

THE MIDORI FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 9, 2017

THE MIDORI FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (Notes 1b and 8)	\$ 850,456	\$ 863,943
Unconditional promises to give (Notes 1c, 3 and 8)		
Unrestricted	315,301	271,209
Restricted for future programs	204,260	-
Accounts receivable (Note 8)	270,588	155,618
Prepaid expenses	11,214	11,986
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	18,907	15,048
Security deposit	<u>17,187</u>	<u>17,187</u>
Total Assets	<u>\$1,687,913</u>	<u>\$1,334,991</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 203,922</u>	<u>\$ 65,869</u>
Commitment and Contingencies (Note 6)		
Net Assets		
Unrestricted		
Operating	999,731	994,122
Board designated - working capital reserve (Note 2a)	<u>200,000</u>	<u>200,000</u>
Total Unrestricted	1,199,731	1,194,122
Temporarily restricted (Note 2b)	<u>284,260</u>	<u>75,000</u>
Total Net Assets	<u>1,483,991</u>	<u>1,269,122</u>
Total Liabilities and Net Assets	<u>\$1,687,913</u>	<u>\$1,334,991</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Support and Revenue (Note 8)						
Education revenue	\$ 335,723	\$ -	\$ 335,723	\$ 304,165	\$ -	\$ 304,165
Other revenue	3,206	-	3,206	1,294	-	1,294
Contributions						
Individuals	109,573	10,000	119,573	188,715	-	188,715
Foundations and trusts	241,501	274,260	515,761	102,989	75,000	177,989
Corporations	11,043	-	11,043	46,000	-	46,000
Government	850,550	-	850,550	531,128	-	531,128
Benefit income (Note 5)	224,382	-	224,382	11,700	-	11,700
Less: Direct benefit expenses (Note 5)	(158,940)	-	(158,940)	(7,397)	-	(7,397)
In-kind contributions (Note 7)	73,973	-	73,973	68,527	-	68,527
	<u>1,691,011</u>	<u>284,260</u>	<u>1,975,271</u>	<u>1,247,121</u>	<u>75,000</u>	<u>1,322,121</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	75,000	(75,000)	-	95,000	(95,000)	-
	<u>1,766,011</u>	<u>209,260</u>	<u>1,975,271</u>	<u>1,342,121</u>	<u>(20,000)</u>	<u>1,322,121</u>
Total Support and Revenue						
Expenses (Excluding Depreciation)						
Program Services	1,367,994	-	1,367,994	971,854	-	971,854
Supporting Services						
Management and general	155,901	-	155,901	150,164	-	150,164
Fundraising	230,866	-	230,866	212,801	-	212,801
	<u>1,754,761</u>	<u>-</u>	<u>1,754,761</u>	<u>1,334,819</u>	<u>-</u>	<u>1,334,819</u>
Total Expenses (Excluding Depreciation)						
Increase (Decrease) in Net Assets Before Depreciation Expense	11,250	209,260	220,510	7,302	(20,000)	(12,698)
Depreciation expense	(5,641)	-	(5,641)	(6,050)	-	(6,050)
Increase (decrease) in net assets	5,609	209,260	214,869	1,252	(20,000)	(18,748)
Net assets, beginning of year	1,194,122	75,000	1,269,122	1,192,870	95,000	1,287,870
	<u>\$ 1,199,731</u>	<u>\$ 284,260</u>	<u>\$1,483,991</u>	<u>\$ 1,194,122</u>	<u>\$ 75,000</u>	<u>\$1,269,122</u>
Net Assets, End of Year						

See notes to financial statements.

THE MIDORI FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 214,869	\$ (18,748)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	5,641	6,050
Bad debt expense	4,301	-
(Increase) decrease in:		
Unconditional promises to give	(252,653)	(26,949)
Accounts receivable	(114,970)	(67,114)
Prepaid expenses	772	(1,170)
Increase (decrease) in:		
Accounts payable and accrued expenses	138,053	(14,401)
Deferred revenue	-	(4,000)
Net Cash Used By Operating Activities	<u>(3,987)</u>	<u>(126,332)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(9,500)</u>	<u>(3,000)</u>
Net decrease in cash and cash equivalents	(13,487)	(129,332)
Cash and cash equivalents, beginning of year	<u>863,943</u>	<u>993,275</u>
Cash and Cash Equivalents, End of Year	<u>\$ 850,456</u>	<u>\$ 863,943</u>

See notes to financial statements.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 AND 2016

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 9, 2017, 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 as follows:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$425,301	\$271,209
Due in two years	<u>100,000</u>	<u>-</u>
	525,301	271,209
Less: Discount to present value	<u>(5,740)</u>	<u>-</u>
	<u>\$519,561</u>	<u>\$271,209</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give are discounted to net present value using a discount rate of 3%.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2017</u>	<u>2016</u>
Furniture and equipment	5-7 years	\$21,860	\$72,191
Leasehold improvements	3 years	3,000	3,000
Website	In process	<u>2,000</u>	<u>-</u>
		26,860	75,191
Less: Accumulated depreciation		<u>(7,953)</u>	<u>(60,143)</u>
		<u>\$18,907</u>	<u>\$15,048</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$5,641 and \$6,050, respectively.

In fiscal 2017, the City of New York's investment of capital funding obligated the Foundation 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. Benefit income consists of:

	<u>2017</u>	<u>2016</u>
Contributions and sponsorships	\$224,382	\$11,700
Less: Direct benefit expenses	<u>(158,940)</u>	<u>(7,397)</u>
Net Benefit Income	<u>\$ 65,442</u>	<u>\$ 4,303</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, 2018	\$98,168
Period ending October 31, 2018	32,991

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6 - Commitment and Contingencies (continued)

a - (continued)

Rent expense for the years ended June 30, 2017 and 2016 was \$106,255 and \$100,457, 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>2017</u>	<u>2016</u>
Donated scholarships	\$50,490	\$50,490
Donated instruments	5,989	8,623
Donated other	<u>17,494</u>	<u>9,414</u>
	<u>\$73,973</u>	<u>\$68,527</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, 2017 and 2016 approximated 52% and 56%, respectively, of the Foundation's total support and revenue. Unconditional promises to give and accounts receivable from city government agencies at June 30, 2017 and 2016 approximated 47% and 57%, respectively, of the Foundation's total receivables.

THE MIDORI FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

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 2017 and 2016 is for the plan's year-end at March 31, 2017 and 2016, 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>2016</u>	<u>2015</u>		<u>2017</u>	<u>2016</u>		
American Federation of Musicians and Employer's Pension Fund	001	Red	Red	RP	<u>\$34,710</u>	<u>\$21,498</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, 2017 and 2016, and our report thereon dated November 9, 2017, 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, 2017 with comparative totals for 2016 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 9, 2017

THE MIDORI FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Supporting Services			2017	2016
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 889,946	\$ 100,915	\$ 98,896	\$199,811	\$1,089,757	\$ 848,624
Artist fees	148,323	-	-	-	148,323	130,830
Professional fees	46,306	143	41,086	41,229	87,535	62,435
Occupancy	80,317	16,122	17,859	33,981	114,298	107,917
Scholarships	52,890	-	-	-	52,890	52,890
Programming supplies	42,484	-	-	-	42,484	15,887
Office expenses	54,304	6,279	24,498	30,777	85,081	57,744
Postage and mailing	1,069	181	6,123	6,304	7,373	5,636
Accounting and legal	18,194	15,677	275	15,952	34,146	17,756
Marketing and promotion	9,722	11,943	16,311	28,254	37,976	6,810
Insurance	4,178	841	854	1,695	5,873	6,302
Travel	9,997	109	6,367	6,476	16,473	4,739
Meals and entertainment	3,588	1,748	9,337	11,085	14,673	5,986
Miscellaneous expenses	4,453	794	3,969	4,763	9,216	8,858
Dues and subscription	2,223	1,149	990	2,139	4,362	2,405
Bad debt expense	-	-	4,301	4,301	4,301	-
Total expenses before depreciation	1,367,994	155,901	230,866	386,767	1,754,761	1,334,819
Depreciation	-	5,641	-	5,641	5,641	6,050
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>	
Total Expenses, 2016	<u>\$ 971,854</u>	<u>\$ 156,214</u>	<u>\$ 212,801</u>	<u>\$369,015</u>		<u>\$1,340,869</u>

See independent auditors' report on supplementary information.