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**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)**



**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended December 31, 2022 and 2021**



**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Save The Music Foundation  
(d/b/a MTV Save The Music Foundation  
and VH1 Save The Music Foundation)  
New York, NY

### **Opinion**

We have audited the financial statements of Save The Music Foundation (d/b/a MTV Save the Music Foundation and VH1 Save the Music Foundation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report on 2021 Financial Statements**

The financial statements of Save the Music Foundation (d/b/a MTV Save the Music Foundation and VH1 Save the Music Foundation) as of and for the year ended December 31, 2021, were audited by another auditor whose report dated May 2, 2022, expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Mayer Hoffman McCann CPAs**

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## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mayer Roffman McCann CPAs*

New York, NY  
May 23, 2023

**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021**

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and cash equivalents (Notes 2B, 3 and 10A)                  | \$ 5,277,966        | \$ 4,358,041        |
| Contributions and grants receivable, net (Notes 2H, 2I, 3 and 4) | 928,450             | 723,170             |
| Accounts receivable and other assets (Notes 2J and 3)            | 128,508             | 58,140              |
| Inventories, net (Note 2F)                                       | 34,115              | 17,311              |
| <b>TOTAL ASSETS</b>  | <b>\$ 6,369,039</b> | <b>\$ 5,156,662</b> |
| <b>LIABILITIES</b>   |                     |                     |
| Accounts payable and accrued expenses                            | \$ 1,225,905        | \$ 337,671          |
| Deferred revenue (Note 2K)                                       | -                   | 50,317              |
| Due to MTV Networks (Note 8)                                     | 139,836             | -                   |
| <b>TOTAL LIABILITIES</b>   | <b>1,365,741</b>    | <b>387,988</b>      |
| <b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>                    |                     |                     |
| <b>NET ASSETS (Note 2C)</b>                                      |                     |                     |
| Without donor restrictions                                       | 4,218,298           | 3,805,038           |
| With donor restrictions (Notes 3 and 6)                          | 785,000             | 963,636             |
| <b>TOTAL NET ASSETS</b>  | <b>5,003,298</b>    | <b>4,768,674</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                          | <b>\$ 6,369,039</b> | <b>\$ 5,156,662</b> |

**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|  | Year Ended December 31, 2022  |                            |                     | Year Ended December 31, 2021  |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>2022       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>2021       |
| <b>PUBLIC SUPPORT AND REVENUE:</b>                     |                               |                            |                     |                               |                            |                     |
| Public Support:  |                               |                            |                     |                               |                            |                     |
| Special events revenue                                 | \$ 551,607                    | \$ -                       | \$ 551,607          | \$ 487,567                    | \$ -                       | \$ 487,567          |
| Less: cost of direct benefit to donor (Note 2L)        | <u>(73,606)</u>               | <u>-</u>                   | <u>(73,606)</u>     | <u>(42,543)</u>               | <u>-</u>                   | <u>(42,543)</u>     |
| Special events, net                                    | 478,001                       | -                          | 478,001             | 445,024                       | -                          | 445,024             |
| Contributions of cash and other financial assets:      |                               |                            |                     |                               |                            |                     |
| Contributions and grants (Notes 2H, 9C and 10B)        | 4,377,903                     | 785,000                    | 5,162,903           | 4,975,309                     | 813,636                    | 5,788,945           |
| Contributions of nonfinancial assets:                  |                               |                            |                     |                               |                            |                     |
| Donated goods and services from fundraising (Note 2M)  | 46,581                        | -                          | 46,581              | 61,699                        | -                          | 61,699              |
| Donated musical instruments (Note 2M)                  | 145,091                       | -                          | 145,091             | 65,640                        | -                          | 65,640              |
| Donated goods and services (Notes 2M, 8 and 10C)       | <u>3,010,927</u>              | <u>-</u>                   | <u>3,010,927</u>    | <u>2,520,917</u>              | <u>-</u>                   | <u>2,520,917</u>    |
| Total Public Support                                   | <u>8,058,503</u>              | <u>785,000</u>             | <u>8,843,503</u>    | <u>8,068,589</u>              | <u>813,636</u>             | <u>8,882,225</u>    |
| Revenue:   |                               |                            |                     |                               |                            |                     |
| Royalties (Note 2N)                                    | 4,099                         | -                          | 4,099               | 2,651                         | -                          | 2,651               |
| Net assets released from restrictions (Notes 2C and 6) | <u>963,636</u>                | <u>(963,636)</u>           | <u>-</u>            | <u>901,600</u>                | <u>(901,600)</u>           | <u>-</u>            |
| Total Revenue  | <u>967,735</u>                | <u>(963,636)</u>           | <u>4,099</u>        | <u>904,251</u>                | <u>(901,600)</u>           | <u>2,651</u>        |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b>                | <u>9,026,238</u>              | <u>(178,636)</u>           | <u>8,847,602</u>    | <u>8,972,840</u>              | <u>(87,964)</u>            | <u>8,884,876</u>    |
| <b>EXPENSES (Note 2G):</b>                             |                               |                            |                     |                               |                            |                     |
| Program services:                                      |                               |                            |                     |                               |                            |                     |
| Musical education restoration (Note 2O)                | <u>6,786,831</u>              | <u>-</u>                   | <u>6,786,831</u>    | <u>4,444,708</u>              | <u>-</u>                   | <u>4,444,708</u>    |
| Supporting services:                                   |                               |                            |                     |                               |                            |                     |
| Management and general                                 | 327,227                       | -                          | 327,227             | 332,248                       | -                          | 332,248             |
| Fundraising  | <u>1,498,920</u>              | <u>-</u>                   | <u>1,498,920</u>    | <u>1,085,004</u>              | <u>-</u>                   | <u>1,085,004</u>    |
| Total supporting services                              | <u>1,826,147</u>              | <u>-</u>                   | <u>1,826,147</u>    | <u>1,417,252</u>              | <u>-</u>                   | <u>1,417,252</u>    |
| <b>TOTAL EXPENSES</b>                                  | <u>8,612,978</u>              | <u>-</u>                   | <u>8,612,978</u>    | <u>5,861,960</u>              | <u>-</u>                   | <u>5,861,960</u>    |
| <b>CHANGE IN NET ASSETS</b>                            | 413,260                       | (178,636)                  | 234,624             | 3,110,880                     | (87,964)                   | 3,022,916           |
| Net assets - beginning of year                         | <u>3,805,038</u>              | <u>963,636</u>             | <u>4,768,674</u>    | <u>694,158</u>                | <u>1,051,600</u>           | <u>1,745,758</u>    |
| <b>NET ASSETS - END OF YEAR</b>                        | <u>\$ 4,218,298</u>           | <u>\$ 785,000</u>          | <u>\$ 5,003,298</u> | <u>\$ 3,805,038</u>           | <u>\$ 963,636</u>          | <u>\$ 4,768,674</u> |

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

**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|  | Year Ended December 31, 2022 |                           |                     |                              |                     | Year Ended December 31, 2021 |                           |                     |                              |                     |
|--|------------------------------|---------------------------|---------------------|------------------------------|---------------------|------------------------------|---------------------------|---------------------|------------------------------|---------------------|
|  | Program<br>Services          | Supporting Services       |                     |                              | Total<br>2022       | Program<br>Services          | Supporting Services       |                     |                              | Total<br>2021       |
|  |                              | Management<br>and General | Fundraising         | Total Supporting<br>Services |                     |                              | Management<br>and General | Fundraising         | Total Supporting<br>Services |                     |
| Salaries and Related Costs:  |                              |                           |                     |                              |                     |                              |                           |                     |                              |                     |
| Salaries   | \$ 612,227                   | \$ 10,300                 | \$ 642,751          | \$ 653,051                   | \$ 1,265,278        | \$ 413,809                   | \$ 11,517                 | \$ 500,421          | \$ 511,938                   | \$ 925,747          |
| Benefits and related payroll expenses                              | 151,181                      | 2,077                     | 153,107             | 155,184                      | 306,365             | 104,689                      | 2,758                     | 126,821             | 129,579                      | 234,268             |
| <b>Total Salaries and Related Costs</b> (Notes 7 and 8)            | 763,408                      | 12,377                    | 795,858             | 808,235                      | 1,571,643           | 518,498                      | 14,275                    | 627,242             | 641,517                      | 1,160,015           |
| Musical instrument grants (Notes 2M and 2O)                        | 4,970,939                    | -                         | -                   | -                            | 4,970,939           | 3,388,283                    | -                         | -                   | -                            | 3,388,283           |
| Donated professional services and office expenses (Notes 2M and 8) | 281,430                      | 153,760                   | 165,519             | 319,279                      | 600,709             | 193,261                      | 144,218                   | 290,010             | 434,228                      | 627,489             |
| Professional services  | 241,539                      | 148,974                   | 346,527             | 495,501                      | 737,040             | 26,085                       | 131,812                   | 40,571              | 172,383                      | 198,468             |
| Travel and meetings  | -                            | 8,524                     | 567                 | 9,091                        | 9,091               | -                            | -                         | -                   | -                            | -                   |
| Office expenses  | 30,563                       | 1,592                     | 21,013              | 22,605                       | 53,168              | -                            | -                         | -                   | -                            | -                   |
| Special events production costs and related expenses               | -                            | -                         | 144,232             | 144,232                      | 144,232             | -                            | -                         | 134,079             | 134,079                      | 134,079             |
| Website expense  | 31,479                       | -                         | 37,600              | 37,600                       | 69,079              | 23,497                       | -                         | 18,218              | 18,218                       | 41,715              |
| Marketing and promotion  | -                            | -                         | 39,600              | 39,600                       | 39,600              | -                            | -                         | 14,515              | 14,515                       | 14,515              |
| Professional development, delivery and advocacy events             | 467,473                      | -                         | -                   | -                            | 467,473             | 292,376                      | -                         | -                   | -                            | 292,376             |
| Bad debt expense (Note 2I)   | -                            | 2,000                     | -                   | 2,000                        | 2,000               | -                            | 41,943                    | -                   | 41,943                       | 41,943              |
| Depreciation (Notes 2D and 5)                                      | -                            | -                         | -                   | -                            | -                   | 2,708                        | -                         | 2,709               | 2,709                        | 5,417               |
| Miscellaneous  | -                            | -                         | 21,610              | 21,610                       | 21,610              | -                            | -                         | 203                 | 203                          | 203                 |
| Subtotal   | 6,786,831                    | 327,227                   | 1,572,526           | 1,899,753                    | 8,686,584           | 4,444,708                    | 332,248                   | 1,127,547           | 1,459,795                    | 5,904,503           |
| Less: cost of direct benefit to donors (Note 2L)                   | -                            | -                         | (73,606)            | (73,606)                     | (73,606)            | -                            | -                         | (42,543)            | (42,543)                     | (42,543)            |
| <b>TOTAL EXPENSES</b>  | <b>\$ 6,786,831</b>          | <b>\$ 327,227</b>         | <b>\$ 1,498,920</b> | <b>\$ 1,826,147</b>          | <b>\$ 8,612,978</b> | <b>\$ 4,444,708</b>          | <b>\$ 332,248</b>         | <b>\$ 1,085,004</b> | <b>\$ 1,417,252</b>          | <b>\$ 5,861,960</b> |

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

**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Change in net assets   | \$ 234,624          | \$ 3,022,916        |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |                     |                     |
| Net change in the allowance for doubtful contributions and grants receivable                   | -                   | (27,124)            |
| Bad debt   | 2,000               | 41,943              |
| Net change in the allowance for obsolescence of inventory                                      | (500)               | 900                 |
| Depreciation   | -                   | 5,417               |
| Subtotal   | 236,124             | 3,044,052           |
| Changes in operating assets and liabilities:   |                     |                     |
| (Increase) or decrease in assets:  |                     |                     |
| Contributions and grants receivable  | (207,280)           | (38,892)            |
| Accounts receivable and other assets   | (70,368)            | 6,061               |
| Inventories  | (16,304)            | (8,817)             |
| Increase or (decrease) in liabilities:   |                     |                     |
| Accounts payable and accrued expenses  | 888,234             | 180,730             |
| Deferred revenue   | (50,317)            | 50,317              |
| Due to MTV Networks  | 139,836             | -                   |
| <b>Net Cash Provided by Operating Activities</b>   | <b>919,925</b>      | <b>3,233,451</b>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>919,925</b>      | <b>3,233,451</b>    |
| Cash and cash equivalents - beginning of year  | 4,358,041           | 1,124,590           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <b>\$ 5,277,966</b> | <b>\$ 4,358,041</b> |



**SAVE THE MUSIC FOUNDATION  
(D/B/A MTV SAVE THE MUSIC FOUNDATION  
AND VH1 SAVE THE MUSIC FOUNDATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Save the Music Foundation (d/b/a MTV Save The Music Foundation and VH1 Save The Music Foundation) (the “Foundation”) is a nonprofit organization dedicated to improving the quality of education in US and UK public schools by restoring and supporting instrumental music education programs, and by raising public awareness about the importance of music participation and the positive impact it has on young people. The Foundation’s mission is to help kids, schools, and communities realize their potential through the power of music. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. The Foundation’s financial statements have been prepared on the accrual basis of accounting. The Foundation adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.
- C. The Foundation maintains its net assets under the following two classes:
- Without donor restrictions – represents resources available for support of the Foundation’s operations over which the Board of Directors (the “Board”) has discretionary control.
  - With donor restrictions – resulting from contributions and other inflows of assets subject to donor-imposed stipulations that either can be fulfilled and removed by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. When such stipulations are fulfilled or time restrictions expire, such net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions that have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions. See Note 6 for more information on the composition of net assets with donor restrictions and the release of restrictions.
- D. Equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Contributed fixed assets are stated at fair value at the date of gift. The Foundation has established a \$1,000 threshold above which assets are capitalized. Purchases below \$1,000 are expensed at the time of acquisition. Equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. As of December 31, 2022 and 2021, the Foundation’s equipment, which is still in use, has been fully depreciated.
- E. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- F. The Foundation has inventories of certain donated and purchased musical instruments which will be granted to educational institutions in accordance with the Foundation’s mission. The Foundation also has inventories of donated items for sale such as concert tickets, memorabilia and collectibles. Inventories are recorded at cost at the time of purchase or the fair value at date of donation. As of December 31, 2022 and 2021, the Foundation had an inventory obsolescence provision of \$1,000 and \$1,500, respectively.

**SAVE THE MUSIC FOUNDATION  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. The following program and supporting services are included in the accompanying financial statements:
- Program*** – Includes musical instrument grants, professional development and local collective impact convenings, research studies on the impact of increased music education access, and public education and advocacy programs to explain the importance and value of music education.
- Management and general*** – Provides coordination and articulation of the Foundation’s program strategy through the Office of the Executive Director; secure proper administrative functioning of the Board of Directors; maintains competent legal services for the proper administration of the Foundation; maintains an adequate working environment and manages the financial responsibilities of the Foundation.
- Fundraising*** – Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.
- The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Some expenses are allocated based on direct identification. Other expenses require allocation among the programs and supporting services benefits on a reasonable basis that is consistently applied. Salaries and wages, benefits, payroll taxes, office expenses, website, and other expenses are allocated on the basis of estimates of time and effort.
- H. Unconditional contributions receivable are recognized as contribution revenue and contributions receivable during the period in which they are promised. Conditional contributions are recognized only when the stipulated conditions on which they depend are substantially met and the contributions become unconditional.
- The Foundation’s grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Contributions and grants amounted to \$5,162,903 and \$5,788,945 for the years ended December 31, 2022 and 2021, respectively, and are included in the statements of activities.
- I. The Foundation’s management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors including an assessment of the creditworthiness of its donors, aging of the amounts due and historical experience. As of both December 31, 2022 and 2021, the Foundation determined that an allowance for uncollectable contributions and grants was necessary in the amount of \$5,304. For the years ended December 31, 2022 and 2021, the Foundation wrote off \$2,000 and \$41,943, respectively, of prior year’s contributions and grants receivable which were deemed uncollectible.
- J. The Foundation’s management evaluates the need for an allowance for doubtful accounts applicable to its accounts receivable based on various factors including an assessment of the creditworthiness of its vendors, aging of the amounts due and historical experience. As of December 31, 2022 and 2021, no allowance was considered necessary for accounts receivable.
- K. The Foundation receives cash in advance of a special event that is held after the statements of financial position date. It is the Foundation’s policy to refund money paid for an event if it is cancelled or postponed based on the donor’s request.
- L. The direct costs of special events include costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

**SAVE THE MUSIC FOUNDATION  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. The Foundation reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills and represents services that would have been purchased had they not been donated.

For the years ended December 31, 2022 and 2021, the Foundation recorded the fair value of noncash contributions amounting to \$3,202,599 and \$2,648,256, respectively. Such amounts are included as donated goods and services from fundraising, donated musical instruments, and donated goods and services in the accompanying statements of activities and musical instrument grants and donated professional services and office expenses in the accompanying statements of functional expenses.

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2022:

| <b><u>Nonfinancial Asset</u></b>         | <b><u>Amount</u></b> | <b><u>Usage in Programs/Activities</u></b> | <b><u>Donor-imposed Restrictions</u></b> | <b><u>Fair Value Techniques</u></b>                                  |
|--|----------------------|--|--|--|
| Donated goods and services - fundraising | \$ 46,581            | Fundraising                                | No associated donor restriction          | Based on selling price net of auction fees                           |
| Donated musical instruments              | 145,091              | Musical education restoration              | No associated donor restriction          | Based on estimated fair market value of those items or similar items |
| Donated goods and services               | 3,010,927            | Musical education restoration              | No associated donor restriction          | Based on estimated fair market value for similar goods and services  |
| Total                                    | <u>\$ 3,202,599</u>  |  |  |  |

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2021:

| <b><u>Nonfinancial Asset</u></b>       | <b><u>Amount</u></b> | <b><u>Usage in Programs/Activities</u></b> | <b><u>Donor-imposed Restrictions</u></b> | <b><u>Fair Value Techniques</u></b>                                     |
|--|----------------------|--|--|---|
| Donated goods and services-fundraising | \$ 61,699            | Fundraising                                | No associated donor restriction          | Based on selling price net of auction fees                              |
| Donated musical instruments            | 65,640               | Musical education restoration              | No associated donor restriction          | Based on estimated fair market value of those items or similar items    |
| Donated goods and services             | 2,520,917            | Musical education restoration              | No associated donor restriction          | Based on estimated fair market value for similar materials and services |
| Total                                  | <u>\$ 2,648,256</u>  |  |  |   |

N. The Foundation receives nonrefundable royalty payments for its licensing agreements pertaining to music CDs and temporary tattoos. Royalty income is recorded when initial nonrefundable royalty payments are received and when subsequent royalties are earned.

O. The Foundation distributes musical instruments to various public schools around the United States for their music programs. Grant expense is recorded at the date of the unconditional promise to give and is recorded at an amount equal to the fair value of musical instruments originally donated to the Foundation.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- P. Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosures by *Not-For-Profit Entities for Contributed Nonfinancial Assets* (“*Gifts-in-Kind*”) was adopted by the Foundation for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for nonprofits. The amendments did not change existing recognition and measurement requirements for those assets. The adoption of ASU 2020-07 did not result in changes to the Foundation’s financial statements except for disclosures (See Note 2M).
- Q. Certain line items in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following financial assets could readily be made available immediately from the statements of financial position date to meet general expenditures as of December 31:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents                | \$ 5,277,966        | \$ 4,358,041        |
| Contributions and grants receivable, net | 928,450             | 723,170             |
| Accounts receivable and other assets     | <u>128,508</u>      | <u>58,140</u>       |
| Total financial assets                   | 6,334,924           | 5,139,351           |
| Less: Other assets                       | (34,228)            | (25,844)            |
| Net assets with donor restrictions       | <u>(785,000)</u>    | <u>(963,636)</u>    |
|  | <u>\$ 5,515,696</u> | <u>\$ 4,149,871</u> |

**NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable consist of the following as of December 31:

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| Amounts due in less than one year              | \$ 773,754        | \$ 627,224        |
| Amounts due in one to five years               | <u>160,000</u>    | <u>101,250</u>    |
| Total  | 933,754           | 728,474           |
| Less: Reserve for uncollectible pledges        | (5,304)           | (5,304)           |
| Total contributions and grants receivable, net | <u>\$ 928,450</u> | <u>\$ 723,170</u> |

**NOTE 5 – EQUIPMENT**

Equipment consists of the following as of December 31:

|                                | <u>2022</u>     | <u>2021</u>     | Estimated<br>Useful Life |
|--------------------------------|-----------------|-----------------|--------------------------|
| Computer software              | \$ 65,000       | \$ 65,000       | 3 years                  |
| Total costs                    | 65,000          | 65,000          |                          |
| Less: accumulated depreciation | <u>(65,000)</u> | <u>(65,000)</u> |                          |
| Net book value                 | <u>\$ -</u>     | <u>\$ -</u>     |                          |

Depreciation expense amounted to \$0 and \$5,417 for the years ended December 31, 2022 and 2021, respectively.

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**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following as of December 31:

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| New Orleans, LA schools   | \$ 303,000        | \$ 50,000         |
| West Virginia schools   | 180,000           | 160,000           |
| Orange County, CA schools   | 132,000           | -                 |
| New York, NY schools  | 60,000            | 60,000            |
| San Francisco, CA schools   | 55,000            | 55,000            |
| Pajaro Valley, CA schools   | 25,000            | 25,000            |
| Miami, FL schools   | 20,000            | 130,000           |
| Diversify the Stage Apprenticeship Program                              | 10,000            | -                 |
| TIL and SEL workshops   | -                 | 181,136           |
| New Jersey schools  | -                 | 155,000           |
| Detroit, MI and J Dilla Music Technology Grant for<br>22-23 school year | -                 | 55,000            |
| Philadelphia, PA schools and Music Technology<br>Grant                  | -                 | 52,500            |
| New Jersey – Trauma – Informed Learning Series                          | -                 | 40,000            |
|   | <u>\$ 785,000</u> | <u>\$ 963,636</u> |

Net assets were released from restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes for the years ended December 31:

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| TIL and SEL workshops   | \$ 181,136        | \$ -              |
| West Virginia schools   | 160,000           | 160,000           |
| New Jersey schools  | 155,000           | -                 |
| Miami, FL schools   | 130,000           | 85,000            |
| New York, NY schools  | 60,000            | 60,000            |
| San Francisco, CA schools   | 55,000            | 110,000           |
| Detroit, MI and J Dilla Music Technology Grant for<br>22-23 school year | 55,000            | -                 |
| Philadelphia, PA schools and Music Technology<br>Grant                  | 52,500            | -                 |
| New Orleans, LA schools   | 50,000            | 205,000           |
| New Jersey – Trauma – Informed Learning Series                          | 40,000            | -                 |
| Pajaro Valley, CA schools   | 25,000            | -                 |
| Newark, NJ schools  | -                 | 215,000           |
| Avondale, AZ schools  | -                 | 30,000            |
| Windham, CT schools   | -                 | 21,600            |
| Minneapolis, MN schools & ITM   | -                 | 15,000            |
|   | <u>\$ 963,636</u> | <u>\$ 901,600</u> |

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**NOTE 7 – TAX-DEFERRED ANNUITY PLAN**

- A. The Foundation has a tax-deferred annuity plan (the “Plan”) qualified under Section 403(b) of the IRC that covers full-time employees of the Foundation. The Foundation matches 75% of the first 6% that an employee contributes to the Plan (maximum of 4.5% of gross salary per employee). Employees may make contributions to the Plan up to the maximum amount allowed by the IRC. Pension expense for the years ended December 31, 2022 and 2021 was \$46,582 and \$36,148, respectively.
- B. The Foundation is also a co-employer of its staff with a professional employer organization that provides payroll, benefits, human resources, tax administration and regulatory compliance assistance. The contractual obligation enables the Foundation to offer a competitive employee benefit package to their employees.

**NOTE 8 – RELATED PARTIES**

Through an agreement with MTV Entertainment Group, a division of Paramount Global, which is renewable every two years and next expires on December 31, 2023, MTV Entertainment Group donates the services of certain MTV Entertainment Group employees to the Foundation, including the Foundation’s Executive Director, as well as the services of employees who work on special events production, music talent booking and public relations.

In addition, MTV Entertainment Group provides the Foundation with office space, travel expenses, financial services, IT support and other overhead. The agreement also grants the Foundation a non-exclusive and non-transferable right to use certain trademarks and logos in connection with the Foundation’s charitable and educational activities.

Donated services contributed by MTV Entertainment Group including the Executive Director, special events production, music talent booking, public relations, travel, entertainment and use of office space amounted to \$525,710 and \$597,489 for the years ended December 31, 2022 and 2021, respectively.

As part of the agreement with the Foundation, MTV Entertainment Group has rights to appoint two of the three members of the nominating committee and to nominate persons for election to the Foundation’s Board. Overall directors, officers and employees of MTV Entertainment Group are required in the aggregate to constitute less than a majority of the directors of the Foundation’s Board.

At the end of each fiscal quarter, the Foundation reimburses MTV Entertainment Group for incurred expenses that are not defined as donated expenses by the agreement between the two parties. The Foundation incurred expenses in this category which amounted to \$443,331 and \$318,920 for the years ended December 31, 2022 and 2021, respectively, primarily for special events expenses and purchases made with the corporate purchasing credit card for the Foundation’s music technology grants to schools. As of December 31, 2022 and 2021, the Foundation had a liability to MTV Networks amounting to \$139,836 and \$0, respectively.

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

- A. On March 27, 2020 in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act). The Foundation has opted to account for the Paycheck Protection Program (“PPP”) loan as a conditional grant and recognized contributions and grants of \$193,675 as a result of the conditions being substantially met. This PPP loan was forgiven by the Small Business Administration (“SBA”) on March 16, 2021.
- B. On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (“Economic Aid Act”) became law as a part of the Consolidated Appropriations Act, 2021. The Foundation has applied for a second draw PPP loan under the Consolidated Appropriations Act, 2021. The Foundation received \$193,050 under the second round of funding on March 15, 2021. The Foundation has opted to account for the PPP loan as a conditional grant and recognized as contributions and grants in the accompanying statements of activities, as a result of the conditions being substantially met. This PPP loan was forgiven by the SBA on October 28, 2021.
- C. Under the provisions of the CARES Act signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Foundation believed that it was eligible for a refundable employee retention credit. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. During the fiscal year ended December 31, 2022, the Foundation recorded revenue of \$45,561 related to the CARES Employee Retention Credit (“ERC”), which is included on the statement of activities. The Foundation received the ERC payment on March 6, 2023.
- D. The PPP loan, the second draw PPP loan, and ERC program are subject to audit by the Federal Government for eligibility and related costs.
- E. The Foundation believes it has no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**NOTE 10 – CONCENTRATIONS**

- A. Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits (\$250,000) by approximately \$5,066,000 as of December 31, 2022. Such excess includes outstanding checks.
- B. For the year ended December 31, 2022, the Foundation derived approximately 23% of its contributions and grants from one institutional donor. For the year ended December 31, 2021, the Foundation derived approximately 34% of its contributions from a different institutional donor.
- C. For the years ended December 31, 2022 and 2021, the Foundation derived approximately 17% and 24%, respectively, of donated goods and services from MTV Entertainment Group.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 23, 2023, the date the financial statements were available to be issued.