

FROM THE TOP, INC.

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2013



FROM THE TOP, INC.

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TABLE OF CONTENTS

	PAGE
Program report for FY13 (unaudited)	i - iii
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 19
Supplemental information:	
Schedule of functional expenses - program services	20



From the Top: Program Report for FY13

Based in Boston, 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. As the preeminent showcase for young musicians, From the Top shines a light on diverse young people ages 8 to 18 by sharing their stories and performances, providing scholarships, and engaging them as leaders in national broadcasts, live concerts, and outreach events across the country. With From the Top's support, these performers bring their music and energy far beyond the concert hall, serving as role models and helping to build audiences for classical music.

National Tour and Broadcasts

From the Top's radio show is taped before live audiences in cities and towns across the US and internationally. Distributed by NPR, the radio show is the only program of its kind showcasing the talents and stories of the nation's most outstanding young classical musicians, airing weekly on 250 public radio stations and reaching 700,000 loyal listeners each year. The show is carried in all 10 of the top 10 radio markets and in 20 of the top 25 markets and is among the most popular programs on public radio, alongside *A Prairie Home Companion* and *This American Life*.

Each one-hour episode of *From the Top* presents high-caliber performances by pre-collegiate musicians and features a varied and robust repertoire. In interviews with host and acclaimed pianist Christopher O'Riley, these young people share their stories about balancing life as a kid in America with their dedication to classical music. They are witty, insightful, sometimes goofy, and never fail to inspire. Every show encourages us to appreciate and value music as a deeply enriching and important part of life, and demonstrates the necessity of discipline, passion, and focus as the foundation of any great human achievement.

From the Top recruits the best young talent in the country and receives over 1,000 applications a year from kids who are increasingly diverse in their age, state of residence, instrumentation, ethnicity, and family income level. Live auditions take place at music camps, school programs, community arts centers, radio stations, and arts magnet schools in the cities where From the Top tours.

In FY13, From the Top showcased the exceptional talents of 316 young musicians, recorded 18 new episodes before live audiences, and produced two in-studio highlight episodes. From the Top traveled to these diverse locations: Beijing, China; Chautauqua and Troy, New York; Boston, Massachusetts; Greensburg, Pennsylvania; Davis, California; Sarasota, Florida; Dallas, El Paso, and San Marcos, Texas; Denver, Colorado; Tucson and Mesa, Arizona; Athens, Georgia; New Albany, Ohio; and Princeton, New Jersey. FY13 season highlights include From the Top's first-ever visit to China to tape two shows at the Great Wall International Music Academy in Beijing, and recording shows with two of the US's finest symphony orchestras – the Dallas Symphony Orchestra and the Colorado Symphony.

FY13 BY THE NUMBERS

- ▶ **1 million** people reached each year through national broadcasts, live concerts, outreach events, and online
- ▶ **18** shows in 16 cities
- ▶ **316** young musicians performed
- ▶ **700,000** radio listeners
- ▶ **250** NPR radio stations carrying the show
- ▶ **12,000** live audience members
- ▶ **125** Arts Leadership Workshop participants
- ▶ **2,100** schoolchildren and others reached through 78 outreach events nationwide
- ▶ **20** scholarships awarded totaling \$200,000
- ▶ **328,000** website and mobile app visits
- ▶ **310,000** YouTube views
- ▶ **6 million** students used Macmillan/McGraw Hill textbooks featuring From the Top performers

Education and Community Outreach

From the Top's education and community outreach programs unleash the potential of young musicians as leaders in the arts – taking them out of the concert hall and into the community to provide powerful experiences with music to thousands of students, seniors, patients, and others across the country each year. These programs offer a range of opportunities for young musicians to explore their individual leadership pathways as 21st century musicians and use the transformative power of music to engage new audiences, as well as provide schoolchildren and others with access to live classical music and learning experiences that they otherwise would not have.

As part of the national tour, show performers participate in an arts leadership workshop and outreach activities designed to develop young musicians' leadership abilities, leverage the power of young artists to serve as positive role models, and serve local community needs for music education. During the workshop they discuss how artists and leaders effectively advocate for the arts, and discover their unique pathways and potential as arts leaders.

In FY13, in conjunction with 15 of the 18 shows, From the Top performers brought their music and energy beyond the concert hall – leading outreach events at schools and community organizations to provide 1,000 students, seniors, and others with inspirational experiences with live classical music. These opportunities offer young musicians valuable training and experience to prepare them for multi-faceted careers in the arts and help inspire and build new audiences for classical music. Following their From the Top experience, many performers go on to create and implement their own arts leadership projects in their home communities.

In Boston, From the Top's Center for the Development of Arts Leaders (CDAL Boston) offers Boston-area young musicians opportunities to be arts leaders and use their musical talents, passion, and commitment to give back to the community. Each year, From the Top provides teen musicians with arts leadership training and teams them up with Boston-area schools and non-profits to provide high-quality music and learning opportunities to students, seniors, patients, families, and others.

In FY13, 23 teen arts leaders participated in the CDAL Boston program that included team building, mentoring, and applied community service projects. They donated more than 2,000 hours of community service benefitting 1,100 schoolchildren, patients, and elders in schools and community centers in the Boston area: Conservatory Lab Charter School in Brighton; Goddard House Assisted Living Facility in Brookline; James J. Chittick Elementary School in Mattapan in partnership with musiConnects; Citizens Schools at Orchard Gardens School in Roxbury; and the Leonard P. Zakim Center for Integrative Therapies at Dana Farber Cancer Institute in Boston.

In addition, 6 million 2nd – 12th grade students learned about From the Top performers in music textbooks and listened to their radio performances on companion CDs in collaboration with Macmillan/McGraw Hill Publishers.

Scholarships

Since 2005, From the Top and the Jack Kent Cooke Foundation have partnered to offer scholarships, and performance and learning opportunities to high-achieving, low-income musicians (ages 8 to 18) through the Jack Kent Cooke Young Artist Award Program. The program provides selected young musicians with \$10,000 scholarships to help offset the prohibitively expensive costs of studying classical music at a high level as well as an opportunity to perform on a national broadcast of *From the Top* and participate in From the Top's Arts Leadership Program. All Jack Kent Cooke Young Artists complete a self-designed Arts Leadership Activity (under the mentorship of From the Top's Scholarship and Education Departments) within eight months of their respective show appearance.

During the past eight years, From the Top has lifted the financial burden for 180 musicians, providing them with the needed financial support that allows them to develop their artistry and move towards achieving their educational goals with increased confidence and focus.

In FY13, 20 young musicians received the Jack Kent Cooke Young Artist Award. Each scholarship recipient's \$10,000 scholarship can be applied to instrument/equipment purchase, music camp tuition and travel expenses, private lessons, or other purposes for artistic development.

Marketing and Digital Media

In addition to maintaining a strong presence on radio, From the Top expanded its online content and established a presence on many major social media outlets, including Facebook, Twitter, and YouTube, enabling increased engagement and participation of alumni, donors, and new audiences. From the Top’s website drew more than 300,000 visits and its social media community collectively reached nearly 10,000 fans and their extended social networks of more than two million people. Subscribers downloaded the From the Top podcast more than 10,000 times.

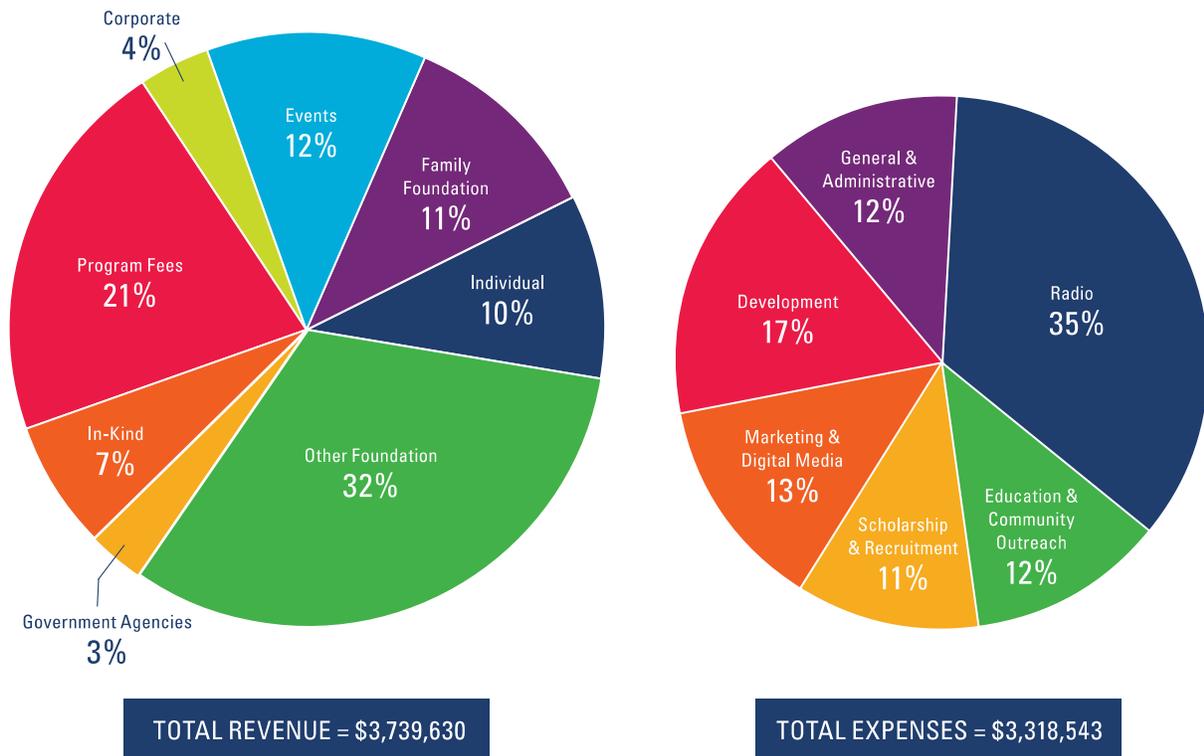
A popular feature of From the Top’s website is a complete radio archive of more than 275 show episodes, where streaming audio is accompanied by photographs, video clips, a backstage blog series hosted by radio show announcer Joanne Robinson, and written reflections from the performers.

In addition, From the Top has over 120 videos available on YouTube and From the Top’s website featuring the performances, experiences, and stories of young classical musicians as they prepare and perform for live audiences across the country. The videos are designed to capture attention, entertain, and communicate to viewers how From the Top performers are regular kids from a vast array of backgrounds who have achieved significant success in classical music through discipline, passion, and focus. They promote From the Top’s young performers as role models – inspiring viewers of all ages to do their best and demonstrating the power of music to positively impact lives.

2013 was a particularly successful year for From the Top videos. “Beatboxing Bach,” a unique, online video, which features a reinvention of Bach’s “Goldberg Variations,” has received more than 98,000 views since launching in November 2012, reaching more than 50,000 views in its first month. Another video of a 9-year-old violinist playing Sarasate received a huge response when From the Top shared it on Facebook (over 74,000 views).

Revenue and Expenses

The following charts represent the sources of revenue and expenses in FY13. This gross revenue includes over \$400,000 in grants restricted to program activities that will take place in FY14 and FY15.





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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
From the Top, Inc.
Boston, Massachusetts

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, 2013, 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, 2013, and its changes in 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 2013 on pages i through iii, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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.

Supplemental 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 20 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 2012 financial statements, and our report dated November 28, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ercolini & Company LLP

Boston, Massachusetts
December 9, 2013

FROM THE TOP, INC.
STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2013
 (with comparative totals for 2012)

ASSETS

	2013			2012
	Unrestricted	Restricted Temporarily	Total	
Current assets:				
Cash (Note 2)	\$ 310,593	732,483	\$ 1,043,076	\$ 995,834
Accounts receivable, net (Notes 1, 3)	85,221	430,992	516,213	214,409
Investments (Notes 1, 12)	17,308	-	17,308	17,330
Prepaid expenses	39,289	-	39,289	36,498
Total current assets	452,411	1,163,475	1,615,886	1,264,071
Property and equipment:				
Property and equipment, net (Note 4)	106,485	-	106,485	61,973
Other assets:				
Long-term accounts receivable, net (Notes 1, 3)	-	105,253	105,253	104,555
Investments (Notes 1, 12)	505,403	-	505,403	505,263
	505,403	105,253	610,656	609,818
Total assets	\$ 1,064,299	\$ 1,268,728	\$ 2,333,027	\$ 1,935,862

LIABILITIES

Current liabilities:				
Accounts payable	\$ 19,011	\$ -	\$ 19,011	\$ 16,470
Accrued wages payable	40,408	-	40,408	22,366
Accrued expenses	73,635	-	73,635	80,552
Deferred revenue (Note 9)	218,412	-	218,412	256,000
Total current liabilities	351,466	-	351,466	375,388
Total liabilities	351,466	-	351,466	375,388

NET ASSETS

Unrestricted net assets (Note 15)	712,833	-	712,833	735,643
Temporarily restricted net assets (Note 5)	-	1,268,728	1,268,728	824,831
Total net assets	712,833	1,268,728	1,981,561	1,560,474
Total liabilities and net assets	\$ 1,064,299	\$ 1,268,728	\$ 2,333,027	\$ 1,935,862

FROM THE TOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(with comparative totals for 2012)

	2013			2012
	Unrestricted	Restricted Temporarily	Total	
Public Support:				
Contributions (Notes 1, 8)	\$ 968,037	\$ 1,155,755	\$ 2,123,792	\$ 1,515,467
Government support (Notes 1, 7)	20,500	105,000	125,500	151,249
Event revenue	435,687	20,000	455,687	336,875
In-kind contributions (Notes 1, 6)	234,595	9,190	243,785	190,100
Total public support	1,658,819	1,289,945	2,948,764	2,193,691
Program Services Fees:				
Carriage fees (Note 9)	386,000	-	386,000	379,872
Road show fees	387,329	-	387,329	419,093
Educational fees (Note 9)	5,661	-	5,661	5,884
Total program service fees	778,990	-	778,990	804,849
Other Revenue:				
Merchandise sales	4,525	-	4,525	9,695
Other income	7,351	-	7,351	8,541
Total other revenue	11,876	-	11,876	18,236
Net Assets Released from Restrictions (Notes 1, 5):				
Expiration of time restrictions	63,444	(63,444)	-	-
Satisfaction of program restrictions	782,604	(782,604)	-	-
Total support and revenue	3,295,733	443,897	3,739,630	3,016,776
Expenses:				
Program services	2,343,030	-	2,343,030	2,490,203
General and administrative	405,304	-	405,304	426,499
Fundraising	570,209	-	570,209	566,923
Total expenses	3,318,543	-	3,318,543	3,483,625
Change in net assets	(22,810)	443,897	421,087	(466,849)
Net Assets, Beginning	735,643	824,831	1,560,474	2,027,323
Net Assets, Ending	\$ 712,833	\$ 1,268,728	\$ 1,981,561	\$ 1,560,474

FROM THE TOP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(with comparative totals for 2012)

	2013			Total	2012
	Supporting Services				
Program Services	General and Administrative	Fundraising			
Production costs	\$ 360,931	\$ -	\$ -	\$ 360,931	\$ 385,924
Event expenses	7,720	-	85,490	93,210	154,482
Payroll and payroll taxes	1,025,243	299,487	365,875	1,690,605	1,578,338
Fringe benefits	105,097	18,761	29,244	153,102	153,651
Advertising	15,141	-	-	15,141	16,446
Scholarships	200,871	-	-	200,871	193,969
Insurance	10,523	4,813	936	16,272	14,131
Maintenance and repair	5,446	1,267	1,754	8,467	7,604
Marketing	41,643	3,700	6,867	52,210	65,736
Office expenses	61,296	11,625	31,578	104,499	102,275
Professional fees	190,816	40,001	14,352	245,169	373,297
Rent (Note 10)	62,842	14,853	20,566	98,261	92,559
Telephone / internet	11,647	2,312	2,885	16,844	16,801
Travel, lodging and meals	223,335	4,375	4,972	232,682	280,435
Depreciation	20,479	4,110	5,690	30,279	47,977
Total expenses	\$ 2,343,030	\$ 405,304	\$ 570,209	\$ 3,318,543	\$ 3,483,625

FROM THE TOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(with comparative totals for 2012)

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 421,087	\$ (466,849)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,279	47,977
Other adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities (include detail)		
Net realized and unrealized (gains) losses on investments	1,472	-
Investment income reinvested	(118)	(192)
Donated property and equipment	(52,676)	-
Donated investments	(52,785)	-
Amortization of discounts	(6,690)	5,623
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(295,812)	481,321
Prepaid expenses	(2,791)	6,496
Increase (decrease) in liabilities:		
Accounts payable	(10,664)	(25,822)
Accrued expenses	11,125	39,701
Deferred revenue	(37,588)	37,000
	4,839	125,255
Cash flows from investing activities:		
Purchases of property and equipment	(8,910)	(19,590)
Proceeds from sale of investments	51,313	42,998
Purchases of investments	-	(42,940)
	42,403	(19,532)
Cash flows from financing activities:		
Repayment of advances payable	-	(21,450)
	-	(21,450)
Net increase (decrease) in cash	47,242	84,273
Cash, beginning of year	995,834	911,561
Cash, end of year	\$ 1,043,076	\$ 995,834

See notes to financial statements.

FROM THE TOP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Organization and summary of significant accounting policies

Organization and nature of operations

Based in Boston, From the Top, Inc. (the Organization or FTT) 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.

As the preeminent showcase for young musicians, From the Top shines a light on diverse young people ages 8 to 18 by sharing their stories and performances, providing scholarships, and engaging them as leaders in national broadcasts and live concerts and outreach events across the country. These musicians are inspirational role models for all ages, proving the value of hard work in the pursuit of excellence. With From the Top's support, they are inspiring and building audiences with a new appreciation for classical music.

National tour, broadcasts, and digital media

In fourteen years, From the Top has recorded more than **275 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 nearly **250** 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 website includes a full archive of radio and television episodes, in addition to exclusive video, backstage blog, and links to From the Top's social media platforms, YouTube channel, podcast, and mobile application.

Education and outreach programs

From the Top 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, millions of 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, through the formation of the Center for the Development of Arts Leaders (CDAL Boston), From the Top established the first center of its kind focusing on developing and training teen musicians to be arts leaders. Between 2011 and 2013, 43 teen musicians have donated over 4,000 hours of community service – increasing access to high-quality music and learning opportunities for more than 3,000 schoolchildren, seniors, and patients in greater Boston.

Scholarship program

Since 2005, **From the Top and the Jack Kent Cooke Foundation** have awarded more than **\$1.8 million in scholarships to 180 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 - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

1. Organization and summary of significant accounting policies - continued

Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions;

Temporarily restricted net assets - 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

Permanently restricted net assets - 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, 2013.

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 reported 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, 2013.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

1. Organization and summary of significant accounting policies - continued

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 five 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.

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Investment income is recognized when earned. 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.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

1. Organization and summary of significant accounting policies - continued

Contributions and donor restrictions - continued

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 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, 2013 totaled \$67,351.

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, 2013. 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, 2013. 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, 2010, 2011 and 2012.

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, 2012 from which the summarized information was derived.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

1. Organization and summary of significant accounting policies - continued

Recent accounting pronouncements

In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this ASU require a not-for-profit entity (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources for long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The guidance is effective for fiscal years and interim periods beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption is permitted only if an NFP's financial statements for those fiscal years and interim periods within those years have not yet been made available for issuance. The Organization does not believe that its adoption of this guidance will have a material impact on the Organization's 2014 financial statements.

Subsequent events

The Organization has evaluated subsequent events through December 9, 2013, which is the date these financial statements were available to be issued.

2. Concentration of credit risk

The Organization maintains its cash accounts with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2013, the Organization's operating cash account held approximately \$912,800, of which \$662,800 was not insured by the FDIC.

At June 30, 2013, the Organization held investments (see Note 12) of \$522,711 in money market funds which were not insured and are subject to credit risk.

Account balances fluctuate throughout the Organization's monthly business cycle, which may result in the balances exceeding insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business.

Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

3. Accounts receivable and significant customers

Accounts receivable at June 30, 2013 consists of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pledges			
Contributions	\$ 320,000	\$ 50,000	\$ 370,000
Government support	105,000	-	105,000
Event revenue	28,620	-	28,620
In-kind contributions	<u>62,278</u>	<u>60,645</u>	<u>122,923</u>
	515,898	110,645	626,543
Discount on pledges	<u>(6,286)</u>	<u>(5,392)</u>	<u>(11,678)</u>
Subtotal	<u>509,612</u>	<u>105,253</u>	<u>614,865</u>
Merchandise	96	-	96
Other	<u>6,505</u>	<u>-</u>	<u>6,505</u>
Subtotal	<u>6,601</u>	<u>-</u>	<u>6,601</u>
 Total	 <u>\$ 516,213</u>	 <u>\$ 105,253</u>	 <u>\$ 621,466</u>

The Organization had pledges receivable representing the following at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 75,000	\$ 300,000	\$ 375,000
Government support	-	105,000	105,000
Event revenue	3,620	20,000	23,620
In-kind contributions	<u>-</u>	<u>122,923</u>	<u>122,923</u>
	78,620	547,923	626,543
Discount on pledges	<u>-</u>	<u>(11,678)</u>	<u>(11,678)</u>
 Total	 <u>\$ 78,620</u>	 <u>\$ 536,245</u>	 <u>\$ 614,865</u>
Receivables due in less than one year	78,620	437,278	515,898
Receivables due in one to five years	-	110,645	110,645
Receivables due in more than five years	<u>-</u>	<u>-</u>	<u>-</u>
	78,620	547,923	626,543
Discount on pledges	<u>-</u>	<u>(11,678)</u>	<u>(11,678)</u>
 Total	 <u>\$ 78,620</u>	 <u>\$ 536,245</u>	 <u>\$ 614,865</u>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2013, approximately 14% of the Organization's contributions were received from one donor. At June 30, 2013, no amounts were receivable from this donor.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

4. Property and equipment

Property and equipment at June 30, 2013 consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 34,532	(\$ 25,065)	\$ 9,467
Computer software	40,330	(40,330)	-
Production equipment	99,270	(92,629)	6,641
Office and computer equipment	<u>250,716</u>	<u>(160,339)</u>	<u>90,377</u>
	<u>\$ 424,848</u>	<u>(\$ 318,363)</u>	<u>\$ 106,485</u>

At June 30, 2013, property and equipment with an original cost of \$262,663 was fully depreciated and still in service. During 2013, the Organization wrote off fully depreciated property and equipment with a cost basis of \$35,731 and a net book value of \$0, that was no longer in service.

5. Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

Scholarship	\$ 539,993
Office Rent	113,745
Operations	418,000
Education	96,990
Radio	80,000
Event	<u>20,000</u>
	<u>\$ 1,268,728</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, 2013 as follows:

Scholarship	\$ 513,139
Radio	144,755
Education	124,710
Office Rent	<u>63,444</u>
	<u>\$ 846,048</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

6. In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding program expenses and property and equipment additions for the year ended June 30, 2013 are as follows:

	Expenses			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Professional fees	\$ 131,365	\$ 28,371	\$ 12,500	\$ 172,236
Event expenses	5,420	-	4,263	9,683
Rent	40,574	9,590	13,280	63,444
Total	<u>\$ 177,359</u>	<u>\$ 37,961</u>	<u>\$ 30,043</u>	<u>\$ 245,363</u>

	Property and Equipment		Revenue	
	<u>Property and Equipment</u>	<u>Total</u>	<u>Contributions</u>	<u>Total</u>
Office and computer equipment	\$ 52,676	\$ 52,676	\$ 52,676	\$ 52,676
Professional fees	-	-	172,236	172,236
Event expenses	-	-	9,683	9,683
Rent	-	-	9,190	9,190
Total	<u>\$ 52,676</u>	<u>\$ 52,676</u>	<u>\$ 243,785</u>	<u>\$ 243,785</u>

7. Contingencies

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts (NEA), and other agencies. This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under OMB Circular A-133. Federal grants totaling \$105,000 have been recognized as income during the year ended June 30, 2013 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.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

8. Grant agreements

Scholarship program

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support outreach to identify applicants for the Organization's scholarship 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 six additional agreements, with the latest grant awarded in May 2013, totaling \$515,000, for the period June 1, 2013 through May 31, 2014. 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 through June 30, 2013 is as follows:

Grant amounts	\$ 4,716,755
Cumulative expenditures incurred	
Scholarships	(1,764,101)
Program and administrative costs	(2,412,661)
Grant funds remaining	<u>\$ 539,993</u>

Grant funds held by award year as of June 30, 2013 is as follows:

Grant period ending:	
May 31, 2014	\$ 498,887
May 31, 2013	40,446
Prior	<u>660</u>
Grant funds remaining	<u>\$ 539,993</u>

Education and 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 2,100 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, 2013, the Organization was awarded \$90,000 in support of this program from two grantors. A summary of cumulative activity for this program during the year ended June 30, 2013 is as follows:

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

8. Grant agreements - continued

Education programs - continued

Arts leadership program - continued

Grant awards as of June 30, 2012	\$ 55,000
Current year grants awarded	90,000
Current year expenditures	(<u>48,010</u>)
Grant awards remaining at June 30, 2013	<u>\$ 96,990</u>

9. Contractual agreements

NPR Agreement

In May 2009, the Organization entered into a distribution agreement with National Public Radio (NPR) to become the distributor of the radio shows produced by FTT for a three year term commencing on January 1, 2009. The agreement also grants NPR with the right of first refusal to acquire broadcast rights for new programs for one additional consecutive three-year period, commencing on January 1, 2013.

Provisions of the agreement provide for NPR to pay a minimum of \$350,000 of station carriage fees each program year. Additional fees may be due to the Organization if actual carriage fees exceed the minimum amount in each program year. In addition, NPR will share a portion of sponsorship revenue received by NPR as follows; (i) 100% of the first \$375,000 received each program year and (ii) 50% of the amount over \$399,000 received in program year 2009 and 50% of the amount over \$379,500 received in program years 2010 and 2011.

Effective May 18, 2011, the Organization entered into an amended agreement with NPR extending the term of the distribution agreement for one additional program year (January 1, 2012 through December 31, 2012). The terms of the amended agreement provided for a guaranteed minimum of \$380,000 to be paid for program year 2012. In addition, if station carriage fees exceed the guaranteed minimum, all excess fees will be paid 100% to the Organization. All other provisions of the agreement were not substantially changed.

As of December 9, 2013, a written agreement for the period January 1, 2013 through December 31, 2013 has not been executed. The Organization and NPR have verbally agreed to operate under the terms set forth in the agreement effective May 18, 2011 during calendar year 2013.

Amounts totaling \$380,000 and \$190,000 have been recognized as revenue and deferred revenue, respectively, for the year ended June 30, 2013.

Other

The Organization entered into an agreement 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. During the year ended June 30, 2013, royalties of \$5,661 were earned and are included in educational fees in the statement of activities.

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

10. Leasing arrangements

Effective July 1, 2010, the Organization entered into a new lease agreement for its office space for a period of five years through June 30, 2015. Monthly payments commence at \$2,294 and escalate to \$2,721 over the term of the lease. Pursuant to the terms of the agreement, the Organization receives the use of the space at a cost below the fair market value, valued at \$292,763, net of a discount of \$23,991 over the term of the lease. This amount was recorded as an in-kind contribution during fiscal year 2011.

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.

Rental expense for 2013 was \$98,261, including releases of temporarily restricted income of \$63,444.

Future scheduled minimum rental payments under the lease, at the reduced charge, are as follows:

Year ended	
June 30, 2014	31,022
June 30, 2015	<u>32,655</u>
	<u>\$ 63,677</u>

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.

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, 2013.

For the year ended June 30, 2013, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 522,593
Stock donation	52,785
Purchase of investments	-
Sale of investments	(51,313)
Investment income (expense)	
Dividend and interest, net of fees of \$310	118
Realized/unrealized gain (loss)	(<u>1,472</u>)
Investments, end of year	<u>\$ 522,711</u>

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

13. Fair value measurements

Effective July 1, 2008, the Organization adopted FASB's guidance on fair value measurements. The guidance establishes 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;
<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 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.

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>522,711</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>522,711</u>
Total assets at fair value	\$ <u>522,711</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>522,711</u>

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.

14. Notes 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 January 31, 2014. The maximum amount available is \$150,000. Monthly

FROM THE TOP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2013

14. Notes payable - continued

Line of credit - continued

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, 2013.

15. Board and CEO designated assets

During fiscal year 2007, the Board of Directors established a goal of reserving \$900,000 of the Organization's unrestricted net assets as a working capital reserve. As of June 30, 2013, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$505,403 for this purpose. The Organization has segregated these funds, which are included in the long-term investments, into a money market account.

During fiscal year 2010, the Organization established a CEO-designated fund to honor its founding CEOs and Board members. The Founders' Fund was established to provide working capital to enable the Organization to take advantage of new opportunities that advance the Organization's mission.

A summary of the activity during fiscal year 2013 is as follows:

Balance, July 1, 2012	\$ 59,650
Deposits	-
Transfer to operations	<u>(50,009)</u>
Balance, June 30, 2013	<u>\$ 9,641</u>

The Organization has segregated these funds, which are included in unrestricted cash, into a checking account with the Organization's financial institution.

16. Supplemental cash flow information

Schedule of noncash investing and financing activities:

Costs incurred for purchase of property and equipment during the year	\$ 74,791
In-kind donations of property and equipment	(52,676)
Amounts included in accounts payable at year end	<u>(13,205)</u>
Payments for property and equipment	<u>\$ 8,910</u>

SUPPLEMENTAL INFORMATION

FROM THE TOP, INC.**SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES**

FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Total
	Radio	Marketing & Communications	Education & Outreach	Scholarship & Recruitment	
Production costs	\$ 360,931	\$ -	\$ -	\$ -	\$ 360,931
Event expenses	5,420	-	2,300	-	7,720
Payroll and payroll taxes	426,501	246,482	249,342	102,918	1,025,243
Fringe benefits	59,155	23,724	18,345	3,873	105,097
Advertising	-	8,095	-	7,046	15,141
Scholarships	-	-	-	200,871	200,871
Insurance	8,737	728	737	321	10,523
Maintenance and repair	2,014	1,450	1,381	601	5,446
Marketing	5,441	21,923	8,891	5,388	41,643
Office expenses	23,640	17,548	12,044	8,064	61,296
Professional fees	52,085	88,371	49,735	625	190,816
Rent	23,613	15,996	16,187	7,046	62,842
Telephone / internet	5,689	2,405	2,572	981	11,647
Travel, lodging and meals	181,301	4,988	15,720	21,326	223,335
Depreciation and amortization	9,625	4,426	4,479	1,949	20,479
Total expenses	<u>\$ 1,164,152</u>	<u>\$ 436,136</u>	<u>\$ 381,733</u>	<u>\$ 361,009</u>	<u>\$ 2,343,030</u>