

From the Top, Inc.

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

June 30, 2019

From the Top, Inc.

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FY19 Program Report

Mission Statement

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

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

About From the Top

From the Top is America's largest platform dedicated to amplifying the artistic voices and talents of extraordinary classically trained young musicians and supporting them in their development as leaders. From its NPR show heard by nearly 500,000 people on more than 200 stations to its music videos enjoyed by millions, From the Top has produced inspiring original content that shines a spotlight on remarkable young people for close to 20 years. From the Top also provides emerging artists the tools and experiences needed to lead a fulfilling career in the arts through performance opportunities in premier concert venues, leadership and community engagement workshops, and scholarships totaling more than \$3 million since 2005.

The 2019 fiscal year was full of exciting transitions as From the Top staff continued to implement the high-quality programming for which the organization is known while also expanding its arts leadership and community engagement programs. The first full From the Top season under Executive Director Gretchen Nielsen was marked by innovation within constraints as she worked to right-size the organization's operating budget while also producing high-quality media programs and enhancing participant experiences.

In FY19, From the Top's operating cost was \$3,244,137. Approximately 80% of its revenue of \$3,184,374 was derived from contributed income and approximately 20% or \$625,901 from earned and other sources. About \$677,500 of its operating expenses were covered by grants received in previous years.

Content and Production

From the Top produces NPR's *From the Top*, the most popular weekly one-hour classical music program on public radio. It also produces the *See the Music* video series and distributes it to an audience of more than 50,000 fans/subscribers. Key accomplishments in FY19 included:

- Recording 16 live episodes of *From the Top* for more than 6,841 audience members in 12 cities and towns across the country;
- Featuring the exceptional talents of more than 150 classically-trained, pre-collegiate soloists and chamber musicians, ages 8 to 18, including 17 alumni, and two outstanding youth orchestras on *From the Top*;
- Piloting a new "guest host" format with some of today's most incredible talents and luminaries, including alums Peter Dugan, piano, and Charles Yang, violin; MacArthur Genius Award-winner and founder of Street Symphony Vijay Gupta; acclaimed actor Lawrence Gilliard Jr.; pianist Orli Shaham; and violinist Leila Josefowicz;
- Collaborating with genre-bending guest artists Charles Yang and Kevin Olusola;
- Partnering with the San Diego Youth Symphony, *Colburn School*, Walnut Hill School for the Arts, and Interlochen Arts academy;
- Broadcasting weekly episodes of *From the Top* on more than 200 public radio stations nationwide—delivering entertainment to more than 500,000 weekly radio listeners and 4,281 podcast listeners;
- Producing *Where Music Lives*, a four-part online video series exploring the lives of four young artists of diverse backgrounds from across the United States; to-date, the series has received more than half a million views.

Education and Community Engagement

From the Top's arts leadership and community engagement programs support and empower young musicians as they pursue their individual artistic paths. A central aspect of musicians' From the Top experience are focused arts leadership workshops and discussions which were expanded and deepened in 2018-2019. Each From the Top engagement begins with a conversation around vulnerability, and the challenges of every-day life as a young musician. Participants then engage in deep conversation around their role as artist citizens, examining the intersections among their passion, talent, skills, and what the world needs. Inspired by these conversations, From the Top young musicians prepare for and then participate in community engagement activities, putting their leadership skills into practice in real time. In FY19, From the Top:

- Provided nearly 89 young musicians with arts leadership training on the tour of NPR's *From the Top*; and

- Presented 13 customized community engagement activities nationwide, led by From the Top performers and reaching more than 1,195 people, predominantly individuals from communities historically underserved by the arts.

The From the Top Alumni Leadership Grant, providing financial resources and mentoring to alumni with independent community engagement projects, completed its second full grant cycle in FY19. The two 2019 Alumni Leadership grantees were:

- 20-year-old **Eunice Lee** will continue a project she began in July 2018, when she organized and directed a 10-hour music marathon in Austin, Texas. This music marathon was a charity event dedicated to supporting the nonprofit Together We Rise, which focused on the reunification of separated foster siblings.
- 19-year-old **Amir Siraj** who will aim to use music to draw attention to the urgent need for environmental preservation in the United States. When designing his service project, Amir noted the power of arts advocacy to raise awareness around neglected issues, and will present two concerts at different National Monuments, with the goal of inspiring the American public to stand up for protected lands.

Admissions and Alumni Relations

The Admissions & Alumni Relations department facilitates the recruitment, application, review, and selection process of musicians for *From the Top* and the *See the Music* video series, while also overseeing alumni relations with nearly 3,000 former From the Top performers. In FY19, live auditions at the National Youth Orchestra (NYO-USA), the Aspen Music Festival, and the Atlantic Music Project were notable for introducing staff to impressive musicians outside of traditional conservatories.

Key accomplishments included:

- Evaluating 573 applications;
- Holding 13 live auditions in locations around the country; and
- Holding 3 alumni focus groups to better understand how From the Top can continue to support its alumni far beyond their FTT experience.

Scholarship and Recruitment

Every year, From the Top and the Jack Kent Cooke Foundation offer significant scholarships to high-achieving young musicians with financial need. Working with a large network of music instructors, administrators, and mentors, the recruitment process for the Jack Kent Cooke Young Artist Award also seeks to identify young musicians from under-served and under-represented populations.

In FY19, From the Top awarded a total of \$200,000 in scholarships in addition to performance appearances on *From the Top* and the opportunity to participate in its arts leadership workshops to 22 students from 17 U.S. states. Additionally, the Cooke foundation awarded From the Top an additional \$50,000 to five Cooke alumni who are continuing their musical achievements and still have unmet financial need.

Award recipients reported the following demographics:

- Race/ethnicity as 1% African American, 18% Asian, 10% Hispanic/Latino, 41% White/Caucasian, 18% multi-racial, 2% other, and 10% unreported;
- A gender breakdown of 36% female and 64% male;
- An average age of 16 years old; and
- An average Adjusted Gross Income (AGI) of \$46,124 per family.

Fundraising Highlights

Inspired by Executive Director Gretchen Nielsen's plan for the future of the organization, an anonymous donor offered a \$500,000 challenge match which was conditional on the organization raising \$500,000 in new or increased campaign gifts and completed by the end of FY20. As of July 2019, the donor was satisfied with the significant progress in securing these matching gifts and agreed to release the restrictions of the challenge match. Additionally, From the Top welcomed Emily Borababy as the Director of Development and External relations, to spearhead fundraising efforts on the team.

Marketing and Communications

FY19 Marketing and Communications efforts focused on supporting marketing and PR for the national tour of *From the Top* as well as building younger online audiences via YouTube, social media, and the From the Top website. From the Top's YouTube following grew to 30,400, its Facebook following to 47,313, and its Instagram following to 2,851. From the Top continues to be successful in reaching a younger audience through YouTube; 65% of its video viewers are ages 34 and under, compared to 10% of its radio audience.

Independent Auditor's Report

To the Board of Directors
From the Top, Inc.

We have audited the accompanying financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2019, 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, 2019, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 2019 on pages 2 to 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, and has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express or provide any assurance on it.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - program services on page 26 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Boston, Massachusetts
January 9, 2020

From the Top, Inc.

Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

<u>Assets</u>				
	2019			
	Without donor restriction	With donor restriction	Total	2018
Current assets				
Cash (Note 2)	\$ 8,793	\$ 619,709	\$ 628,502	\$ 634,233
Investments (Notes 1, 13)	54,178	-	54,178	13,045
Accounts receivable, net (Notes 1, 4)	261,135	323,500	584,635	357,662
Prepaid expenses and deposits	72,665	-	72,665	70,987
Total current assets	396,771	943,209	1,339,980	1,075,927
Property and equipment				
Property and equipment, net (Note 5)	24,565	-	24,565	39,238
Other assets				
Long-term accounts receivable, net (Notes 1, 4)	73,583	26,187	99,770	117,482
Investments (Notes 1, 13)	-	-	-	40,439
	73,583	26,187	99,770	157,921
Total assets	<u>\$ 494,919</u>	<u>\$ 969,396</u>	<u>\$ 1,464,315</u>	<u>\$ 1,273,086</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 941	\$ -	\$ 941	\$ 2,328
Accrued wages payable	25,622	-	25,622	30,532
Accrued expenses	235,159	-	235,159	96,620
Notes payable, current maturities (Note 15)	100,000	-	100,000	-
Deferred revenue	18,750	-	18,750	-
Total current liabilities	380,472	-	380,472	129,480
Total liabilities	380,472	-	380,472	129,480
Net assets				
Net assets without donor restriction	114,447	-	114,447	310,978
Net assets with donor restriction (Note 6)	-	969,396	969,396	832,628
Total net assets	114,447	969,396	1,083,843	1,143,606
Total liabilities and net assets	<u>\$ 494,919</u>	<u>\$ 969,396</u>	<u>\$ 1,464,315</u>	<u>\$ 1,273,086</u>

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019			2018
	Without donor restriction	With donor restriction	Total	
Public support				
Contributions (Notes 1, 9)	\$ 1,083,173	\$ 1,003,060	\$ 2,086,233	\$ 1,797,712
Government support (Notes 1, 9)	108,500	80,750	189,250	188,000
Event revenue	259,820	-	259,820	242,423
In-kind contributions (Notes 1, 7)	23,171	-	23,171	243,307
Total public support	1,474,664	1,083,810	2,558,474	2,471,442
Program services fees				
Carriage fees (Note 10)	325,081	-	325,081	306,133
Road show fees	278,707	-	278,707	212,704
Educational fees (Note 10)	11,590	-	11,590	11,153
Total program service fees	615,378	-	615,378	529,990
Other revenue				
Merchandise sales	86	-	86	106
Other income	10,436	-	10,436	16,497
Total other revenue	10,522	-	10,522	16,603
Net assets released from restrictions (Notes 1, 6)				
Expiration of time restrictions	170,813	(170,813)	-	-
Satisfaction of program restrictions	776,229	(776,229)	-	-
Total net assets released from restrictions	947,042	(947,042)	-	-
Total support and revenue	3,047,606	136,768	3,184,374	3,018,035
Expenses				
Program services	1,895,139	-	1,895,139	2,237,819
General and administrative	609,051	-	609,051	562,846
Fundraising	739,947	-	739,947	686,770
Total expenses	3,244,137	-	3,244,137	3,487,435
Change in net assets	(196,531)	136,768	(59,763)	(469,400)
Net assets, beginning	310,978	832,628	1,143,606	1,613,006
Net assets, ending	\$ 114,447	\$ 969,396	\$ 1,083,843	\$ 1,143,606

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019					
		Supporting services				
	Program services	General and administrative	Fundraising	Total		2018
Production costs	\$ 262,871	\$ -	\$ -	\$ 262,871	\$	306,107
Event expenses	16,643	-	94,468	111,111		90,844
Payroll and payroll taxes	764,517	453,466	367,274	1,585,257		1,759,532
Fringe benefits	73,563	21,939	33,265	128,767		163,523
Advertising	7,270	-	-	7,270		13,261
Scholarships	269,559	-	-	269,559		187,933
Insurance	9,710	5,657	868	16,235		19,193
Maintenance and repair	1,478	3,895	657	6,030		5,571
Marketing	35,187	1,140	25,474	61,801		65,786
Office expenses	106,109	12,800	99,232	218,141		185,818
Professional fees	66,332	28,719	43,907	138,958		286,303
Rent (Note 11)	79,761	34,245	34,245	148,251		150,661
Telephone/internet	8,741	4,591	4,759	18,091		20,564
Travel, lodging and meals	183,355	284	33,483	217,122		199,005
Depreciation	10,043	2,315	2,315	14,673		33,334
Bad debt expense	-	40,000	-	40,000		-
Total expenses	\$ 1,895,139	\$ 609,051	\$ 739,947	\$ 3,244,137	\$	3,487,435

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (59,763)	\$ (469,400)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	14,673	33,334
Bad debt expense	40,000	-
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	-	(787)
Investment income reinvested	(759)	(512)
Amortization of discount	(10,788)	(3,097)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(238,473)	197,941
Prepaid expenses	(1,678)	(1,856)
Increase (decrease) in liabilities		
Accounts payable	(1,387)	(33,501)
Accrued expenses and accrued wages payable	133,629	(8,489)
Deferred revenue	18,750	(96,845)
Net cash provided by (used in) operating activities	(105,796)	(383,212)
Cash flows from investing activities		
Purchases of property and equipment	-	(31,638)
Withdrawals from investments	65	456,825
Net cash provided by (used in) investing activities	65	425,187
Cash flows from financing activities:		
Proceeds from line of credit	100,000	-
Net cash provided by (used in) financing activities	100,000	-
Net increase (decrease) in cash	(5,731)	41,975
Cash, beginning	634,233	592,258
Cash, end	<u>\$ 628,502</u>	<u>\$ 634,233</u>
Schedule of noncash investing and financing activities		
Costs incurred for purchase of fixed assets during the year	\$ -	\$ (31,638)
In-kind donations of property and equipment	-	-
Payments for fixed assets	<u>\$ -</u>	<u>\$ (31,638)</u>

Significant noncash financial and investing activities:

During the year ended June 30, 2018, the Organization disposed of fully depreciated property and equipment in the amount of \$47,192.

See Notes to Financial Statements.

From the Top, Inc.

Notes to Financial Statements June 30, 2019

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 19 years, From the Top has recorded more than 374 radio and television broadcasts before live audiences in 40 states and two international cities, featuring nearly 3,000 young artists. From the Top's radio show is distributed by National Public Radio ("NPR") to more than 200 stations coast to coast and is the most popular weekly classical music program on public radio. From the Top's PBS television series *From the Top at Carnegie Hall* received two Emmy Awards and aired for two seasons. From the Top's *See the Music* program produces and distributes online music videos and behind-the-scenes content via YouTube and social media.

Education and community engagement

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

In Boston, From the Top established a center for developing and training teen musicians to be arts leaders. Between 2011 and 2019, more than 170 teen musicians donated thousands of hours of community service - increasing access to high-quality music and learning opportunities for school children, seniors, and patients in greater Boston.

Admissions and alumni relations

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

Scholarship and recruitment

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$3.25 million in scholarships to 300 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, 2019**

Accounting pronouncements adopted

During 2019, the Organization adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statement of Not-for-Profit Entities ("ASU 2016-14"). The amendments in this update are required to be applied retrospectively to the comparative period presented. The major changes include:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. Unrestricted net asset class has been renamed net assets without donor restrictions.
- Presentation of expense by function and nature in either the statement of activities, a separate statement of function expense, or in the notes along with a disclosure of the methods used to allocate costs (not required to be presented retrospectively).
- Investment return is required to be reported net of external and direct internal investment expenses.
- Disclosure of quantitative and qualitative information about liquidity and availability of resources (not required to be presented retrospectively).
- Modification to the presentation of underwater endowment funds and related disclosures.

The change have the following effect on net assets at June 30, 2018:

	As originally presented	After adoption of ASU 2016-14
Unrestricted net assets	\$ 310,978	\$ -
Temporarily restricted net assets	832,628	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	310,978
Net assets with donor restrictions	-	832,628
	<u>\$ 1,143,606</u>	<u>\$ 1,143,606</u>

From the Top, Inc.

Notes to Financial Statements June 30, 2019

Financial statement presentation

The financial statements are presented on the basis of without donor restricted net assets and with donor 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:

*Without donor
restricted net
assets*

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

*With donor
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 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.

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, 2019.

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, 2019

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 with donor restricted net assets 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, 2019.

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. Staff costs are allocated based on time and effort. Costs associated with occupancy are allocated based upon square footage. Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended June 30, 2019 totaled \$69,071.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

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, 2019. 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, 2019. 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, 2016, 2017 and 2018.

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, 2019 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, 2018 from which the summarized information was derived.

Subsequent events

The Organization has evaluated subsequent events through January 9, 2020, which is the date these financial statements were available to be issued.

Note 2 - Concentration of credit risk

The Organization maintains its cash balance in one account at one bank. The cash balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balance may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balance in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to the cash balance at June 30, 2019.

No cash equivalents were held as of June 30, 2019.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 3 - Liquidity and availability

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end	
Cash	\$ 628,502
Accounts receivable, net	584,635
Investments	<u>54,178</u>
Total financial assets	1,267,315
Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose restrictions	<u>943,209</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 324,106</u></u>

The organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

The Organization has various sources of liquidity at its disposal including cash, investments and a steady revenue stream from public support and program services fees revenue.

Note 4 - Accounts receivable and significant customers

Accounts receivable at June 30, 2019 consists of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pledges			
Contributions	\$ 509,075	\$ 104,000	\$ 613,075
Government support (NEA)	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	569,075	104,000	673,075
Discount on pledges	<u>-</u>	<u>(4,230)</u>	<u>(4,230)</u>
Subtotal	<u>569,075</u>	<u>99,770</u>	<u>668,845</u>
Other	<u>15,560</u>	<u>-</u>	<u>15,560</u>
Subtotal	<u>15,560</u>	<u>-</u>	<u>15,560</u>
Total	<u><u>\$ 584,635</u></u>	<u><u>\$ 99,770</u></u>	<u><u>\$ 684,405</u></u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

The Organization had pledges receivable representing the following at June 30, 2019:

	Without donor restriction	With donor restriction	Total
Contributions	\$ 321,575	\$ 291,500	\$ 613,075
Government support	-	60,000	60,000
	321,575	351,500	673,075
Discount on pledges	(2,417)	(1,813)	(4,230)
Total	<u>\$ 319,158</u>	<u>\$ 349,687</u>	<u>\$ 668,845</u>
Receivables due in less than one year	\$ 244,575	\$ 324,500	\$ 569,075
Receivables due in one to five years	77,000	27,000	104,000
Receivables due in more than five years	-	-	-
	321,575	351,500	673,075
Discount on pledges	(2,417)	(1,813)	(4,230)
Total	<u>\$ 319,158</u>	<u>\$ 349,687</u>	<u>\$ 668,845</u>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2019, approximately 18% of the Organization's revenue was received from one donor. At June 30, 2019, there were no receivables outstanding from this donor.

Note 5 - Property and equipment

Property and equipment at June 30, 2019 consists of the following:

	Cost	Accumulated depreciation	Net book value
Leasehold improvements	\$ 22,827	\$ (6,965)	\$ 15,862
Production equipment	116,538	(108,606)	7,932
Office and computer equipment	184,395	(183,624)	771
Software	40,330	(40,330)	-
	<u>\$ 364,090</u>	<u>\$ (339,525)</u>	<u>\$ 24,565</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 6 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Scholarship and recruitment	\$ 552,544
Operations	263,187
Education	113,665
Radio	40,000
	<u>969,396</u>
	<u>\$ 969,396</u>

Net assets with donor restrictions 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, 2019 as follows:

Scholarship and recruitment	\$ 568,389
Operations	170,813
Radio	85,500
Education	122,340
	<u>947,042</u>
	<u>\$ 947,042</u>

Note 7 - 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, 2019 are as follows:

	Expenses			
	Program services	General and administrative	Fundraising	Total
Professional fees	\$ 3,000	\$ 7,771	\$ -	\$ 10,771
Event expenses	12,400	-	-	12,400
Total	<u>\$ 15,400</u>	<u>\$ 7,771</u>	<u>\$ -</u>	<u>\$ 23,171</u>
Revenue contributions				
Professional fees	\$ 10,771			
Event expenses	12,400			
Total	<u>\$ 23,171</u>			

Note 8 - Contingencies

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts ("NEA"). This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under the Uniform Guidance. Federal grants totaling \$60,000 have been recognized as income during the year ended June 30, 2019, all of which are receivable at year end from NEA.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

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.

In fiscal year 2020, the Organization received a conditional grant from an anonymous donor in support of the Organization's capital campaign. This grant is contingent upon the Organization raising matching funds. In July 2019, the Organization met the donor's requirements for the match and funds in the amount of \$500,672 were transferred from the donor to the Organization. The entire grant was earned and recognized as revenue in fiscal year 2020.

Note 9 - 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 additional agreements, with the latest grant awarded in May 2019, totaling \$515,000, for the period June 1, 2019 through May 31, 2020. The annual grants awarded have ranged in value from \$500,000 to \$585,000.

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

A summary of cumulative activity from inception in 2005 through June 30, 2019 is as follows:

Grant amounts	\$ 7,866,755
Cumulative expenditures incurred	
Scholarships	(3,004,229)
Program and administrative costs	<u>(4,309,982)</u>
Grant funds remaining	<u><u>\$ 552,544</u></u>

Grant funds held by award year as of June 30, 2019 is as follows:

Grant period ending	
May 31, 2019	\$ 45,680
May 31, 2020	<u>506,864</u>
Grant funds remaining	<u><u>\$ 552,544</u></u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

Education and community outreach programs

Arts leadership program

The Organization conducts school and community performances and presentations in up to 18 communities across the country, leveraging the power of young performers ages 8 to 18 as role models for approximately 2,000 - 3,000 students each year. These range from one-day events, to extended partnerships and residencies. In addition, all From the Top performers participate in arts leadership workshops, which allow them to explore the power of music to inspire and create change and to help them develop their own interests and leadership projects once they return home. During the year ended June 30, 2019, the Organization was awarded \$140,000 in support of this program from two grantors of which \$90,000 and \$50,000 are to be used during fiscal year 2019 and 2020, respectively. A summary of cumulative activity for this program during the year ended June 30, 2019 is as follows:

Grant awards as of June 30, 2018	\$ 40,000
Current year grants awarded	140,000
Current year expenditures	<u>(90,000)</u>
Grant awards remaining at June 30, 2019	<u><u>\$ 90,000</u></u>

Note 10 - Contractual agreements

NPR Agreement

The Organization entered into a distribution agreement with National Public Radio ("NPR") to distribute the radio shows produced by From the Top commencing on January 1, 2009. The Organization and NPR executed a new distribution agreement which was effective January 1, 2016 and through September 30, 2017. The program year under the agreement is from October 1st through September 30th. On October 3, 2017, an amendment to the new agreement was signed and executed for the period October 1, 2017 through September 30, 2018, with the option to auto renew annually for 3 consecutive years, through September 2021. The agreement also granted NPR with the right of first refusal to acquire broadcast rights for new programs for future periods. Currently, the agreement provides NPR with the right of first refusal to acquire the broadcast rights for subsequent to the expiration of the current agreement.

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

Amounts totaling \$325,081 have been recognized as revenue for the year ended June 30, 2019. This contract has auto renewed through September 2020.

Other

The Organization entered into an agreement, which was effective on January 4, 2008, to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books and online. During the year ended June 30, 2019, royalties of \$11,590 were earned and are included in educational fees in the statement of activities.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 11 - Leasing arrangements

In October 2017, the Organization entered into a lease agreement for office space for a period of five years and three months commencing on December 1, 2017 and ending February 28, 2023. Commencing December 1, 2017, base rent of \$144,000 will increase annually pursuant to the terms in the lease agreement. Monthly rent through June 30, 2019 was \$12,375. The lease agreement also provides for payment of operating expenses and real estate taxes as a component of the Organization's rent. The Organization has one, five-year option to renew the lease.

Rent expense for the year ended June 30, 2019 amounted to \$148,251.

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

2020	\$	150,000
2021		154,500
2022		159,000
2023		108,000
		<hr/>
	\$	571,500
		<hr/>

On August 22, 2019, the Organization entered into a sublease with an unrelated third party to sublease a portion of their office space. The sublease is through the lease commencement date of September 1, 2019 through February 28, 2023, the same date as the Organization's lease end date. Monthly rental income under the sublease agreement is \$4,167.

Note 12 - 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 13 - 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, 2019.

For the year ended June 30, 2019, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$	53,484
Investment income (expense)		
Dividend and interest, net of fees of \$245		<hr/>
		694
Investments, end of year	\$	<hr/>
		54,178

From the Top, Inc.

Notes to Financial Statements
June 30, 2019

Note 14 - 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, without donor restricted 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, 2019.

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 54,178	\$ -	\$ -	\$ 54,178
Total assets at fair value	<u>\$ 54,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,178</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 15 - Note payable

Line of credit

The Organization entered into a revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is subject to review by the financial institution annually and is currently due for review on February 28, 2020. 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. In May 2019, the Organization borrowed \$100,000 on the line of credit which remains outstanding as of June 30, 2019 and is included in note payable, current maturities on the accompanying statement of financial position. The balance was repaid in full in August 2019.

Note 16- Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Organization through January 9, 2020 (the date the financial statements were available to be issued) and has concluded that, except as disclosed in Notes 8 and 11 to the financial statements, no subsequent events have occurred that would require recognition in the financial statements.

Supplementary Information

From the Top, Inc.

**Schedule of Functional Expenses - Program Services
Year Ended June 30, 2019**

	Program Services						
	Radio production	Video production	Education and community engagement	Marketing and communications	Admissions and alumni relations	Scholarship and recruitment	Total
Production costs	\$ 262,651	\$ 220	\$ -	\$ -	\$ -	\$ -	\$ 262,871
Event expenses	14,190	-	355	1,672	-	426	16,643
Payroll and payroll taxes	350,908	29,807	89,298	165,898	26,528	102,078	764,517
Fringe benefits	37,879	14	5,381	20,011	1,676	8,602	73,563
Advertising	-	-	-	5,492	-	1,778	7,270
Scholarships	-	-	9,090	-	-	260,469	269,559
Insurance	8,697	-	-	488	198	327	9,710
Maintenance and repair	710	-	-	370	150	248	1,478
Marketing	15,838	2,395	5,818	8,209	475	2,452	35,187
Office expenses	37,477	3,374	16,342	38,546	1,147	9,223	106,109
Professional fees	14,711	31,328	2,495	12,704	1,920	3,174	66,332
Rent	39,782	-	-	19,273	7,805	12,901	79,761
Telephone/internet	4,389	12	95	2,478	666	1,101	8,741
Travel, lodging and meals	133,572	15,751	7,611	3,157	-	23,264	183,355
Depreciation and amortization	7,340	-	-	1,303	528	872	10,043
Total expenses	<u>\$ 928,144</u>	<u>\$ 82,901</u>	<u>\$ 136,485</u>	<u>\$ 279,601</u>	<u>\$ 41,093</u>	<u>\$ 426,915</u>	<u>\$ 1,895,139</u>

See Independent Auditor's Report.



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