

YOUNG CONCERT ARTISTS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Young Concert Artists, Inc.

Opinion

We have audited the accompanying financial statements of Young Concert Artists, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Concert Artists, Inc. as of June 30, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Concert Artists, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Young Concert Artists, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Young Concert Artists, 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 Young Concert Artists, 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.

Lotz + Carr, LLP

New York, New York
May 10, 2023

YOUNG CONCERT ARTISTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 643,772	\$ 668,129
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	92,150	9,750
Accounts receivable	-	6,315
Interest receivable	19,771	19,611
Investments, at fair value (Notes 1b, 1d, 1e, 5, 6 and 10)	8,577,294	9,882,308
Property and equipment, at cost (net of accumulated depreciation) (Notes 1f and 7)	74,429	15,383
Prepaid expenses and other assets	36,602	55,427
Security deposits	120,993	120,993
Total Assets	\$9,565,011	\$10,777,916
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 84,775	\$ 52,647
Deferred income (Note 1i)	1,118	1,497
Refundable advances (Note 1h)	-	298,938
Deferred rent (Note 1g)	169,596	170,498
Total Liabilities	255,489	523,580
Commitments and Contingency (Notes 8 and 9)		
Net Assets (Notes 3 and 6)		
Without Donor Restrictions		
Operating	725,305	316,765
With Donor Restrictions		
Time and purpose restrictions	1,889,000	3,543,854
Perpetual in nature	6,695,217	6,393,717
Total With Donor Restrictions	8,584,217	9,937,571
Total Net Assets	9,309,522	10,254,336
Total Liabilities and Net Assets	\$9,565,011	\$10,777,916

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total
Revenue and Public Support								
Contributions								
Individuals	\$ 521,804	\$ -	\$ 301,500	\$ 823,304	\$ 441,671	\$ -	\$ -	\$ 441,671
Foundations	572,268	-	-	572,268	865,650	50,000	-	915,650
Corporations	46	-	-	46	5,440	-	-	5,440
Government	77,850	-	-	77,850	70,870	-	-	70,870
Bequests	300,237	-	-	300,237	3,621	-	-	3,621
Loan funds - Paycheck Protection Program (Note 12)	-	-	-	-	321,585	-	-	321,585
Membership dues	53,252	-	-	53,252	73,558	-	-	73,558
Donated materials (Note 11)	70,000	-	-	70,000	-	-	-	-
Fees and expenses collected on behalf of artists	711,995	-	-	711,995	279,272	-	-	279,272
Benefit event income, net of direct expenses of \$227,550 (2022) and \$4,940 (2021)	895,611	-	-	895,611	106,379	-	-	106,379
Concert series ticket sales								
New York Concert series	13,601	-	-	13,601	-	-	-	-
Washington DC Concert series	4,648	-	-	4,648	-	-	-	-
Booking commissions	52,075	-	-	52,075	21,477	-	-	21,477
Audition fees	11,255	-	-	11,255	10,819	-	-	10,819
Net investment income (loss) (Note 5)	-	(1,104,096)	-	(1,104,096)	-	1,552,824	-	1,552,824
Miscellaneous income	17,776	-	-	17,776	5,130	-	-	5,130
Net assets released from restrictions - accumulated investment earnings (Note 6)	480,758	(480,758)	-	-	450,000	(450,000)	-	-
Net assets released from restrictions - grants and contributions	70,000	(70,000)	-	-	145,086	(145,086)	-	-
Total Revenue and Public Support	3,853,176	(1,654,854)	301,500	2,499,822	2,800,558	1,007,738	-	3,808,296
Expenses								
Program Services								
New York Concert series	246,286	-	-	246,286	214,647	-	-	214,647
Washington DC Concert series	198,225	-	-	198,225	111,969	-	-	111,969
Auditions	144,836	-	-	144,836	144,662	-	-	144,662
Artist Management	985,785	-	-	985,785	451,769	-	-	451,769
COVID Fund Relief and other programs	19,895	-	-	19,895	514,472	-	-	514,472
Total Program Services	1,595,027	-	-	1,595,027	1,437,519	-	-	1,437,519
Supporting Services								
Management and general	522,771	-	-	522,771	486,284	-	-	486,284
Fundraising	608,777	-	-	608,777	327,053	-	-	327,053
Total Expenses (Before Fees and Expenses Paid to Artists)	2,726,575	-	-	2,726,575	2,250,856	-	-	2,250,856
Fees and expenses paid to artists	718,061	-	-	718,061	287,746	-	-	287,746
Total Expenses	3,444,636	-	-	3,444,636	2,538,602	-	-	2,538,602
Increase (decrease) in net assets	408,540	(1,654,854)	301,500	(944,814)	261,956	1,007,738	-	1,269,694
Net assets, beginning of year	316,765	3,543,854	6,393,717	10,254,336	54,809	2,536,116	6,393,717	8,984,642
Net Assets, End of Year	\$ 725,305	\$ 1,889,000	\$6,695,217	\$ 9,309,522	\$ 316,765	\$ 3,543,854	\$6,393,717	\$10,254,336

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services			Total Expenses
	New York Concert Series	Washington DC Concert Series	Auditions	Artist Management	COVID Fund Relief and Other Programs	Total	Management and General	Fundraising	
Salaries	\$ 96,454	\$ 65,027	\$ 62,002	\$ 547,133	\$ -	\$ 770,616	\$ 73,542	\$ 303,450	\$1,147,608
Employee benefits and payroll taxes	26,908	18,141	17,297	152,632	-	214,978	20,516	84,652	320,146
Orchestra	9,697	28,805	386	2,850	13,842	55,580	-	-	55,580
Hall rental, front office and crew	55,624	46,907	17,776	148	-	120,455	-	2,750	123,205
Occupancy	24,643	16,614	15,841	139,786	-	196,884	18,789	77,528	293,201
Insurance	1,933	1,303	1,243	10,968	-	15,447	1,474	6,082	23,003
Equipment and maintenance	899	606	578	5,096	-	7,179	685	2,826	10,690
Computer services	-	-	-	430	-	430	6,089	11,438	17,957
Professional fees	-	-	-	455	-	455	350,669	19,400	370,524
Printing	7,857	5,709	-	855	-	14,421	-	16,459	30,880
Postage and mailing	1,405	1,930	34	4,444	-	7,813	358	4,361	12,532
Promotion and advertising	14,370	2,370	5,922	26,701	-	49,363	18,039	3,810	71,212
Office supplies	48	25	811	1,106	671	2,661	12,322	1,414	16,397
Conference expenses	-	-	-	19,100	-	19,100	-	-	19,100
Educational residencies	-	-	161	24,971	1,700	26,832	-	-	26,832
Jury stipends	-	-	18,166	-	-	18,166	-	-	18,166
Composer-in-residence	-	-	-	8,000	-	8,000	-	-	8,000
Orchestra partners project	-	-	-	15,000	-	15,000	1,000	-	16,000
Production costs	-	-	-	15,000	-	15,000	-	508	15,508
Indirect benefit expenses	-	-	-	-	-	-	-	18,689	18,689
Travel, meals and lodging	5,028	8,297	3,681	4,694	2,312	24,012	5,656	39,845	69,513
Telephone and internet	168	860	-	16	-	1,044	7,684	-	8,728
Miscellaneous	331	1,010	346	1,178	1,370	4,235	3,246	12,669	20,150
Bad debt expense	-	-	-	-	-	-	2,000	-	2,000
Depreciation and amortization	921	621	592	5,222	-	7,356	702	2,896	10,954
Total expenses before fees and expenses paid to artists	246,286	198,225	144,836	985,785	19,895	1,595,027	522,771	608,777	2,726,575
Fees and expenses paid to artists	-	-	-	718,061	-	718,061	-	-	718,061
Total Expenses	<u>\$246,286</u>	<u>\$ 198,225</u>	<u>\$144,836</u>	<u>\$ 1,703,846</u>	<u>\$ 19,895</u>	<u>\$2,313,088</u>	<u>\$ 522,771</u>	<u>\$ 608,777</u>	<u>\$3,444,636</u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			Total Expenses
	New York Concert Series	Washington DC Concert Series	Auditions	Artist Management	COVID Fund Relief and Other Programs	Total	Management and General	Fundraising	
Salaries	\$103,641	\$ 63,311	\$ 63,857	\$ 239,703	\$ 226,960	\$ 697,472	\$ 42,651	\$ 142,959	\$ 883,082
Employee benefits and payroll taxes	29,653	18,114	18,271	68,584	64,937	199,559	12,203	40,903	252,665
Orchestra	-	-	-	4,000	77,323	81,323	-	-	81,323
Hall rental, front office and crew	9,115	5,614	13,502	-	10,216	38,447	-	500	38,947
Occupancy	34,904	21,322	21,506	80,728	76,436	234,896	14,364	48,146	297,406
Insurance	2,260	1,380	1,392	5,226	4,948	15,206	930	3,117	19,253
Awards	-	-	-	-	3,770	3,770	-	-	3,770
Equipment and maintenance	-	-	-	-	5,210	5,210	11,207	-	16,417
Computer services	-	-	-	2,666	-	2,666	6,114	6,746	15,526
Professional fees	-	-	-	7,266	13,250	20,516	343,719	64,750	428,985
Printing	9,646	-	-	-	-	9,646	-	8,254	17,900
Postage and mailing	542	1,220	-	74	-	1,836	1,312	1,905	5,053
Promotion and advertising	23,323	100	5,113	7,705	13,970	50,211	17,506	1,704	69,421
Office supplies	16	16	105	8	-	145	3,434	1,603	5,182
Conference expenses	-	-	-	2,468	-	2,468	-	20	2,488
Educational residencies	-	-	-	12,300	-	12,300	-	-	12,300
Jury stipends	-	-	19,282	-	-	19,282	-	-	19,282
Composer-in-residence	-	-	32	4,500	3,500	8,032	-	-	8,032
Orchestra partners project	-	-	-	3,801	-	3,801	-	-	3,801
Production costs	-	-	-	1,066	1,710	2,776	-	25	2,801
Travel, meals and lodging	1,244	731	912	10,481	5,440	18,808	1,281	6,340	26,429
Telephone and internet	168	-	-	-	-	168	9,723	-	9,891
Miscellaneous	135	161	690	1,193	6,802	8,981	12,956	81	22,018
Depreciation and amortization	-	-	-	-	-	-	8,884	-	8,884
Total expenses before fees and expenses paid to artists	214,647	111,969	144,662	451,769	514,472	1,437,519	486,284	327,053	2,250,856
Fees and expenses paid to artists	-	-	-	287,746	-	287,746	-	-	287,746
Total Expenses	<u>\$214,647</u>	<u>\$ 111,969</u>	<u>\$144,662</u>	<u>\$ 739,515</u>	<u>\$ 514,472</u>	<u>\$1,725,265</u>	<u>\$ 486,284</u>	<u>\$ 327,053</u>	<u>\$2,538,602</u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (944,814)	\$1,269,694
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Bad debt expense	2,000	-
Endowment contributions	(301,500)	-
Depreciation and amortization expense	10,954	8,884
Donated securities	(42,498)	(77,122)
Donated property and equipment	(70,000)	-
Net realized gain on investments	(223,429)	(197,817)
Net unrealized gain (loss) on investments	1,393,074	(1,271,653)
Deferred rent	(902)	5,225
(Increase) decrease in:		
Unconditional promises to give	(82,400)	101,798
Accounts receivable	4,315	(6,315)
Interest receivable	(160)	2,292
Prepaid expenses and other assets	18,825	(7,446)
Increase (decrease) in:		
Accounts payable and accrued expenses	32,128	(117,468)
Refundable advances	(298,938)	298,938
Deferred income	(379)	(358)
Net Cash Provided (Used) By Operating Activities	(503,724)	8,652
Cash Flows From Investing Activities		
Purchase of investments	(1,098,356)	(1,943,194)
Proceeds from sale of investments	1,276,223	2,404,669
Net Cash Provided By Investing Activities	177,867	461,475
Cash Flows From Financing Activities		
Endowment contributions received	301,500	-
Net increase (decrease) in cash and cash equivalents	(24,357)	470,127
Cash and cash equivalents, beginning of year	668,129	198,002
Cash and Cash Equivalents, End of Year	\$ 643,772	\$ 668,129

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Young Concert Artists, Inc. (the "Organization") is not-for-profit organization of a cultural and educational nature. The principal purpose of the Organization is to discover and launch the careers of extraordinary young musicians.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, including money market funds, to be cash equivalents, except for those held in its investment portfolio as part of its long-term investment objectives.

c - Contributions and Unconditional Promises to Give

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

d - Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurement (continued)

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the institute has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

e - Investments

Investments are measured at fair value on a recurring basis. The value of the Organization's cash equivalents, fixed income bonds, common stock and mutual funds are based on quoted market prices in active markets, and are therefore, classified within Level 1.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which gains and other investment income are recognized. All other donor restricted gains and other investment income are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

f - Property and Equipment

Property and equipment are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis. Leasehold improvements are being amortized over the shorter of the useful life of the improvement or the life of the lease.

g - Deferred Rent

The aggregate of the total minimum lease payments is amortized on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its lease is recorded as deferred rent in the statement of financial position.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Refundable Advances

Amounts received for the Organization's fundraising benefit event are recorded as refundable advances until the event takes place, at which time the advances are recognized in revenue.

i - Revenue Recognition

The Organization has multiple streams of revenue that accounted as for as exchange transactions including concert series ticket sales, memberships, booking commissions and fees, and expenses collected on behalf of artists.

Concert series ticket sales, booking commissions and fees, and expenses collected on behalf of artists are recognized in the period that the performance takes place.

Membership revenue is collected at the commencement of the membership period. Membership revenue is primarily contribution revenue, and a portion represents an exchange transaction and entitles members to certain discounts and events over the course of the membership period, which is the Organization's fiscal year. The Organization recognizes membership revenue as contribution revenue in the year received since the Organization's performance obligation is completed by the end of the fiscal year.

j - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

k - 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 estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l - Tax Status

Young Concert Artists, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

m - Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial amount of the Organization's expenses are directly related to program activities which are made up of concert series, auditions, patrons trip, artist management and other programs. The expenses that are allocated include salaries, employee benefits and payroll taxes, insurance, occupancy and other administrative costs, which are allocated based upon estimates of time and effort.

n - New Accounting Standard

For 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for Entities for Contributed Nonfinancial Assets*. The ASU improves transparency of contributed nonfinancial assets through enhancements to presentation and disclosure and requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies and valuation techniques.

o - Subsequent Events

The Organization has evaluated subsequent events through May 10, 2023, the date that the financial statements are considered available to be issued.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. The Organization has a balanced stream of annual revenue, including a diverse range of both earned and contributed sources. The Organization considers general expenditures to consist of all expenses related to ongoing program activities, and the expenses related to management and general activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

The Organization's financial assets of as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 643,772	\$ 668,129
Investments	8,577,294	9,882,308
Unconditional promises to give	92,150	9,750
Accounts receivable	-	6,315
Interest receivable	<u>19,771</u>	<u>19,611</u>
Total Financial Assets	9,332,987	10,586,113
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(20,000)	(90,000)
Plus: Net assets with donor restrictions expected to be met in less than one year	20,000	70,000
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(8,564,217)	(9,847,571)
Plus: Amounts appropriated for use within one year	<u>492,953</u>	<u>450,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,261,723</u>	<u>\$1,168,542</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Subject to expenditure for specified purpose	\$ 20,000	\$ 90,000
Endowments subject to spending policy and appropriation:		
Investment above original gift amounts	1,869,000	3,453,854
Perpetual in nature:		
Endowments subject to spending policy and appropriation	<u>6,695,217</u>	<u>6,393,717</u>
Total Net Assets With Donor Restrictions	<u>\$8,584,217</u>	<u>\$9,937,571</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 5 - Investments

Investments at June 30 consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds and cash held for investment	\$ 343,299	\$ 343,299	\$ 119,470	\$ 119,470
Fixed income - corporate bonds	3,040,222	2,870,348	3,039,832	3,120,791
Common stock	2,966,656	5,317,117	2,914,019	6,393,928
Preferred stock	49,872	46,530	49,872	51,444
Exchange traded funds	-	-	188,796	196,675
	<u>\$6,400,049</u>	<u>\$8,577,294</u>	<u>\$6,311,989</u>	<u>\$9,882,308</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 5 - Investments (continued)

Net investment income (loss) is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 148,007	\$ 154,550
Net realized gain on investments	223,429	197,817
Net unrealized gain (loss) on investments	<u>(1,393,074)</u>	<u>1,271,653</u>
	(1,021,638)	1,624,020
Investment management fees	<u>(82,458)</u>	<u>(71,196)</u>
Net Investment Income (Loss)	<u><u>\$(1,104,096)</u></u>	<u><u>\$1,552,824</u></u>

The following summarizes the Organization's investments by the levels within the fair value hierarchy used to measure their values at June 30, 2022 and 2021:

	<u>2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash held for investment	\$ 343,299	\$ 343,299	\$ -	\$ -
Fixed income - corporate bonds	2,870,348	2,870,348	-	-
Common stock	5,317,117	5,317,117	-	-
Preferred stock	<u>46,530</u>	<u>46,530</u>	-	-
	<u><u>\$8,577,294</u></u>	<u><u>\$8,577,294</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash held for investment	\$ 119,470	\$ 119,470	\$ -	\$ -
Fixed income - corporate bonds	3,120,791	3,120,791	-	-
Common stock	6,393,928	6,393,928	-	-
Preferred stock	51,444	51,444	-	-
Exchange traded funds	<u>196,675</u>	<u>196,675</u>	-	-
	<u><u>\$9,882,308</u></u>	<u><u>\$9,882,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 6 - Endowment Funds

The Organization's endowment consists of numerous donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act (NYPMIFA), the Organization classifies as net assets of a perpetual nature (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until these amounts are appropriated for expenditure by the Organization.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment funds are donor-restricted and are summarized by net asset classification at June 30, 2022 and 2021 as follows:

	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Donor-restricted endowment funds, 2022	<u>\$1,869,000</u>	<u>\$6,695,217</u>	<u>\$8,564,217</u>
Donor-restricted endowment funds, 2021	<u>\$3,453,854</u>	<u>\$6,393,717</u>	<u>\$9,847,571</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 6 - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended June 30, 2022 and 2021 are summarized as follows:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Gift Amount	Investment in Perpetuity	
Endowment funds, beginning year	\$ -	\$3,453,854	\$6,393,717	\$9,847,571
Net investment loss	-	(1,104,096)	-	(1,104,096)
Contributions received	-	-	301,500	301,500
Appropriation of endowment assets for expenditure	-	(480,758)	-	(480,758)
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$1,869,000</u>	<u>\$6,695,217</u>	<u>\$8,564,217</u>
	2021			
	Without Donor Restrictions	With Donor Restrictions		
		Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning year	\$ -	\$2,351,030	\$6,393,717	\$8,744,747
Net investment gain	-	1,552,824	-	1,552,824
Appropriation of endowment assets for expenditure	-	(450,000)	-	(450,000)
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$3,453,854</u>	<u>\$6,393,717</u>	<u>\$9,847,571</u>

The fair value of assets associated with individual donor restricted endowment funds may fall below the value of the original endowment gift. A deficiency of this nature in the amount of \$60,199, with respect to four of the Organization's endowment funds with an original gift value of \$1,464,238, is reported as net assets with donor restrictions at June 30, 2022.

The long-term objective of the Organization is to preserve, at least, the real (i.e. inflation-adjusted) purchasing power of the endowment, measured on a real total return basis, while making withdrawals from the endowment to support the budget of the Organization. The investment goal will be to earn an average annual real total return of at least 5% per year, net of management fees. The investment policies will be based on the assumption that withdrawals from the endowment to support the Organization's annual spending will, over the long term, average approximately 5% of the endowment's market value.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 6 - Endowment Funds (continued)

For purposes of investment, the endowment shall be diversified both by asset class (e.g., common stocks, bonds, cash) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization) to provide reasonable assurance that no single security or type of security will have a disproportionate impact on the market value of the endowment.

Note 7 - Property and Equipment

Property and equipment at June 30 consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Furniture and fixtures	7 years	\$74,465	\$ 4,465
Website	3 years	12,075	12,075
Office equipment	5 years	<u>22,705</u>	<u>22,705</u>
		109,245	39,245
Less: Accumulated depreciation and amortization		<u>(34,816)</u>	<u>(23,862)</u>
		<u>\$74,429</u>	<u>\$15,383</u>

Note 8 - Commitment and Contingency

a - The Organization entered into a lease for new office space which expires December 31, 2027. The lease provides for fixed rent payments with annual increases and charges for real estate taxes and utilities.

Approximate future minimum lease payments for the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	
2023	\$285,694
2024	298,337
2025	304,064
2026	309,905
2027	315,863
Thereafter through December 31, 2027	159,436

b - Government supported projects are subject to audit by the granting agency.

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Note 9 - Pension Plan

The Organization has a defined contribution pension plan that covers substantially all of its employees. Contributions to the plan are based on a percentage of salaries, as determined by the Board of Directors. The Organization contributed \$39,709 and \$40,965, respectively, to the plan for the years ended June 30, 2022 and 2021.

Note 10 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Note 11- Donated Materials

The Organization received two donated pianos with a fair market value of \$70,000. The value of the pianos were based on knowledge of the instruments and industry, as well as similar aged piano sales. The Organization sold one of the pianos during the year ended June 30, 2023. The other piano is expected to be sold at a future date.

Note 12 - Paycheck Protection Program Funds

During the year ended June 30, 2022, the Organization received a second Paycheck Protection Program (PPP) loan of \$321,585 administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized the \$321,585 as grant revenue for the year ended June 30, 2021.