



RAE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Financial Statements

Year Ended June 30, 2018

Mission Statement

The mission of Josiah Quincy Orchestra Program is to ensure the long-term social and musical success of our students, and to positively impact them, their families, and the community through quality education and performance.



www.jqop.org

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Financial Statements

Year Ended June 30, 2018

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Independent Accountants' Report

To the Board of Directors

Josiah Quincy Orchestra Program, Ltd.

Boston, Massachusetts

We have reviewed the accompanying financial statements of Josiah Quincy Orchestra Program, Ltd. (a nonprofit organization), which comprise the statement of net assets as of June 30, 2018, and the related statements of changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



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Summarized Comparative Information

We previously reviewed Josiah Quincy Orchestra Program, Ltd.'s financial statements for the year ended June 30, 2017, and in our conclusion dated August 12, 2017, stated we were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2017, for it to be consistent with the reviewed financial statements from which it has been derived

RAE & Associates, LLC

RAE & Associates, LLC
Braintree, Massachusetts
February 26, 2019

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Financial Position

As of June 30, 2018

(with comparative totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 265	\$ 28,371
Accounts and contributions receivable	13,377	7,122
Property and equipment, net	<u>9,322</u>	<u>368</u>
Total assets	<u>\$ 22,964</u>	<u>\$ 35,861</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 7,941	\$ 10,133
Line of credit	7,384	-
Deferred revenue	<u>-</u>	<u>13,000</u>
Total Liabilities	<u>15,325</u>	<u>23,133</u>
Net assets:		
Unrestricted	7,639	7,728
Temporarily restricted	<u>-</u>	<u>5,000</u>
Total net assets	<u>7,639</u>	<u>12,728</u>
Total liabilities and net assets	<u>\$ 22,964</u>	<u>\$ 35,861</u>

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Activities

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<i>Revenue and support:</i>				
Tuition revenue	\$ 141,651	\$ -	\$ 141,651	\$ 140,953
Registration revenue	5,980	-	5,980	5,366
Summer instruments rental revenue	2,460	-	2,460	2,145
Contributions and grants	167,000	-	167,000	135,107
Donated goods and services	94,660	-	94,660	92,698
Other income	230	-	230	605
Net assets released from restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>416,981</u>	 <u>(5,000)</u>	 <u>411,981</u>	 <u>376,874</u>
 <i>Expenses:</i>				
Program expenses	269,536	-	269,536	223,488
Fundraising expenses	19,806	-	19,806	16,576
General and administration	<u>127,728</u>	<u>-</u>	<u>127,728</u>	<u>107,477</u>
 Total expenses	 <u>417,070</u>	 <u>-</u>	 <u>417,070</u>	 <u>347,541</u>
 Change in net assets	 (89)	 (5,000)	 (5,089)	 29,333
 Net assets (deficit), beginning	 <u>7,728</u>	 <u>5,000</u>	 <u>12,728</u>	 <u>(16,605)</u>
 Net assets, ending	 <u>\$ 7,639</u>	 <u>\$ -</u>	 <u>\$ 7,639</u>	 <u>\$ 12,728</u>

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Cash Flows

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (5,089)	\$ 29,333
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,266	244
Changes in assets and liabilities:		
Accounts and contributions receivable	(6,255)	(7,022)
Accounts payable and accrued expenses	(2,192)	(13,050)
Deferred revenue	<u>(13,000)</u>	<u>8,450</u>
Net cash provided by (used in) operating activities	<u>(25,270)</u>	<u>17,955</u>
<i>Cash flows from investing activities:</i>		
Purchases of fixed assets	<u>(10,220)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,220)</u>	<u>-</u>
<i>Cash flows from financing activities:</i>		
Borrowing from line of credit	7,434	11,700
Repayment of line of credit	<u>(50)</u>	<u>(15,902)</u>
Net cash provided by (used in) financing activities	<u>7,384</u>	<u>(4,202)</u>
Net change in cash and cash equivalents	(28,106)	13,753
Cash and cash equivalents - beginning of year	<u>28,371</u>	<u>14,618</u>
Cash and cash equivalents - end of year	<u>\$ 265</u>	<u>\$ 28,371</u>

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>Program Expenses</u>	<u>Fundraising Expenses</u>	<u>General and Administration</u>	<u>2018 Total</u>	<u>2017 Total</u>
Salaries and related	\$ 195,073	\$ 16,256	\$ 113,793	\$ 325,122	\$ 269,662
Contracted services	2,130	-	-	2,130	2,151
Total personnel	<u>197,203</u>	<u>16,256</u>	<u>113,793</u>	<u>327,252</u>	<u>271,813</u>
Rent and utilities	33,600	2,100	6,300	42,000	42,000
Accounting and bookkeeping	1,073	268	4,024	5,365	6,276
Student concerts	1,793	-	-	1,793	1,694
Postage and printing	638	40	119	797	405
Office expense	1,190	74	223	1,487	1,674
Outreach and promotion	2,840	178	532	3,550	1,557
Food and refreshments	468	29	88	585	1,033
Professional development	923	58	173	1,154	3,424
Teaching expenses	2,051	-	-	2,051	1,842
Instruments rental & repairs	14,645	-	-	14,645	10,081
Bank fees	151	-	38	189	114
Interest expense	40	-	10	50	137
Taxes and licenses	215	13	41	269	-
Payroll services	2,842	178	533	3,553	2,247
Insurance	8,777	549	1,645	10,971	-
Depreciation	1,013	63	190	1,266	244
Recruiting expenses	74	-	19	93	3,000
Total expenses	<u>\$ 269,536</u>	<u>\$ 19,806</u>	<u>\$ 127,728</u>	<u>\$ 417,070</u>	<u>\$ 347,541</u>

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 1 – Organization

Founded in 2011 and organized as a Massachusetts corporation on June 9, 2015, Josiah Quincy Orchestra Program, Ltd. (“JQOP” or “the Organization”) is a creative youth development program that uses an intensive and unique ensemble-based music curriculum to help underserved children develop the necessary executive functions and social-emotional skills to succeed at school and in life. Boston Public School students in pre-kindergarten through sixth grade attend the program every weekday for 1.5 hours before school. Students participate in orchestra and choir rehearsals, group lessons, music theory classes, and team-building activities. In fiscal year 2018 and 2017, JQOP served over 150 students at Josiah Quincy Elementary and Upper Schools.

JQOP is inspired by El Sistema, the Venezuelan initiative that uses music education as a vehicle for social change. The El Sistema philosophy of having students help each other through the music-learning process is at the heart of the Organization’s mission, and as a result, JQOP program creates not only great musicians, but also caring individuals who will grow up to be active members of society. The Organization believes that every child can learn to express music deeply, receive its many benefits, and make different critical life choices as a result of this learning. JQOP welcomes any child to participate, regardless of musical ability, cultural background, developmental delays, or any other reasons.

Program Services

JQOP program focuses on helping young children develop executive functions, a set of cognitive processes such as working memory, inhibitory control, and cognitive flexibility. According to research from the Harvard Center on the Developing Child, poverty stressors inhibit the development of executive function skills, which are highly predictive of academic and life success. The prefrontal cortex, the part of the brain where executive functions develop, is quite responsive to intervention well into adolescence, which is why JQOP applies music learning to improving these skills.

Through the creation of a fun and nurturing musical environment, students also develop valuable social-emotional skills. Every ensemble performs regularly, giving students safe opportunities to take risks. These frequent “experiences of success” help students build their sense of self-efficacy and personal fulfillment. While traditional music programs focus on individual student success, JQOP trains students to work together as an ensemble to achieve greatness of sound. This focus on collaboration, rather than competition, fosters responsibility, sensitivity, leadership, and cooperative learning among children.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional support is recognized when notification of the contribution is received.

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Not-for-profit accounting requires that net assets, revenues, expenses, and gains and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized as net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. There were no temporality restricted net assets at June 30, 2018. Temporary restricted net assets at June 30, 2017 amounted to \$5,000 (Note 9).

Permanently restricted net assets include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Organization to expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted net assets at June 30, 2018.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Contributed Goods and Services

JQOP records various types of in kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

JQOP reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

JQOP reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Income Tax Status

The Organization is exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). Additionally, JQOP qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Organization is also exempt from Massachusetts state taxes. Therefore, there is no provision for federal and or state taxes.

The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

Cash and Cash Equivalents

For financial statement purposes, JQOP considers all highly liquid investments with maturity of three months or less when purchased, to be cash equivalents.

Property and Equipment

JQOP records furniture, fixtures and equipment in excess of \$500 at cost, if purchased, or if donated, at fair market value at the date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues. The estimated useful lives are as follows:

Furniture and equipment	3-5 years
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JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents tuition payments received in advance for next year programs. They are recognized as revenue in the year the programs are held. Therefore, the related fees and tuition payments received by JQOP for those programs are recorded as deferred revenue in the accompanying statements of financial position.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services, which are summarized on a functional basis in the accompanying statement of activities. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated by using a salary-based formula or other statistical basis. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are included in the following categories:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fundraising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Note 3 - Concentration of Risk

The Organization maintains cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

Note 4 - Advertising Expenses

Advertising costs are expensed as incurred. Advertising costs incurred by the Organization for the years ended June 30, 2018 and 2017 were \$3,550 and \$1,557, respectively.

Note 5 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 10,954	\$ 734
Less accumulated depreciation	<u>(1,632)</u>	<u>(366)</u>
Property and equipment, net	<u>\$ 9,322</u>	<u>\$ 368</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$1,266 and \$244, respectively.

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 6 - Line of Credit

On May 12, 2016, the Organization entered into a promissory term note agreement for a \$10,000 revolving line of credit facility with a bank (“the LoC”). Advances on the LoC bear interest of 9.9%, and monthly payments representing principal and interest payments are required to be paid each month.

The line of credit is unsecured; however, the bank holds the right of setoff and can deduct the balance due from JQOP’s checking account held with the bank. The LoC is renewable annually. Outstanding balance on the LoC was \$7,384 as of June 30, 2018. There was no outstanding balance on the LoC at June 30, 2017.

Note 7 - Cash Flows Information

Cash paid for interest was \$50 and \$137 for the years ended June 30, 2018 and 2017, respectively.

Note 8 - Donated Goods and Services

In 2015 JQOP entered into a Memorandum of Understanding with Josiah Quincy Elementary School (“the School”), effective as of November 15, 2015 (the “MOU”). Under the terms of the MOU, the School provides funding for the JQOP Program Manager’s salary and benefits, and also provides use of the School’s facilities to JQOP. In exchange, the Organization will provide its before-school music and social development program to the School’s students.

Revenue recognized from donated goods and services received by the Organization amounted to \$94,660 and \$92,698 for the years ended June 30, 2018 and 2017, respectively, and included rent and salary related contributions from the School, as well as free instruments rental from a music store.

Those donated goods and services are reflected in expenses on the accompanying statements of activities as follows:

	<u>2018</u>	<u>2017</u>
Salaries and related	\$ 45,440	\$ 43,480
Rent and utilities	42,000	42,000
Instruments rental	<u>7,220</u>	<u>7,218</u>
	<u>\$ 94,660</u>	<u>\$ 92,698</u>

Note 9 - Related Party Transactions

During the year ended June 30, 2018 and 2017 JQOP paid \$5,888 and \$3,862, respectively, for bookkeeping services to a contractor who is related to the Organization’s Executive Director. The amounts paid approximated the fair market value for those services.

Note 10 - Temporarily Restricted Net Assets

There were no temporarily restricted net assets at June 30, 2018. Temporarily restricted net assets of \$5,000 at June 30, 2017 represented grants funding received by the Organization with time restrictions.

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 11 - New Accounting Pronouncement

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU incorporates part of a multi-phased project undertaken by the FASB to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted and retrospective application for all periods is required, with certain limited exceptions to periods presented before the period of adoption. The adoption of the ASU is expected to have a significant impact on the financial statements when it is adopted effective July 1, 2018.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Note 12 - Summarized Comparative 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, 2017, from which the summarized information was derived.

Note 13 - Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year's presentation.

Note 14 - Operations

During the year ended June 30, 2016, the Organization experienced a decline in its program service revenue and grants funding that resulted in a decrease in its net asset for that year, and led to net deficit as of June 2016 of (\$16,605).

To return the Organization to profitability and eliminate its negative net assets, management designed and implemented a corrective action plan in fiscal year 2017 that included the following:

- Restructured administrative roles to improve cost-effectiveness
- Designed and implemented a new teacher evaluation system to improve quality of instruction
- Rewriting of fundraising language to improve quality of grant applications.

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Notes to Financial Statements

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

Note 13 – Operations (Continued)

Improving teacher quality has helped increase student retention rate and stabilized program service revenue. The Organization also experienced significant increase in grant funding for fiscal year 2017 and 2018.

As a result of the above action plans, the Organization's total net assets improved to \$7,639 and \$12,728 at June 30, 2018 and 2017, respectively.

Note 14 - Subsequent Events

In July 2018 the Organization's Executive Director resigned her position to pursue another career opportunity. An internal candidate has assumed the Executive Director's duties on a permanent basis.

Subsequent events have been evaluated through, February 26, 2019 which is the date the financial statements were available to be issued.