RAE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS
25 Braintree Hill Office Park | Suite 200
Braintree, MA 02184
1201 Westford Street | First Floor
Lowell, MA 01851
Phone: (888) 485-7444
www.raecpas.com

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Financial Statements

Year Ended June 30, 2016

Mission Statement

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

www.jqop.org

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Financial Statements

Year Ended June 30, 2016

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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, 2016, 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.

RAE & Associates, LLC

RAE & Associates, LLC
Braintree, Massachusetts
May 15, 2017

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Financial Position

As of June 30, 2016

Assets		
Cash and cash equivalents	$	14,618
Accounts and contributions receivable		100
Property and equipment, net		612
Total assets	$	15,330
Liabilities:		
Accounts payable and accrued expenses	$	23,183
Line of credit		4,202
Deferred revenue		4,550
Total Liabilities		31,935
Net deficit:		
Unrestricted		(16,605)
Total net deficit		(16,605)
Total liabilities and net deficit	$	15,330

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Activities

For the Year Ended June 30, 2016

Revenue and support:		
Tuition revenue	$	108,850
Registration revenue		4,385
Instruments rental revenue		1,710
Contributions and grants		94,208
Donated goods and services		90,700
Total revenue and support		299,853
Expenses:		
Program expenses		275,888
Fundraising expenses		17,729
General and administration		29,636
Total expenses		323,253
Change in net assets		(23,400)
Net assets, beginning		6,795
Net deficit, ending	$	(16,605)

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Cash Flows

For the Year Ended June 30, 2016

Cash flows from operating activities:		
Change in net assets	$	(23,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		122
Bad debt expenses		7,435
Changes in assets and liabilities:		
Accounts and contributions receivable		(100)
Accounts payable and accrued expenses		22,543
Deferred revenue		4,550
Net cash provided by operating activities		11,150
Cash flows from investing activities:		
Purchases of fixed assets		(734)
Net cash used in investing activities		(734)
Cash flows from financing activities:		
Borrowing from line of credit		4,202
Net cash provided by financing activities		4,202
Net change in cash and cash equivalents		14,618
Cash and cash equivalents - beginning of year		-
Cash and cash equivalents - end of year	$	14,618

JOSIAH QUINCY ORCHESTRA PROGRAM, LTD.

Statement of Functional Expenses

For the Year Ended June 30, 2016

	Program Expenses	Fundraising Expenses	General and Administration	Total
Salaries and related	$ 32,748	$ 2,729	$ 19,103	$ 54,580
Contracted services	183,209	12,000	-	195,209
Total personnel	215,957	14,729	19,103	249,789
Rent and utilities	33,600	2,100	6,300	42,000
Accounting and bookkeeping	435	109	1,631	2,175
Student concerts	1,298	-	-	1,298
Postage and printing	154	10	28	192
Office expense	329	21	61	411
Outreach and promotion	3,563	668	223	4,454
Food and refreshments	290	18	54	362
Professional development	657	-	164	821
Teaching expenses	1,535	-	-	1,535
Instruments rental	9,481	-	-	9,481
Bank fees	94	-	23	117
Agency fees	1,194	-	298	1,492
Interest expense	62	-	16	78
Taxes and licenses	788	49	148	985
Payroll services	405	25	76	506
Depreciation	98	-	24	122
Bad debt expense	5,948	-	1,487	7,435
Total expenses	$ 275,888	$ 17,729	$ 29,636	$ 323,253

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.

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.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 temporarily or permanently restricted net assets as of June 30, 2016.

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.

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.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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

Deferred Revenue

Deferred revenue represents tuition payments received in advance for 2017 programs. They are recognized as revenue in the period 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

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 year ended June 30, 2016 was $4,454.

Note 5 - Property and Equipment

Property and equipment consist of the following as of June 30, 2016:

Furniture and equipment	$	734
Less accumulated depreciation		(122)
	$	612

Depreciation expense for the year ended June 30, 2016 was $122.

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 $4,202 as June 30, 2016.

Note 7 - Cash Flows Information

Cash paid for interest was $78 for the year ended June 30, 2016.

Note 8 - Fiscal sponsorship

In 2011 JQOP entered into fiscal sponsorship agreements with the Boston Educational Development Foundation, Inc. (BEDF), for BEDF to serve as JQOP fiscal agent, and perform certain bookkeeping and administrative functions on its behalf.

BEDF was founded in 1984 by the Boston Public School (BPS) Superintendent and School Committee in order for departments and schools to improve their ability to raise money from private sources including foundations, corporations and individuals. BEDF provides general management, financial, administrative, bookkeeping, accounting, fiscal reporting and fundraising support to private-funded Programs such as JQOP that further the educational aims and goals of BPS.

During the fiscal year 2016 BEDF received various grants and contributions from funders on behalf of JQOP, which are included in grants and contributions revenue on the accompanying statement of activities. Under the terms of the agency agreement between BEDF and JQOP, BEDF retains an agreed-upon percentage of 2% of the funds received for JQOP as agency fee. Total agency fee incurred by the Organization for the year ended June 30, 2016 was $1,492.

The Agency relationship between JQOP and BEDF ended in June 2016 due to JQOP receiving tax exempt status under Section 501(c)(3) of the Internal Revenue Code. BEDF had no cash held on behalf of JQOP at June 30, 2016.

Note 9 – 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 $90,700 for the year ended June 30, 2016, and included rent and salary related contributions from the School, and free instruments rental from a music store. Those donated goods and services are reflected in expenses on the accompanying statements of activities as follows:

Salaries and related	$	41,480
Rent and utilities		42,000
Instruments rental		7,220
	$	90,700

Note 10 – Related Party Transactions

During the year ended June 30, 2016 the JQOP paid $1,324 for bookkeeping services to a contractor who is related to the Organization's Executive Director. The amount paid approximated fair market value for those services.

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 – Operations

For 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 has designed and implemented a corrective action plan for FY17 that includes 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.

Improving teacher quality is expected to increase student retention rates by approximately 15%, and help stabilize program service revenue. The Organization also expects a significant increase in grant funding for fiscal year 2017.

Note 13 – Subsequent Events

Subsequent events have been evaluated through, May 15, 2017 which is the date the financial statements were available to be issued.