

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)**



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended September 30, 2018 and 2017

M A N K S P A N E T H

ACCOUNTANTS & ADVISORS

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Save The Music Foundation
(d/b/a MTV Save the Music Foundation
and VH1 Save the Music Foundation)

We have audited the accompanying financial statements of Save the Music Foundation (d/b/a MTV Save the Music Foundation and VH1 Save the Music Foundation) (the "Foundation"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Music Foundation (d/b/a MTV Save the Music Foundation and VH1 Save the Music Foundation) as of September 30, 2018 and 2017, 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.

Marks Paneth LLP

New York, NY
March 26, 2019

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Notes 2B and 9)	\$ 1,014,948	\$ 1,589,845
Contributions and grants receivable, net (Notes 2H, 2I and 3)	643,143	841,386
Accounts receivable, and other assets (Note 2J)	12,273	47,798
Inventories, net (Note 2F)	30,651	53,263
Equipment, net (Notes 2D and 4)	<u>54,167</u>	<u>14,000</u>
TOTAL ASSETS	<u>\$ 1,755,182</u>	<u>\$ 2,546,292</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 613,696	\$ 923,716
Deferred revenue (Note 2K)	75,000	478,465
Due to MTV Networks (Note 7)	<u>313,449</u>	<u>449,018</u>
TOTAL LIABILITIES	<u>1,002,145</u>	<u>1,851,199</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted	244,909	15,493
Temporarily restricted (Note 5)	<u>508,128</u>	<u>679,600</u>
TOTAL NET ASSETS	<u>753,037</u>	<u>695,093</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,755,182</u>	<u>\$ 2,546,292</u>

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>Year Ended September 30, 2018</u>			<u>Year Ended September 30, 2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>
PUBLIC SUPPORT AND REVENUE:						
Public Support:						
Special events revenue	\$ 433,070	\$ -	\$ 433,070	\$ 83,704	\$ -	\$ 83,704
Less cost of direct benefit to donor (Note 2L)	<u>(129,768)</u>	<u>-</u>	<u>(129,768)</u>	<u>(125,615)</u>	<u>-</u>	<u>(125,615)</u>
Special events, net	303,302	-	303,302	(41,911)	-	(41,911)
Contributions and grants (Note 7)	1,979,041	381,128	2,360,169	1,641,990	619,600	2,261,590
Donated musical instruments (Note 2M)	33,015	-	33,015	64,502	-	64,502
Donated goods and services (Notes 2M and 7)	<u>2,007,764</u>	<u>-</u>	<u>2,007,764</u>	<u>2,428,169</u>	<u>-</u>	<u>2,428,169</u>
Total Public Support	<u>4,323,122</u>	<u>381,128</u>	<u>4,704,250</u>	<u>4,092,750</u>	<u>619,600</u>	<u>4,712,350</u>
Revenue:						
Royalties (Note 2N)	5,157	-	5,157	715	-	715
Net assets released from restrictions (Notes 2C and 5)	<u>552,600</u>	<u>(552,600)</u>	<u>-</u>	<u>111,000</u>	<u>(111,000)</u>	<u>-</u>
Total Revenue	<u>557,757</u>	<u>(552,600)</u>	<u>5,157</u>	<u>111,715</u>	<u>(111,000)</u>	<u>715</u>
TOTAL SUPPORT AND REVENUE	<u>4,880,879</u>	<u>(171,472)</u>	<u>4,709,407</u>	<u>4,204,465</u>	<u>508,600</u>	<u>4,713,065</u>
EXPENSES (NOTE 2G):						
Program services						
Musical education restoration (Note 2O)	3,057,231	-	3,057,231	3,408,354	-	3,408,354
Supporting services						
Management and general	372,246	-	372,246	373,278	-	373,278
Fundraising	<u>1,221,986</u>	<u>-</u>	<u>1,221,986</u>	<u>1,052,863</u>	<u>-</u>	<u>1,052,863</u>
TOTAL EXPENSES	<u>4,651,463</u>	<u>-</u>	<u>4,651,463</u>	<u>4,834,495</u>	<u>-</u>	<u>4,834,495</u>
CHANGE IN NET ASSETS	229,416	(171,472)	57,944	(630,030)	508,600	(121,430)
Net assets - beginning of year	<u>15,493</u>	<u>679,600</u>	<u>695,093</u>	<u>645,523</u>	<u>171,000</u>	<u>816,523</u>
NET ASSETS - END OF YEAR	<u>\$ 244,909</u>	<u>\$ 508,128</u>	<u>\$ 753,037</u>	<u>\$ 15,493</u>	<u>\$ 679,600</u>	<u>\$ 695,093</u>

The accompanying notes are an integral part of these financial statements.

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	Year Ended September 30, 2018				Year Ended September 30, 2017			
	<u>Program Services</u>	Supporting Services		<u>Total 2018</u>	<u>Program Services</u>	Supporting Services		<u>Total 2017</u>
		Management and General	Fundraising			Management and General	Fundraising	
Salaries	\$ 322,542	\$ 26,450	\$ 388,259	\$ 737,251	\$ 264,355	\$ 5,538	\$ 362,996	\$ 632,889
Benefits and related payroll expenses	<u>76,232</u>	<u>6,449</u>	<u>98,273</u>	<u>180,954</u>	<u>65,598</u>	<u>1,229</u>	<u>90,714</u>	<u>157,541</u>
Total Salaries and Related Costs (Notes 6 and 7)	398,774	32,899	486,532	918,205	329,953	6,767	453,710	790,430
Musical instrument grants (Note 2O)	2,243,097	-	-	2,243,097	2,540,140	-	-	2,540,140
Donated professional services and office expenses (Notes 2M and 7)	259,399	140,285	248,553	648,237	312,588	132,092	358,513	803,193
Professional services	14,728	195,451	26,264	236,443	71,881	231,554	37,105	340,540
Travel and meetings	5,471	3,159	199	8,829	482	847	11,410	12,739
Office expenses	14,950	452	15,383	30,785	8,992	2,018	14,733	25,743
Caterer, rental, production costs and related expenses	-	-	396,114	396,114	-	-	162,215	162,215
Website expense	29,623	-	23,847	53,470	31,049	-	28,421	59,470
Marketing and promotion	2,996	-	146,706	149,702	56,576	-	109,876	166,452
Delivery and advocacy events	82,777	-	-	82,777	56,693	-	-	56,693
Depreciation	5,416	-	5,417	10,833	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,739</u>	<u>2,739</u>	<u>-</u>	<u>-</u>	<u>2,495</u>	<u>2,495</u>
Subtotal	3,057,231	372,246	1,351,754	4,781,231	3,408,354	373,278	1,178,478	4,960,110
Less: cost of direct benefit to donors (Note 2L)	<u>-</u>	<u>-</u>	<u>(129,768)</u>	<u>(129,768)</u>	<u>-</u>	<u>-</u>	<u>(125,615)</u>	<u>(125,615)</u>
TOTAL EXPENSES	<u>\$ 3,057,231</u>	<u>\$ 372,246</u>	<u>\$ 1,221,986</u>	<u>\$ 4,651,463</u>	<u>\$ 3,408,354</u>	<u>\$ 373,278</u>	<u>\$ 1,052,863</u>	<u>\$ 4,834,495</u>

The accompanying notes are an integral part of these financial statements.

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 57,944	\$ (121,430)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Allowance for (recovery of) doubtful contributions and grants receivable	25,000	(65,000)
Depreciation	10,833	-
Subtotal	93,777	(186,430)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Contributions and grants receivable	173,243	(287,376)
Accounts receivable and other assets	35,525	(42,007)
Inventories	22,612	(50,431)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(310,020)	388,692
Deferred revenue	(403,465)	478,465
Due to MTV Networks	(135,569)	(251,627)
Net Cash (Used In) Provided by Operating Activities	(523,897)	49,286
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(51,000)	(14,000)
Net Cash Used in Investing Activities	(51,000)	(14,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(574,897)	35,286
Cash and cash equivalents - beginning of year	1,589,845	1,554,559
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,014,948	\$ 1,589,845

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Save The Music Foundation (the “Foundation”) is a nonprofit organization dedicated to improving the quality of education in America’s public schools by restoring and supporting instrumental music education programs in America’s public schools, and by raising public awareness about the importance of music participation and the positive impact it has on our Nation’s youth. The Foundation’s mission is to help kids, schools and communities realize their full potential through the power of music. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Foundation’s financial statements have been prepared on the accrual basis of accounting. The Foundation adheres to accounting principles generally accepted in the United States of America, (“U.S. GAAP”).
- B. The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.
- C. The Foundation maintains its net assets under the following two classes:
- Unrestricted – represents resources available for support of the Foundation’s operations over which the Board of Directors (the “Board”) has discretionary control.
 - Temporarily Restricted – resulting from contributions and other inflows of assets subject to donor imposed stipulations that either can be fulfilled and removed by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. When such stipulations are fulfilled or time restrictions expire, such temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets that have been both earned and have had their restrictions met in the current year are recorded as unrestricted net assets.
- D. Equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Contributed fixed assets are stated at fair value at the date of gift. The Foundation has established a \$1,000 threshold above which assets are capitalized. Purchases below \$1,000 are expensed at the time of acquisition. Equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- E. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- F. The Foundation has inventories of certain donated and purchased musical instruments which will be granted to educational institutions in accordance with the Foundation’s mission. The Foundation also has inventories of donated items for sale such as concert tickets, memorabilia and collectibles. Inventories are recorded at cost at the time of purchase or the fair value at date of donation. As of September 30, 2018 and 2017, the Foundation had an inventory obsolescence provision of \$1,000 and \$1,400, respectively.

The Foundation reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills and represents services that would have been purchased had they not been donated. See Note 7 for details of such contributed services.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. The following program and supporting services are included in the accompanying financial statements:
- Program*** – Includes musical instrument grants, public education and advocacy programs to explain the importance and value of music education.
- Management and general*** – Provides coordination and articulation of the Foundation's program strategy through the Office of the Executive Director; secures proper administrative functioning of the Board of Directors; maintains competent legal services for the proper administration of the Foundation; and manages the financial responsibilities of the Foundation.
- Fundraising*** – Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.
- H. Unconditional contributions receivable are recognized as contribution revenue and contributions receivable during the period in which they are promised. Conditional contributions are recognized only when the stipulated conditions on which they depend are substantially met and the contributions become unconditional.
- I. The Foundation's management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors including an assessment of the credit-worthiness of its donors, aging of the amounts due and historical experience. As of September 30, 2018 and 2017, the Foundation determined that an allowance for uncollectable contributions and grants was necessary in the amount of \$25,000 and \$0, respectively.
- J. The Foundation's management evaluates the need for an allowance for doubtful accounts applicable to its accounts receivable based on various factors including an assessment of the credit worthiness of its vendors, aging of the amounts due and historical experience. As of September 30, 2018 and 2017, no allowance was considered necessary.
- K. The Foundation receives cash in advance of a special event that is held after the statement of financial position date. It is the Foundation's policy to refund money paid for an event if it is cancelled or postponed based on the donor's request.
- L. The direct costs of special events include costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.
- M. The estimated fair values of materials and services are recorded in the statements of activities as revenue in the year received and as expenses (musical instruments, donated professional services and office expenses) in the period in which they are provided or used. The Foundation receives musical instruments from donors to benefit public school music programs.
- N. The Foundation receives nonrefundable royalty payments for its licensing agreements pertaining to cargo cases and music CDs. Royalty income is recorded when initial nonrefundable royalty payments are received and when subsequent royalties are earned.
- O. The Foundation distributes musical instruments to various public schools around the United States for their music programs. Grant expense is recorded at the date of the unconditional promise to give and is recorded at an amount equal to the fair value of musical instruments originally donated to the Foundation.

**SAVE THE MUSIC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 290,365	\$ 691,386
Amounts due in one to five years	<u>377,778</u>	<u>150,000</u>
Total	668,143	841,386
Less: Reserve for uncollectible pledges	<u>(25,000)</u>	<u>-</u>
Total contributions and grants receivable, net	<u>\$ 643,143</u>	<u>\$ 841,386</u>

NOTE 4 – EQUIPMENT

Equipment consists of the following as of September 30:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Life</u>
Computer software	\$ 65,000	\$ 65,000	3 years
Construction in progress	<u>-</u>	<u>14,000</u>	
Total costs	65,000	79,000	
Less: accumulated depreciation and amortization	<u>(10,833)</u>	<u>(65,000)</u>	
Net book value	<u>\$ 54,167</u>	<u>\$ 14,000</u>	

Depreciation expense amounted to \$10,833 and \$0 for each of the years ended September 30, 2018 and 2017, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of September 30:

	<u>2018</u>	<u>2017</u>
Newark, NJ schools	\$ 279,600	\$ 309,600
New Jersey schools	-	160,000
West Virginia schools	140,000	140,000
New York, NY schools	-	35,000
New Orleans, LA school	5,000	-
New Britain, CT schools	-	25,000
Zion, IL schools	70,000	-
Piano Program in Coffee County, TN school	-	10,000
Music Technology Grant in Brooklyn, NY school	3,774	-
Music Technology Grant in Newark, NJ school	<u>9,754</u>	<u>-</u>
	<u>\$ 508,128</u>	<u>\$ 679,600</u>

Net assets were released from restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes for the years ended September 30 as follows:

	<u>2018</u>	<u>2017</u>
New Jersey schools	\$ 160,000	\$ 75,000
Newark, NJ schools	182,600	-
West Virginia schools	140,000	-
New York schools	35,000	-
New Britain, CT schools	25,000	30,000
Rebuild music education programs	-	5,000
Washington DC schools	-	1,000
Piano Program in Coffee County, TN school	<u>10,000</u>	<u>-</u>
	<u>\$ 552,600</u>	<u>\$ 111,000</u>

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 6 – TAX-DEFERRED ANNUITY PLAN

The Foundation has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code that covers full-time employees of the Foundation. The Foundation matches 75% of the first 6% that an employee contributes to the plan (maximum of 4.5% of gross salary per employee). Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Pension expense for the years ended September 30, 2018 and 2017 was \$17,972 and \$17,133, respectively.

NOTE 7 – RELATED PARTIES

Through an agreement with MTV Networks which is renewable every two years, the Foundation recognizes the benefit contributed from the services of certain employees including the Executive Director of the Foundation, special events production, management and general support, in addition to office rent and some overhead and travel expenses. In addition, the Foundation reimburses MTV Network for certain operating expenses beyond the donated amount. MTV Networks also grants to the Foundation certain exclusive, non-exclusive and non-transferable rights to use certain trademarks and logos in connection with the Foundation's charitable and educational activities. MTV Networks has the rights to appoint two of the three members of the nominating committee to nominate persons for election to the Foundation's Board. However, the directors, officers and employees of MTV Networks shall in the aggregate constitute less than a majority of the directors of the Foundation's Board.

Donated services, contributed by MTV Networks including special events production, music talent booking, public relations, travel reimbursement, the Executive Director and use of office space were \$623,237 and \$783,192 for the fiscal years ended September 30, 2018 and 2017, respectively.

In addition, the Foundation incurred expenses of \$565,721 and \$270,444 for the years ended September 30, 2018 and 2017, respectively, for special events production and other services provided by MTV Networks. As of September 30, 2018 and 2017, the Foundation has a liability to MTV Networks amounting to \$313,449 and \$449,018, respectively. This liability relates principally to MTV Networks coverage of the Foundation's operating shortfalls in 2008 and 2011.

In July 2016, MTV Networks and Save the Music Foundation worked out a debt repayment schedule in which the Foundation agreed to pay down a portion of the prior year's liability over four years beginning with the year ended September 30, 2016. In addition, in July 2016, MTV Networks agreed to write off and forgive an amount of \$74,597 of the debt each year for four years beginning with the year ended September 30, 2016. The reduction in the amount due to MTV Networks is reported as part of contributions and grants in the accompanying statements of activities for the years ended September 30, 2018 and 2017.

In transactions not related to MTV Networks, donated services from the Foundation's third party accounting provider were \$25,000 and \$20,000 for the fiscal years ended September 30, 2018 and 2017, respectively.

The Foundation is also a co-employer of its staff with a professional employer organization that provides payroll, benefits, human resources, tax administration and regulatory compliance assistance. The contractual obligation enables the Foundation to offer competitive employee benefit package to their employees.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Foundation believe it has no uncertain tax positions as of September 30, 2018 and 2017 in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 9 – CONCENTRATION

Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits (\$250,000) by approximately \$717,000 and \$1,534,000 as of September 30, 2018 and 2017, respectively. Such excess includes outstanding checks.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of statement of financial position through March 26, 2019, the date the financial statements were available to be issued.