

**From the Top, Inc.**

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

**June 30, 2015**

**From the Top, Inc.**

Index

	<u>Page</u>
FY15 Program Report (Unaudited)	2
Independent Auditor's Report	4
Financial Statements	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Schedule of Functional Expenses - Program Services	22



## FROM THE TOP

### FY15 Program Report

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#### **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 FY15, From the Top's operating budget was \$3.8 million, with approximately 79% of revenue derived from contributed income and 21% from earned sources.

#### **Radio and Video Media Programs**

From the Top produces *From the Top with Host Christopher O'Riley*, the most popular one-hour classical music program on public radio, and features talented and inspiring young musicians in unique online videos on its YouTube channel and on other social media networks. FY15 saw the continuation of new video projects, and another season of high-quality radio recordings and broadcasts. Key accomplishments in FY15 include:

- Showcased the exceptional talents of 317 pre-collegiate, classical musicians, ages 8 to 18, on NPR's *From the Top with Host Christopher O'Riley*, recorded in 15 cities around the country.
- Recorded the 300<sup>th</sup> episode of NPR's *From the Top*.
- Broadcast *From the Top* weekly episodes on 223 NPR radio stations nationwide—delivering entertainment to more than 700,000 listeners.
- Produced 45 videos featuring From the Top alumni and performers, and received more than 347,000 views on the From the Top YouTube channel, an increase of over 50% from prior year. One such video, a collaboration with classical musicians, singers, and a Boston rapper, became the third most viewed video in From the Top's YouTube channel history.

## Education and Outreach

From the Top encourages its young musicians to be leaders in their communities as advocates, teachers, and spokespeople for the arts. From the Top musicians have 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 about 300 young musicians with leadership training through the Arts Leadership Workshop.
- Presented 70 outreach programs led by From the Top performers reaching more than 5,000 schoolchildren, adults, seniors, and underserved audiences around the country.
- Involved 47 Boston area musicians, ages 14-21, in From the Top's Center for the Development of Arts Leaders. 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, more than 1,500 schoolchildren, patients, and seniors in five (5) Boston-area non-profits benefited from their efforts.

## Scholarship & Recruitment

Since 2005, From the Top and the Jack Kent Cooke Foundation have partnered to award a total of approximately \$2.2 million in scholarships to young musicians with financial need. In FY15, From the Top:

- Awarded 20 scholarships to 20 students from 15 cities around the country.
- Celebrated 10 years of partnership with the Jack Kent Cooke Foundation at a special "all-scholarship-recipient" recording at George Washington University's Lisner Auditorium in Washington, DC, followed by educational outreach at River Bend Middle School.

## Admissions & Alumni Relations

The Admissions & Alumni Relations department was a new addition to From the Top in FY15. 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 establish an Alumni Relations program to serve the nearly 3,000 former From the Top performers. Key accomplishments this year include:

- Evaluated 733 applications
- Held 11 live auditions in locations around the country
- Established a digital archive of all From the Top applications since 2013
- Hosted four(4) alumni gatherings
- Produced 25 alumni-centered blog posts
- Held an alumni focus group to help guide From the Top Alumni Relations strategy

## Marketing & Communications

FY15 Marketing and Communications efforts focused on supporting marketing and PR efforts for the National Tour of NPR's *From the Top with Host Christopher O'Riley*, and growing younger online audiences via YouTube, social media, and the From the Top website. Key achievements this year include:

- Growing YouTube views by 52.38%, and subscribers by 63.64%. These audiences were 58% male, with 64.5% under the age of 35.
- Launched a new responsive and mobile friendly website in December 2014. Increased website sessions by 17.84%. Website audiences were 55.8% male and 33.21% under the age of 35.
- Dramatic increases in social media reach, including 68% growth in Facebook fans and more than 76% of said fans 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, 2015, 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, 2015, 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 2015 on pages 1 through 2 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.

### *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 22 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts  
December 1, 2015

**From the Top, Inc.**

**Statement of Financial Position  
June 30, 2015  
(with comparative totals for 2014)**

	<u>Assets</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>2015 Restricted temporarily</u>	<u>Total</u>	
Current assets				
Cash (Note 2)	\$ 311,291	\$ 1,095,795	\$ 1,407,086	\$ 606,073
Investments (Notes 1, 12)	17,012	-	17,012	17,160
Accounts receivable, net (Notes 1, 3)	143,189	410,000	553,189	946,373
Prepaid expenses	74,456	-	74,456	42,217
Total current assets	<u>545,948</u>	<u>1,505,795</u>	<u>2,051,743</u>	<u>1,611,823</u>
Property and equipment:				
Property and equipment, net (Note 4)	<u>57,800</u>	<u>-</u>	<u>57,800</u>	<u>77,289</u>
Other assets				
Long-term accounts receivable, net (Notes 1, 3)	-	85,736	85,736	-
Investments (Notes 1, 12)	505,463	-	505,463	505,421
	<u>505,463</u>	<u>85,736</u>	<u>591,199</u>	<u>505,421</u>
Total assets	<u>\$ 1,109,211</u>	<u>\$ 1,591,531</u>	<u>\$ 2,700,742</u>	<u>\$ 2,194,533</u>
	<u>Liabilities and Net Assets</u>			
Current liabilities				
Accounts payable	\$ 19,426	\$ -	\$ 19,426	\$ 40,138
Accrued wages payable	61,174	-	61,174	49,240
Accrued expenses	93,268	-	93,268	80,841
Deferred revenue (Note 9)	146,318	-	146,318	117,490
Total current liabilities	<u>320,186</u>	<u>-</u>	<u>320,186</u>	<u>287,709</u>
Total liabilities	<u>320,186</u>	<u>-</u>	<u>320,186</u>	<u>287,709</u>
Net assets				
Unrestricted net assets (Note 15)	789,025	-	789,025	936,508
Temporarily restricted net assets (Note 5)	-	1,591,531	1,591,531	970,316
Total net assets	<u>789,025</u>	<u>1,591,531</u>	<u>2,380,556</u>	<u>1,906,824</u>
Total liabilities and net assets	<u>\$ 1,109,211</u>	<u>\$ 1,591,531</u>	<u>\$ 2,700,742</u>	<u>\$ 2,194,533</u>

See Notes to Financial Statements.

**From the Top, Inc.**

**Statement of Activities  
Year Ended June 30, 2015  
(with comparative totals for 2014)**

	2015			2014
	Unrestricted	Restricted temporarily	Total	
Public support				
Contributions (Notes 1, 8)	\$ 1,040,334	\$ 1,704,236	\$ 2,744,570	\$ 1,987,656
Government support (Notes 1, 7)	23,300	135,000	158,300	57,400
Event revenue	464,172	25,000	489,172	423,505
In-kind contributions (Notes 1, 6)	190,553	3,032	193,585	203,298
Total public support	<u>1,718,359</u>	<u>1,867,268</u>	<u>3,585,627</u>	<u>2,671,859</u>
Program services fees				
Carriage fees (Note 9)	335,022	-	335,022	368,480
Road show fees	304,823	-	304,823	430,059
Educational fees (Note 9)	2,655	-	2,655	3,451
Total program service fees	<u>642,500</u>	<u>-</u>	<u>642,500</u>	<u>801,990</u>
Other revenue				
Merchandise sales	1,402	-	1,402	3,263
Other income	2,786	-	2,786	18,981
Total other revenue	<u>4,188</u>	<u>-</u>	<u>4,188</u>	<u>22,244</u>
Net assets released from Restrictions (Notes 1, 5)				
Expiration of time restrictions	385,645	(385,645)	-	-
Satisfaction of program restrictions	860,408	(860,408)	-	-
Total net assets released from restrictions	<u>1,246,053</u>	<u>(1,246,053)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,611,100</u>	<u>621,215</u>	<u>4,232,315</u>	<u>3,496,093</u>
Expenses				
Program services	2,662,739	-	2,662,739	2,493,999
General and administrative	465,279	-	465,279	444,708
Fundraising	630,565	-	630,565	632,123
Total expenses	<u>3,758,583</u>	<u>-</u>	<u>3,758,583</u>	<u>3,570,830</u>
Change in net assets	(147,483)	621,215	473,732	(74,737)
Net assets, beginning	<u>936,508</u>	<u>970,316</u>	<u>1,906,824</u>	<u>1,981,561</u>
Net assets, ending	<u>\$ 789,025</u>	<u>\$ 1,591,531</u>	<u>\$ 2,380,556</u>	<u>\$ 1,906,824</u>

See Notes to Financial Statements.

**From the Top, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2015  
(with comparative totals for 2014)**

	2015				2014
	Program services	Supporting services		Total	
		General and administrative	Fundraising		
Production costs	\$ 326,631	\$ -	\$ -	\$ 326,631	\$ 349,007
Event expenses	16,895	-	81,273	98,168	97,827
Payroll and payroll taxes	1,307,484	292,650	392,805	1,992,939	1,820,547
Fringe benefits	119,275	19,319	20,012	158,606	155,177
Advertising	24,189	-	-	24,189	18,264
Scholarships	191,068	-	-	191,068	213,806
Insurance	11,312	5,157	848	17,317	17,137
Maintenance and repair	5,255	1,467	1,565	8,287	8,431
Marketing	35,490	5,938	27,830	69,258	85,717
Office expenses	107,489	37,008	47,509	192,006	127,613
Professional fees	161,768	67,319	16,534	245,621	221,610
Rent (Note 10)	66,562	18,587	19,827	104,976	105,415
Telephone/internet	11,483	3,859	2,840	18,182	16,225
Travel, lodging and meals	259,348	9,647	14,905	283,900	298,466
Depreciation	18,490	4,328	4,617	27,435	35,588
<b>Total expenses</b>	<b>\$ 2,662,739</b>	<b>\$ 465,279</b>	<b>\$ 630,565</b>	<b>\$ 3,758,583</b>	<b>\$ 3,570,830</b>

See Notes to Financial Statements.

**From the Top, Inc.**

**Statement of Cash Flows  
Year Ended June 30, 2015**

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 473,732	\$ (74,737)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	27,435	35,588
Net realized and unrealized (gains) losses on investments	1,068	138
Investment income reinvested	(109)	(8)
Amortization of discount	(3,032)	(8,646)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	310,480	(316,261)
Prepaid expenses	(32,239)	(2,928)
Increase (decrease) in liabilities		
Accounts payable	(21,970)	34,332
Accrued expenses and accrued wages payable	24,361	16,038
Deferred revenue	28,828	(100,922)
Net cash provided by (used in) operating activities	808,554	(417,406)
Cash flows from investing activities		
Purchases of property and equipment	(6,688)	(19,597)
Withdrawals from investments	215	-
Purchases of investments	(39,920)	-
Sale of investments	38,852	-
Net cash provided by (used in) investing activities	(7,541)	(19,597)
Net increase (decrease) in cash	801,013	(437,003)
Cash, beginning of year	606,073	1,043,076
Cash, end of year	\$ 1,407,086	\$ 606,073

See Notes to Financial Statements.

## From the Top, Inc.

### Notes to Financial Statements June 30, 2015

#### 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 16 years, From the Top has recorded more than **305 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 **230** 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 2015, more than 125 teen musicians have donated over 8,000 hours of community service - increasing access to high-quality music and learning opportunities for more than 6,000 schoolchildren, 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 program**

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$2.2 million in scholarships to 220 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, 2015

#### 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, 2015.

#### 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, 2015.

#### 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, 2015

#### **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, 2015.

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, 2015 totaled \$93,447.

## From the Top, Inc.

### Notes to Financial Statements June 30, 2015

#### **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, 2015. 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, 2015. 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, 2012, 2013 and 2014.

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, 2015 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, 2014 from which the summarized information was derived.

#### **Subsequent events**

The Organization has evaluated subsequent events through December 1, 2015, which is the date these financial statements were available to be issued.

#### **Note 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, 2015, the Organization's operating cash account held approximately \$1,182,800, of which \$932,800 was not insured by the FDIC.

At June 30, 2015, the Organization held investments (see Note 12) totaling \$522,475 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  
June 30, 2015**

**Note 3 - Accounts receivable and significant customers**

Accounts receivable at June 30, 2015 consists of the following:

	Current	Long-term	Total
Pledges			
Contributions	\$ 341,250	\$ 95,000	\$ 436,250
Government support	135,000	-	135,000
Event revenue	74,250	-	74,250
	<u>550,500</u>	<u>95,000</u>	<u>645,500</u>
Discount on pledges	-	(9,264)	(9,264)
	<u>550,500</u>	<u>85,736</u>	<u>636,236</u>
Subtotal			
Royalties	420	-	420
Other	2,269	-	2,269
	<u>2,689</u>	<u>-</u>	<u>2,689</u>
Subtotal			
Total	<u>\$ 553,189</u>	<u>\$ 85,736</u>	<u>\$ 638,925</u>

The Organization had pledges receivable representing the following at June 30, 2015:

	Unrestricted	Temporarily restricted	Total
Contributions	\$ 91,250	\$ 345,000	\$ 436,250
Government support	-	135,000	135,000
Event revenue	49,250	25,000	74,250
	<u>140,500</u>	<u>505,000</u>	<u>645,500</u>
Discount on pledges	-	(9,264)	(9,264)
	<u>140,500</u>	<u>495,736</u>	<u>636,236</u>
Total			
Receivables due in less than one year	\$ 140,500	\$ 410,000	\$ 550,500
Receivables due in one to five years	-	95,000	95,000
Receivables due in more than five years	-	-	-
	<u>140,500</u>	<u>505,000</u>	<u>645,500</u>
Discount on pledges	-	(9,264)	(9,264)
	<u>140,500</u>	<u>495,736</u>	<u>636,236</u>
Total			

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2015, approximately 24% of the Organization's contributions were received from two donors. At June 30, 2015, \$275,000 was receivable from these donors.

From the Top, Inc.

Notes to Financial Statements  
June 30, 2015

**Note 4 - Property and equipment**

Property and equipment at June 30, 2015 consists of the following:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Leasehold improvements	\$ 34,532	\$ (32,638)	\$ 1,894
Production equipment	106,208	(98,504)	7,704
Office and computer equipment	<u>218,684</u>	<u>(170,482)</u>	<u>48,202</u>
	<u>\$ 359,424</u>	<u>\$ (301,624)</u>	<u>\$ 57,800</u>

At June 30, 2015, property and equipment with an original cost of \$202,758 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, 2015:

Scholarship and recruitment	\$ 537,207
Operations	835,736
Education	95,000
Radio	90,000
Event	25,000
Board development	<u>8,588</u>
	<u>\$ 1,591,531</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, 2015 as follows:

Scholarship and recruitment	\$ 509,210
Operations	325,000
Radio	193,250
Education	130,250
Office rent	60,645
Corporate soiree	20,000
Board development	<u>7,698</u>
	<u>\$ 1,246,053</u>

**From the Top, Inc.**

**Notes to Financial Statements  
June 30, 2015**

**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, 2015 are as follows:

	Expenses			
	Program services	General and administrative	Fundraising	Total
Professional fees	\$ 115,720	\$ 48,203	\$ 12,500	\$ 176,423
Event expenses	12,010	-	2,120	14,130
Rent	38,453	10,738	11,454	60,645
 Total	<u>\$ 166,183</u>	<u>\$ 58,941</u>	<u>\$ 26,074</u>	<u>\$ 251,198</u>
				Revenue contributions
Professional fees				\$ 176,423
Event expenses				14,130
Rent				3,032
 Total				<u>\$ 193,585</u>

**Note 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 \$135,000 have been recognized as income during the year ended June 30, 2015 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 eight additional agreements, with the latest grant awarded in April 2015, totaling \$525,000, for the period June 1, 2015 through May 31, 2016. Grants awarded have ranged in value from \$500,000 to \$585,000.

**From the Top, Inc.**

**Notes to Financial Statements  
June 30, 2015**

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, 2015 is as follows:

Grant amounts	\$ 5,756,755
Cumulative expenditures incurred	
Scholarships	(2,170,819)
Program and administrative costs	<u>(3,048,729)</u>
Grant funds remaining	<u><u>\$ 537,207</u></u>

Grant funds held by award year as of June 30, 2015 is as follows:

Grant period ending	
Tuesday, May 31, 2016	\$ 508,026
Sunday, May 31, 2015	28,646
Prior	<u>535</u>
Grant funds remaining	<u><u>\$ 537,207</u></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 2,100 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, 2015, the Organization was awarded \$95,000 in support of this program from two grantors to be used during fiscal year 2016. A summary of cumulative activity for this program during the year ended June 30, 2015 is as follows:

Grant awards as of June 30, 2015	\$ 105,000
Current year grants awarded	95,000
Current year expenditures	<u>(105,000)</u>
Grant awards remaining at June 30, 2016	<u><u>\$ 95,000</u></u>

**Note 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 From the Top for an initial three year term commencing on January 1, 2009. The agreement has been amended six times, with the most recent amendment effective December 31, 2014. The contract year under the agreement is from January 1<sup>st</sup> through December 31<sup>st</sup>. The agreement has also granted NPR with the right of first refusal to acquire broadcast rights for new programs for future periods. Currently, the

## From the Top, Inc.

### Notes to Financial Statements June 30, 2015

agreement provides NPR with the right of first refusal to acquire the broadcast rights for calendar 2016.

The provisions of the agreement, as amended, provide for NPR to pay carriage fees as determined in accordance with the contract, which currently provides for the fees to be based on the actual amounts received by NPR. For calendar 2014 and calendar 2015, the Organization is entitled to 100% and 97% of the carriage fees received by NPR. The agreement currently provides for the Organization to receive 75% of the projected carriage fees in January of each contract year with final reconciliation of the amount earned to be completed by NPR upon the close of each contract year.

Amounts totaling \$335,022 and \$82,068 have been recognized as revenue and deferred revenue, respectively, for the year ended June 30, 2015.

#### **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, 2015, royalties of \$2,655 were earned and are included in educational fees in the Statement of Activities.

#### **Note 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.

As of December 1, 2015, the Organization has not executed a new lease and is currently on the terms of a month-to-month basis with the current landlord.

Rental expense for 2015 was \$104,976, including releases of temporarily restricted income of \$60,645.

#### **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, 2015.

**From the Top, Inc.**

**Notes to Financial Statements  
June 30, 2015**

For the year ended June 30, 2015, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 522,581
Stock donation	39,920
Purchase of investments	-
Sale of investments	(38,852)
Investment income (expense)	
Dividend and interest, net of fees of \$215	(106)
Realized/unrealized gain (loss)	(1,068)
	<hr/>
Investments, end of year	<u>\$ 522,475</u>

**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:

- Level 1*      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;
  
- Level 2*      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
  
- Level 3*      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, 2015.

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

**From the Top, Inc.**

**Notes to Financial Statements  
June 30, 2015**

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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 522,475	\$ -	\$ -	\$ 522,475
Total assets at fair value	<u>\$ 522,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,475</u>

**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 January 31, 2016. 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, 2015.

**Note 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, 2015, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$505,463 for this purpose. The Organization has segregated these funds, which are included in long-term investments, into a money market account.

There was no activity during the fiscal year ended June 30, 2015.

**Note 16 - Supplementary cash flow information**

Schedule of noncash investing and financing activities:

Costs incurred for purchase of property and equipment during the year	\$ 7,946
Amounts included in accounts payable at year end	<u>(1,258)</u>
Payments for property and equipment	<u>\$ 6,688</u>

## **Supplementary Information**

**From the Top, Inc.**

**Schedule of Functional Expenses - Program Services  
June 30, 2015**

	Program Services					Total
	Content and Production	Education and Community Outreach	Marketing and Communications	Admissions and Alumni Relations	Scholarship and Recruitment	
Production costs	\$ 326,631	\$ -	\$ -	\$ -	\$ -	\$ 326,631
Event expenses	12,793	618	2,609	-	875	16,895
Payroll and payroll taxes	509,810	310,198	317,631	57,737	112,108	1,307,484
Fringe benefits	57,590	23,010	27,681	4,129	6,865	119,275
Advertising	-	-	18,866	-	5,323	24,189
Scholarships	-	-	-	-	191,068	191,068
Insurance	9,376	696	711	204	325	11,312
Maintenance and repair	1,677	1,286	1,314	377	601	5,255
Marketing	7,550	9,210	13,012	497	5,221	35,490
Office expenses	50,254	26,714	21,501	1,683	7,337	107,489
Professional fees	61,505	18,582	80,097	611	973	161,768
Rent	21,243	16,287	16,640	4,779	7,613	66,562
Telephone/internet	4,828	2,421	2,541	653	1,040	11,483
Travel, lodging and meals	171,816	52,897	14,799	2,349	17,487	259,348
Depreciation and amortization	7,939	3,792	3,875	1,113	1,771	18,490
<b>Total expenses</b>	<b><u>\$ 1,243,012</u></b>	<b><u>\$ 465,711</u></b>	<b><u>\$ 521,277</u></b>	<b><u>\$ 74,132</u></b>	<b><u>\$ 358,607</u></b>	<b><u>\$ 2,662,739</u></b>

See Independent Auditor's Report.