

JOY OF MUSIC PROGRAM, INC.

**FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

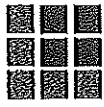
**AND
INDEPENDENT AUDITORS' REPORT**

JOY OF MUSIC PROGRAM, INC.

AUGUST 31, 2016 AND 2015

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Independent Auditors' Report

Board of Directors
Joy of Music Program, Inc.

We have audited the accompanying financial statements of Joy of Music Program, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

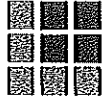
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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.



M Love & Associates, LLC
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joy of Music Program, Inc. as of August 31, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Worcester, Massachusetts
November 21, 2016

M Love & Associates, LLC

JOY OF MUSIC PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 90,007	\$ 542,527
Grants and pledges receivable	66,448	117,524
Tuition receivable, net	6,107	4,390
Prepaid expenses	5,904	5,991
Current maturities of note receivable	3,300	-
Total current assets	171,766	670,432
PROPERTY, PLANT, AND EQUIPMENT, net	2,502,945	1,569,953
OTHER ASSETS		
Grants and pledges receivable, net	-	15,360
Note receivable, net of current maturities	6,150	-
Investments	240,225	227,500
Total other assets	246,375	242,860
Total assets	\$ 2,921,086	\$ 2,483,245
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of credit	\$ 51,000	\$ -
Accounts payable, trade	7,739	8,120
Accrued liabilities	9,368	8,767
Deferred tuition revenue	11,345	7,101
Total current liabilities	79,452	23,988
NET ASSETS		
Unrestricted		
Undesignated	2,479,399	1,498,645
Board designated - unrestricted	51,363	53,000
	2,530,762	1,551,645
Temporarily restricted	70,647	680,112
Permanently restricted	240,225	227,500
Total net assets	2,841,634	2,459,257
Total liabilities and net assets	\$ 2,921,086	\$ 2,483,245

See independent auditors' report and notes to financial statements.

JOY OF MUSIC PROGRAM, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016		2015					
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE AND SUPPORT								
Tuition and fees	\$ 524,256	\$ -	\$ -	\$ 524,256	\$ 536,477	\$ -	\$ -	\$ 536,477
Contributions and grants	655,092	49,687	9,922	714,701	398,603	398,626	-	797,229
Fundraising events	5,623	-	-	5,623	6,325	-	-	6,325
Investment income (loss)	2,944	-	5,259	8,203	3,737	-	(17,404)	(13,667)
Net assets released from restrictions	661,608	(659,152)	(2,456)	-	30,643	(29,411)	(1,232)	-
Total revenue and support	1,849,523	(609,465)	12,725	1,252,783	975,785	369,215	(18,636)	1,326,364
EXPENSES								
Program services	612,418	-	-	612,418	598,378	-	-	598,378
Supporting services	257,988	-	-	257,988	263,798	-	-	263,798
Total expenses	870,406	-	-	870,406	862,176	-	-	862,176
Changes in net assets	979,117	(609,465)	12,725	382,377	115,609	369,215	(18,636)	464,188
NET ASSETS, beginning of year	1,551,645	680,112	227,500	2,459,257	1,438,036	310,897	246,156	1,995,069
NET ASSETS, end of year	\$ 2,530,762	\$ 70,647	\$ 240,225	\$ 2,841,634	\$ 1,551,645	\$ 680,112	\$ 227,500	\$ 2,459,257

See independent auditors' report and notes to financial statements.

JOY OF MUSIC PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2016

(With Summarized Financial Information for 2015)

	SUPPORTING SERVICES			TOTAL	
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	SUPPORTING SERVICES	TOTAL
	2016	2016	2016	2016	2015
Personnel and related costs					
Salaries	\$ 307,872	\$ 151,623	\$ 47,462	\$ 199,085	\$ 493,766
Payroll taxes	26,117	12,862	4,026	16,888	42,285
Total personnel and related costs	333,989	164,485	51,488	215,973	536,051
Other expenses					
Financial aid	140,770	-	-	-	140,770
Insurance	31,168	1,372	430	1,802	29,492
Utilities	18,415	-	-	-	21,663
Office supplies and expense	-	11,021	2,730	13,751	15,700
Repairs and maintenance	13,621	-	-	-	17,827
Program supplies and expense	11,353	-	-	-	5,001
Consulting and outside services	8,507	-	-	-	3,853
Professional fees	-	7,540	-	7,540	7,420
Payroll services	-	6,360	-	6,360	5,910
Other	4,800	804	-	804	7,160
Telephone	-	3,379	1,126	4,505	4,521
Postage and shipping	-	3,826	-	3,826	4,182
Printing	-	2,527	-	2,527	2,635
Dues and subscriptions	1,692	-	-	-	1,217
Security	1,444	-	-	-	1,362
Advertising	-	900	-	900	830
Interest	360	-	-	-	1,104
Travel	124	-	-	-	-
Total other operating expenses	252,254	37,729	4,286	42,015	266,138
Total expenses before depreciation and amortization expense	566,243	202,214	55,774	257,988	802,189
Depreciation and amortization expense	46,175	-	-	-	59,987
Total expenses	\$ 612,418	\$ 202,214	\$ 55,774	\$ 257,988	\$ 862,176

See independent auditors' report and notes to financial statements.

JOY OF MUSIC PROGRAM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 382,377	\$ 464,188
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	46,175	59,987
(Appreciation) depreciation of endowment investments	(5,259)	17,404
(Increase) decrease in operating assets		
Grants and pledges receivable, net	66,436	(12,444)
Tuition receivable, net	(1,717)	3,089
Prepaid expenses	87	(634)
Increase (decrease) in operating liabilities		
Accounts payable, trade	(381)	(302)
Accrued liabilities	601	(373)
Deferred tuition revenue	4,244	1,081
Net cash provided by (used in) operating activities	492,563	531,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from funds held by others	2,456	1,232
Investments in funds held by others	(9,922)	-
Expenditures for property, plant, and equipment	(979,167)	(40,464)
Net cash provided by (used in) investing activities	(986,633)	(39,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on note receivable	(10,000)	-
Repayments on note receivable	550	-
Advances on line of credit	51,000	-
Repayments on long-term debt	-	(154,651)
Net cash provided by (used in) financing activities	41,550	(154,651)
NET INCREASE (DECREASE) IN CASH	(452,520)	338,113
CASH, beginning of year	542,527	204,414
CASH, end of year	\$ 90,007	\$ 542,527
 SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for interest	\$ 360	\$ 1,104

See Independent auditors' report and notes to financial statements.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

(1) **OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

OPERATIONS

Joy of Music Program, Inc. (the Organization) provides music education and performance to the Central Massachusetts community. Historically, the Organization receives approximately 65% of its total unrestricted revenue from tuition paid by students and 35% of its total unrestricted revenue in the form of grants and contributions from the general public and various local grant making organizations. However, in recent years 42% of its unrestricted revenue is from tuition paid by students and 57% of its total unrestricted revenue is in the form of grants and contributions from both the general public and from various local grant making organizations due primarily to the Organization's 25th Anniversary Capital Campaign Fundraiser.

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial statement presentation

The Organization presents information regarding its financial position and activities according to classifications of net assets described as follows:

Unrestricted – All resources over which the governing board of the Organization has discretionary control. The governing board may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily restricted – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantor have been satisfied through expenditures for the specific purpose or program or through passage of time.

Permanently restricted – Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to gift instruments.

Cash

Cash consists of operating checking and money market accounts.

Receivables

Receivables are presented at their net realizable amount. In determining this amount, objective evidence that a receivable is uncollectible, as well as a historical pattern of collections of receivables that indicate that some or all of the amount of receivables may not be collectible is considered when determining this net realizable amount. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation account allowance and to a credit to accounts receivable.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(Continued)

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes receivable

Notes receivable are stated at outstanding principal amount, net of an allowance for uncollectible notes. Management determines that the allowance for uncollectible notes based on review of outstanding amounts, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Management determines when a note receivable is considered delinquent. Late fees of 1% per month may be charged on delinquent balances at management's discretion. Delinquent notes are written off based individual credit evaluation and specific circumstances of the borrower.

Property, plant, and equipment

Property, plant, and equipment is carried at cost. Depreciation is recorded over the estimated useful lives of the respective assets on a straight-line basis. Donations of equipment are recorded at their estimated fair value.

The Organization reviews the carrying values of certain long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Where indicated, the carrying value of such assets is reduced through a charge to earnings. The adjusted carrying values represent management's estimate of the amount expected to be recovered from these assets in the future.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in changes in net assets for the period.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in changes in net assets.

Investment income is recorded in unrestricted net assets unless its use is temporarily or permanently restricted by explicit donor stipulations.

State law has been interpreted to require that realized and unrealized appreciation (depreciation) on permanently restricted assets should be retained in the permanently restricted net asset classification. In accordance with the Board's interpretation of state law, investment earnings attributed to permanently restricted endowment funds are considered permanently restricted until appropriated for use by the Board. Investment earnings attributed to permanently restricted endowment funds that are appropriated for use by the Board in the same reporting period in which they are earned are recorded as unrestricted investment income.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(Continued)

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions, including unconditional promises to give, are recorded as the contributions or promises to give are made. All contributions are available for unrestricted use unless specifically restricted by the donor. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded as pledges receivable at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable in the years in which the promises are to be received.

Fair value of financial instruments

The Organization assesses the classification of financial instruments at each measurement date, and any transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Nonprofit status

The Organization is exempt from federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code guidelines and requirements.

If the Organization had any unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position. The Organization's federal and state tax returns for the past three years remain subject to examination by federal and state taxing authorities. The Organization annually evaluates its tax status and tax positions taken with respect to its operations and financial position. Management does not believe that the Organization has taken any tax positions which are uncertain.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with the accrual basis of accounting requires management of the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) SUBSEQUENT EVENTS

The Organization has evaluated the financial statement impact of subsequent events occurring through November 21, 2016, the date that the financial statements were available to be issued.

(3) GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist entirely of unconditional promises to give as follows:

	2016	2015
25 th Anniversary campaign pledges	\$ 15,000	\$ 31,000
Recital Hall expansion project	50,000	100,000
Financial aid grants	-	1,058
Other	1,448	1,466
	66,448	133,524
Less: Unamortized discount	-	(640)
Net grants and pledges receivable	\$ 66,448	\$ 132,884

Amounts due in:

Less than one year	\$ 66,448
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Under the terms of two separate grant agreements with the same state agency, one received in a prior year and one received during the year ended August 31, 2016, should ownership of the building ever be transferred or sold to a for profit entity or another non-profit entity that no longer uses the property as a "cultural facility", as defined in the contracts, then all funds disbursed to the Organization may become payable in full back to the state granting agency.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(Continued)

(4) PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are summarized as follows:

	Estimated Useful Lives	2016	2015
Land	-	\$ 150,000	\$ 150,000
Building	39 years	450,000	450,000
Building improvements	15 -- 39 years	2,285,283	1,242,644
Program equipment	10 years	192,674	192,674
Office equipment	5 years	42,630	42,630
Capital projects in progress	-	-	63,472
		<u>3,120,587</u>	<u>2,141,420</u>
Less: Accumulated depreciation		<u>617,642</u>	<u>571,467</u>
		<u>\$ 2,502,945</u>	<u>\$ 1,569,953</u>

Depreciation expense was \$46,175 and \$45,584 during the years ended August 31, 2016 and 2015, respectively.

(5) FINANCING COSTS

Financing costs consist of closing costs related to the acquisition and subsequent re-financing of the mortgage on the building owned by the Organization. At the time of re-financing, the Organization had previously unamortized closing costs from the original mortgage. Those unamortized costs were added to the closing costs related to the re-financing that were previously being amortized over the 25 year life of the mortgage. During the year ended August 31, 2015, the Organization paid off the remaining principal balance on its mortgage payable. The unamortized costs remaining were written off and charged to amortization expense. Amortization expense was \$0 and \$14,404 during the years ended August 31, 2016 and 2015, respectively.

(6) INVESTMENTS

Funds held by others

The Organization has established a fund with the Greater Worcester Community Foundation (GWCF) in accordance with an agency Endowment Fund Agreement. Such monies are maintained on the books of GWCF as The Beveridge and Frances Webster Endowment Fund. Net available income earned on these monies shall be paid and distributed to the Organization as detailed in the fund agreement. Distributions in excess of net available income may be made in any year as determined by the Governing Board of GWCF.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(6) INVESTMENTS (Continued)

Funds held by others (Continued)

A summary of fund activity is as follows:

	2016	2015
Balance, beginning of year	\$ 32,746	\$ 34,783
Interest and dividend income	350	442
Gifts	1,000	1,000
Unrealized gains (losses)	1,469	(1,649)
Administrative fees	(945)	(598)
Distributions	(1,300)	(1,232)
Balance, end of year	<u>\$ 33,320</u>	<u>\$ 32,746</u>

The variance section of the Endowment Fund Agreement states that if GWCF ceases to be a qualified charitable organization or if GWCF proposes to dissolve, the assets of the fund shall, after payment or making provision for payment of any liabilities properly chargeable to the fund, be distributed to Joy of Music Program, Inc. If Joy of Music Program, Inc. ceases to be a qualified charitable organization, or if Joy of Music Program, Inc. proposes to dissolve, said assets shall be distributed at the suggestion of the Board of Directors of Joy of Music Program, Inc. in such manner and to such organization(s) in the Worcester community as satisfies the original purpose of the fund.

In 2013, the Organization voted to establish a fund with GWCF in accordance with an agency Endowment Fund Agreement. To establish the fund, the Organization donated a portion of its temporarily restricted net assets. Such monies are maintained on the books of GWCF as The Ethel and Murray Abramoff Scholarship Fund for the Joy of Music Program. Net available income earned on these monies shall be paid and distributed to the Organization as detailed in the fund agreement, and are to be used for the issuance of scholarships.

A summary of fund activity is as follows:

	2016	2015
Balance, beginning of year	\$ 14,669	\$ 15,799
Gifts	900	-
Interest and dividend income	150	198
Unrealized gains (losses)	824	(751)
Administrative fees	(442)	(577)
Distributions	(1,156)	-
Balance, end of year	<u>\$ 14,945</u>	<u>\$ 14,669</u>

The variance section of the Endowment Fund Agreement states that if GWCF ceases to be a qualified charitable organization or if GWCF proposes to dissolve, the assets of the fund shall, after payment or making provision for payment of any liabilities properly chargeable to the fund, be distributed by GWCF in a manner that coincides with the original intent of the gift.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(6) INVESTMENTS (Continued)

Funds held by others (Continued)

In 2016, the Organization voted to establish a fund with GWCF in accordance with an agency Endowment Fund Agreement. To establish the fund, the Organization collected donations from the general public. Such monies are maintained on the books of GWCF as the Timothy J. Houston Memorial Fund at Joy of Music. Net available income earned on these monies shall be paid and distributed to the Organization as detailed in the fund agreement.

A summary of fund activity is as follows:

	2016	2015
Balance, beginning of year	\$ -	\$ -
Gifts	8,022	-
Interest and dividend income	10	-
Unrealized gains (losses)	356	-
Administrative fees	(177)	-
Balance, end of year	<u>\$ 8,211</u>	<u>\$ -</u>

The variance section of the Endowment Fund Agreement states that if GWCF ceases to be a qualified charitable organization or if GWCF proposes to dissolve, the assets of the fund shall, after payment or making provision for payment of any liabilities properly chargeable to the fund, be distributed by GWCF in a manner that coincides with the original intent of the gift.

Joy of Music Program, Inc. is the beneficiary from an endowment fund held at GWCF. The endowment fund was established by a donor in which the funds would be used to provide support to the Joy of Music Program, Inc. The Organization received no distributions from this fund during the years ended August 31, 2016 and 2015, respectively.

Endowment investments

Changes in endowment assets were as follows as of August 31:

	2016	2015
Endowment net assets, beginning of year	<u>\$ 180,085</u>	<u>\$ 195,554</u>
Investment return:		
Investment income, net of fees	2,407	4,334
Net realized and unrealized appreciation (depreciation)	3,688	(15,527)
Total investment return	6,095	(11,193)
Appropriation of endowment assets for expenditure	<u>(2,431)</u>	<u>(4,276)</u>
Endowment net assets, end of year	<u>\$ 183,749</u>	<u>\$ 180,085</u>

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(6) **INVESTMENTS** (Continued)

Endowment investments (Continued)

Endowment investments are stated at fair value and consist of the following:

	August 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market fund	\$ 2,199	\$ 2,199	\$ -
Mutual funds	188,177	181,550	(6,627)
	\$ 190,376	\$ 183,749	\$ (6,627)

	August 31, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market fund	\$ 2,577	\$ 2,577	\$ -
Mutual funds and securities	180,162	177,508	(2,654)
	\$ 182,739	\$ 180,085	\$ (2,654)

Investment income is summarized as follows:

	2016	2015
Interest and dividend income	\$ 2,431	\$ 4,969
Realized gains (losses)	7,661	4,545
Unrealized gains (losses)	(3,973)	(20,999)
Broker account fees and amortization	(24)	(150)
Net return on endowment investments	6,095	(11,635)
Net appreciation (depreciation) on GWCF funds	2,108	(2,032)
Investment income	\$ 8,203	\$ (13,667)

Investments consist of:

	2016	2015
Endowment investments	\$ 183,749	\$ 180,085
GWCF funds	56,476	47,415
	\$ 240,225	\$ 227,500

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(Continued)

(7) FAIR VALUE MEASUREMENTS

Fair value hierarchy

The Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as follows:

	August 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 181,550	\$ -	\$ -	\$ 181,550
Funds held by others	-	-	56,476	56,476
Money market funds	2,199	-	-	2,199
	\$ 183,749	\$ -	\$ 56,476	\$ 240,225

	August 31, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 177,508	\$ -	\$ -	\$ 177,508
Funds held by others	-	-	47,415	47,415
Money market funds	2,577	-	-	2,577
	\$ 180,085	\$ -	\$ 47,415	\$ 227,500

The Organization is allocated its portion of the total fair values of the underlying securities held by GWCF (Level 3 inputs.) The underlying investment securities held by GWCF have fair values that are determined using Level 1 inputs.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(8) LINE OF CREDIT

The Organization has a line of credit agreement with a maximum limit of \$300,000, secured by all assets of the Organization excluding endowment investment accounts. The line of credit bears interest at the prime rate plus 1.5% with a floor of 4.75%. The interest rate was 5% and 4.75% at August 31, 2016 and 2015, respectively. The balance of the line of credit was \$51,000 and \$0 as of August 31, 2016 and 2015.

(9) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Facility and other	\$ 4,270	\$ 5,071
Instruments	16,690	20,539
Campaign projects	49,687	654,502
	\$ 70,647	\$ 680,112

Temporarily restricted net assets consisted of the following as of August 31, 2016 and 2015:

	2016	2015
Cash	\$ 22,100	\$ 413,694
Grants and pledges receivable	-	131,418
Note receivable	9,450	-
Due from unrestricted net assets	39,097	135,000
	\$ 70,647	\$ 680,112

The Organization has permanently restricted endowment investments totaling \$240,225 and \$227,500 as of August 31, 2016 and 2015, respectively. The income from these funds is available to support any activities of the Organization.

The Organization has designated \$51,363 of unrestricted net assets, currently held in cash, for a specific purpose still to be determined by the Organization's Board of Directors.

(10) IN-KIND CONTRIBUTIONS

Throughout the year, Joy of Music Program, Inc. has occasion to receive or benefit from certain in-kind services from vendors, board members, and volunteers alike. Given that those amounts, while invaluable, are not material to the financial statements, and are generally impractical to calculate, such amounts are not reflected in these financial statements.

JOY OF MUSIC PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015
(Continued)

(11) LIFE INSURANCE POLICY

The Organization is the beneficiary of a \$250,000 of insurance on the life of a certain key employee. During the years ended August 31, 2016 and 2015, the Organization paid \$3,130 and \$1,565, respectively, in premiums for such life insurance policies.

(12) CONCENTRATIONS OF CREDIT RISK

The Organization may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") covers up to \$250,000 for substantially all depository accounts. From time to time, the Company may have amounts on deposit in excess of FDIC limits. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents. As of August 31, 2016 and 2015, the Organization had \$0 and \$292,527, respectively, in cash and cash equivalents in excess of FDIC limits.

(13) COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such 2015 summarized comparative 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 August 31, 2015 from which the summarized information was derived.

(14) RECLASSIFICATIONS

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation. Such classifications had no impact on changes in net assets as previously reported.

