

From the Top, Inc.

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

June 30, 2022

From the Top, Inc.

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FY22 Program Report

Mission and Vision

Founded in 2000, From the Top (FTT) empowers and celebrates young musicians. FTT envisions a more empathetic and connected society through the contributions of young musicians.

About From the Top

For 22 years FTT has showcased and developed over 3,000 young classical musicians through live performances, radio and video broadcasts, scholarships, and arts education programs. FTT began as a variety-style radio show on NPR, which today is hosted FTT alumnus Peter Dugan alongside a diverse team of co-hosts and creatives. Each year, approximately 100 young musicians are showcased to an audience of 370,000 listeners on nearly 200 radio stations nationwide. Over the years FTT has also added new media platforms, leadership trainings, community engagement, and opportunities for alumni that encourage musicians to develop artistry beyond the concert hall. Since 2005, FTT has awarded nearly 3.5 million dollars in scholarships to musicians with financial need, in partnership with the Jack Kent Cooke Foundation.

2021-22: Emerging From the Pandemic, Normalizing New Operations, Capitalizing on Silver Linings

Coming through the pandemic, FTT developed a new operational model of recording young musicians in studios, which paved the way for:

- a more cost-efficient and flexible way of capturing great audio
- FTT young musicians experiencing real-life learning and mentorship in studio recording and engineering, skills that are critical to today's working artists.

FTT also leveraged increased virtual learning opportunities and launched a robust virtual Learning and Media Lab for young musicians. The Lab is an immersive, experiential month-long "classroom".

The Lab explores aspects of the artist's life in a post- pandemic world. Skills in connecting to communities and in creating digital media are now critical. The overarching goal of the Lab is to provide the tools for young musicians be agents of positive change in their own communities. FTT will be successful if musicians leave their experience asking questions like: "What do I want to do with my artistry? Where do I want to drive my curiosity? What kind of impact do I want to have as an artist and a human being?"

Audio Production and Program Highlights

FTT produced 18 original 1-hour audio programs for NPR broadcast and podcast that brought new music and storytelling to our 52-week feed schedule. The audio was mainly captured through FTT's professional/amateur collaborative process in recording studios across the U.S. Some at-home recordings were also made with FTT's "radio in a box" kits that were shipped to young musicians, set up with the help of their parents, and recorded in collaboration with FTT engineers and staff.

Regional recordings in person took place in: Boston, MA; Chicago, IL; Los Angeles, CA; Louisville, KY, New York, NY, San Antonio, TX; and San Francisco, CA.

This was a year of FTT becoming more familiar with recording studios across the country - exploring their strengths and how they align with FTT's process in order to develop long-term relationships with those that provide the best fit.

Recording Highlights

- Guest host, NY Phil's principal clarinet Anthony McGill: Anthony is an iconic figure in the classical music world. He is an accomplished artist, a revered educator at Juilliard, and a leader in promoting racial representation. Anthony brought a natural "radio" energy to his hosting and a thrilling level of musical collaboration to his work with FTT in the iconic Power Station recording studios in mid-town Manhattan.
- Collaboration with two long-time FTT radio partners: WUOL in Louisville and KPAC in San Antonio hosted recordings in their stations.
- Black History Month Special that celebrated FTT Black alums: FTT alum oboist and FTT audio producer David Norville was lead producer. He also co-hosted the broadcast.
- Tenor Noah Carver: Noah inspired audiences with the depth of artistry he brought to his performance, and his moving story of growing up as a blind musician on a small island off of Maine. Noah received a \$10,000 Jack Kent Cooke Scholarship to facilitate the purchase of software that will help him translate music to braille.

Learning and Media Lab Highlights

- In partnership with Colburn Conservatory's Center for Innovation and Community Impact in Los Angeles, FTT developed the Learning and Media Lab curriculum.
- Colburn School's Dean for Community Initiatives and Associate Director of the Center were key facilitators for 85% of the sessions throughout the season.
- A continued partnership with Seacrest Studios allowed FTT to reach tens of thousands of children and their families in Colorado Children's Hospital. FTT Fellows provided 13 concerts, with each live Zoom concert telecast to 800+ rooms.

Connecting, Building, and Expanding Community

- 5 new Directors joined FTT's Board: 2 in Fall of 2021, 3 in Spring of 2022.
 - Angelica Cortez, Executive Director of The Suzuki Association of the Americas - CA
 - Gabrielle Campos Zamora, Principal Clarinetist of the Minnesota Orchestra (FTT Alum) - MN
 - Marcia Head, Psychotherapist and amateur pianist - MA
 - Kadar Qian, Software Engineer for Apple and Ori (FTT alum) - NY
 - Kathleen van Bergen, CEO and President of Artis Naples - FL
- 3.82 Million total views on NPR's FTT instagram posts: Dec 2021 - March 2022
 - 14 Reels featuring FTT young musicians were published on NPR's official Instagram page @NPR and NPR Music's Instagram @NPRMusic
- \$554,161 Estate Bequest: Earl Kallberg, a piano technician/tuner and long-time FTT listener left his estate to FTT. This gift was the catalyst for FTT's launch of the Francis O. Hunnewell Society to inspire others to include FTT in their estate plans and build a community of legacy donors.
- FTT June 8, 2022 Gala: FTT fans, supporters, and alumni came together for an online celebratory event and helped FTT surpass its \$200,000 goal.

Independent Auditor's Report

To the Board of Directors
From the Top, Inc.

Opinion

We have audited the financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of From the Top, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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 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.

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 2022 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 Summarized Comparative Information

We have previously audited From the Top, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Boston, Massachusetts
December 21, 2022

From the Top, Inc.

Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	<u>Assets</u>			
	2022			
	Without donor restriction	With donor restriction	Total	2021
Current assets				
Cash (Note 2)	\$ 1,801,633	\$ 587,054	\$ 2,388,687	\$ 1,555,237
Investments (Notes 1, 13)	-	-	-	13,551
Accounts receivable, net (Notes 1, 4, 15)	641,025	-	641,025	180,718
Prepaid expenses and deposits	30,967	-	30,967	15,116
Total current assets	2,473,625	587,054	3,060,679	1,764,622
Property and equipment				
Property and equipment, net (Note 5)	10,483	-	10,483	12,997
Total assets	<u>\$ 2,484,108</u>	<u>\$ 587,054</u>	<u>\$ 3,071,162</u>	<u>\$ 1,777,619</u>
	<u>Liabilities and Net Assets</u>			
Current liabilities				
Accounts payable	\$ 43,436	\$ -	\$ 43,436	\$ 60,275
Accrued wages payable	40,865	-	40,865	65,132
Accrued expenses	135,742	-	135,742	140,558
Deferred revenue	-	-	-	15,000
Total current liabilities	220,043	-	220,043	280,965
Long-term liabilities				
Notes payable	-	-	-	292,790
Total long-term liabilities	-	-	-	292,790
Total liabilities	220,043	-	220,043	573,755
Commitments and contingencies	-	-	-	-
Net assets				
Net assets without donor restriction	2,264,065	-	2,264,065	1,066,507
Net assets with donor restriction (Note 6)	-	587,054	587,054	137,357
Total net assets	2,264,065	587,054	2,851,119	1,203,864
Total liabilities and net assets	<u>\$ 2,484,108</u>	<u>\$ 587,054</u>	<u>\$ 3,071,162</u>	<u>\$ 1,777,619</u>

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Activities
Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	2022			2021
	Without donor restriction	With donor restriction	Total	
Public support				
Contributions (Notes 1, 9)	\$ 1,300,067	\$ 1,030,000	\$ 2,330,067	\$ 1,400,601
Government support (Notes 1, 9)	67,400	90,000	157,400	72,100
Event revenue	204,297	-	204,297	184,149
In-kind contributions (Notes 1, 7)	19,655	-	19,655	14,352
Total public support	1,591,419	1,120,000	2,711,419	1,671,202
Program services fees				
Carriage fees (Note 10)	325,059	-	325,059	264,386
Other program services fees	21,625	-	21,625	7,840
Educational fees (Note 10)	33,276	-	33,276	11,719
Total program service fees	379,960	-	379,960	283,945
Other revenue				
Gain on debt forgiveness (Note 14)	292,790	-	292,790	267,465
Other income (Note 15)	480,224	-	480,224	4,834
Total other revenue	773,014	-	773,014	272,299
Net assets released from restrictions (Notes 1, 6)				
Expiration of time restrictions	-	-	-	-
Satisfaction of program restrictions	670,303	(670,303)	-	-
Total net assets released from restrictions	670,303	(670,303)	-	-
Total support and revenue	3,414,696	449,697	3,864,393	2,227,446
Expenses				
Program services	1,391,908	-	1,391,908	1,361,038
General and administrative	429,257	-	429,257	460,898
Fundraising	395,973	-	395,973	366,254
Total expenses	2,217,138	-	2,217,138	2,188,190
Change in net assets, operating	1,197,558	449,697	1,647,255	39,256
Other changes				
Loss on disposal of property and equipment (Note 5)	-	-	-	(10,372)
Total other changes	-	-	-	(10,372)
Change in net assets	1,197,558	449,697	1,647,255	28,884
Net assets, beginning	1,066,507	137,357	1,203,864	1,174,980
Net assets, ending	\$ 2,264,065	\$ 587,054	\$ 2,851,119	\$ 1,203,864

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	2022				2021
	Program services	Supporting services General and administrative	Development	Total	
Payroll and payroll taxes	\$ 797,762	\$ 159,395	\$ 291,410	\$ 1,248,567	\$ 1,283,179
Scholarships	228,872	-	-	228,872	202,427
Production costs	108,093	-	-	108,093	182,307
Office expenses	80,643	17,573	30,657	128,873	158,613
Fringe benefits	63,377	24,194	28,115	115,686	120,340
Professional fees	38,775	201,017	7,597	247,389	102,583
Rent	750	1,496	-	2,246	51,497
Insurance	11,179	9,875	1,627	22,681	25,284
Marketing	1,190	1,311	1,970	4,471	15,197
Travel, lodging and meals	47,939	8,337	3,756	60,032	14,643
Event expenses	-	-	6,600	6,600	9,862
Depreciation	4,581	1,670	991	7,242	7,820
Advertising	6,975	800	-	7,775	6,235
Telephone/internet	1,772	2,739	-	4,511	4,899
Maintenance and repair	-	520	-	520	3,304
Bad debt expense	-	-	23,250	23,250	-
Website	-	330	-	330	-
Total expenses	<u>\$ 1,391,908</u>	<u>\$ 429,257</u>	<u>\$ 395,973</u>	<u>\$ 2,217,138</u>	<u>\$ 2,188,190</u>

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,647,255	\$ 28,884
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,242	7,820
Loss on disposal of property and equipment	-	10,372
Gain on debt forgiveness	(292,790)	(267,465)
Other adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities (include detail)		
Donation of stock	(14,469)	-
Net realized and unrealized (gains) losses on investments	277	-
Investment income reinvested	-	(203)
Donated property and equipment	-	(3,829)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(460,307)	(1,565)
Prepaid expenses	(15,851)	35,144
Increase (decrease) in liabilities		
Accounts payable	(16,839)	58,027
Accrued expenses and accrued wages payable	(29,083)	43,032
Deferred revenue	(15,000)	(10,417)
Net cash provided by (used in) operating activities	<u>810,435</u>	<u>(100,200)</u>
Cash flows from investing activities		
Purchases of property and equipment	(4,728)	(5,797)
Withdrawals from investments	195	125
Sale of investments	27,548	-
Net cash provided by (used in) investing activities	<u>23,015</u>	<u>(5,672)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	292,790
Net cash provided by financing activities	<u>-</u>	<u>292,790</u>
Net increase (decrease) in cash	833,450	186,918
Cash, beginning	<u>1,555,237</u>	<u>1,368,319</u>
Cash, end	<u><u>\$ 2,388,687</u></u>	<u><u>\$ 1,555,237</u></u>
Schedule of noncash investing and financing activities		
Costs incurred for purchase of fixed assets during the year	\$ (4,728)	\$ (9,626)
In-kind donations of property and equipment	<u>-</u>	<u>3,829</u>
Payments for fixed assets	<u><u>\$ (4,728)</u></u>	<u><u>\$ (5,797)</u></u>

See Notes to Financial Statements.

From the Top, Inc.

Notes to Financial Statements June 30, 2022

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 national nonprofit organization that empowers and celebrates young musicians. The Organization was organized under Massachusetts General Law Chapter 180 in November 2001 and is headquartered in Boston. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Broadcasts, digital media, and live events

Since its inception, From the Top has recorded more than 400 radio and television broadcasts before live audiences in 40 states and two international cities, featuring over 3,000 young artists. Since March 2020, recordings have been made in studios across the U.S. and from young musicians' homes. From the Top's radio show is distributed by National Public Radio ("NPR") to nearly 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.

In recent years, From the Top has worked closely with young musicians to co-create content for From the Top's expanding digital platforms. Digital and social media offerings include "Daily Joy" videos that audiences can subscribe to, virtual concerts, a 15-year archive of creative music videos featuring youth, and podcasts/bonus audio+video content related to the NPR radio show. From the Top can now be found on YouTube, Instagram, Facebook, Twitter and TikTok.

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, utilizing their artistry as a humanitarian tool to connect to people, fueling an exchange that transforms both artists and "audience". Online FTT musicians work with children's hospitals and after school music programs. In person, they connect with assisted living facilities, food pantries, and more. From the Top Musicians and their stories have also reached and inspired countless numbers of K-12 students through features in McGraw Hill music curricula.

Admissions, Recruitment, and Awards

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 award.

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$3.65 million to 368 exceptional young musicians with financial need. Young musicians who receive an award 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, 2022

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:

<i>Without donor restrictions net assets</i>	Net assets that are not subject to donor-imposed restrictions;
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<i>With donor restrictions net assets</i>	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.
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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, 2022.

Property and equipment

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

From the Top, Inc.

Notes to Financial Statements June 30, 2022

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 net assets with donor restrictions. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions 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.

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 textbooks 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 textbooks 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.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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

From the Top, Inc.

Notes to Financial Statements June 30, 2022

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.

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, 2022 totaled \$7,775.

Income taxes

The Organization is exempt from federal and state 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, 2022. 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, 2022. 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, 2019, 2020 and 2021.

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, 2022 and none were incurred during the year then ended.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

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, 2021 from which the summarized information was derived.

Reclassifications

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

Subsequent events

The Organization has evaluated subsequent events through December 21, 2022 which is the date these financial statements were available to be issued. The Organization has concluded that no events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 2 - Concentration of credit risk

The Organization maintains its cash balance in several accounts at various banks. 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, 2022.

No cash equivalents were held as of June 30, 2022.

Note 3 - Liquidity and availability

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

Financial assets at year end	
Cash	\$ 2,388,687
Accounts receivable, net	<u>641,025</u>
Total financial assets	3,029,712
Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose restrictions	<u>587,054</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 2,442,658</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.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

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, 2022, consists of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Pledges			
Contributions	\$ 120,473	\$ -	\$ 120,473
Royalties	24,913	-	24,913
Employee Retention Credits	479,628	-	479,628
Other	16,011	-	16,011
Total	<u>\$ 641,025</u>	<u>\$ -</u>	<u>\$ 641,025</u>

The Organization had pledges receivable representing the following at June 30, 2022:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Contributions	\$ 95,473	\$ 25,000	\$ 120,473
Total	<u>\$ 95,473</u>	<u>\$ 25,000</u>	<u>\$ 120,473</u>

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2022, approximately 28% of the Organization's revenue was received from two donors. At June 30, 2022, there were no amounts in receivables outstanding from the donors.

Note 5 - Property and equipment

Property and equipment at June 30, 2022, consists of the following:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Production equipment	\$ 102,923	\$ (98,890)	\$ 4,033
Office and computer equipment	173,939	(167,489)	6,450
	<u>\$ 276,862</u>	<u>\$ (266,379)</u>	<u>\$ 10,483</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

Note 6 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

Scholarship program	\$ 577,054
Radio	10,000
	<u>\$ 587,054</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, 2022, as follows:

Scholarship program	\$ 531,603
Daily Joy program	48,700
Radio	90,000
	<u>\$ 670,303</u>

Note 7 - In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2022, are as follows:

	Expenses			
	Program services	General and administrative	Fundraising	Total
Professional legal fees	<u>\$ -</u>	<u>\$ 19,655</u>	<u>\$ -</u>	<u>\$ 19,655</u>

	Revenue contributions
Professional legal fees	<u>\$ 19,655</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, 2022, 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

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

material adverse effects to the Organization's financial position, results of operations, and cash flows.

Employment agreements

The Organization has entered into an employment agreement with a key employee, which was effective in 2022. The agreement provides for, among other things, compensation, including bonuses and other incentive payments, other benefits and termination provisions. The agreement terminates on June 30, 2023.

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. The grant has been renewed annually since the first grant period. During calendar year 2021, the annual grant period was changed to run from September 1st to August 31st. During the fiscal year ended June 30 2022, the Organization was awarded two grants, one for the grant year ending August 31, 2022 in the amount of \$515,000 and one for grant year ending August 31, 2023 for \$515,000. 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, 2022, the Organization has grant funds remaining in the amount of \$62,054, 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, 2022, is as follows:

Grant amounts	\$ 9,411,755
Cumulative expenditures incurred	
Scholarships	(3,604,229)
Program and administrative costs	<u>(5,230,472)</u>
Grant funds remaining	<u><u>\$ 577,054</u></u>

Grant funds held by award year as of June 30, 2022, is as follows:

Grant period ending	
August 31, 2022	\$ 62,054
August 31, 2023	<u>515,000</u>
Grant funds remaining	<u><u>\$ 577,054</u></u>

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

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Notes to Financial Statements June 30, 2022

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, 2022, the Organization was awarded \$90,000 in support of this program from two grantors, of which the funds were used during fiscal year 2022. A summary of the cumulative activity for this program during the year ended June 30, 2022, is as follows:

Grant awards as of June 30, 2021	\$ -
Current year grants awarded	90,000
Current year expenditures	<u>(90,000)</u>
Grant awards remaining at June 30, 2022	<u><u>\$ -</u></u>

Note 10 - Contractual agreements

NPR Agreement

The Organization entered into a distribution agreement with National Public Radio ("NPR") to distribute the radio shows produced by From the Top commencing on January 1, 2009. The Organization and NPR executed a new distribution agreement, which was effective January 1, 2016 and through September 30, 2017. The program year under the agreement is from October 1st through September 30th. On October 3, 2017, an amendment to the new agreement was signed and executed for the period October 1, 2017 through September 30, 2018, with the option to auto renew annually for three consecutive years, through September 2021. On March 4, 2022, a second amendment to the agreement was signed and executed, with an effective date of October 1, 2021. The amendment extends the term of the agreement for the period October 1, 2021 through September 30, 2022, provides for the option to auto renew annually for three consecutive years, through September 2025 and update certain other terms and provisions of the agreement. In addition, NPR has been granted a right of first refusal to acquire certain broadcast rights as more fully outlined in the agreement.

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

Amounts totaling \$325,059 have been recognized as revenue for the year ended June 30, 2022.

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 textbooks and online. During the year ended June 30, 2022, royalties of \$33,276 were earned and are included in educational fees in the statement of activities.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

Note 11 - 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 12 - 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, 2022.

For the year ended June 30, 2022, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$	13,551
Stock donations		14,469
Realized and Unrealized gain (loss)		(277)
Fees		(195)
Sale of investments		<u>(27,548)</u>
Investments, end of year	\$	<u><u>-</u></u>

Note 13 - 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:

- | | |
|----------------|--|
| <i>Level 1</i> | Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs; |
| <i>Level 2</i> | 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 |
| <i>Level 3</i> | 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

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Notes to Financial Statements June 30, 2022

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, 2022.

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 Organization did not hold any investments as of June 30, 2022.

Note 14 - 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 March 28, 2023. 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. There were no borrowings or repayments during the year ended June 30, 2022 and there was no outstanding balance as of June 30, 2022.

The Organization entered into a revolving line of credit agreement with a financial institution dated July 26, 2021. The line of credit is due and payable on the Maturity Date which is defined as the earlier of i) default or ii) demand by the Bank or iii) two years from the date of the line of credit note (July 26, 2023). The maximum amount available is \$250,000. Monthly payments of principal, as determined by the lender, and interest are due at the greater of i) the bank's prime rate for commercial loans plus 1.5% or 4.75% if autodebit is used by the Organization for payment or ii) the greater of the bank's prime rate for commercial loans plus 2.0% or 5.25% if autodebit is not used by the Organization for payments 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. There were no borrowings or repayments during the year ended June 30, 2022 and there was no outstanding balance as of June 30, 2022.

Paycheck Protection Program Loan

In February 2021, the Organization entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of \$292,790 pursuant to the Paycheck Protection Program (the "PPP loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). During the year ended June 30, 2022 the Organization was notified that it had met the conditions for full loan forgiveness. Accordingly, the Organization recognized a gain of \$292,790, for forgiven

From the Top, Inc.

**Notes to Financial Statements
June 30, 2022**

principal and interest which is included in gain of debt forgiveness on the Organization's statement of activities.

Note 15 - Other governmental programs

In December 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 ("TCDTRA") made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), including modifying and extending the Employee Retention Credit ("ERC"), for six months through June 30, 2021. As a result of the CARES Act and TCDTRA, eligible employers can claim a refundable tax credit against qualifying payroll expenses. The Organization determined that they met the ERC eligibility criteria and recorded \$479,628 as other income in 2022. As of June 30, 2022, the Organization has a receivable in the amount of \$479,628 which is recorded in accounts receivable on the accompanying statement of financial position. As of December 21, 2022, the Organization has received subsequent payments in full related to this program.

Note 16 - Board designated assets

During fiscal year 2022, the Board of Directors established a goal of reserving \$600,000 of the Organization's unrestricted net assets as a working capital reserve. As of June 30, 2022, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$554,161 for this purpose.

Supplementary Information

From the Top, Inc.

**Schedule of Functional Expenses - Program Services
Year Ended June 30, 2022**

	Program Services				
	Radio production	Leadership and community engagement	Marketing and communications	Admissions and scholarship	Total
Payroll and payroll taxes	\$ 330,925	\$ 89,647	\$ 209,632	\$ 167,558	\$ 797,762
Scholarships	-	7,500	-	221,372	228,872
Production costs	102,763	150	-	5,180	108,093
Office expenses	27,752	2,033	24,353	26,505	80,643
Fringe benefits	28,548	5,170	13,399	16,260	63,377
Professional fees	19,694	14,685	2,148	2,248	38,775
Rent	750	-	-	-	750
Travel, lodging and meals	47,939	-	-	-	47,939
Insurance	8,571	505	1,163	940	11,179
Depreciation and amortization	3,509	-	536	536	4,581
Advertising	-	-	5,647	1,328	6,975
Marketing	68	-	957	165	1,190
Telephone/internet	1,328	-	444	-	1,772
Total expenses	<u>\$ 571,847</u>	<u>\$ 119,690</u>	<u>\$ 258,279</u>	<u>\$ 442,092</u>	<u>\$ 1,391,908</u>

See Independent Auditor's Report.



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