

THE HARMONY PROJECT
(A Nonprofit California Corporation)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
Years Ended June 30, 2021
And June 30, 2020

THE HARMONY PROJECT
(A Nonprofit California Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Harmony Project
Los Angeles, California

May 24, 2022

I have audited the accompanying statement of financial position of The Harmony Project (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audits. I 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 from 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 auditor's 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 estimate made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harmony Project as of June 30, 2021 and 2020, 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.

Raul Carrega

Glendale, California

The Harmony Project
Statement of Financial Position
June 30, 2021
with comparative totals for June 30, 2020

	As of June 30 2021	As of June 30 2020
Current Assets:		
Cash & Cash Equivalents (note 2)	\$ 894,244	\$ 831,849
Prepaid expenses	65,543	5,901
	959,787	837,750
Investments		
Marketable securities, at fair market value (note 3)	373,645	164,361
Property & Equipment:(note 4)		
Vehicle	37,991	37,991
Equipment	472,471	459,862
Office Equipment	82,409	74,032
	592,871	571,885
Less Accumulated Depreciation	(467,803)	(405,295)
	125,068	166,590
Other Assets:		
Shirt Supplies	700	700
Deposit	11,040	11,040
Total Assets	\$ 1,470,240	\$ 1,180,441
Current Liabilities:		
Accounts Payable	30,718	59,979
Accrued Expenses (note 5)	1,126	36,889
Loan - SBA PPP	714,660	499,000
Loan - Current Portion - Long Term	3,496	-
	750,000	595,868
Loan (note 6)	154,177	-
Less Current Portion - Long Term	(3,496)	-
	150,681	-
Total Liabilities	900,681	595,868
Net Assets:		
Without Donor Restrictions (note 1)	569,559	584,573
With Donor Restrictions (note 1)	-	-
Total Net Assets	569,559	584,573
Total Liabilities and Net Assets	\$ 1,470,240	\$ 1,180,441

See Accompanying Notes

The Harmony Project
Statement of Activities & Change in Net Assets
For the Years Ended June 30, 2021
with comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
SUPPORT AND REVENUES				
Contributions-Individuals	\$ 1,510,270		\$ 1,510,270	\$ 1,197,958
Contributions-Foundations	1,395,189		1,395,189	1,168,396
Contributions-Corporate	185,894		185,894	115,708
Contributions-Government	209,390		209,390	221,040
Contributions-Other	212,474		212,474	343,603
Contributions-National	-		-	27,400
Service Fees	47,826		47,826	246,465
Interest & Dividends (note 3)	16,656		16,656	21,587
Unrealized Gain (note 3)	90,107		90,107	(7,073)
Realized Gains (Losses)	4		4	1,073
Other Income (note 7)	19,439		19,439	9,853
In-Kind Donations (note 7)	27,864		27,864	271,670
Net Assets - Restrictions	-	-	-	-
Total Support and Revenues	3,715,113	-	3,715,113	3,617,680
FUNCTIONAL EXPENSES				
Salaries-Director	152,019		152,019	150,000
Salaries-Development	360,917		360,917	210,898
Salaries-National	-		-	293,191
Salaries-Other	201,464		201,464	268,302
Program Manager & Coordinators	1,071,921		1,071,921	1,175,447
Teaching Artists	728,773		728,773	1,122,945
Employee Benefits	160,517		160,517	152,400
Payroll Taxes	142,738		142,738	166,711
Auto / Transportation	5,776		5,776	7,148
Bank Service Charges	19,070		19,070	11,419
Building Repairs	-		-	600
Evaluations	80,673		80,673	157,175
Food	1,077		1,077	10,840
Fund Development	128,429		128,429	199,773
Instrument Repairs	2,785		2,785	6,593
Insurance	37,216		37,216	50,443
Interest	4,177		4,177	-
Internet Services	1,842		1,842	4,200
Legal & Accounting	13,558		13,558	3,235
Music Supplies	21,393		21,393	17,450
Musical Outings	1,577		1,577	37,855
Office	39,953		39,953	14,268
Office Supplies	36,784		36,784	145
Postage & Delivery	12,270		12,270	8,229
Printing	13,678		13,678	30,068
Rent	86,567		86,567	80,911
Scholarships - College	241,683		241,683	154,309
Site Fees	33,345		33,345	77,277
Telephone	19,086		19,086	14,658
Training / Conferences	5,199		5,199	1,161
Travel	14,493		14,493	47,930
Contractor - Accounting	41,248		41,248	52,016
Depreciation	49,899		49,899	57,040
In-Kind	-		-	199,100
Total Functional Expenses	3,730,127	-	3,730,127	4,783,737
Increase (Decrease) in net assets	(15,014)	-	(15,014)	(1,166,057)
Net assets as of beginning of year	584,573	-	584,573	1,750,630
Net assets as of end of year	\$ 569,559	-	\$ 569,559	\$ 584,573

See Accompanying Notes

The Harmony Project
Statement of Functional Expenses
For the Years Ended

	Programs	Fundraising	General	June 30, 2021	June 30, 2020
Payroll expenses:	(note 8)				
Salaries-Director	\$ 77,019	37,500	37,500	\$ 152,019	\$ 150,000
Salaries-Development	28,496	287,028	45,393	360,917	210,898
Salaries-National				-	293,191
Salaries-Other	136,634		64,830	201,464	268,302
Program Managers	598,923			598,923	560,144
Program Coordinators	374,608			374,608	493,857
Social Service Coordinator	98,390			98,390	121,446
Teaching Artists	728,773			728,773	1,122,945
Employee benefits	133,923	3,258	23,336	160,517	152,399
Payroll taxes	105,195	24,469	13,075	142,739	166,711
	<u>2,281,961</u>	<u>352,255</u>	<u>184,134</u>	<u>2,818,350</u>	<u>3,539,893</u>
Functional Expenses:					
Auto Expense	5,588		188	5,776	7,148
Bank Service Charges		19,070		19,070	11,419
Building Repairs				-	600
Evaluations	80,673			80,673	157,176
Food	1,077			1,077	10,840
Fund Development	19,423	106,154	2,852	128,429	199,773
Instrument Repairs	2,785			2,785	6,593
Insurance	6,826		6,009	12,835	12,160
Insurance – Workers Comp	19,063	4,329	989	24,381	38,283
Internet Services	1,402	350	90	1,842	4,200
Interest	4,177	-	-	4,177	-
Legal & Accounting	2,658		10,900	13,558	3,235
Music Supplies	21,393			21,393	17,450
Musical Outings	1,577			1,577	37,855
Office	3,350		36,601	39,951	14,268
Office Supplies	16,069		20,715	36,784	145
Postage & Delivery			12,270	12,270	8,229
Printing & Reproduction	13,650		28	13,678	30,068
Rent	86,567			86,567	80,911
Scholarships - College	241,683			241,683	154,309
Site Fees	33,345			33,345	77,277
Telephone	11,199	348	7,539	19,086	14,658
Training / Conferences	5,199			5,199	1,161
Travel	3,945	897	9,651	14,493	47,930
Contractor – Accounting			41,248	41,248	52,016
Depreciation	42,825		7,075	49,900	57,040
In-Kind				-	199,100
Total Functional Expenses	<u>\$ 2,906,435</u>	<u>483,403</u>	<u>340,289</u>	<u>\$ 3,730,127</u>	<u>\$ 4,783,737</u>

See Accompanying Notes

**The Harmony Project
Statements of Cash Flows
For The Years Ended**

	June 30 2021	June 30 2020
CASH FLOW FROM OPERATING ACTIVITIES	<u> </u>	<u> </u>
Increase (Decrease) in net assets	\$ (15,014)	\$ (1,166,057)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	49,899	57,040
(Increase) decrease in operating assets		
Accounts receivable	-	115,389
Prepays	(59,642)	3,023
Other assets	-	-
Increase (decrease) in operating liabilities		
Accounts payable	(29,261)	25,109
Accrued expenses	(35,763)	18,963
	<u> </u>	<u> </u>
Net cash used by operating activities:	(89,781)	(946,533)
 CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(8,377)	(49,495)
Investments	(209,284)	172,889
	<u> </u>	<u> </u>
Net cash used in investing activities	(217,661)	123,394
 CASH FLOWS FROM FINANCING ACTIVITIES		
New Borrowings - Short Term	218,756	499,000
Long Term Debt	154,577	
Current Proceeds of Long Term Debt	(3,496)	-
	<u> </u>	<u> </u>
Net cash used in financing activities	369,837	499,000
Net decrease in cash and cash equivalents	62,395	(324,139)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	831,849	1,155,988
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u> \$ 894,244</u></u>	<u><u> \$ 831,849</u></u>

See Accompanying Notes

THE HARMONY PROJECT

Notes to Financial Statements

Note:1 **Nature of Organization and Significant Accounting Policies**

Nature of Organization:

The Harmony Project, a not-for-profit corporation established under the laws of the State of California, established in April 2001 as a nonprofit organization that promotes the healthy growth and development of children through the study, practice, and performance of music, to build healthier communities by investing in the positive development of children through music and to develop children as musical ambassadors of peace, hope and understanding amongst people of diverse cultures, backgrounds, and beliefs.

The significant accounting policies are as follows:

Method of accounting:

The financial statements has been prepared utilizing the accrual basis of accounting:

Financial statement presentation:

The accounts of The Harmony Project are maintained in accordance with the principles of net asset accounting. This is the procedures by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by net asset class as follows:

Without donor restrictions. Net assets not subject to donor imposed stipulations or restrictions.

With donor restrictions. Net assets subject to donor imposed stipulations or restrictions. At June 30, 2021 the organization had no donor imposed stipulations or restrictions.

Cash & Cash Equivalents:

Harmony Project defined cash and cash equivalents as cash in banks, money market funds, and Certificate of Deposits in a security institution.

The Organization maintains cash balances at several financial institutions. Cash accounts are insured by the Federal Depository Insurance Corporation up to \$250,000. From time to time, cash balances exceed federally insured limits. Investments consist of certificates of deposits with banks.

THE HARMONY PROJECT

Notes to Financial Statements

Note 1: **Nature of Organization and Significant Accounting Policies (Continued)**

Investments:

The organization adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 1997. Under SFAS No. 124, investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Use of 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.

Property, equipment, and improvements:

Property, equipment, and improvements are carried at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. It is the organization's policy to capitalize property and equipment over \$500.

Reclassification

Certain prior year balances have been reclassified to conform to current year presentation.

Revenue Recognition:

The company's accounting methods recognition policy follows the Financial Accounting Standards Board's Accounting Standard Codification (ASC) 606, Revenue from Contracts, with Customers, and ASC 825-10, Financial Instruments - Overall. Revenue is recognized when contracts and services are transferred in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

THE HARMONY PROJECT

Notes to Financial Statements

Note 1: **Nature of Organization and Significant Accounting Policies (Continued)**

Contributions:

The organization has adopted SFAS NO. 116, "Accounting for Contributions Made". Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Income tax status:

The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Organization is subject to examination by tax jurisdictions (3 years).

Program Space:

The Harmony Project's program activities are carried out at a variety of local institutions, including LAUSD's Beyond The Bell Branch, Los Angeles Community College, Expo Center (a facility of the City of Los Angeles), churches and schools. These sites are provided at no cost to the Harmony Project. The fair market rents of program space provided by these organizations are reflected in the audited statements.

The Harmony Project serves as a model for programs in communities outside of Los Angeles, providing technical assistance to contractually affiliated Harmony Project programs in cities through the nation.

Los Angeles Community College (LACC) & LAUSD (Beyond the Bell)
The Harmony Project has a reciprocal arrangement with LACC & LAUSD. The organization provides an orchestral music program with weekly instruction. The organization recruits and enrolls students, and provides musical instruments, books and music supplies to the students. In turn, qualified Harmony Project Teachers are hired as LACC adjunct faculty and paid directly by LACC. Beyond The Bell pays a program coordinator who works for Harmony. These direct program cost are not reflected in the audited financial statements.

THE HARMONY PROJECT
Notes to Financial Statements

Note 1: **Nature of Organization and Significant Accounting Policies (Continued)**

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicated that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the year ended June 30, 2021.

Note 2: **Cash & Cash Equivalents**

Cash & cash equivalents consisted of the following:

	June 30, 2021	June 30, 2020
Checking Account	\$ 244,209	\$ 224,726
Savings Account & Money Market	649,835	606,923
Petty Cash	200	200
Total Cash & Cash Equivalents	\$ 894,244	\$ 831,849

Concentration of Credit Risk

The Organization's cash and cash equivalents are maintained in various accounts. The Organization has exposure to credit risk to the extent that its cash and cash equivalents may exceed amounts covered by federal deposit insurance.

The checking and savings accounts are on deposit and are insured by the Federal Deposit Insurance Corporation up to applicable insurance limits.

Note 3: **Investments**

Investments consisted of the following:

	June 30, 2021	June 30, 2020
Equities	\$ 223,645	\$ 15,608
Other	150,000	148,753
Total Investments	\$ 373,645	\$ 164,361

THE HARMONY PROJECT

Notes to Financial Statements

Note 3: **Investment Income**

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended.

	Without Donor Restrictions	With Donor Restrictions	June 30, 2021	June 30, 2020
Interest and Dividends	\$ 16,656	-	16,656	21,587
Unrealized gains (losses)	90,107	-	90,107	(7,073)
	<u>\$ 106,763</u>	<u>-</u>	<u>106,763</u>	<u>14,514</u>

Fair Value Measurement

The Organization's investments are reported at fair value in the accompanying statement of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consist of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurement

The Fair values of common stock, most corporate bonds, and U.S. government securities are based on quoted market prices. The equity funds held by the organization are open-end funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The equity funds held by the organization are considered to be actively traded.

THE HARMONY PROJECT
Notes to Financial Statements

Note 3: **Fair Value Measurement (Continue)**

Level 2 Fair Value Measurement

The Fair value of partnerships and Reits are based on observable inputs and other quoted prices for identical assets.

Level 3 Fair Value Measurement

There are no organizational assets requiring the use of Level 3 inputs for the period presented.

Fair Value Measurement at the End of Reporting Period Using:			
	Fair Value	Level 1	Level 2
6/30/2021			
Equities	\$ 223,645	\$ 223,645	
Partnerships & Other	150,000		150,000
	\$ 373,645	\$ 223,645	\$ 150,000
6/30/2020			
Equities	\$ 15,608	\$ 15,608	
Partnerships & Other	148,753		148,753
	\$ 164,361	\$ 15,608	\$ 148,753

Note 4: **Property & Equipment**

	June 30, 2021	June 30, 2020
Vehicle	\$ 37,991	\$ 37,991
Equipment	472,471	459,862
Office Equipment	82,409	74,032
	592,871	571,885
Accumulated Depreciation	(467,803)	(405,295)
	\$ 125,068	\$ 166,590

Depreciation for the year 2021 was \$49,899 and 2020 was \$57,040.

THE HARMONY PROJECT
Notes to Financial Statements

Note 5: **Accrued Expenses**

Accrued liabilities consist of the following:

	June 30, 2021	June 30, 2020
Accounts Payable	\$ 30,718	\$ 59,979
Accrued expenses	1,126	36,889
	\$ 31,844	\$ 96,868

Note 6: **Lease Commitment**

The Harmony Project leases agreement entered into for the period June 1, 2019 to August 31, 2021, with 4322 Wilshire, LLC. The Office building is located at 4322 Wilshire Blve., Los Angeles, California. The base rents were \$5,359 per month for the first year, \$5,519 for the second year and remaining year \$6,553. The Harmony Project was on Month to Month after August 31, 2021.

On April 13, 2022 entered into a third amendment to lease. The term of the lease is April 15, 2022 to October 14, 2022, six months. The base rent is \$9,176. The approximate square footage is 3604, commonly known as suite 101 and 112.

Year Ending			
June 30, 2022		\$	86,505
Thereafter			27,528
		\$	114,033

Total rent for the year was \$86,567.

Note 6: **Loan**

The organization entered into a loan with the Small Business Administration, Paycheck Protection Program (PPP). The loan is designed to provide a direct incentive for small businesses to keep their workers on payroll. SBA will forgive the loan if all employee retentions criteria's are met and the funds are used for eligible expenses. It is the organizations intentions to apply for the forgiveness. The loan rate is .98% A second PPP loan was applied. Both loans were forgiven First loan was forgiven on 10/15/21 and the second on April 7, 2022.

THE HARMONY PROJECT
Notes to Financial Statements

Note 6: **Loan (Continued)**

The organization also entered into a loan with the Small Business Administration, Economic Injury Disaster Loan. The loan is for the amount of \$150,000. The term of the loan is for 30 years at the interest rate of 2.75%. The monthly payment is \$641 and starts 12 months after closing in June of 2020.

Loans consist of the following	June 30, 2021
Loan (PPP) 1st	\$ 349,000
Loan (PPP) 2nd	365,660
Loan (Economic Injury Disaster)	154,177
	\$ 868,837

Long Term Debt consist of the following:

Economic Injury Disaster Loan 30 year loan, interest at 2.75%	\$ 154,177
Less Current Portion of Long Term Debt	(3,496)
	\$ 150,681

Maturities of Long Term debt are as follows:

June 30, 2022	\$ 3,496
June 30, 2023	\$ 3,298
June 30, 2024	\$ 3,693
June 30, 2025	\$ 3,797
June 30, 2026	\$ 3,902
Thereafter	\$ 132,495
	\$ 150,681

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Notes to Financial Statements

Note 7: **In-Kind Donations**

The Organization receives a significant amount of donated instruments, space and services. These In-Kind donations have been recorded in the financial statements based on Fair-Market-Value. The In-Kind donations consist of the following:

	June 30, 2021	June 30, 2020
In-Kind donated space	\$ -	\$ 199,100
In-Kind shares	27,864	72,570
	\$ 27,864	\$ 271,670

Note 8: **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses.

Note 9: **Subsequent Events**

Events subsequent to June 30, 2021 have been evaluated through May 24, 2022, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.

COVID-19

The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic, in the United States, the federal and state governments have implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in 2019 that are anticipated to continue for the foreseeable future. The extent of the impact of the impact of the COVID-19 pandemic on the company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact of the COVID-19 pandemic on overall demand for the Company's services, all of which are highly uncertain and cannot be predicted.