

COMMUNITY MUSIC SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2022



COMMUNITY MUSIC SCHOOL
JUNE 30, 2022

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Community Music School
Allentown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Community Music School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 Community Music School as of June 30, 2022, and the changes in its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Music School 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 Community Music School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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.

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 Community Music School'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 Community Music School'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.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
October 11, 2022

COMMUNITY MUSIC SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

Assets

Cash and cash equivalents	\$ 232,246
Restricted cash and cash equivalents	281,279
Accounts receivable, less of allowance of \$400	2,818
Pledges receivable	50,000
Investments	153,666
Property and equipment, net	359,717
Security deposits	<u>4,500</u>
 Total assets	 <u>\$ 1,084,226</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 6,055
Accrued expenses	<u>11,866</u>
 Total liabilities	 <u>17,921</u>

Net assets:

Net assets without donor restrictions	587,720
Net assets with donor restrictions	<u>478,585</u>
 Total net assets	 <u>1,066,305</u>
 Total liabilities and net assets	 <u>\$ 1,084,226</u>

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

COMMUNITY MUSIC SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Program revenue and support:			
Program revenue:			
Instruction and registration fees	\$ 292,347	\$ -	\$ 292,347
Outreach grant	20,560	-	20,560
Less:			
Financial aid and scholarships	<u>(61,729)</u>	<u>-</u>	<u>(61,729)</u>
Program revenue, net	251,178		251,178
Contributions and grants	271,441	94,341	365,782
In kind advertising	67,063	-	67,063
Investment income	6,000	-	6,000
Fund raising events, net of expenses of \$14,848	34,498	-	34,498
Rental income	5,750	-	5,750
Other	7,625	-	7,625
Realized/unrealized investment loss	(4,744)	(17,498)	(22,242)
Net assets released from restrictions	<u>178,655</u>	<u>(178,655)</u>	<u>-</u>
 Total support and revenue	 <u>817,466</u>	 <u>(101,812)</u>	 <u>715,654</u>
 Expenses:			
Programs	413,538	-	413,538
Management and General	186,071	-	186,071
Development	<u>54,976</u>	<u>-</u>	<u>54,976</u>
 Total expenses	 <u>654,585</u>	 <u>-</u>	 <u>654,585</u>
 Change in net assets	 162,881	 (101,812)	 61,069
 Net assets at beginning of year	 <u>424,839</u>	 <u>580,397</u>	 <u>1,005,236</u>
 Net assets at end of year	 <u>\$ 587,720</u>	 <u>\$ 478,585</u>	 <u>\$1,066,305</u>

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

COMMUNITY MUSIC SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Totals</u>
Wages and salaries	\$ 75,687	\$ 108,124	\$ 32,437	\$ 216,248
Instructional fees	177,744	-	-	177,744
Employee benefits	10,073	14,389	4,317	28,779
Payroll taxes	11,025	15,750	4,725	31,500
Occupancy	31,038	8,868	4,434	44,340
Office expense	491	4,420	-	4,911
Telephone and internet	1,652	1,156	496	3,304
Postage	128	385	128	641
Insurance	4,780	3,187	-	7,967
Professional fees	-	21,972	-	21,972
Dues and meetings	-	180	-	180
Advertising	8,818	2,204	-	11,022
In kind advertising	60,357	-	6,706	67,063
Equipment rental	277	1,292	277	1,846
Instrument maintenance	4,765	-	-	4,765
Depreciation	19,914	2,213	-	22,127
Service charges	5,096	728	1,456	7,280
Repairs and maintenance	214	642	-	856
Miscellaneous	1,479	261	-	1,740
Bad debts	-	300	-	300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expense	<u>\$ 413,538</u>	<u>\$ 186,071</u>	<u>\$ 54,976</u>	<u>\$ 654,585</u>

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

COMMUNITY MUSIC SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Cash flows from operating activities:</u>	
Change in net assets	\$ 61,069
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	22,127
Bad debts	300
Realized gain on investments	(10,996)
PPP loan forgiveness	(82,181)
Unrealized loss on investments	33,238
 (Increase) decrease in assets:	
Decrease (increase) in accounts receivable	(867)
Decrease (increase) in prepaid expense	5,305
Decrease (increase) in pledges receivable	4,400
 Increase (decrease) in liabilities:	
Increase (decrease) in accounts payable	(1,285)
Increase (decrease) in accrued expenses	<u>536</u>
 Net cash provided (used) by operating activities	<u>31,646</u>
<u>Cash flows from investing activities:</u>	
Proceeds from sale of investments	24,999
Purchase of investments	(29,146)
Purchases of furniture and equipment	<u>(187,094)</u>
 Net cash provided (used) by investing activities	<u>(191,241)</u>
 Net increase (decrease) in cash and cash equivalents	(159,597)
 Cash and cash equivalents, beginning of year	<u>637,122</u>
 Cash and cash equivalents, end of year	<u>\$ 513,525</u>
 Supplemental disclosures	
Unrestricted cash and cash equivalents	\$ 232,246
Restricted cash and cash equivalents	<u>281,279</u>
	<u>\$ 513,525</u>
 Noncash operating transactions:	
In kind contributions for advertising	<u>\$ 67,063</u>

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

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Community Music School (the “School” or “Organization”) is a not-for-profit corporation in Allentown, PA organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing music instruction, including outreach programs in music therapy, to students of all ages, from preschool to adulthood regardless of race, creed, national origin, emotional and physical challenge, or ability to pay. The School’s support comes from primarily instruction and registration fees and charitable giving.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at the Board’s discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose and represents resources whose use by the Organization is limited by donor-imposed stipulations or by the passage of time.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Restricted cash and cash equivalents consists of monies held in checking or money market accounts that have either purpose or time restrictions from donors.

CONTRIBUTIONS

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), 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.

DONATED MATERIALS AND SERVICES

There are times throughout the year when the Organization receives musical instruments for use at the School. Since the number donated and the value is insignificant, the donations are not reflected in the accompanying financial statements.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

EXPENSE ALLOCATION

These financial statements report certain categories of expenses that are attributable to academic programs or one or more of the supporting functions, administration or development. These expenses include payroll related costs, specific Organization related costs, depreciation, and other various costs. Payroll related costs are allocated amongst the three classes based on estimated employee time. Specific Organization related costs, such as educational curriculum, are typically allocated 100% to academic programs unless certain costs are applicable to another class of functional expense. Depreciation is allocated 90% to academic programs, and 10% to administration-based on square footage estimated use. Other various costs are allocated based on estimated or actual usage.

ACCOUNTS RECEIVABLE

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its 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 valuation allowance and a credit to accounts receivable. Accounts receivable includes all unpaid charges due from each family for various fees and tuition for the school year.

The allowance for doubtful accounts is calculated by determining the collectability of the receivable on a family-by-family basis. If any amount of a receivable balance which was written off in a prior year is subsequently collected, the amount is recorded as other income in the statement of activities.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INVESTMENTS

Investments are presented in the financial statements at fair market value based on quoted market values. Realized gains and losses are computed using the carrying value of the investments. Unrealized gains and losses are charged or credited to the statement of activities.

FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATION

The Organization's principal financial instruments subject to credit risk are its investments. The investments are managed by professional investment managers. The degree and concentration of credit risk varies by the type of investment.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization's capitalization policy is to capitalize property and equipment when the cost exceeds \$1,000. Leasehold improvements and furniture and equipment are depreciated over the shorter of their estimated useful lives or the lease term associated with their building using the straight-line method.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax period.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2022, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers: Topic 606. This update requires new qualitative and quantitative disclosures, including disaggregation of revenues and descriptions of performance obligations. The Organization adapted the provisions of this guidance on July 1, 2021. The Organization has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Organization's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Organization.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. PLEDGES RECEIVABLE

Pledges receivable consists of the following:

Amount due in:	
Less than one year	<u>\$ 50,000</u>
Total	<u>\$ 50,000</u>

3. INVESTMENTS

Investments are carried at market value and realized and unrealized gains and losses are reflected in the statement of activities. Cost and market values of the investments are summarized below.

Cash and cash equivalents	\$ 59,301
Mutual funds	<u>94,365</u>
	<u>\$ 153,666</u>

The composition of investment return consists of:

Realized gain	10,995
Unrealized (loss)	<u>(33,237)</u>
	<u>\$ (22,242)</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2022:

Musical instruments and recording equipment	\$ 357,308
Office and computer equipment	74,278
Leasehold improvements	<u>147,200</u>
	578,786
Less: accumulated depreciation	<u>219,069</u>
	<u>\$ 359,717</u>

Depreciation charged to expense was \$22,127 for the year ended June 30, 2022.

5. LINE OF CREDIT

The School has an unsecured \$50,000 line of credit with a local bank with a stated interest rate of 5.75%. The line of credit is up for renewal on December 30, 2022. There was no outstanding balance at June 30, 2022.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. NET ASSETS AND ENDOWMENT MATTERS

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

Scholarships	\$ 326,203
General operations	<u>50,000</u>
	376,203

Permanently endowed funds for which the income is restricted:

Scholarships	<u>102,382</u>
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Total net assets with restrictions \$ 478,585

Endowment asset composition by type of fund as of June 30, 2022:

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Permanently Endowed</u>	<u>Total</u>
Donor-restricted endowment gifts	\$ -	\$ 44,926	\$ 102,382	\$ 147,308
Board-designated endowment funds	<u>6,358</u>	<u>-</u>	<u>-</u>	<u>6,358</u>
Total funds	<u>\$ 6,358</u>	<u>\$ 44,926</u>	<u>\$ 102,382</u>	<u>\$ 153,666</u>

Reconciliation of endowment assets to total assets at June 30, 2022:

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Permanently Endowed</u>	<u>Total</u>
Endowment assets and those assets functioning as endowment assets	\$ 6,358	\$ 44,926	\$ 102,382	\$ 153,666
Donor restricted funds	-	331,277	-	326,631
Other net assets	<u>581,362</u>	<u>-</u>	<u>-</u>	<u>586,008</u>
Total net assets	<u>\$ 587,720</u>	<u>\$ 376,203</u>	<u>\$ 102,382</u>	<u>\$1,066,305</u>

The Organization's endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NET ASSETS AND ENDOWMENT MATTERS, continued

Current GAAP provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and improves disclosure about an organization’s endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 (“PA Act 141”).

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

However, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the endowment fund policies of the Organization.

Changes in endowment net assets for the year ended June 30, 2022:

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Permanently Endowed</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,953	\$ 62,423	\$ 102,382	\$ 171,758
Gifts made to the endowment	-	-	-	-
Investment loss	(595)	(17,497)	-	(18,092)
Transfers	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 6,358</u>	<u>\$ 44,926</u>	<u>\$ 102,382</u>	<u>\$ 153,666</u>

7. FAIR VALUE MEASUREMENTS

Fair Value Measurements defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

FAIR VALUE MEASUREMENTS, continued

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy that prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1- Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2- Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3- Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The Organization measures its investments on a recurring basis at fair value. These items were measured using the following inputs as of June 30, 2022:

	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 59,301	\$ 59,301
Investments	<u>94,365</u>	<u>94,365</u>
Total Assets at Fair Value	<u>\$ 153,666</u>	<u>\$ 153,666</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The Organization recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2022.

8. IRA CONTRIBUTIONS

The School began a SIMPLE IRA for its employees on July 1, 2015. The School matches up to 3% of eligible employee pre-tax contributions. During the year ended June 30, 2022, \$8,295 was contributed to the plan.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

9. LEASE OF OFFICE SPACE

The Organization entered into an agreement to lease office and administrative space located at 15th and Hamilton Streets in Allentown, PA. The initial term of the lease is through September 30, 2023, at which point the Organization has a renewal option. The Organization's monthly rent payment is \$3,900. The Organization has additional leases for operations, for copiers and a postage meter.

During the year, as allowed by the lease agreement, in lieu of making lease payments in February and March, the Organization incurred \$7,200 in building repairs that was applied toward their lease obligation.

Rent and lease payments totaled \$43,135 for the year ended June 30, 2022. The future estimated minimum rent and lease payments are:

<u>June 30,</u>	
2023	\$ 49,345
2024	<u>13,185</u>
	<u>\$ 62,530</u>

10. IN KIND ADVERTISING

Donated services are valued at their fair market value. In kind advertising in the financial statements represents a Google Ad Grant that they receive, and which is offered to many other nonprofits. The grant allows for up to \$10,000 per month in free advertising services through Google. The Organization utilizes a marketing firm, as required by the grant, to maximize the offerings from Google. For the year ending June 30, 2022, the free advertising received was reported to be worth \$67,063.

11. PAYCHECK PROTECTION PROGRAM LOAN

In April of 2020, the Organization received a loan from the Paycheck Protection Program (PPP) through the CARES Act in the amount of \$82,181. During the year, the Organization received formal forgiveness from the Small Business Administration. It is recorded in contributions and grants on the statement of activities.

12. PRIOR PERIOD ADJUSTMENT

The financial statements for the year ended June 30, 2021, have been restated to correct an error. Depreciation expense was overstated in prior years due to incorrect methods used to calculate depreciation expense. This error resulted in overstatements of amounts previously reported for property and equipment by \$5,376.

COMMUNITY MUSIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

13. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization receives a significant portion of their revenues from contributions. It is always reasonable that donors could be lost in the near term.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 232,246
Tuition Receivable	2,818
Pledges receivable	<u>50,000</u>
Total financial assets available within one year	<u>\$ 285,064</u>

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from revenue items.

15. SIGNIFICANT UNCERTAINTY

The COVID-19 outbreak in the United States and world-wide has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

16. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 11, 2022, the date on which the financial statements were available to be issued, and has determined there are no subsequent events to be reported.