

THE MIDORI FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 11, 2016

THE MIDORI FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents (Notes 1b and 8)	\$ 863,943	\$ 993,275
Unconditional promises to give - unrestricted (Notes 1c, 3 and 8)	271,209	244,260
Accounts receivable (Note 8)	155,618	88,504
Prepaid expenses	11,986	10,816
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	15,048	18,098
Security deposit	<u>17,187</u>	<u>17,187</u>
Total Assets	<u>\$1,334,991</u>	<u>\$1,372,140</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 65,869	\$ 80,270
Deferred revenue (Note 1e)	<u>-</u>	<u>4,000</u>
Total Liabilities	<u>65,869</u>	<u>84,270</u>
Commitment and Contingencies (Note 6)		
Net Assets		
Unrestricted		
Operating	994,122	992,870
Board designated - working capital reserve (Note 2a)	<u>200,000</u>	<u>200,000</u>
Total Unrestricted	1,194,122	1,192,870
Temporarily restricted (Note 2b)	<u>75,000</u>	<u>95,000</u>
Total Net Assets	<u>1,269,122</u>	<u>1,287,870</u>
Total Liabilities and Net Assets	<u>\$1,334,991</u>	<u>\$1,372,140</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Support and Revenue (Note 8)						
Education revenue	\$ 304,165	\$ -	\$ 304,165	\$ 327,166	\$ -	\$ 327,166
Other revenue	1,294	-	1,294	953	-	953
Contributions						
Individuals	188,715	-	188,715	121,662	10,000	131,662
Foundations and trusts	102,989	75,000	177,989	109,025	50,000	159,025
Corporations	46,000	-	46,000	31,000	-	31,000
Government	531,128	-	531,128	515,175	-	515,175
Benefit income (Note 5)	11,700	-	11,700	131,200	-	131,200
Less: Direct benefit expense (Note 5)	(7,397)	-	(7,397)	(60,586)	-	(60,586)
In-kind contributions (Note 7)	68,527	-	68,527	51,900	-	51,900
	<u>1,247,121</u>	<u>75,000</u>	<u>1,322,121</u>	<u>1,227,495</u>	<u>60,000</u>	<u>1,287,495</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	95,000	(95,000)	-	131,125	(131,125)	-
	<u>1,342,121</u>	<u>(20,000)</u>	<u>1,322,121</u>	<u>1,358,620</u>	<u>(71,125)</u>	<u>1,287,495</u>
Expenses (Excluding Depreciation)						
Program Services	971,854	-	971,854	991,106	-	991,106
Supporting Services						
Management and general	150,164	-	150,164	165,192	-	165,192
Fundraising	212,801	-	212,801	194,619	-	194,619
	<u>1,334,819</u>	<u>-</u>	<u>1,334,819</u>	<u>1,350,917</u>	<u>-</u>	<u>1,350,917</u>
Increase (Decrease) in Net Assets Before Depreciation Expense	7,302	(20,000)	(12,698)	7,703	(71,125)	(63,422)
Depreciation expense	(6,050)	-	(6,050)	(5,433)	-	(5,433)
Increase (decrease) in net assets	1,252	(20,000)	(18,748)	2,270	(71,125)	(68,855)
Net assets, beginning of year	1,192,870	95,000	1,287,870	1,190,600	166,125	1,356,725
	<u>\$ 1,194,122</u>	<u>\$ 75,000</u>	<u>\$1,269,122</u>	<u>\$ 1,192,870</u>	<u>\$ 95,000</u>	<u>\$1,287,870</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (18,748)	\$ (68,855)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	6,050	5,433
Bad debt expense	-	300
(Increase) decrease in:		
Unconditional promises to give	(26,949)	(20,510)
Accounts receivable	(67,114)	73,470
Prepaid expenses	(1,170)	5,283
Decrease in:		
Accounts payable and accrued expenses	(14,401)	(25,884)
Deferred revenue	(4,000)	(1,150)
Net Cash Used By Operating Activities	<u>(126,332)</u>	<u>(31,913)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(3,000)</u>	<u>(14,360)</u>
Net decrease in cash and cash equivalents	(129,332)	(46,273)
Cash and cash equivalents, beginning of year	<u>993,275</u>	<u>1,039,548</u>
Cash and Cash Equivalents, End of Year	<u>\$ 863,943</u>	<u>\$ 993,275</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 - Deferred Revenue

Revenue from advance payment for music education programs is deferred until the performance of the service.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

f - 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.

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 11, 2016, the date that the financial statements are considered available to be issued.

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 within one year. Uncollectible promises are expected to be insignificant.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Furniture and equipment	5-7 years	\$72,191	\$72,191
Leasehold improvements	3 years	<u>3,000</u>	<u>-</u>
		75,191	72,191
Less: Accumulated depreciation		<u>(60,143)</u>	<u>(54,093)</u>
		<u>\$15,048</u>	<u>\$18,098</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$6,050 and \$5,433, respectively.

Note 5 - Benefit Events

The Foundation held two special events during the year ended June 30, 2016, and one special event during the year ended June 30, 2015, CityMusic. Benefit income consists of:

	<u>2016</u>	<u>2015</u>
Contributions and sponsorships	\$11,700	\$131,200
Less: Direct expenses	<u>(7,397)</u>	<u>(60,586)</u>
Net	<u>\$ 4,303</u>	<u>\$ 70,614</u>

Note 6 - Commitment and Contingencies

a - The Foundation is obligated under the terms of a lease for office space through October 31, 2018. Minimum annual rental payments are due as follows:

Year ending June 30, 2017	\$95,774
Year ending June 30, 2018	98,168
Period ending October 31, 2018	32,991

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 6 - Commitment and Contingencies (continued)

a - (continued)

Rent expense for the years ended June 30, 2016 and 2015 was \$100,457 and \$96,416, 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 7 - Donated Services and Instruments

Donated services and instruments consist of:

	<u>2016</u>	<u>2015</u>
Donated scholarships	\$50,490	\$44,100
Donated instruments	8,623	-
Donated other	<u>9,414</u>	<u>7,800</u>
	<u>\$68,527</u>	<u>\$51,900</u>

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, 2016 and 2015 approximated 56% and 53%, respectively, of the Foundation's total support and revenue. Unconditional promises to give and accounts receivable from city government agencies at June 30, 2016 and 2015 approximated 57% and 67%, respectively, of the Foundation's total receivables.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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, 2016 and 2015, and our report thereon dated November 11, 2016, 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, 2016 with comparative totals for 2015 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 11, 2016

THE MIDORI FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Program Services	Supporting Services			2016	2015
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$642,134	\$ 99,597	\$ 106,893	\$206,490	\$ 848,624	\$ 831,689
Artist fees	130,830	-	-	-	130,830	143,349
Professional fees	19,783	-	42,652	42,652	62,435	67,069
Occupancy	69,937	17,438	20,542	37,980	107,917	104,247
Scholarships	52,890	-	-	-	52,890	47,000
Office expenses	38,671	13,545	21,415	34,960	73,631	84,429
Postage and mailing	1,271	310	4,055	4,365	5,636	7,022
Accounting and legal	1,646	15,835	275	16,110	17,756	24,339
Marketing and promotion	1,521	243	5,046	5,289	6,810	6,000
Insurance	4,104	1,009	1,189	2,198	6,302	6,500
Travel	2,145	139	2,455	2,594	4,739	10,197
Meals and entertainment	2,021	1,004	2,961	3,965	5,986	7,458
Indirect benefit expenses	-	-	990	990	990	-
Miscellaneous expenses	3,577	906	3,385	4,291	7,868	8,739
Dues and subscription	1,324	138	943	1,081	2,405	2,579
Bad debt expense	-	-	-	-	-	300
Total expenses before depreciation	971,854	150,164	212,801	362,965	1,334,819	1,350,917
Depreciation	-	6,050	-	6,050	6,050	5,433
Total Expenses, 2016	<u>\$971,854</u>	<u>\$ 156,214</u>	<u>\$ 212,801</u>	<u>\$369,015</u>	<u>\$1,340,869</u>	
Total Expenses, 2015	<u>\$991,106</u>	<u>\$ 170,625</u>	<u>\$ 194,619</u>	<u>\$365,244</u>		<u>\$1,356,350</u>

See independent auditors' report on supplementary information.