

From the Top, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2017

COHN REZNICK
ACCOUNTING • TAX • ADVISORY

From the Top, Inc.

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FY17 Program Report

Mission Statement:

From the Top celebrates the power of music in the hands of extraordinary young people by:

- Unleashing the potential of young musicians as leaders in the arts;
- Trumpeting the role of music to impact and enrich lives; and
- Inspiring and building new audiences with a deeper appreciation for classical music.

About From the Top

Based in Boston, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and video broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

In FY17, From the Top's operating cost was \$3,668,359. Approximately 82% of our revenue of \$3,478,856 was derived from contributed income and approximately 18% from earned and other sources. About \$1,032,000 of our operating expenses were covered by grants received in previous years.

Content and Production

From the Top produces NPR's *From the Top with Host Christopher O'Riley*, the most popular one-hour classical music program on public radio. FY17 saw the continuation of the *See the Music* online video series, as well. Key accomplishments in FY17 include:

- Showcased the exceptional talents of more than 90 classically-trained pre-collegiate soloists and chamber musicians, ages 8 to 18, and five outstanding youth orchestras and choirs on *From the Top*, recorded in 15 cities around the country.
- Broadcast *From the Top* weekly episodes on more than 200 NPR radio stations nationwide—delivering entertainment to more than 600,000 weekly listeners.
- Continued production of the *See the Music* Video series, including collaborations with Boston's Artists for Humanity, Aspen Music Festival & School, Project Trio, Pink Martini, and *From the Top* radio show host Christopher O'Riley.

Education and Outreach

In 2017, From the Top's educational programs (under the umbrella of the Center for the Development of Arts Leaders) encourage young musicians to be leaders in their communities as advocates, teachers, and spokespeople for the arts. Every From the Top musician has opportunities to share their music in a variety of settings, developing skills to engage new audiences and create positive change through music. This year, From the Top:

- Provided more than 100 young musicians with leadership training through the Arts Leadership Workshop on the tour of NPR's *From the Top*.
- Presented 24 outreach programs nationwide, led by From the Top performers and reaching more than 3,250 schoolchildren, adults, seniors, and underserved audiences.
- Involved 60 Boston-area musicians, ages 14–20, in From the Top's CDAL Boston program. The arts leaders donated hundreds of hours of music-related community service, which included teaching after school programs at underserved elementary schools, as well as a performance series of live, free concerts for seniors, families, hospital patients and others. In total, approximately 2,000 schoolchildren, patients, and seniors served by 5 Boston-area non-profits benefited from their efforts.

2017 also saw the launch of the From the Top Arts Leadership Grant program, designed to provide support to From the Top alumni who are creating and executing arts leadership and outreach programs in their own communities. The first class of Arts Leadership grantees were:

- 20-year-old violinist **Ariel Horowitz**, who used the Grant to support the second year of her Heartbeat Project on the Navajo (Diné) Reservation in New Mexico;
- 24-year-old harpist **Angelica Hairston**, who is currently producing a concert and website called "Challenge the Stats" in Atlanta, focusing on diversity and support of African-American and Latino musicians;
- 26-year-old violinist **Karen Cueva**, who is working with Boston's Department of Youth Services to connect incarcerated youth to music and composition;
- 16-year-old pianist **Avik Sarkar**, who is composing a new work and hosting a benefit concert to support Boston's refugee population.

Admissions & Alumni Relations

The Admissions & Alumni Relations department facilitates the application, review, and selection process of musicians for *From the Top* and the *See the Music* video series, while also conducting alumni relations with the nearly 3,000 former From the Top performers. Key accomplishments this year include:

- Evaluated 470 applications
- Held 10 live auditions in locations around the country
- Hosted 5 alumni gatherings
- Produced more than 22 alumni-centered blog posts

Scholarship & Recruitment

Every year, From the Top and the Jack Kent Cooke Foundation offer significant scholarships to young musicians with financial need. Working with a large network of music instructors and mentors, the Young Artist Award recruitment process also seeks to identify young musicians from under-represented populations. In FY17, From the Top awarded 20 \$10,000 scholarships to 20 students from around the country.

- Scholarship recipients were 5% African America, 35% Asian, 10% Hispanic/Latino, 20% White/Caucasian, and 30% multi-racial.
- The average Adjusted Gross Income (AGI) of scholarship families was \$32,979.

Marketing & Communications

FY17 Marketing and Communications efforts focused on supporting marketing and PR efforts for the national tour of *From the Top*, and maintaining younger online audiences via YouTube, social media, and the From the Top website. Key achievements this year include:

- Increasing YouTube subscribers by 29%. These audiences were 60% male, with 84% under the age of 55.
- Increasing Facebook followers by 16%. These audiences are 60% female and 73% under the age of 55.

Independent Auditor's Report

To the Board of Directors
From the Top, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 from 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 Organization'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 Organization'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 From the Top, Inc. as of June 30, 2017, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program report for fiscal year 2017 on pages 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, and has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express or provide any assurance on it.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - program services on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited From the Top, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Boston, Massachusetts
December 14, 2017

From the Top, Inc.

**Statement of Financial Position
June 30, 2017
(With Comparative Totals for 2016)**

	<u>Assets</u>			
	2017			
	Unrestricted	Restricted temporarily	Total	2016
Current assets				
Cash (Note 2)	\$ 9,147	\$ 583,111	\$ 592,258	\$ 727,051
Investments (Notes 1, 12)	178,616	-	178,616	40,364
Accounts receivable, net (Notes 1, 3)	141,876	445,000	586,876	526,816
Prepaid expenses	69,131	-	69,131	47,373
Total current assets	<u>398,770</u>	<u>1,028,111</u>	<u>1,426,881</u>	<u>1,341,604</u>
Property and equipment				
Property and equipment, net (Note 4)	<u>40,932</u>	<u>-</u>	<u>40,932</u>	<u>69,234</u>
Other assets				
Long-term accounts receivable, net (Notes 1, 3)	65,868	27,211	93,079	63,492
Investments (Notes 1, 12)	320,429	-	320,429	482,058
	<u>386,297</u>	<u>27,211</u>	<u>413,508</u>	<u>545,550</u>
Total assets	<u><u>\$ 825,999</u></u>	<u><u>\$ 1,055,322</u></u>	<u><u>\$ 1,881,321</u></u>	<u><u>\$ 1,956,388</u></u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 35,829	\$ -	\$ 35,829	\$ 21,685
Accrued wages payable	31,229	-	31,229	29,844
Accrued expenses	104,412	-	104,412	77,350
Deferred revenue (Note 9)	96,845	-	96,845	25,000
Total current liabilities	<u>268,315</u>	<u>-</u>	<u>268,315</u>	<u>153,879</u>
Total liabilities	<u>268,315</u>	<u>-</u>	<u>268,315</u>	<u>153,879</u>
Net assets				
Unrestricted net assets (Note 15)	557,684	-	557,684	678,412
Temporarily restricted net assets (Note 5)	-	1,055,322	1,055,322	1,124,097
Total net assets	<u>557,684</u>	<u>1,055,322</u>	<u>1,613,006</u>	<u>1,802,509</u>
Total liabilities and net assets	<u><u>\$ 825,999</u></u>	<u><u>\$ 1,055,322</u></u>	<u><u>\$ 1,881,321</u></u>	<u><u>\$ 1,956,388</u></u>

See Notes to Financial Statements.

From the Top, Inc.

Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Restricted temporarily	Total	
Public support				
Contributions (Notes 1, 8)	\$ 1,021,083	\$ 874,719	\$ 1,895,802	\$ 1,967,114
Government support (Notes 1, 7)	27,000	80,000	107,000	72,000
Event revenue	545,881	50,000	595,881	355,747
In-kind contributions (Notes 1, 6)	240,372	-	240,372	257,009
 Total public support	 1,834,336	 1,004,719	 2,839,055	 2,651,870
Program services fees				
Carriage fees (Note 9)	323,801	-	323,801	384,144
Road show fees	280,113	-	280,113	415,982
Educational fees (Note 9)	26,841	-	26,841	40,476
 Total program service fees	 630,755	 -	 630,755	 840,602
Other revenue				
Merchandise sales	139	-	139	713
Other income	8,907	-	8,907	14,604
 Total other revenue	 9,046	 -	 9,046	 15,317
Net assets released from restrictions (Notes 1, 5)				
Expiration of time restrictions	435,000	(435,000)	-	-
Satisfaction of program restrictions	638,494	(638,494)	-	-
 Total net assets released from restrictions	 1,073,494	 (1,073,494)	 -	 -
 Total support and revenue	 3,547,631	 (68,775)	 3,478,856	 3,507,789
Expenses				
Program services	2,548,377	-	2,548,377	2,833,167
General and administrative	500,132	-	500,132	490,135
Fundraising	619,850	-	619,850	762,534
 Total expenses	 3,668,359	 -	 3,668,359	 4,085,836
 Change in net assets	 (120,728)	 (68,775)	 (189,503)	 (578,047)
 Net assets, beginning	 678,412	 1,124,097	 1,802,509	 2,380,556
 Net assets, ending	 \$ 557,684	 \$ 1,055,322	 \$ 1,613,006	 \$ 1,802,509

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	2017					2016	
	Program services	Supporting services			Total		
		General and administrative	Fundraising				
Production costs	\$ 346,850	\$ -	\$ -	\$ 346,850	\$ 373,181		
Event expenses	14,984	-	93,860	108,844	102,833		
Payroll and payroll taxes	1,153,880	316,111	337,974	1,807,965	2,105,045		
Fringe benefits	105,826	22,723	38,038	166,587	180,238		
Advertising	21,389	-	-	21,389	45,547		
Scholarships	193,459	-	-	193,459	203,490		
Insurance	12,893	5,283	1,070	19,246	16,775		
Maintenance and repair	6,662	1,610	1,917	10,189	10,612		
Marketing	26,797	4,287	23,622	54,706	86,664		
Office expenses	128,986	14,257	46,619	189,862	195,215		
Professional fees	166,999	104,752	27,184	298,935	244,025		
Rent (Note 10)	85,867	19,600	23,210	128,677	129,233		
Telephone/internet	12,497	3,931	2,877	19,305	18,983		
Travel, lodging and meals	247,677	2,925	17,969	268,571	342,017		
Depreciation	23,611	4,653	5,510	33,774	31,978		
Total expenses	<u>\$ 2,548,377</u>	<u>\$ 500,132</u>	<u>\$ 619,850</u>	<u>\$ 3,668,359</u>	<u>\$ 4,085,836</u>		

See Notes to Financial Statements.

From the Top, Inc.

Statements of Cash Flows
Years Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (189,503)	\$ (578,047)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	33,774	31,978
Net realized and unrealized (gains) losses on investments	34	443
Investment income reinvested	(71)	(162)
Amortization of discount	(5,413)	(2,756)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(84,234)	51,373
Prepaid expenses	(21,758)	27,083
Increase (decrease) in liabilities		
Accounts payable	14,144	3,518
Accrued expenses and accrued wages payable	28,447	(47,248)
Deferred revenue	<u>71,845</u>	<u>(121,318)</u>
Net cash provided by (used in) operating activities	<u>(152,735)</u>	<u>(635,136)</u>
Cash flows from investing activities		
Purchases of property and equipment	(5,471)	(44,671)
Withdrawals from investments	23,674	215
Purchases of investments	(12,991)	(14,852)
Sale of investments	<u>12,730</u>	<u>14,409</u>
Net cash provided by (used in) investing activities	<u>17,942</u>	<u>(44,899)</u>
Net increase (decrease) in cash	(134,793)	(680,035)
Cash, beginning of year	<u>727,051</u>	<u>1,407,086</u>
Cash, end of year	<u>\$ 592,258</u>	<u>\$ 727,051</u>
Schedule of noncash investing and financing activities		
Costs incurred for purchase of fixed assets during the year	\$ (5,471)	\$ (43,413)
Amounts included in accounts payable at beginning of year	-	(1,258)
Amounts included in accounts payable at end of year	<u>-</u>	<u>-</u>
Payments for fixed assets	<u>\$ (5,471)</u>	<u>\$ (44,671)</u>

See Notes to Financial Statements.

From the Top, Inc.

Notes to Financial Statements **June 30, 2017**

Note 1 - Organization and summary of significant accounting policies

Organization and nature of operations

From the Top, Inc. (the "Organization" or "From the Top") is an independent non-profit organization that celebrates the power of music in the hands of extraordinary young people, reaching more than one million people each year. The Organization was organized under Massachusetts General Law Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Based in Boston, Massachusetts, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and YouTube broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

National tour, broadcasts, and digital media

In 17 years, From the Top has recorded more than **342 radio and television broadcasts before live audiences in 35 states and two international cities**, featuring nearly **3,000 young artists**. From the Top's **radio show** is distributed by **National Public Radio ("NPR")** to more than **200** stations coast to coast and is the most popular weekly classical music program on public radio. From the Top's **PBS television series** From the Top at Carnegie Hall received two **Emmy Awards** and aired for two seasons. From the Top's *See the Music* program produces and distributes online music videos and behind-the-scenes content via You Tube and social media.

Education and outreach

From the Top's Center for the Development of Arts Leaders prepares and mentors young musicians across the country to become instruments of change in their communities. Education programs range from half-day arts leadership workshops to full-day in-school residencies and community outreach events. Each year, thousands of students experience the power of From the Top role models in classroom visits and community programs across the country. Additionally, many second through twelfth graders learn about From the Top performers in music textbooks and online lesson plans in partnership with Macmillan/McGraw Hill Publishers.

In Boston, From the Top established a center for developing and training teen musicians to be arts leaders. Between 2011 and 2017, more than 170 teen musicians donated thousands of hours of community service - increasing access to high-quality music and learning opportunities for school children, seniors, and patients in greater Boston.

Admissions and alumni relations

The Admissions and Alumni Relations department was a new addition to From the Top in fiscal year 2015. The mission of the department is to facilitate the application, review, and selection process of musicians for NPR's From the Top with Host Christopher O'Riley, and conduct an Alumni Relations program to serve the nearly 3,000 former From the Top performers.

Scholarship and recruitment

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$2.6 million in scholarships to 260 exceptional young musicians with financial need. In addition to providing these young artists with an opportunity to perform on From the Top's national broadcasts, recipients are awarded scholarships of up to \$10,000 to continue their musical studies.

From the Top, Inc.

Notes to Financial Statements **June 30, 2017**

Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with guidance issued by the Financial Accounting Standards Board ("FASB"). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<i>Unrestricted net assets</i>	Net assets that are not subject to donor-imposed restrictions;
<i>Temporarily restricted net assets</i>	Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and
<i>Permanently restricted net assets</i>	Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets at June 30, 2017.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

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

Accounts receivable

Accounts receivable are stated at the amount the Organization's management expects to collect from outstanding balances. The Organization's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after the Organization's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are deemed to be fully collectible by the Organization's management at June 30, 2017.

Property and equipment

All acquisitions of furniture, equipment, computer software and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The Organization capitalizes these costs if the amounts incurred exceed \$1,000. Furniture, equipment and computer software are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated on a straight-line basis over their estimated useful lives which range from three to seven years. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization expense is included in depreciation.

From the Top, Inc.

Notes to Financial Statements **June 30, 2017**

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on various methods, including the average cost method, first-in first-out method, and last-in last-out method, depending on the type of underlying investment. Investment income restricted by a donor is reported as an increase in temporarily restricted net assets. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Revenue recognition

All revenue from program services, educational fees, royalties, event revenue and sales are recognized when the programs and events have taken place or the services are performed. Payments received in advance of programs and events taking place and services performed are deferred until earned.

Contributions and donor restrictions

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization had no conditional promises to give at June 30, 2017.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Functional allocation of expenses

The costs of providing the 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 services benefited.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended June 30, 2017 totaled \$76,095.

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

Income taxes

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. The Organization had no unrelated business income for the year ended June 30, 2017. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2017. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2014, 2015 and 2016.

Accrued interest and penalties associated with uncertain tax positions are recognized as a part of interest expense and miscellaneous expenses, respectively, in the accompanying statement of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at June 30, 2017 and none were incurred during the year then ended.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

Subsequent events

The Organization has evaluated subsequent events through (Report Date), which is the date these financial statements were available to be issued.

Note 2 - Concentration of credit risk

The Organization maintains its cash balance in one account at one bank. The cash balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2017.

No cash equivalents were held as of June 30, 2017 and 2016.

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

Note 3 - Accounts receivable and significant customers

Accounts receivable at June 30, 2017 consists of the following:

	Current	Long-term	Total
Pledges			
Contributions	\$ 439,083	\$ 95,000	\$ 534,083
Government support	80,000	-	80,000
Event revenue	<u>51,150</u>	<u>10,000</u>	<u>61,150</u>
	570,233	105,000	675,233
Discount on pledges	<u>-</u>	<u>(11,921)</u>	<u>(11,921)</u>
Subtotal	<u>570,233</u>	<u>93,079</u>	<u>663,312</u>
Royalties	3,592	-	3,592
Other	<u>13,051</u>	<u>-</u>	<u>13,051</u>
Subtotal	<u>16,643</u>	<u>-</u>	<u>16,643</u>
Total	<u>\$ 586,876</u>	<u>\$ 93,079</u>	<u>\$ 679,955</u>

The Organization had pledges receivable representing the following at June 30, 2017:

	Unrestricted	Temporarily	Total
Contributions	\$ 159,083	\$ 375,000	\$ 534,083
Government support	-	80,000	80,000
Event revenue	<u>41,150</u>	<u>20,000</u>	<u>61,150</u>
	200,233	475,000	675,233
Discount on pledges	<u>(9,132)</u>	<u>(2,789)</u>	<u>(11,921)</u>
Total	<u>\$ 191,101</u>	<u>\$ 472,211</u>	<u>\$ 663,312</u>
Receivables due in less than one year	\$ 125,233	\$ 445,000	\$ 570,233
Receivables due in one to five years	75,000	30,000	105,000
Receivables due in more than five years	-	-	-
	200,233	475,000	675,233
Discount on pledges	<u>(9,132)</u>	<u>(2,789)</u>	<u>(11,921)</u>
Total	<u>\$ 191,101</u>	<u>\$ 472,211</u>	<u>\$ 663,312</u>

From the Top, Inc.

Notes to Financial Statements **June 30, 2017**

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2017, approximately 15% of the Organization's revenue was received from one donor. At June 30, 2017, there were no receivables outstanding from this donor.

Note 4 - Property and equipment

Property and equipment at June 30, 2017 consists of the following:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Leasehold improvements	\$ 34,531	\$ (34,531)	\$ -
Production equipment	115,385	(105,992)	9,393
Office and computer equipment	<u>229,727</u>	<u>(198,188)</u>	<u>31,539</u>
	<u><u>\$ 379,643</u></u>	<u><u>\$ (338,711)</u></u>	<u><u>\$ 40,932</u></u>

At June 30, 2017, property and equipment with an original cost of \$238,170 was fully depreciated and still in service.

Note 5 - Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Scholarship and recruitment	\$ 535,111
Operations	317,676
Education	157,535
Radio	<u>45,000</u>
	<u><u>\$ 1,055,322</u></u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, time or by the occurrence of other events specified by the donor during the year ended June 30, 2017 as follows:

Scholarship and recruitment	\$ 498,994
Operations	435,000
Radio	3,500
Education	<u>136,000</u>
	<u><u>\$ 1,073,494</u></u>

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

Note 6 - In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2017 are as follows:

	Expenses				
	Program services	General and administrative	Fundraising	Total	
Professional fees	\$ 104,880	\$ 19,389	\$ 12,500	\$ 136,769	
Event expenses	11,000	-	1,100	12,100	
Hospitality	-	-	7,533	7,533	
Rent	55,085	13,225	15,660	83,970	
Total	\$ 170,965	\$ 32,614	\$ 36,793	\$ 240,372	
	Revenue contributions				
Professional fees				\$ 136,769	
Event expenses				12,100	
Hospitality				7,533	
Rent				83,970	
Total				\$ 240,372	

Note 7 - Contingencies

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts ("NEA"). This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under the Uniform Guidance. Federal grants totaling \$80,000 have been recognized as income during the year ended June 30, 2017 all of which are receivable at year end from NEA.

The Organization receives funding from various state agencies and private foundations. Expenditures of funds from the federal and state agencies and certain private foundations require compliance with the grant agreements and are subject to audit by the grantor. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of the Organization's management, disallowed expenditures, if any, will not have a material effect on the financial position of the Organization.

Note 8 - Grant agreements

Scholarship and recruitment program

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support the identification of applicants for the Organization's scholarship and recruitment program. The original grant was awarded in March 2005 for the period June 1, 2005 through May 31, 2006 and provided for two one-year renewal periods. Since the grant renewals, the Organization has entered into ten

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

additional agreements, with the latest grant awarded in May 2017, totaling \$515,000, for the period June 1, 2017 through May 31, 2018. Grants awarded have ranged in value from \$500,000 to \$585,000.

Each agreement contains provisions that grant funds will be expended in accordance with the grant proposal as itemized in the proposed project budget. Any line item that exceeds more than 10 percent of the proposed budget must be agreed to in writing from the grantor. In addition, funds remaining at the completion of the grant period must be returned to the grantor unless the grantor agrees otherwise in writing.

A summary of cumulative activity from inception in 2005 through June 30, 2017 is as follows:

Grant amounts	\$ 6,786,755
Cumulative expenditures incurred	
Scholarships	(2,617,666)
Program and administrative costs	<u>(3,633,978)</u>
Grant funds remaining	<u>\$ 535,111</u>

Grant funds held by award year as of June 30, 2017 is as follows:

Grant period ending	
May 31, 2017	\$ 456,073
May 31, 2016	<u>79,038</u>
Grant funds remaining	<u>\$ 535,111</u>

Education and community outreach programs

Arts leadership program

The Organization conducts school and community performances and presentations in up to 18 communities across the country, leveraging the power of young performers ages 8 to 18 as role models for approximately 2,000 - 3,000 students each year. These range from one-day events, to extended partnerships and residencies. In addition, all From the Top performers participate in arts leadership workshops, which allow them to explore the power of music to inspire and create change and to help them develop their own interests and leadership projects once they return home. During the year ended June 30, 2017, the Organization was awarded \$45,000 in support of this program from one grantor to be used during fiscal year 2017. A summary of cumulative activity for this program during the year ended June 30, 2017 is as follows:

Grant awards as of June 30, 2016	\$ 45,000
Current year grants awarded	45,000
Current year expenditures	<u>(45,000)</u>
Grant awards remaining at June 30, 2017	<u>\$ 45,000</u>

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

Note 9 - Contractual agreements

NPR Agreement

The Organization entered into a distribution agreement with National Public Radio ("NPR") to distribute the radio shows produced by From the Top commencing on January 1, 2009. The Organization and NPR executed a new distribution agreement which was effective January 1, 2016 and continues in effect through September 30, 2017. The program year under the agreement is from October 1st through September 30th. On October 3, 2017, an amendment to the new agreement was signed and executed for the period October 1, 2017 through September 30, 2018. The agreement also granted NPR with the right of first refusal to acquire broadcast rights for new programs for future periods. Currently, the agreement provides NPR with the right of first refusal to acquire the broadcast rights for subsequent to the expiration of the current agreement.

The provisions of the agreement provide for NPR to pay carriage fees as determined in accordance with the contract, which currently provides for the Organization to receive fees based on 97% of the actual carriage fees received by NPR. The agreement currently provides for the Organization to receive 75% of the projected carriage fees during contract year (currently by November 15th) with final reconciliation of the amount earned to be completed by NPR upon the close of each contract year.

Amounts totaling \$323,801 have been recognized as revenue for the year ended June 30, 2017. Deferred revenue of \$59,292 was recognized as of June 30, 2017.

Other

The Organization entered into an agreement, which was effective on January 4, 2008, to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books and online. During the year ended June 30, 2017, royalties of \$23,650 were earned and are included in educational fees in the Statement of Activities.

Note 10 - Leasing arrangements

The Organization entered into a lease agreement for its office space for a period of five years through June 30, 2015. Beginning on July 1, 2015, the Organization began renting its office space on the terms of a month-to-month basis. The current monthly payment at June 30, 2017 was \$2,721. Pursuant to the terms of the lease agreement, the Organization has received the use of the space at a cost below the fair market value. The difference between the fair market value rents and the amounts paid were valued at \$83,970 for the year ended June 30, 2017. This amount was recorded as an in-kind contribution during the fiscal year.

Under the provisions of the agreement, the Organization may also be responsible for the payment of operating costs or taxes, as defined in the agreement.

The landlord has notified the Organization that the lease will terminate on December 8, 2017.

Rental expense for 2017 was \$128,677.

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June 30, 2017

In October 2017, the Organization entered into a lease agreement for office space for a period of five years and three months commencing on December 1, 2017 and ending February 28, 2023. The lease agreement also provides for payment of operating expenses and real estate taxes as a component of the Organization's rent. The Organization has one, five year option to renew the lease.

Future minimum lease payments commencing December 1, 2017 are as follows for each of the next five fiscal years and thereafter as follows:

2018	\$ 48,000
2019	145,500
2020	150,000
2021	154,500
2022	159,000
Thereafter	<u>108,000</u>
	<u>\$ 765,000</u>

Note 11 - Employee benefit plan

The Organization sponsors an individual based tax sheltered retirement savings plan under Section 403(b) of the Internal Revenue Code. This plan enables any full-time employee who is willing to contribute at least \$650 per year to the Plan to participate. The Plan provides for no sponsor matching or contribution.

Note 12 - Investments

As part of its cash management program, the Organization maintains an investment portfolio. Investments consist of money market funds and are valued at fair value which approximates cost at June 30, 2017.

For the year ended June 30, 2017, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 522,422
Stock donations	
Purchase of investments	12,991
Sale of investments	(12,730)
Transfer to operations, net	(23,430)
Investment income (expense)	
Dividend and interest, net of fees of \$245	(159)
Realized/unrealized gain (loss)	(49)
Investments, end of year	<u>\$ 499,045</u>

From the Top, Inc.

Notes to Financial Statements
June 30, 2017

Note 13 - Fair value measurements

The Organization follows FASB's guidance on fair value measurements, which provides a framework for measuring fair value and expands related disclosures. Broadly, the guidance framework requires fair value to be determined based on 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 an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs.

The fair value hierarchy under the guidance is as follows:

- | | |
|----------------|--|
| <i>Level 1</i> | Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs; |
| <i>Level 2</i> | Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and |
| <i>Level 3</i> | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to level 3 inputs. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2017.

Money market funds Valued at the daily closing price as reported by the fund.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 499,045	\$ -	\$ -	\$ 499,045
Total assets at fair value	<u>\$ 499,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,045</u>

From the Top, Inc.

Notes to Financial Statements June 30, 2017

Note 14 - Note payable

Line of credit

The Organization entered into a revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is subject to review by the financial institution annually and is currently due for review on February 28, 2018. The maximum amount available is \$150,000. Monthly payments of principal, as determined by the lender, and interest are due at the bank's prime rate for commercial loans plus 1.5%, on any outstanding balance. The line is secured by the general assets of the Organization, including funds held in accounts at the institution, and is subject to annual renewal. The agreement also contains certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year. There was no activity on the line of credit during the year ended June 30, 2017.

Note 15 - Board and CEO designated assets

As of June 30, 2017, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$320,429 as a working capital reserve. The Organization has segregated these funds, which are included in long-term investments account.

During fiscal year 2016, the Board of Directors approved a transfer totaling \$23,430 from the Board designated funds to operating cash. These funds were transferred from investments to cash during fiscal year 2017.

During fiscal year 2017, the Board of Directors approved a transfer of \$161,900 from the Board designated funds to operating cash. These funds are expected to be transferred from investments to cash in fiscal year 2018.

Note 16 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Organization through December 14, 2017 (the date the financial statements were available to be issued) and has concluded that, except as disclosed in Notes 9 and 10 to the financial statements, no subsequent events have occurred that would require recognition in the financial statements.

Supplementary Information

From the Top, Inc.

Schedule of Functional Expenses - Program Services
Year Ended June 30, 2017

	Program Services						
	Radio production	Video production	Education and community outreach	Marketing and communications	Admissions and alumni relations	Scholarship and recruitment	Total
Production costs	\$ 340,179	\$ 6,671	\$ -	\$ -	\$ -	\$ -	\$ 346,850
Event expenses	11,915	-	990	1,779	-	300	14,984
Payroll and payroll taxes	409,345	40,743	250,459	316,920	31,699	104,714	1,153,880
Fringe benefits	47,918	5,231	17,061	24,850	599	10,167	105,826
Advertising	-	-	-	17,349	-	4,040	21,389
Scholarships	-	-	2,000	-	-	191,459	193,459
Insurance	10,365	-	929	1,000	195	404	12,893
Maintenance and repair	2,183	-	1,638	1,763	361	717	6,662
Marketing	5,918	2,756	4,600	10,837	464	2,222	26,797
Office expenses	36,105	24,428	14,548	43,331	1,758	8,816	128,986
Professional fees	61,941	14,629	20,250	65,113	1,629	3,437	166,999
Rent	31,081	-	20,133	21,676	4,230	8,747	85,867
Telephone/internet	4,918	-	2,484	3,507	520	1,068	12,497
Travel, lodging and meals	183,517	19,747	21,428	3,884	-	19,101	247,677
Depreciation and amortization	10,609	-	4,778	5,144	1,004	2,076	23,611
Total expenses	\$ 1,155,994	\$ 114,205	\$ 361,298	\$ 517,153	\$ 42,459	\$ 357,268	\$ 2,548,377

See Independent Auditor's Report.

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