

THE MIDORI FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 AND 2017

THE MIDORI FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Midori Foundation, Inc.

We have audited the accompanying financial statements of The Midori Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 audit 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Midori Foundation, Inc. as of June 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.

Lotz + Carr, LLP

New York, New York
November 12, 2018

THE MIDORI FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents (Notes 1b and 8)	\$ 930,784	\$ 850,456
Unconditional promises to give (Notes 1c, 3 and 8)		
Unrestricted	283,900	315,301
Restricted for future programs	100,000	204,260
Accounts receivable (Note 8)	144,442	270,588
Prepaid expenses	14,308	11,214
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	28,537	18,907
Security deposit	36,434	17,187
	<u>1,538,405</u>	<u>1,687,913</u>
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 153,542	\$ 203,922
Deferred revenue	4,400	-
Total Liabilities	<u>157,942</u>	<u>203,922</u>
Commitment and Contingencies (Note 6)		
Net Assets		
Unrestricted		
Operating	1,003,463	999,731
Board designated - working capital reserve (Note 2a)	200,000	200,000
Total Unrestricted	<u>1,203,463</u>	<u>1,199,731</u>
Temporarily restricted (Note 2b)	177,000	284,260
Total Net Assets	<u>1,380,463</u>	<u>1,483,991</u>
	<u>1,538,405</u>	<u>1,687,913</u>
Total Liabilities and Net Assets		

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Support and Revenue (Note 8)						
Education revenue	\$ 314,411	\$ -	\$ 314,411	\$ 335,723	\$ -	\$ 335,723
Other revenue	874	-	874	3,206	-	3,206
Contributions						
Individuals	120,812	-	120,812	109,573	10,000	119,573
Foundations and trusts	114,500	65,740	180,240	241,501	274,260	515,761
Corporations	33,621	-	33,621	11,043	-	11,043
Government	994,750	-	994,750	850,550	-	850,550
Benefit income (Note 5)	-	-	-	224,382	-	224,382
Less: Direct benefit expenses (Note 5)	-	-	-	(158,940)	-	(158,940)
In-kind contributions (Note 7)	16,107	-	16,107	73,973	-	73,973
	<u>1,595,075</u>	<u>65,740</u>	<u>1,660,815</u>	<u>1,691,011</u>	<u>284,260</u>	<u>1,975,271</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	173,000	(173,000)	-	75,000	(75,000)	-
	<u>1,768,075</u>	<u>(107,260)</u>	<u>1,660,815</u>	<u>1,766,011</u>	<u>209,260</u>	<u>1,975,271</u>
Expenses (Excluding Depreciation)						
Program Services	1,419,891	-	1,419,891	1,367,994	-	1,367,994
Supporting Services						
Management and general	152,527	-	152,527	155,901	-	155,901
Fundraising	186,370	-	186,370	230,866	-	230,866
	<u>1,758,788</u>	<u>-</u>	<u>1,758,788</u>	<u>1,754,761</u>	<u>-</u>	<u>1,754,761</u>
Increase (Decrease) in Net Assets Before Depreciation Expense	9,287	(107,260)	(97,973)	11,250	209,260	220,510
Depreciation expense	(5,555)	-	(5,555)	(5,641)	-	(5,641)
Increase (decrease) in net assets	3,732	(107,260)	(103,528)	5,609	209,260	214,869
Net assets, beginning of year	1,199,731	284,260	1,483,991	1,194,122	75,000	1,269,122
	<u>\$ 1,203,463</u>	<u>\$ 177,000</u>	<u>\$1,380,463</u>	<u>\$ 1,199,731</u>	<u>\$ 284,260</u>	<u>\$1,483,991</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(103,528)	\$214,869
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	5,555	5,641
Bad debt expense	1,800	4,301
(Increase) decrease in:		
Unconditional promises to give	133,861	(252,653)
Accounts receivable	126,146	(114,970)
Prepaid expenses	(3,094)	772
Security deposit	(19,247)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,380)	138,053
Deferred revenue	4,400	-
Net Cash Provided (Used) By Operating Activities	<u>95,513</u>	<u>(3,987)</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(15,185)</u>	<u>(9,500)</u>
 Net increase (decrease) in cash and cash equivalents	80,328	(13,487)
Cash and cash equivalents, beginning of year	<u>850,456</u>	<u>863,943</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 930,784</u></u>	 <u><u>\$850,456</u></u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Midori Foundation, Inc. (the "Foundation") is a nonprofit corporation formed under the General Law of Delaware. The primary purpose of the Foundation is to serve New York City's schools and community organizations by providing, at no cost to the individual student, comprehensive music education of the highest quality. Focusing on children with little or no access to the arts, the Foundation, which operates as Midori & Friends, offers music programming that enhances the existing educational curricula by exposing children to diverse cultures and uncovering new means of self-expression through general music studies, instrument instruction, and on-site professional ensemble performances.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Amounts received that are designated for future periods and all other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

d - Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

e - Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

f - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

The Midori Foundation, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has also been designated as an organization which is not a private foundation.

h - Subsequent Events

The Foundation has evaluated subsequent events through November 12, 2018, the date that the financial statements are considered available to be issued.

i - Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Foundation will implement the new standard in its financial statements for the year ended June 30, 2019.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842).*" The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of ASU 2016-02 on its financial statements.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - Net Asset Restrictions

a - Board Designated - Working Capital Reserve

The Board has designated a working capital reserve that is used to manage the cyclical nature of the Foundation's cash flow. Borrowings from the working capital reserve are expected to be replenished in full prior to the close of each fiscal year.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$383,900	\$425,301
Due in two years	-	<u>100,000</u>
	383,900	525,301
Less: Discount to present value	-	<u>(5,740)</u>
	<u>\$383,900</u>	<u>\$519,561</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give at June 30, 2017 that are due in more than one year are discounted to net present value using a discount rate of 3%.

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Furniture and equipment	5-7 years	\$28,445	\$21,860
Leasehold improvements	3 years	3,000	3,000
Website	In process	<u>10,600</u>	<u>2,000</u>
		42,045	26,860
Less: Accumulated depreciation		<u>(13,508)</u>	<u>(7,953)</u>
		<u>\$28,537</u>	<u>\$18,907</u>

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 4 - Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2018 and 2017 was \$5,555 and \$5,641, respectively.

In fiscal 2018, the City of New York's spent \$32,935 relating to the Foundation's IT system. The City's investment of capital funding obligated the recipient organization to maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

Note 5 - Benefit Events

During the year ended June 30, 2017, the Foundation held a "25th Anniversary Celebration" in addition to a smaller musical event. There was no benefit held during the year ended June 30, 2018.

Note 6 - Commitment and Contingencies

a - The Foundation is obligated under the terms of a lease for office space through October 31, 2024. Minimum annual rental payments are due as follows:

<u>Year Ending June 30,</u>	
2019	\$125,451
2020	140,540
2021	143,351
2022	146,218
2023	152,125
Period ending October 31, 2024	51,042

Rent expense for the years ended June 30, 2018 and 2017 was \$111,191 and \$106,255, respectively.

b - The Foundation's programs are serviced by teaching artists. All teaching artists are covered by a collective bargaining agreement and are subject to the risks associated with unionized employees.

c - Government supported programs are subject to audit by the granting agency.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 7 - In-Kind Contributions

In-kind contributions consist of:

	<u>2018</u>	<u>2017</u>
Donated scholarships *	\$ -	\$50,490
Donated instruments	9,628	5,989
Donated other	<u>6,479</u>	<u>17,494</u>
	<u>\$16,107</u>	<u>\$73,973</u>

* Donated scholarships from Usdan Summer Camp for the Arts were not provided in 2018 but were restored in 2019.

Note 8 - Concentrations

The Foundation maintains its cash balances at financial institutions located in New York. The balances are insured by the Federal Deposit Insurance Corporation up to applicable limits.

Contributions and education revenue from city government agencies during fiscal years ended June 30, 2018 and 2017 approximated 72% and 52%, respectively, of the Foundation's total support and revenue. Unconditional promises to give and accounts receivable from city government agencies at June 30, 2018 and 2017 approximated 62% and 47%, respectively, of the Foundation's total receivables.

Note 9 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 10 - Retirement Plans

The Foundation contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Foundation chooses to stop participating in its multiemployer plan, the Foundation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Foundation's participation in this plan is summarized below. The "Plan Number" column provides the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2018 and 2017 is for the plan's year end at March 31, 2018 and 2017, respectively. The zone status is based on information that the Foundation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject, as applicable.

<u>Pension Fund</u>	<u>Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of the Foundation</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
American Federation of Musicians and Employer's Pension Fund	001	Red	Red	Implemented	<u>\$39,954</u>	<u>\$34,710</u>	10%	August 15, 2019

The Foundation's contributions to the plan listed above are not greater than 5% of the total plan contributions.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Midori Foundation, Inc.

We have audited the financial statements of The Midori Foundation, Inc. as of and for the years ended June 30, 2018 and 2017, and our report thereon dated November 12, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2018 with comparative totals for 2017 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
November 12, 2018

THE MIDORI FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services	Supporting Services			2018	2017
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 945,904	\$ 102,738	\$ 84,551	\$187,289	\$1,133,193	\$1,089,757
Artist fees	161,477	-	-	-	161,477	148,323
Professional fees	72,618	81	40,109	40,190	112,808	87,535
Occupancy	95,532	9,368	14,269	23,637	119,169	114,298
Scholarships	-	-	-	-	-	52,890
Programming supplies	41,255	-	-	-	41,255	42,484
Office expenses	59,713	11,663	15,096	26,759	86,472	85,081
Postage and mailing	1,144	97	3,720	3,817	4,961	7,373
Accounting and legal	11,336	21,335	275	21,610	32,946	34,146
Marketing and promotion	7,903	786	9,230	10,016	17,919	37,976
Insurance	5,823	579	814	1,393	7,216	5,873
Travel	6,409	47	1,502	1,549	7,958	16,473
Meals and entertainment	3,198	3,367	11,164	14,531	17,729	14,673
Miscellaneous expenses	5,007	566	2,319	2,885	7,892	9,216
Dues and subscription	2,572	100	3,321	3,421	5,993	4,362
Bad debt expense	-	1,800	-	1,800	1,800	4,301
Total expenses before depreciation	1,419,891	152,527	186,370	338,897	1,758,788	1,754,761
Depreciation	-	5,555	-	5,555	5,555	5,641
Total Expenses, 2018	<u>\$1,419,891</u>	<u>\$ 158,082</u>	<u>\$ 186,370</u>	<u>\$344,452</u>	<u>\$1,764,343</u>	
Total Expenses, 2017	<u>\$1,367,994</u>	<u>\$ 161,542</u>	<u>\$ 230,866</u>	<u>\$392,408</u>		<u>\$1,760,402</u>

See independent auditors' report on supplementary information.