THE MIDORI FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

LUTZ AND CARR
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Midori Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Midori Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Midori Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Midori Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Midori Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutz + Carr, LLP

New York, New York
April 12, 2024

THE MIDORI FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents (Notes 1b and 7a)	$ 399,781	$ 883,882
Contributions receivable (Notes 1c, 4 and 7b)		
Without donor restrictions	880,190	212,350
With donor restrictions	20,000	40,000
Accounts receivable (Note 7b)	136,434	209,393
Prepaid expenses	16,634	48,055
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	14,471	-
Operating lease right-of-use asset (Note 1d)	197,219	-
Security deposit	36,434	36,434
Total Assets	$1,701,163	$1,430,114
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 241,366	$ 199,642
Deferred revenue (Note 1g)	12,979	9,500
Operating lease liability (Notes 1d and 10)	199,067	-
Total Liabilities	453,412	209,142
Contingencies (Note 11)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	1,027,751	955,972
Board designated - working capital reserve	200,000	200,000
Total Without Donor Restrictions	1,227,751	1,155,972
With Donor Restrictions	20,000	65,000
Total Net Assets	1,247,751	1,220,972
Total Liabilities and Net Assets	$1,701,163	$1,430,114

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Support and Revenue (Note 7b)						
Contributions						
Individuals	$ 139,375	$ 10,000	$ 149,375	$ 146,379	$ 50,000	$ 196,379
Foundations and trusts	120,500	-	120,500	24,000	10,000	34,000
Corporations	30,728	-	30,728	78,810	-	78,810
Government (Note 6)	1,107,460	10,000	1,117,460	1,194,050	5,000	1,199,050
Government - Employee Retention Tax Credit (Note 8)	32,785	-	32,785	184,103	-	184,103
Benefit income	318,355	-	318,355	-	-	-
Less: Direct benefit expenses	(145,445)	-	(145,445)	-	-	-
Education revenue	207,989	-	207,989	330,523	-	330,523
Other revenue	3,353	-	3,353	2,757	-	2,757
	1,815,100	20,000	1,835,100	1,960,622	65,000	2,025,622
Net assets released from restrictions						
Satisfaction of time and program restrictions	65,000	(65,000)	-	110,000	(110,000)	-
Total Support and Revenue	1,880,100	(45,000)	1,835,100	2,070,622	(45,000)	2,025,622
Expenses						
Program Services	1,176,567	-	1,176,567	1,188,149	-	1,188,149
Supporting Services						
Management and general	318,295	-	318,295	357,286	-	357,286
Fundraising	313,459	-	313,459	241,796	-	241,796
Total Expenses	1,808,321	-	1,808,321	1,787,231	-	1,787,231
Increase (decrease) in net assets	71,779	(45,000)	26,779	283,391	(45,000)	238,391
Net assets, beginning of year	1,155,972	65,000	1,220,972	872,581	110,000	982,581
Net Assets, End of Year	$ 1,227,751	$ 20,000	$1,247,751	$ 1,155,972	$ 65,000	$ 1,220,972

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023					2022				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total Expenses	Program Services	Management and General	Fundraising	Total	Total Expenses
Salaries, payroll taxes and employee benefits	$ 687,898	$ 223,594	$ 184,895	$408,489	$1,096,387	$ 560,801	$ 253,500	$ 130,844	$384,344	$ 945,145
Artist fees	207,333	-	300	300	207,633	334,994	-	-	-	334,994
Professional fees	55,227	800	49,974	50,774	106,001	54,781	4,377	69,251	73,628	128,409
Occupancy	104,556	26,568	30,447	57,015	161,571	94,060	38,513	22,994	61,507	155,567
Accounting and legal	8,596	41,616	2,101	43,717	52,313	35,004	35,942	151	36,093	71,097
Marketing and promotion	6,371	713	2,614	3,327	9,698	4,191	1,108	874	1,982	6,173
Insurance	5,896	1,441	2,272	3,713	9,609	7,037	2,845	1,699	4,544	11,581
Travel	9,635	88	283	371	10,006	9,352	127	1,411	1,538	10,890
Programming supplies	31,151	-	-	-	31,151	14,779	-	-	-	14,779
Postage and mailing	1,339	323	1,284	1,607	2,946	62	26	716	742	804
Instrument and equipment rentals	6,256	1,305	1,461	2,766	9,022	33,938	1,966	1,174	3,140	37,078
Office expenses	44,368	10,872	24,622	35,494	79,862	29,714	11,480	9,168	20,648	50,362
Meals and entertainment	2,918	8,020	4,329	12,349	15,267	2,040	2,071	1,278	3,349	5,389
Miscellaneous expenses	2,457	2,185	6,679	8,864	11,321	3,040	1,410	1,571	2,981	6,021
Dues and subscription	2,566	175	2,198	2,373	4,939	4,356	1,030	665	1,695	6,051
Total expenses before depreciation	1,176,567	317,700	313,459	631,159	1,807,726	1,188,149	354,395	241,796	596,191	1,784,340
Depreciation	-	595	-	595	595	-	2,891	-	2,891	2,891
Total Expenses	$1,176,567	$ 318,295	$ 313,459	$631,754	$1,808,321	$1,188,149	$ 357,286	$ 241,796	$599,082	$1,787,231

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Increase in net assets	$ 26,779	$238,391
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Non-cash operating lease expense	143,034	-
Depreciation	595	2,891
Forgiveness of loan payable - Paycheck Protection Program	-	(97,800)
(Increase) decrease in:		
Contributions receivable	(647,840)	677,100
Accounts receivable	72,959	(198,985)
Prepaid expenses	31,421	(31,371)
Increase (decrease) in:		
Accounts payable and accrued expenses	41,724	(63,020)
Deferred revenue	3,479	4,375
Operating lease liability	(141,186)	-
Net Cash Provided (Used) By Operating Activities	(469,035)	531,581
Cash Flows From Financing Activities		
Purchase of property and equipment	(15,066)	-
Net increase (decrease) in cash and cash equivalents	(484,101)	531,581
Cash and cash equivalents, beginning of year	883,882	352,301
Cash and Cash Equivalents, End of Year	$399,781	$883,882

	2023	2022
Supplemental Disclosure of Noncash Investing Activities		
Operating lease right-of-use asset obtained in exchange for operating lease liability	$ 340,253	$ -

See notes to financial statements.

THE MIDORI FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future are not recognized until the conditions on which they depend have been met.

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 - Operating Lease Right-of-Use Asset and Operating Lease Liability

For leases with an initial term greater than twelve months, the Foundation's operating lease liability is initially recorded at the present value of the unpaid lease payments as of July 1, 2022. The Foundation's operating lease right-of-use asset is initially recorded at the carrying amount of the operating lease liability adjusted for initial direct costs, accruals, prepayments, and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

THE MIDORI FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

e - 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.

f - Financial Statement Presentation
The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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, whereby the donor has stipulated the funds be maintained in perpetuity.

g - Revenue Recognition
Education revenues are recognized when the services are performed.

h - 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.

i - 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.

THE MIDORI FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

j - 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.

k - Subsequent Events
The Foundation has evaluated subsequent events through April 12, 2024, the date that the financial statements are considered available to be issued. No material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in these financial statements.

l - New Accounting Standard
For the year ended June 30, 2023, the Foundation adopted ASU 2016-02, *Leases (“Topic 842”)*. The core principles of *Topic 842* change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. As such, results for 2023 are presented under *Topic 842*, while results for 2022 continue to be reported in accordance with historical accounting practices. The adoption of *Topic 842* did not have a significant impact on the Foundation’s net assets as of July 1, 2022.

As part of the adoption of *Topic 842*, the Foundation elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements, to use a risk-free rate, equal to the two-year Treasury Bill rate for the discount of the operating lease and to apply the practical expedients which allows the Foundation to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

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.

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

The Foundation's financial assets as of June 30, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

	2023	2022
Financial Assets at Year End:		
Cash and cash equivalents	$ 399,781	$ 883,882
Contributions receivable	900,190	252,350
Accounts receivable	136,434	209,393
Total Financial Assets	1,436,405	1,345,625
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	(20,000)	(65,000)
Plus: Net assets with donor restrictions expected to be met in less than one year	20,000	65,000
Net assets restricted for board designated working capital reserve	(200,000)	(200,000)
Financial Assets Available to Meet General Expenditures within One Year	$1,236,405	$1,145,625

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, 2023 AND 2022

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions
Net assets with donor restrictions are designated for future programs and periods as follows:

	2023	2022
Subject to expenditure for specified purpose:		
Music programs	$10,000	$55,000
Subject to expenditure for specified periods	10,000	10,000
Total Net Assets With Donor Restrictions	$20,000	$65,000

Note 4 - Contributions Receivable

Contributions receivable are due within one year. Uncollectible contributions receivable are expected to be insignificant and management has determined that no allowance is necessary at June 30, 2023 and 2022.

Note 5 - Property and Equipment

Property and equipment consist of the following at June 30:

	Life	2023	2022
Furniture and equipment	5-7 years	$43,511	$28,445
Leasehold improvements	3 years	3,000	3,000
Website	3 years	10,600	10,600
		57,111	42,045
Less: Accumulated depreciation		(42,640)	(42,045)
		$ 14,471	$ -

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.

Note 6 - Paycheck Protection Program

On April 26, 2021, the Foundation received a loan totaling $97,800 under the Paycheck Protection Program administered by the U.S. Small Business Administration. This loan was forgiven in November 2021 and is included within Government contributions in the Statement of Activities for the year ended June 30, 2022.

Note 7 - 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 64% and 75% during the fiscal years ended June 30, 2023 and 2022, respectively, of the Foundation's total support and revenue. Contributions and accounts receivable from city government agencies at June 30, 2023 and 2022 approximated 83% and 88%, respectively, of the Foundation's total receivables.

Note 8 - Employee Retention Tax Credit

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages paid after March 12, 2020 and before September 30, 2021. The Foundation determined that it qualified for credits of $184,103 and $32,785 during the years ended June 30, 2023 and 2022, respectively, due to a partial suspension of operations due to government COVID-related orders and a decrease in gross receipts during the eligible period. Accordingly, these amounts have been recognized as contribution income in the Statements of Activities for the years ended June 30, 2023 and 2022.

Note 9 - Retirement Plan

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 2022 and 2021 is for the plan's year end at March 31, 2022 and 2021, 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.

Pension Fund	Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions of the Foundation		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2021		2023	2022		
American Federation of Musicians and Employer's Pension Fund	001	Red	Implemented	$19,111	$18,465	10%	June 30, 2025

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

THE MIDORI FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 10 - Operating Lease Liability

The Foundation leases office space under an operating lease agreement expiring October 31, 2024.

Rent expense for the years ended June 30, 2023 and 2022 was $154,514 and $148,790, respectively. There were no variable lease costs incurred. As of June 30, 2023, the remaining term of the Foundation's operating lease is 16 months, and the discount rate is 2.85%.

Maturities of the Foundation's operating lease liability as of June 30, 2023 are as follows:

Year ending June 30, 2024	$152,125
Thereafter, through October 31, 2024	51,042
	203,167
Less: Amount attributable to interest	(4,100)
	$199,067

Note 11 - Contingencies

a - 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.

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