

**THE MIDORI FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**



**LUTZ AND GARR**

**CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176**

**212-697-2299 FAX: 212-949-1768**

## **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, 2019 and 2018, 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 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, 2019 and 2018, 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 6, 2019

**THE MIDORI FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9a)	\$ 854,473	\$ 930,784
Unconditional promises to give (Notes 1c, 4 and 9b)		
Without donor restrictions	323,795	283,900
With donor restrictions	10,000	100,000
Accounts receivable (Note 9b)	131,302	144,442
Prepaid expenses	16,486	14,308
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	20,037	28,537
Security deposit	<u>36,434</u>	<u>36,434</u>
<b>Total Assets</b>	<u><u>\$1,392,527</u></u>	<u><u>\$1,538,405</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 156,027	\$ 153,542
Deferred revenue	<u>4,400</u>	<u>4,400</u>
Total Liabilities	<u>160,427</u>	<u>157,942</u>
Commitment and Contingencies (Note 7)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	1,004,100	1,003,463
Board designated - working capital reserve	<u>200,000</u>	<u>200,000</u>
Total Without Donor Restrictions	<u>1,204,100</u>	<u>1,203,463</u>
With Donor Restrictions	<u>28,000</u>	<u>177,000</u>
Total Net Assets	<u>1,232,100</u>	<u>1,380,463</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$1,392,527</u></u>	<u><u>\$1,538,405</u></u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Changes in Net Assets</b>						
Support and Revenue (Note 9b)						
Education revenue	\$ 251,767	\$ -	\$ 251,767	\$ 314,411	\$ -	\$ 314,411
Other revenue	709	-	709	874	-	874
Contributions						
Individuals	97,410	-	97,410	120,812	-	120,812
Foundations and trusts	155,710	10,000	165,710	114,500	65,740	180,240
Corporations	45,653	-	45,653	33,621	-	33,621
Government	1,148,175	-	1,148,175	994,750	-	994,750
Benefit income (Note 6)	140,255	-	140,255	-	-	-
Less: Direct benefit expenses (Note 6)	(112,796)	-	(112,796)	-	-	-
In-kind contributions (Note 8)	71,017	-	71,017	16,107	-	16,107
	<u>1,797,900</u>	<u>10,000</u>	<u>1,807,900</u>	<u>1,595,075</u>	<u>65,740</u>	<u>1,660,815</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	159,000	(159,000)	-	173,000	(173,000)	-
Total Support and Revenue	<u>1,956,900</u>	<u>(149,000)</u>	<u>1,807,900</u>	<u>1,768,075</u>	<u>(107,260)</u>	<u>1,660,815</u>
Expenses						
Program Services	1,530,005	-	1,530,005	1,419,891	-	1,419,891
Supporting Services						
Management and general	178,723	-	178,723	158,082	-	158,082
Fundraising	247,535	-	247,535	186,370	-	186,370
Total Expenses	<u>1,956,263</u>	<u>-</u>	<u>1,956,263</u>	<u>1,764,343</u>	<u>-</u>	<u>1,764,343</u>
Increase (decrease) in net assets	637	(149,000)	(148,363)	3,732	(107,260)	(103,528)
Net assets, beginning of year	<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>
<b>Net Assets, End of Year</b>	<b>\$ 1,204,100</b>	<b>\$ 28,000</b>	<b>\$1,232,100</b>	<b>\$ 1,203,463</b>	<b>\$ 177,000</b>	<b>\$1,380,463</b>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED JUNE 30, 2019 AND 2018

	2019					2018				
	Supporting Services				Total Expenses	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total		Program Services	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$ 947,173	\$ 77,629	\$ 110,100	\$187,729	\$1,134,902	\$ 945,904	\$ 102,738	\$ 84,551	\$187,289	\$1,133,193
Artist fees	235,108	-	-	-	235,108	161,477	-	-	-	161,477
Professional fees	84,248	10,000	41,648	51,648	135,896	72,618	81	40,109	40,190	112,808
Occupancy	91,981	24,965	23,241	48,206	140,187	95,532	9,368	14,269	23,637	119,169
Scholarships	45,345	-	-	-	45,345	-	-	-	-	-
Programming supplies	22,458	-	-	-	22,458	41,255	-	-	-	41,255
Office expenses	63,576	7,962	22,849	30,811	94,387	59,713	11,663	15,096	26,759	86,472
Postage and mailing	723	182	5,547	5,729	6,452	1,144	97	3,720	3,817	4,961
Accounting and legal	10,925	41,223	275	41,498	52,423	11,336	21,335	275	21,610	32,946
Marketing and promotion	6,198	1,699	16,212	17,911	24,109	7,903	786	9,230	10,016	17,919
Insurance	7,693	2,109	1,917	4,026	11,719	5,823	579	814	1,393	7,216
Travel	5,425	104	3,162	3,266	8,691	6,409	47	1,502	1,549	7,958
Meals and entertainment	2,483	2,567	17,518	20,085	22,568	3,198	3,367	11,164	14,531	17,729
Miscellaneous expenses	4,335	1,557	3,771	5,328	9,663	5,007	566	2,319	2,885	7,892
Dues and subscription	2,334	226	1,295	1,521	3,855	2,572	100	3,321	3,421	5,993
Bad debt expense	-	-	-	-	-	-	1,800	-	1,800	1,800
Total expenses before depreciation	1,530,005	170,223	247,535	417,758	1,947,763	1,419,891	152,527	186,370	338,897	1,758,788
Depreciation	-	8,500	-	8,500	8,500	-	5,555	-	5,555	5,555
Total Expenses	<u>\$1,530,005</u>	<u>\$ 178,723</u>	<u>\$ 247,535</u>	<u>\$426,258</u>	<u>\$1,956,263</u>	<u>\$1,419,891</u>	<u>\$ 158,082</u>	<u>\$ 186,370</u>	<u>\$344,452</u>	<u>\$1,764,343</u>

See notes to financial statements.

## THE MIDORI FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$(148,363)	\$(103,528)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	8,500	5,555
Bad debt expense	-	1,800
(Increase) decrease in:		
Unconditional promises to give	50,105	133,861
Accounts receivable	13,140	126,146
Prepaid expenses	(2,178)	(3,094)
Security deposit	-	(19,247)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,485	(50,380)
Deferred revenue	-	4,400
Net Cash Provided (Used) By Operating Activities	<u>(76,311)</u>	<u>95,513</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>-</u>	<u>(15,185)</u>
Net increase (decrease) in cash and cash equivalents	(76,311)	80,328
Cash and cash equivalents, beginning of year	<u>930,784</u>	<u>850,456</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 854,473</u></u>	<u><u>\$ 930,784</u></u>

See notes to financial statements.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 net assets without donor restrictions 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 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 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 financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:



**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

e - Financial Statement Presentation (continued)

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 Foundation. These net assets may be used at the discretion of the Foundation'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 Foundation or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

f - Functional Allocation of 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 portion of the Foundation's expenses are directly related to program activities. The expenses that are allocated include salaries, payroll taxes and benefits, insurance, general office expenses, and occupancy costs, which are allocated based on employee time and effort.

g - 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.

h - 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.

i - Subsequent Events

The Foundation has evaluated subsequent events through November 6, 2019, the date that the financial statements are considered available to be issued.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

j - Recent Accounting Pronouncements

In 2019, the Foundation adopted Accounting Standards Update (ASU) No. 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 classes of net assets 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; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Foundation opted to not disclose liquidity and availability information for 2018.

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, 2020. The Foundation is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Information Regarding Liquidity and Availability**

The Foundation operates with the goal of a balanced budget for each fiscal year based on contributed income and earned revenues expected to be available to fund anticipated program expenses. The Foundation considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general, administrative and fundraising activities undertaken to support those services. The Foundation regularly monitors liquidity to meet its operating needs and other commitments and obligations.

Management prepares regular cash flow projections to determine liquidity needs and maintains liquid financial assets, including a board designated cash reserve of \$200,000, on an ongoing basis sufficient to cover four to six months of general expenditures. These liquid financial assets are kept at a bank and drawn upon as needed during the year to manage cash flow. The Foundation's cash flows have seasonal variations during the year attributable to program expenses beginning in the fall and increasing through the spring semester to the end of the school year in June, and a concentration of contributions received near calendar year end and the bi-annual special event, typically in May.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Foundation's financial assets as of June 30, 2019, and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year-End:	
Cash and cash equivalents	\$ 854,473
Unconditional promises to give	333,795
Account receivables	<u>131,302</u>
 Total Financial Assets	 1,319,570
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	(28,000)
Plus: Net assets with donor restrictions expected to be met in less than one year	28,000
Net assets restricted for board designated working capital reserve	<u>(200,000)</u>
 Financial Assets Available to Meet General Expenditures Within One Year	 <u>\$1,119,570</u>

In addition to these financial assets available within one year, the Foundation's board designated working capital reserve could be made available at any time to meet cash needs for general expenditures at the discretion of the board.

**Note 3 - Net Assets**

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.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 3 - Net Asset (continued)**

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are designated for future programs and periods as follows:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Music Inc. program	\$18,000	\$117,000
Music programs	-	50,000
	<u>18,000</u>	<u>167,000</u>
Subject to expenditure for specified periods	<u>10,000</u>	<u>10,000</u>
Total Net Assets With Donor Restrictions	<u>\$28,000</u>	<u>\$177,000</u>

**Note 4 - Unconditional Promises to Give**

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

**Note 5 - Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Furniture and equipment	5-7 years	\$28,445	\$28,445
Leasehold improvements	3 years	3,000	3,000
Website	3 years	<u>10,600</u>	<u>10,600</u>
		42,045	42,045
Less: Accumulated depreciation		<u>(22,008)</u>	<u>(13,508)</u>
		<u>\$20,037</u>	<u>\$28,537</u>

In fiscal 2018, The City of New York 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.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 6 - Benefit Events**

During the year ended June 30, 2019, the Foundation held a spring gala. A similar benefit event was not held during the year ended June 30, 2018.

**Note 7 - 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>	
2020	\$140,540
2021	143,351
2022	146,218
2023	149,142
2024	152,125
Period ending October 31, 2024	51,042

Rent expense for the years ended June 30, 2019 and 2018 was \$132,320 and \$111,191, 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.

**Note 8 - In-Kind Contributions**

In-kind contributions consist of:

	<u>2019</u>	<u>2018</u>
Donated scholarships *	\$42,345	\$ -
Donated legal	20,665	-
Donated instruments	1,105	9,628
Donated software and travel	<u>6,902</u>	<u>6,479</u>
	<u>\$71,017</u>	<u>\$16,107</u>

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

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 9 - Concentrations**

- a - 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.
- b - Contributions and education revenue from city government agencies approximated 70% and 72% during the fiscal years ended June 30, 2019 and 2018, respectively, of the Foundation's total support and revenue. Unconditional promises to give and accounts receivable from city government agencies at June 30, 2019 and 2018 approximated 72% and 62%, respectively, of the Foundation's total receivables.

**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 2019 and 2018 is for the plan's year end at March 31, 2019 and 2018, 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.

**THE MIDORI FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Note 10 - Retirement Plans (continued)**

<u>Pension Fund</u>	<u>Plan Number</u>	<u>Pension Protection</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>Act Zone</u>	<u>Status</u>		<u>2019</u>	<u>2018</u>		
American Federation of Musicians and Employer's Pension Fund	001	Red	Red	Implemented	<u>\$36,020</u>	<u>\$39,954</u>	10%	August 15, 2019

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

