

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2024 AND 2023



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Education Through Music, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Education Through Music, Inc. (a nonprofit organization) and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Education Through Music, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in their net assets and their 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 Organization 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Schedules of Statement of Financial Position and Statement of Activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Lotz + Carr, LLP

New York, New York
October 15, 2025

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$2,660,754	\$2,024,717
Investments	1,751,020	696,945
Unconditional promises to give		
Without donor restrictions	1,161,307	877,426
With donor restrictions	-	390,000
Accounts receivable, net of allowance for expected credit losses of \$25,198 (2024)	700,635	300,633
Note receivable	75,000	-
Prepaid expenses	26,856	21,295
Operating lease right-of-use asset	1,508,915	200,641
Property and equipment, at cost, net of accumulated depreciation	50,947	47,208
Security deposit	34,562	34,562
	<u> </u>	<u> </u>
Total Assets	<u><u>\$7,969,996</u></u>	<u><u>\$4,593,427</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 339,082	\$ 230,986
Operating lease liability	1,521,253	251,481
Total Liabilities	<u>1,860,335</u>	<u>482,467</u>
Commitments and Contingency		
Net Assets		
Without Donor Restrictions		
Operating	2,705,672	3,024,015
ETM Special Fund	763,989	696,945
Total Without Donor Restrictions	<u>3,469,661</u>	<u>3,720,960</u>
With Donor Restrictions	2,640,000	390,000
Total Net Assets	<u>6,109,661</u>	<u>4,110,960</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$7,969,996</u></u>	<u><u>\$4,593,427</u></u>

See notes to consolidated financial statements.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and Other Support		
Contributions	\$2,308,461	\$1,526,878
Benefit and event income	914,261	649,472
Less: Direct fundraising costs	(156,366)	(113,832)
Program income	1,738,873	2,115,610
Donated materials and services	165,087	163,416
Interest and dividend income	151,619	51,235
Realized gain on investments	37,465	126,423
Unrealized gain (loss) on investments	15,059	(78,821)
Miscellaneous income	6,820	2,215
	<u>5,181,279</u>	<u>4,442,596</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>390,000</u>	<u>880,000</u>
Total Revenues and Other Support	<u>5,571,279</u>	<u>5,322,596</u>
Expenses		
Program Services		
New York	4,346,783	4,279,986
National	105,116	171,162
Total Program Services	<u>4,451,899</u>	<u>4,451,148</u>
Supporting Services		
Management and general	429,480	239,956
Fundraising	941,199	828,294
Total Supporting Services	<u>1,370,679</u>	<u>1,068,250</u>
Total Expenses	<u>5,822,578</u>	<u>5,519,398</u>
Decrease in Net Assets Without Donor Restrictions	<u>(251,299)</u>	<u>(196,802)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	2,640,000	22,387
Net assets released from restrictions	<u>(390,000)</u>	<u>(880,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>2,250,000</u>	<u>(857,613)</u>
Increase (decrease) in net assets	1,998,701	(1,054,415)
Net assets, beginning of year	<u>4,110,960</u>	<u>5,165,375</u>
Net Assets, End of Year	<u>\$6,109,661</u>	<u>\$4,110,960</u>

See notes to consolidated financial statements.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024						2023					
	Program Services			Supporting Services		Total Expenses	Program Services			Supporting Services		Total Expenses
	New York	National	Total	Management and General	Fundraising		New York	National	Total	Management and General	Fundraising	
Salaries and related costs	\$3,375,700	\$101,000	\$3,476,700	\$ 118,552	\$ 593,232	\$4,188,484	\$3,188,161	\$109,459	\$3,297,620	\$ 172,863	\$ 451,391	\$3,921,874
Grants	-	-	-	-	-	-	-	30,000	30,000	-	-	30,000
Contracted services	424,175	1,254	425,429	180,563	217,388	823,380	534,361	10,105	544,466	45,803	264,315	854,584
Non-personnel expenses	184,651	2,545	187,196	2,401	79,598	269,195	216,829	2,425	219,254	4,087	59,838	283,179
Facility and equipment	215,717	-	215,717	10,536	31,357	257,610	250,562	-	250,562	12,505	33,256	296,323
Travel and meetings	25,899	317	26,216	-	2,042	28,258	10,588	423	11,011	72	3,404	14,487
Credit losses	-	-	-	112,484	-	112,484	-	18,750	18,750	-	-	18,750
Insurance	34,147	-	34,147	1,722	5,124	40,993	28,005	-	28,005	1,468	3,905	33,378
Advertising	24,303	-	24,303	1,144	3,407	28,854	16,361	-	16,361	730	1,941	19,032
Other expenses	27,684	-	27,684	338	3,873	31,895	3,465	-	3,465	740	3,711	7,916
Total expenses before depreciation	4,312,276	105,116	4,417,392	427,740	936,021	5,781,153	4,248,332	171,162	4,419,494	238,268	821,761	5,479,523
Depreciation	34,507	-	34,507	1,740	5,178	41,425	31,654	-	31,654	1,688	6,533	39,875
Total Expenses	<u>\$4,346,783</u>	<u>\$105,116</u>	<u>\$4,451,899</u>	<u>\$ 429,480</u>	<u>\$ 941,199</u>	<u>\$5,822,578</u>	<u>\$4,279,986</u>	<u>\$171,162</u>	<u>\$4,451,148</u>	<u>\$ 239,956</u>	<u>\$ 828,294</u>	<u>\$5,519,398</u>

See notes to consolidated financial statements.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,998,701	\$(1,054,415)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Non-cash operating lease expense	279,122	261,542
Depreciation expense	41,425	39,875
Credit losses	112,484	18,750
Donated securities	(82,977)	(197,948)
Net realized and unrealized gains on investments	(52,524)	(47,602)
(Increase) decrease in:		
Unconditional promises to give	106,119	1,052,515
Accounts receivable	(512,486)	(108,769)
Note receivable	(75,000)	-
Prepaid expenses	(5,561)	29,901
Increase (decrease) in:		
Accounts payable and accrued expenses	108,096	14,339
Operating lease liability	(317,624)	(239,520)
Net Cash Provided (Used) By Operating Activities	<u>1,599,775</u>	<u>(231,332)</u>
Cash Flows From Investing Activities		
Purchase of equipment	(45,164)	-
Purchase of investments	(1,574,717)	(370,653)
Sale of investments	656,143	552,523
Net Cash Provided (Used) By Investing Activities	<u>(963,738)</u>	<u>181,870</u>
Net increase (decrease) in cash and cash equivalents	636,037	(49,462)
Cash and cash equivalents, beginning of year	<u>2,024,717</u>	<u>2,074,179</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,660,754</u></u>	<u><u>\$ 2,024,717</u></u>
Supplemental Disclosure of Non-Cash Investing Activities:		
Operating lease right-of-use asset obtained in exchange for operating lease liability	<u><u>\$ 1,587,396</u></u>	<u><u>\$ 462,183</u></u>

See notes to consolidated financial statements.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Education Through Music, Inc. ("ETM, Inc.") partners with under-resourced schools to provide music as a core subject for all children and utilizes music education as a catalyst to improve academic achievement, motivation for school and self-confidence.

Due to the continued success of ETM, Inc. in New York, along with the success of licensed ETM, Inc. affiliate organizations in Los Angeles, Denver, and Boston, the community of ETM, Inc. affiliate organizations and stakeholders determined that it was in the best interests of the ETM, Inc. mission and work to establish a new national organization to develop and support ETM, Inc. programming and activities, both on the local and national level, and to coordinate local ETM, Inc. activities and operations, in each case in a cohesive, consistent manner that both reflects and builds on ETM, Inc.'s work while simultaneously serving the priorities of local ETM, Inc. affiliate organizations and their communities. To that end, Education Through Music USA, Inc. ("ETM-USA") was formed on February 1, 2022. In this role, ETM-USA plans to develop and manage curricula and other intellectual property for the ETM, Inc. network and to conduct related support and activities that further its mission of promoting musical education in disadvantaged communities throughout the United States. While the founding ETM-USA board is made up of three ETM, Inc. board members, it is ETM-USA's intention to develop a board that is independent of any other ETM, Inc. affiliates as soon as practicable. In January 2023, ETM-USA received an Internal Revenue Service determination letter recognizing it as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), effective February 1, 2022. ETM-USA commenced operations during the year ended June 30, 2023.

b - Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ETM, Inc. and ETM-USA (collectively, the "Organization" or "ETM"). All significant intercompany transactions and accounts have been eliminated in consolidation.

c - Cash and Cash Equivalents

The Organization considers all short-term highly-liquid investments, such as money market funds, to be cash equivalents, except for cash awaiting investment.

d - Investments

The Organization reflects investments at fair value in the consolidated statements of financial position. Unrealized gains and losses on investments are reflected in the consolidated statements of activities. Interest, gains and losses on investments are reflected in the consolidated statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

e - Fair Value Measurements

The Organization is required to use a framework for measuring fair value and make certain disclosures about fair value measurements. Fair value is a market-based measurement, not an entity-specific measurement, and is based on a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurement is disclosed by level within that hierarchy.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

f - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, 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. 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.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

f - Contributions and Unconditional Promises to Give (continued)

The Organization uses the allowance method to determine uncollectible promises to give. The determination of whether an allowance is necessary is based on prior years' experience and management's analysis of specific promises made.

g - Financial Statement Presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization 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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

h - Property and Equipment

Property and equipment are capitalized at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized on a straight-line basis over the life of the lease.

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

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

j - Revenue Recognition

The Organization's program income is recognized at a point in time when the programs take place. The timing of billings, cash collections and revenue recognition may result in contract assets and contract liabilities reported in the consolidated statements of financial position. Contract assets consist of accounts receivable. Contract liabilities consist of deferred revenue that results when the Organization receives advance payments from customers before revenue is recognized.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

k - Estimates

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

l - Tax Status

ETM, Inc. and ETM-USA are not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and have been designated as organizations which are not a private foundation.

m - Subsequent Events

The Organization has evaluated subsequent events through October 15, 2025, the date that the consolidated financial statements are considered available to be issued.

n - Functional Allocation of Expenses

The consolidated 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 Organization's expenses are directly related to program activities, which are made up of educational and music programs. The expenses that are allocated include depreciation, interest, insurance, general office expenses, and occupancy costs, which are allocated on a basis of time and effort.

o - New Accounting Standard

During the year ended June 30, 2024, the Organization adopted Accounting Standards Update ("ASU") 2016-13, *Current Expected Credit Losses* ("Topic 326"). The core principles of ASU 2016-13 (the "ASU") significantly change the way organizations recognize credit losses from the incurred loss model to the expected loss model for most financial assets. The financial assets held by the Organization that are subject to the ASU are accounts receivable.

As part of the adoption of the ASU, the Organization elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements (Note 8).

p - Reclassification

For comparability, certain 2023 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2024.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of program revenue and contribution revenue raised during the current year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and maintains liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in cash, money market funds, or other short-term investments.

The Organization's financial assets as of June 30, 2024 and 2023 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2024</u>	<u>2023</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$2,660,754	\$2,024,717
Investments	1,751,020	696,945
Unconditional promises to give	1,161,307	1,267,426
Accounts receivable	700,635	300,633
Note receivable	<u>75,000</u>	<u>-</u>
Total Financial Assets	6,348,716	4,289,721
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	(2,640,000)	(390,000)
Plus: Net assets with donor restrictions expected to be met in less than one year	750,000	390,000
Less: ETM, Inc. Special Fund	<u>(763,989)</u>	<u>(696,945)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$3,694,727</u>	<u>\$3,592,776</u>

In addition to these financial assets available within one year, the Organization maintains the ETM, Inc. Special Fund of \$763,989, included with investments, to promote its financial stability. These amounts could be made available to meet cash needs at the discretion of the Board (Note 7).

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future programs and periods.

Note 4 - Unconditional Promises to Give

Unconditional promises to give as of June 30, 2024 and 2023 are due in less than one year. Uncollectible promises to give are expected to be insignificant.

As of June 30, 2024 and 2023, approximately 32% and 72%, respectively, of unconditional promises to give were due from a government agency and a foundation.

Note 5 - Investments

A summary of the Organization's investments by Level within the fair value hierarchy is as follows as of June 30:

	2024		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual funds:			
Fixed income funds	\$ 174,151	\$174,151	\$ -
Equity funds	178,649	178,649	-
Exchange traded funds	228,083	228,083	-
Certificates of deposit	987,031	-	987,031
Cash awaiting investment	<u>183,106</u>	<u>183,106</u>	<u>-</u>
Total Investments in Fair Value Hierarchy	<u>\$1,751,020</u>	<u>\$763,989</u>	<u>\$987,031</u>
	2023		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual funds:			
Fixed income funds	\$169,362	\$169,362	\$ -
Equity funds	165,363	165,363	-
Exchange traded funds	194,596	194,596	-
Cash awaiting investment	<u>167,624</u>	<u>167,624</u>	<u>-</u>
Total Investments in Fair Value Hierarchy	<u>\$696,945</u>	<u>\$696,945</u>	<u>\$ -</u>

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 5 - Investments (continued)

The cost of investments at June 30, 2024 and 2023 was \$1,723,515 and \$684,499, respectively.

Net investment gain consists of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$151,619	\$51,235
Net realized gain	37,465	126,423
Net unrealized gain (loss)	<u>15,059</u>	<u>(78,821)</u>
	<u>\$204,143</u>	<u>\$98,837</u>

Note 6 - Note Receivable

As of June 30, 2024, the Organization has a note receivable totaling \$75,000, which is secured by the borrower's real estate and bears interest at 4.35% per annum. This note receivable is to be paid during the year ended June 30, 2025, in 6 equal and consecutive monthly installments, followed by a final installment for the remaining balance on December 31, 2025, including any accrued interest. Interest income is recognized on the accrual basis and recorded as a component of interest income in the consolidated statement of operations. The note is expected to be repaid in full in accordance with the terms of the agreement.

Note 7 - ETM, Inc. Special Fund

The Organization established the ETM, Inc. Special Fund (the "Fund") to promote its financial stability. The Fund consists of money allocated by the Board of Directors (the "Board") together with contributions and any net earnings from the Fund. Any withdrawals must be authorized by a supermajority vote of the Board if in excess of 5% of the average value of the Fund as of December 31 of the previous three years. Short-term borrowings by the Organization from the Fund may be made with the approval of the Executive Committee to meet unanticipated financial emergencies.

EDUCATION THROUGH MUSIC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 - Current Expected Credit Losses

Changes in the allowance for accounts receivable credit losses for the year ended June 30, 2024 are as follows:

Balance, beginning of year	\$ -
Current year credit losses	<u>25,198</u>
Balance, End of Year	<u>\$25,198</u>

Accounts receivable is presented net of allowance for credit losses on the statement of financial position.

Note 9 - Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>Life</u>	<u>2024</u>	<u>2023</u>
Musical instruments	5 years	\$111,646	\$111,646
Furniture and equipment	3-5 years	54,225	54,225
Leasehold improvements	Life of lease	5,900	63,689
Logo design/website upgrades	5 years	110,264	71,000
Salesforce software development	5 years	<u>178,857</u>	<u>178,857</u>
		460,892	479,417
Less: Accumulated depreciation		<u>(409,945)</u>	<u>(432,209)</u>
		<u>\$ 50,947</u>	<u>\$ 47,208</u>

Note 10 - Operating Lease Liability

The Organization previously occupied office space under a lease agreement that was scheduled to expire on March 31, 2024.

In July 2023, the Organization entered into an amended lease agreement with the landlord to relocate to a new office space within the same building commencing January 1, 2024 and through June 30, 2032. Under the terms of the amended agreement, the Organization received rent credits totaling \$84,823 for the period of April through June 2023. As of June 30, 2024, the remaining term of the Organization's operating lease is ninety-six months, and the discount rate is 4.51%.

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Note 10 - Operating Lease Liability (continued)

Future minimum annual rent payments are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 204,666
2026	208,760
2027	212,936
2028	217,193
2029	231,872
Thereafter, through June 2032	<u>755,442</u>
	1,830,869
Less: Amount attributable to interest	<u>(309,616)</u>
	<u>\$1,521,253</u>

Operating lease expense for the years ended June 30, 2024 and 2023 was \$244,194 and \$278,228, respectively.

Note 11 - Contingency

Government supported projects are subject to audit by the granting agency.

Note 12 - Retirement Plan

The Organization has a voluntary salary reduction tax deferred annuity plan for the benefit of all qualifying employees. The Organization can make a discretionary matching contribution. The Organization did not make a matching contribution to the plan in 2024 or 2023.

Note 13 - Concentrations

a - The Organization maintains its cash and cash equivalent balances in three financial institutions located in New York. From time to time, balances may exceed the Federal Depository Insurance Corporation limit.

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Note 13 - Concentrations (continued)

- b - The Organization received 58% of its total contributions from a foundation during the year ended June 30, 2024, and 21% of its total contributions from a government agency during the year ended June 30, 2023.

Note 14 - Donated Materials and Services

During the years ended June 30, 2024 and 2023, the Organization received the following donated materials and services:

	<u>2024</u>	<u>2023</u>
Legal services	\$165,087	\$149,416
Computers	<u>-</u>	<u>14,000</u>
Total	<u>\$165,087</u>	<u>\$163,416</u>

Donated legal services are utilized in connection with the Organization's program and administrative supporting services and were valued by the service provider based on current rates of similar legal services. Donated computers are utilized in the Organization's program service activities and were valued by the donor based on current selling prices for similar computers.