

From the Top, Inc.

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

June 30, 2020

From the Top, Inc.

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FROM THE TOP

FY20 Program Report

Mission and Vision

From the Top (FTT) nurtures and promotes young artists of impact. We envision a more hopeful, empathetic, and connected society, fueled by the joy, creativity and leadership of young musicians.

About From the Top

From the Top is America's largest media platform dedicated to amplifying the artistry and stories of extraordinary classically-trained young musicians and nurturing their leadership potential. Through its nationally syndicated show heard on 195 radio stations, audiences around the country have enjoyed inspiring original content that shines a spotlight on remarkable young people for 20 years. A recent increase in digital offerings, including From the Top daily videos, virtual concerts, and podcasts have become popular, receiving over 1 million views/listens between March and December, 2020. From the Top also provides emerging artists the tools and experiences needed to lead a fulfilling career in the arts through performance opportunities in premier concert venues, leadership and community engagement workshops, and scholarships totaling more than \$3 million since 2005.

2020

2020 ushered in many changes for From the Top, some expected and many unexpected. The organization was thrilled to announce a permanent host in January 2020, Peter Dugan, a From the Top alum. To work alongside Peter, offering diverse artistic perspectives, approaches to mentorship, and thought leadership to the organization, we also established a team of Co-hosts/Creatives.

To coincide with our new host's tenure, From the Top planned to test out new programming approaches to prepare the organization to shift to a new "residency" business model in July 2020. Then, COVID hit in March 2020.

No one could have imagined how different our world would become. Our immediate response was to find ways to continue to produce our radio program remotely, to engage our young musicians in online learning, and to bring hope and light into what was a very dark and frightening time.

- **The From the Top team pivoted quickly to making high quality radio from young people's homes.** We assembled a recording kit that was sent to young musicians. We put them and their parents to work as our "crew" designing acoustic spaces by setting up blanket forts in their living room and setting up sound equipment (with Zoom guidance by our sound engineer and staff).

- **Approximately 20 young musicians engaged in online leadership training that led to them creating and delivering a set of live interactive performances for Denver Children's Hospital patients.** From the Top partnered with the Seacrest Foundation that allowed us to stream directly into hospital rooms via an on-site closed-circuit media studio.

In collaboration with our young musicians, From the Top created a Daily Joy campaign to provide the public with bite-sized youth-made videos. The purpose: to bring joy, connection, and respite in an uncertain world. This was soon followed by an extension of Daily Joy in a 30 - 45 minute at-home streaming concert offered every other week. These digital programs, meant to be a response to the pandemic, have become quite popular and are attracting new audiences and donors. Today, we continue these programs and are considering how to develop and build them as important future products for From the Top and critical learning and creative performance opportunities for the young musicians we serve.

We accomplished all of this against the backdrop of extreme uncertainty, making significant cuts to our expenses, laying off 3 FTE staff, and seeking emergency funding, including the federal payroll protection loan. As we approached the end of our fiscal year in June, From the Top was able to engage our community of individual donors and foundation funders in helping us exceed our fundraising goals through a compelling online gala 'event' and high-performing end-of-season campaign.

Looking Ahead

From the Top remains hopeful in our work. We invest today in the creative leaders, storytellers, and artists of tomorrow who will help us interpret and understand our complex world. If our young artists bring the dedication, persistence, empathy, and creativity they are developing from a life in music to solving the societal problems we are experiencing today, we have a bright future ahead.

Independent Auditor's Report

To the Board of Directors
From the Top, Inc.

We have audited the accompanying financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of From the Top, Inc. as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program report for fiscal year 2020 on pages 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, and has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express or provide any assurance on it.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - program services on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited From the Top, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Boston, Massachusetts
January 20, 2021

From the Top, Inc.

**Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)**

	<u>Assets</u>			
	2020			
	Without	With	Total	2019
	donor restriction	donor restriction		
Current assets				
Cash (Note 2)	\$ 642,666	\$ 684,626	\$ 1,327,292	\$ 628,502
Investments (Notes 1, 13)	54,500	-	54,500	54,178
Accounts receivable, net (Notes 1, 4)	166,153	13,000	179,153	584,635
Prepaid expenses and deposits	50,260	-	50,260	72,665
Total current assets	913,579	697,626	1,611,205	1,339,980
Property and equipment				
Property and equipment, net (Note 5)	21,563	-	21,563	24,565
Other assets				
Long-term accounts receivable, net (Notes 1, 4)	-	-	-	99,770
	-	-	-	99,770
Total assets	\$ 935,142	\$ 697,626	\$ 1,632,768	\$ 1,464,315
	<u>Liabilities and Net Assets</u>			
Current liabilities				
Accounts payable	\$ 2,248	\$ -	\$ 2,248	\$ 941
Accrued wages payable	27,605	-	27,605	25,622
Accrued expenses	135,053	-	135,053	235,159
Notes payable, current maturities (Note 15)	-	-	-	100,000
Deferred revenue	25,417	-	25,417	18,750
Total current liabilities	190,323	-	190,323	380,472
Long-term liabilities				
Notes payable, net of current maturities (Note 15)	267,465	-	267,465	-
Total long-term liabilities	267,465	-	267,465	-
Total liabilities	457,788	-	457,788	380,472
Commitments and contingencies				
Net assets				
Net assets without donor restriction	477,354	-	477,354	114,447
Net assets with donor restriction (Note 6)	-	697,626	697,626	969,396
Total net assets	477,354	697,626	1,174,980	1,083,843
Total liabilities and net assets	\$ 935,142	\$ 697,626	\$ 1,632,768	\$ 1,464,315

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020		Total	2019
	Without donor restriction	With donor restriction		
Public support				
Contributions (Notes 1, 9)	\$ 1,303,086	\$ 601,000	\$ 1,904,086	\$ 2,086,233
Government support (Notes 1, 9)	134,350	-	134,350	189,250
Event revenue	230,994	-	230,994	259,820
In-kind contributions (Notes 1, 7)	38,277	-	38,277	23,171
Total public support	1,706,707	601,000	2,307,707	2,558,474
Program services fees				
Carriage fees (Note 10)	329,654	-	329,654	325,081
Road show fees	165,364	-	165,364	278,707
Educational fees (Note 10)	5,980	-	5,980	11,590
Total program service fees	500,998	-	500,998	615,378
Other revenue				
Merchandise sales	128	-	128	86
Other income (Note 11)	56,182	-	56,182	10,436
Total other revenue	56,310	-	56,310	10,522
Net assets released from restrictions (Notes 1, 6)				
Expiration of time restrictions	250,187	(250,187)	-	-
Satisfaction of program restrictions	622,583	(622,583)	-	-
Total net assets released from restrictions	872,770	(872,770)	-	-
Total support and revenue	3,136,785	(271,770)	2,865,015	3,184,374
Expenses				
Program services	1,700,256	-	1,700,256	1,895,139
General and administrative	562,257	-	562,257	609,051
Fundraising	511,365	-	511,365	739,947
Total expenses	2,773,878	-	2,773,878	3,244,137
Change in net assets	362,907	(271,770)	91,137	(59,763)
Net assets, beginning	114,447	969,396	1,083,843	1,143,606
Net assets, ending	\$ 477,354	\$ 697,626	\$ 1,174,980	\$ 1,083,843

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020				2019
	Program services	Supporting services		Total	
		General and administrative	Fundraising		
Production costs	\$ 245,198	\$ -	\$ -	\$ 245,198	\$ 262,871
Event expenses	16,023	-	14,679	30,702	111,111
Payroll and payroll taxes	765,567	375,604	272,988	1,414,159	1,585,257
Fringe benefits	71,677	24,260	29,266	125,203	128,767
Advertising	11,224	-	-	11,224	7,270
Scholarships	161,852	-	-	161,852	269,559
Insurance	11,940	9,000	1,586	22,526	16,235
Maintenance and repair	665	449	192	1,306	6,030
Marketing	23,211	545	20,182	43,938	61,801
Office expenses	129,757	8,905	87,308	225,970	218,141
Professional fees	39,543	42,215	17,412	99,170	138,958
Rent (Note 11)	88,940	29,661	33,898	152,499	148,251
Telephone/internet	8,446	3,236	4,010	15,692	18,091
Travel, lodging and meals	117,934	654	28,507	147,095	217,122
Depreciation	8,279	1,170	1,337	10,786	14,673
Bad debt expense	-	65,075	-	65,075	40,000
Interest expense	-	1,483	-	1,483	-
Total expenses	\$ 1,700,256	\$ 562,257	\$ 511,365	\$ 2,773,878	\$ 3,244,137

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 91,137	\$ (59,763)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	10,786	14,673
Bad debt expense	65,075	40,000
Other adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities (include detail)		
Investment income reinvested	(417)	(759)
Amortization of discount	(4,230)	(10,788)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	444,407	(238,473)
Prepaid expenses	22,404	(1,678)
Increase (decrease) in liabilities		
Accounts payable	1,307	(1,387)
Accrued expenses and accrued wages payable	(98,123)	133,629
Deferred revenue	6,667	18,750
	539,013	(105,796)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(7,783)	-
Withdrawals from investments	95	65
	(7,688)	65
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from note payable	267,465	-
Proceeds from line of credit	-	100,000
Repayment of line of credit	(100,000)	-
	167,465	100,000
Net cash provided by financing activities		
Net increase (decrease) in cash	698,790	(5,731)
Cash, beginning	628,502	634,233
Cash, end	\$ 1,327,292	\$ 628,502

See Notes to Financial Statements.

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Note 1 - Organization and summary of significant accounting policies

Organization and nature of operations

From the Top, Inc. (the "Organization" or "From the Top") is an independent nonprofit organization that celebrates the power of music in the hands of extraordinary young people. The Organization was organized under Massachusetts General Law Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Headquartered in Boston, Massachusetts, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and YouTube broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

Broadcasts, digital media, and national tour

In 20 years, From the Top has recorded more than 414 radio and television broadcasts before live audiences in 40 states and two international cities, featuring nearly 4,000 young artists. From the Top's radio show is distributed by National Public Radio ("NPR") to more than 200 stations coast to coast and is the most popular weekly classical music program on public radio. From the Top's PBS television series From the Top at Carnegie Hall received two Emmy Awards and aired for two seasons. From the Top digital and social media offerings include daily videos, virtual concerts, a 15-year archive of creative music videos featuring youth, and podcasts/bonus audio+video content related to the NPR radio show.

Leadership and Community Engagement

Over the last decade From the Top has recognized the power in providing a space for young musicians to slow down, reflect, and build leadership skills and "citizen artist" muscles. Through workshops and facilitated peer exchange, young musicians examine their passions, what skills they have in and out of music and what the world needs. Then they put learning into practice in a community setting such as a bi-lingual school or a food pantry, utilizing their artistry as a humanitarian tool to connect to people, fueling an exchange that transforms both artist and "audience." From the Top musicians and their stories have also reached and inspired countless numbers of students through features in McGraw Hill music curricula.

Admissions, Recruitment, and Scholarship

The Admissions, Recruitment, and Scholarship Department is the engine that fuels From the Top, bringing young musicians of different ages, geographic regions, socio-economic, and racial backgrounds into the organization. The focus of the work is on facilitating communication and awareness of From the Top to a network of music educators, programs, and individual young musicians and their families; facilitating the application, audition, and review process; and annually awarding 20 musicians who perform on From the Top's NPR show a \$10,000 "scholarship."

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$3.45 million in scholarships to 300 exceptional young musicians with financial need. Young musicians who receive a scholarship are coached through utilizing the funds to support their continued music education, often purchasing or repairing instruments, paying for lessons or summer program fees, subsidizing travel to auditions, purchasing concert attire, and more.

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Accounting pronouncements adopted

During 2020, the Organization adopted the provisions of the following Accounting Standard Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"):

ASU 2018-08: Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08") assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal transactions) and whether a contribution is conditional. There are no effects of the new requirements on amounts reported in the Organization's financial statements.

ASU 2016-18: Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18") addresses diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash. ASU 2016-18 requires the Organization to include amounts described as restricted cash when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. The Organization had no restricted cash at June 30, 2020, 2019 or 2018. Consequently, there were no changes to ending cash and restricted cash as of June 30, 2019 or 2018.

ASU 2014-09: Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASU 2014- 09") provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted ASU 2014-09 on July 1, 2019.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Financial statement presentation

The financial statements are presented based on the existence or absence of donor- or grantor imposed restrictions, in accordance with guidance issued by the Financial Accounting Standards Board ("FASB"). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions net assets Net assets that are not subject to donor-imposed restrictions;

With donor restrictions net assets Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general specific purposes.

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

Use of estimates

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

Accounts receivable

Accounts receivable are stated at the amount the Organization's management expects to collect from outstanding balances. The Organization's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after the Organization's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are deemed to be fully collectible by the Organization's management at June 30, 2020.

Property and equipment

All acquisitions of furniture, equipment, computer software and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The Organization capitalizes these costs if the amounts incurred exceed \$1,000. Furniture, equipment and computer software are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated on a straight-line basis over their estimated useful lives which range from three to seven years. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization expense is included in depreciation.

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on various methods, including the average cost method, first-in first-out method, and last-in last-out method, depending on the type of underlying investment. Investment income restricted by a donor is reported as an increase in temporarily restricted net assets. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Revenue recognition

Carriage fee revenue is recognized based on the consideration specified in the contracts with NPR and as shows are broadcasted throughout the year. Revenue received in advance of broadcasts is recorded as deferred revenue. The contracts contain payment terms, as well as the rights and commitments of both parties. Revenue is billed based on the contract with NPR. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved.

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Road show revenue is recognized as services are provided based on the consideration specified in contracts with presenters. Services consist of production of radio programs. Revenue received in advance of the production date are recorded as deferred revenue and are included in the accompanying statement of financial position. The contracts contain payment terms, as well as the rights and commitments of both parties. Revenue is billed based on the contract with the presenters. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved.

Educational fees are recognized as educational content is used and royalties are earned from the publication of text books and online by McGraw Hill based on the consideration specified in the contract with McGraw Hill. Educational fees include content and royalties from the continuing publication of the content in text books and online. The contracts contain payment terms, as well as the rights and commitments of both parties. Revenue is billed based on the contract with the presenters. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved.

Contributions and donor restrictions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restriction that increase this net asset class. This revenue is reclassified to net assets without donor restrictions when the time or purpose restrictions are met.

Conditional promises to give are those that include a barrier that must be overcome and either a right of return of assets received by the Organization or a right of release of the donor's obligation to transfer assets to the Organization. Conditional promises to give are not recognized as contributions until such time as the conditions upon which they depend are substantially met or explicitly waived by the donor. Proceeds received from conditional contributions are recorded as deferred revenue until such time that the conditional barriers to revenue recognition have been overcome.

When a restriction expires, the net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Pledges receivable are reported at net realizable value if at the time the pledge is made collection is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value using present value techniques and are discounted using a rate commensurate with the risk involved that is determined by management. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Lease revenue

The Organization recognizes lease revenue from the sublease of a portion of its office space when earned based on the contractual provisions of the sublease.

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Staff costs are allocated based on time and effort. Costs associated with occupancy are allocated based upon square footage. Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended June 30, 2020 totaled \$55,162.

Income taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2020. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2020. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2017, 2018 and 2019.

Accrued interest and penalties associated with uncertain tax positions are recognized as a part of interest expense and miscellaneous expenses, respectively, in the accompanying statement of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at June 30, 2020 and none were incurred during the year then ended.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Note 2 - Concentration of credit risk

The Organization maintains its cash balance in one account at one bank. The cash balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balance may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balance in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to the cash balance at June 30, 2020.

No cash equivalents were held as of June 30, 2020.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 3 - Liquidity and availability

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

Financial assets at year end	
Cash	\$ 1,327,292
Accounts receivable, net	179,153
Investments	<u>54,500</u>
 Total financial assets	 1,560,945
 Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose restrictions	<u>697,626</u>
 Financial assets available to meet general expenditures within one year	 <u><u>\$ 863,319</u></u>

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

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

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

Note 4 - Accounts receivable and significant customers

Accounts receivable at June 30, 2020, consists of the following:

	Current	Long-term	Total
Pledges			
Contributions	\$ 166,910	\$ -	\$ 166,910
Other	<u>12,243</u>	<u>-</u>	<u>12,243</u>
 Total	 <u><u>\$ 179,153</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 179,153</u></u>

The Organization had pledges receivable representing the following at June 30, 2020:

	Without donor restriction	With donor restriction	Total
Contributions	<u>\$ 153,910</u>	<u>\$ 13,000</u>	<u>\$ 166,910</u>
 Total	 <u><u>\$ 153,910</u></u>	 <u><u>\$ 13,000</u></u>	 <u><u>\$ 166,910</u></u>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2020, approximately 33% of the

From the Top, Inc.

Notes to Financial Statements
June 30, 2020

Organization's revenue was received from two donors. At June 30, 2020, there were \$25,000 in receivables outstanding from one of the donors.

Note 5 - Property and equipment

Property and equipment at June 30, 2020, consists of the following:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Leasehold improvements	\$ 22,828	\$ (11,529)	\$ 11,299
Production equipment	119,349	(113,476)	5,873
Office and computer equipment	229,695	(225,304)	4,391
Software	40,330	(40,330)	-
	<u>\$ 412,202</u>	<u>\$ (390,639)</u>	<u>\$ 21,563</u>

Note 6 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Scholarship program	\$ 593,822
Operations	13,000
Leadership and Community Engagement	80,804
Radio	<u>10,000</u>
	<u>\$ 697,626</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes, time or by the occurrence of other events specified by the donor during the year ended June 30, 2020, as follows:

Scholarship program	\$ 480,222
Operations	250,187
Radio	44,500
Leadership and Community Engagement	<u>97,861</u>
	<u>\$ 872,770</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 7 - In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2020, are as follows:

	Expenses			
	Program services	General and administrative	Fundraising	Total
Professional fees	\$ 6,000	\$ 19,477	\$ -	\$ 25,477
Event expenses	12,800	-	-	12,800
Total	<u>\$ 18,800</u>	<u>\$ 19,477</u>	<u>\$ -</u>	<u>\$ 38,277</u>
	Revenue contributions			
Professional fees	\$ 25,477			
Event expenses	12,800			
Total	<u>\$ 38,277</u>			

Note 8 - Commitments and contingencies

The Organization receives funding from various federal and state agencies and private foundations. Expenditures of funds from the federal and state agencies and certain private foundations require compliance with the grant agreements and are subject to audit by the grantor. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of the Organization's management, disallowed expenditures, if any, will not have a material effect on the financial position of the Organization.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2020, there was no significant impact to the Organization's operations. However, the Organization is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Organization's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows.

Employment agreements

The Organization has entered into employment agreements with several key employees, including two agreements, which were effective in 2020. The agreements provide for, among other things, compensation, including bonuses and other incentive payments, other benefits and termination provisions. One agreement terminates on June 30, 2023 and the other remains in effect through June 2022.

From the Top, Inc.

Notes to Financial Statements
June 30, 2020

Note 9 - Grant agreements

Scholarship program

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support the identification of applicants for the Organization's scholarship and recruitment program. The original grant was awarded in March 2005 for the period June 1, 2005 through May 31, 2006 and provided for two one-year renewal periods. Since the grant renewals, the Organization has entered into additional agreements, with the latest grant awarded in March 2020, totaling \$515,000, for the period June 1, 2020 through May 31, 2021. The annual grants awarded have ranged in value from \$500,000 to \$585,000.

Each agreement contains provisions that grant funds will be expended in accordance with the grant proposal as itemized in the proposed project budget. Any line item that exceeds more than 10 percent of the proposed budget must be agreed to in writing from the grantor. In addition, funds remaining at the completion of the grant period must be returned to the grantor unless the grantor agrees otherwise in writing. As of June 30, 2020 the Organization has grant funds remaining in the amount of \$593,822 which are included in net assets with donor restriction on the accompanying statement of financial position.

A summary of cumulative activity from inception in 2005 through June 30, 2020, is as follows:

Grant amounts	\$ 8,381,755
Cumulative expenditures incurred	
Scholarships	(3,204,229)
Program and administrative costs	<u>(4,583,704)</u>
Grant funds remaining	<u>\$ 593,822</u>

Grant funds held by award year as of June 30, 2020, is as follows:

Grant period ending	
May 31, 2019	\$ 10,000
May 31, 2020	77,246
May 31, 2021	<u>506,576</u>
Grant funds remaining	<u>\$ 593,822</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2020**

Leadership and Community Engagement

Coinciding with the school year in which FTT young musicians are featured on the NPR radio show, FTT's leadership training and community engagement courses offers 'hands on' learning guided by arts educators and leaders of community organizations. FTT musicians have learned from and worked in communities such as soup kitchens, homeless shelters, assisted living facilities, hospitals, schools, and more. These experiences develop musicians' communication skills and self-confidence. They provide young people with tools and techniques to engage in their own communities. They expand musicians' understanding of the role arts can play in society. During the year ended June 30, 2020, the Organization was awarded \$50,000 in support of this program from one grantor, of which the funds are to be used during fiscal year 2021. A summary of the cumulative activity for this program during the year ended June 30, 2020, is as follows:

Grant awards as of June 30, 2019	\$ 90,000
Current year grants awarded	50,000
Current year expenditures	<u>(90,000)</u>
Grant awards remaining at June 30, 2020	<u>\$ 50,000</u>

Note 10 - Contractual agreements

NPR Agreement

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

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

Amounts totaling \$329,654 have been recognized as revenue for the year ended June 30, 2020. This contract has auto renewed through September 2021.

Other

The Organization entered into an agreement, which was effective on January 4, 2008, to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books and online. During the year ended June 30, 2020, royalties of \$5,980 were earned and are included in educational fees in the statement of activities.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 11 - Leasing arrangements

In October 2017, the Organization entered into a lease agreement for office space for a period of five years and three months commencing on December 1, 2017 and ending February 28, 2023. Commencing December 1, 2017, base rent of \$144,000 will increase annually pursuant to the terms in the lease agreement. Monthly rent through June 30, 2020 as \$12,375. The lease agreement also provides for payment of operating expenses and real estate taxes as a component of the Organization's rent. The Organization has one, five-year option to renew the lease.

Rent expense for the year ended June 30, 2020 amounted to \$152,499.

On August 22, 2019, the Organization entered into a sublease with an unrelated third party to sublease a portion of their office space. The sublease is through the lease commencement date of September 1, 2019 through February 28, 2023, the same date as the Organization's lease end date. Monthly rental income under the sublease agreement is \$4,167. Total revenue earned under the sublease for the year ended June 30, 2020 was \$41,670, which is included in other income on the statement of activities.

Pursuant to an agreement dated, October 22, 2020, the Organization and its landlord agreed to a lease termination as of September 25, 2020. Under the terms of the agreement, As part of the agreement, the Organization was required to pay a total of \$77,247, of which \$12,750 was paid by forfeiture of the Organization's security deposit, representing all rent due and owing as of the termination date. Concurrent with the termination, the sublease was canceled and transferred to the landlord.

Note 12 - Employee benefit plan

The Organization sponsors an individual based tax sheltered retirement savings plan under Section 403(b) of the Internal Revenue Code. This plan enables any full-time employee who is willing to contribute at least \$650 per year to the Plan to participate. The Plan provides for no sponsor matching or contribution.

Note 13 - Investments

As part of its cash management program, the Organization maintains an investment portfolio. Investments consist of money market funds and are valued at fair value which approximates cost at June 30, 2020.

For the year ended June 30, 2020, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$	54,178
Investment income (expense)		
Dividend and interest, net of fees of \$95		<u>322</u>
Investments, end of year	<u>\$</u>	<u>54,500</u>

From the Top, Inc.

Notes to Financial Statements
June 30, 2020

Note 14 - Fair value measurements

The Organization follows FASB's guidance on fair value measurements, which provides a framework for measuring fair value and expands related disclosures. Broadly, the guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and nonobservable inputs.

The fair value hierarchy under the guidance is as follows:

- Level 1* Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, without donor restricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs;
- Level 2* Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2020.

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	<u>\$ 54,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,500</u>
Total assets at fair value	<u><u>\$ 54,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,500</u></u>

From the Top, Inc.

Notes to Financial Statements June 30, 2020

Note 15 - Note payable

Line of credit

The Organization entered into a revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is subject to review by the financial institution annually and is currently due for review on February 28, 2021. The maximum amount available is \$150,000. Monthly payments of principal, as determined by the lender, and interest are due at the bank's prime rate for commercial loans plus 1.5%, on any outstanding balance. The line is secured by the general assets of the Organization, including funds held in accounts at the institution, and is subject to annual renewal. The agreement also contains certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year. In June 2019, the Organization borrowed \$100,000 on the line of credit which was repaid in full in August 2019.

Paycheck Protection Program Loan

On May 13, 2020, the Organization received loan proceeds in the amount of \$267,075 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of May 7, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The Organization is required to repay any remaining balance of \$267,075, in monthly payments beginning on September 7, 2021. Principal and interest payments will be required through the maturity date of May 7, 2022.

Note 16 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Organization through January 20, 2021 (the date the financial statements were available to be issued) and has concluded that, except as disclosed in Notes 8 and 11 to the financial statements, no subsequent events have occurred that would require recognition in the financial statements.

Supplementary Information

From the Top, Inc.

**Schedule of Functional Expenses - Program Services
Year Ended June 30, 2020**

	Program Services					Total
	Radio production	Video production	Leadership and community engagement	Marketing and communications	Admissions and scholarship	
Production costs	\$ 245,092	\$ 106	\$ -	\$ -	\$ -	\$ 245,198
Event expenses	14,050	-	-	1,571	402	16,023
Payroll and payroll taxes	305,962	27,854	82,499	229,040	120,212	765,567
Fringe benefits	35,979	-	5,268	17,061	13,369	71,677
Advertising	-	-	-	10,974	250	11,224
Scholarships	-	-	5,861	-	155,991	161,852
Insurance	9,916	-	-	1,071	953	11,940
Maintenance and repair	245	-	-	304	116	665
Marketing	7,593	682	3,932	10,335	669	23,211
Office expenses	46,299	1,350	28,888	40,386	12,834	129,757
Professional fees	9,440	7,110	-	18,608	4,385	39,543
Rent	45,720	-	-	22,881	20,339	88,940
Telephone/internet	4,465	-	-	2,383	1,598	8,446
Travel, lodging and meals	88,329	3,856	4,083	3,084	18,582	117,934
Depreciation and amortization	6,575	-	-	902	802	8,279
Total expenses	\$ 819,665	\$ 40,958	\$ 130,531	\$ 358,600	\$ 350,502	\$ 1,700,256

See Independent Auditor's Report.



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