Community grants and contributions	$ 70,717	$ 3,000	$ 73,717	$ 53,214	$ 60,000	$ 113,214
Program income	53,700	-	53,700	43,750	-	43,750
Special events, net of direct expenses of $157,659 and $113,815 for 2019 and 2018, respectively	118,356	-	118,356	107,276	-	107,276
In-kind and non-cash contributions	61,371	-	61,371	90,000	-	90,000
Other	1,805	-	1,805	397	-	397
Net assets released from restrictions	60,000	(60,000)	-	-	-	-
Total support and revenue	365,949	(57,000)	308,949	294,637	60,000	354,637
Operating expenses						
Program services	310,073	-	310,073	246,792	-	246,792
Management and general	35,447	-	35,447	19,531	-	19,531
Fundraising	4,535	-	4,535	3,499	-	3,499
Total expenses	350,055	-	350,055	269,822	-	269,822
Change in net assets	15,894	(57,000)	(41,106)	24,815	60,000	84,815
Net assets – beginning of year	152,297	60,000	212,297	127,482	-	127,482
Net assets – end of year	$ 168,191	$ 3,000	$ 171,191	$ 152,297	$ 60,000	$ 212,297

The accompanying notes are an integral part of these financial statements.

Melodic Caring Project

Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

(See Independent Accountant's Compilation Report)

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Special events	$ -	$ -	$ 157,659	$ 157,659	$ -	$ -	$ 113,815	$ 113,815
Wages and payroll taxes	118,891	-	-	118,891	20,295	-	-	20,295
In-kind production equipment rental	60,000	-	-	60,000	90,000	-	-	90,000
Professional fees	32,000	22,631	-	54,631	34,337	7,118	600	42,055
Production	36,217	-	-	36,217	56,801	-	-	56,801
Travel	29,438	4,243	393	34,074	27,084	2,397	-	29,481
Advertising	13,606	1,594	1,303	14,603	7,435	-	340	7,775
Office	7,842	5,069	830	13,741	1,321	2,243	-	3,564
Miscellaneous	1,615	528	1,267	3,410	1,049	705	2,559	4,313
Depreciation	4,026	1,006	-	5,032	3,403	851	-	4,254
Dues and subscriptions	2,798	376	32	3,206	4,215	-	-	4,215
Rent	1,950	-	-	1,950	-	-	-	-
Insurance	1,205	-	-	1,205	-	299	-	299
Merchandise	-	-	710	710	385	-	-	385
Auto	485	-	-	485	467	-	-	467
Loss on disposal and write-down of equipment	-	-	-	-	-	5,918	-	5,918
	310,073	35,447	162,194	505,814	246,792	19,531	117,314	383,637
Less: direct expenses of special events	-	-	(157,659)	(157,659)	-	-	(113,815)	(113,815)
Total expenses	$ 310,073	$ 35,447	$ 4,535	$ 350,055	$ 246,792	$ 19,531	$ 3,499	$ 269,822

Melodic Caring Project

Statement of Cash Flows

June 30, 2019 and 2018

(See Independent Accountant's Compilation Report)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (41,106)	$ 84,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,032	4,254
Loss on disposal and write-down of equipment	-	5,918
(Increase) decrease in assets		
Accounts receivable	(12,665)	(4,550)
Prepaid expenses	4,881	(6,422)
Increase in liabilities		
Accounts payable	3,772	10,158
Accrued payroll and related liabilities	64,679	3,672
Net cash provided by operating activities	24,593	97,845
Cash flows from investing activities		
Purchase of property and equipment	(16,332)	(1,027)
Net cash used by investing activities	(16,332)	(1,027)
Net increase in cash	8,261	96,818
Cash – beginning of year	207,282	110,464
Cash – end of year	$ 215,543	$ 207,282

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 majority of special events revenue, net of direct expense amount on the accompanying 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:

> **Net assets without donor restrictions** – Net assets that are not subject to externally imposed restrictions.
>
> **Net assets with donor restrictions** – Net assets that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or extend part of all of the income derived from the donated assets for either specific or unspecified purposes. The Organization had net assets with donor restrictions totaling $3,000 and $60,000 as of June 30, 2019 and 2018, respectively.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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 net assets without donor restrictions.

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

Cash – Cash consists of cash in the bank and petty cash on hand for settlement of cash flow purposes. The Organization maintains its cash 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.

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 4 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, 76% and 88% was received from three and one donors for the years ended June 30, 2019 and 2018, respectively.

Donated equipment, materials, and services – Donations of supplies, equipment, and other goods and services 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 financial reports include some expenses that are attributed to more than one program or function. These expenses require allocation among one or more function and are consistently applied. The expenses that are allocated were allocated based on time and effort.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense totaled $14,604 and $7,775 for the years ended June 30, 2019 and 2018, respectively.

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 for income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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

Use of estimates – The preparation of financial statements in accordance 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.

New accounting pronouncement – In August of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *"Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities."* The amendments provided by this update address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017 and was applied retrospectively to all periods presented.

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 September 20, 2019, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditures within one year of June 30, 2019 consists, of the following:

Cash	$ 215,543
Accounts receivable	18,647
	$ 234,190

As of June 30, 2019, the Organization has a working capital of $150,643 and average days (based on normal expenditures) cash on hand of 197. The Organization's goal is to increase contributions to cover all expenses, including wages. To date the Organization has not had the adequate cash surplus to address and accomplish such goal. When this occurs, the Board of Directors will review the funds and determine how the funds should be spent and invested. The Organization does not currently have any board designated assets.

Note 3 – Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Equipment	$ 40,318	$ 23,986
Vehicles	9,950	9,950
Accumulated depreciation	(29,311)	(24,279)
	$ 20,957	$ 9,657

Depreciation expense totaled $5,032 and $4,254 for the years ended June 30, 2019 and 2018, respectively.

Note 4 – 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 has been estimated at $6,000 per show for the years ended June 30, 2019 and 2018 and the organization currently averages 2-3 shows per month. 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.

Effective January 1, 2019, the Organization began renting office space from the Organization's founders. The lease agreement is on a month-to-month basis totaling $325 per month. Rent expense totaled $1,950 for the year ended June 30, 2019.

Note 5 – Prospective Accounting Change

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 and subsequent amendments outline a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. This guidance may be adopted using either a full retrospective or modified retrospective approach. Application is required for annual periods beginning after December 15, 2018.

Note 5 – Prospective Accounting Change – (Continued)

The Organization plans to adopt ASU 2014-09 effective January 1, 2019 using the modified retrospective method. Under this method, the new standard will be applied only to the most current period presented in the financial statements with the cumulative effect recognized as of the date of initial application. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements and disclosures. The Organization's adoption of ASU 2014-09 is not anticipated to have a material impact on the results of activities or financial position; however, the Organization's assessment is not complete.

Note 6 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, "Leases" which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2019. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.