VH1 SAVE THE MUSIC FOUNDATION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2015 and 2014

MARKS PANETH
ACCOUNTANTS & ADVISORS

VH1 SAVE THE MUSIC FOUNDATION

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
VH1 Save The Music Foundation

We have audited the accompanying financial statements of VH1 Save the Music Foundation (the “Foundation”), which comprise the statements of financial position as of September 30, 2015 and 2014, 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.

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 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 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 VH1 Save the Music Foundation. as of September 30, 2015 and 2014, 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.

Marks Paneth LLP

New York, NY
April 25, 2016

VH1 SAVE THE MUSIC FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2B and 9)	$ 1,580,522	$ 1,071,341
Contributions and grants receivable, net (Notes 2H, 2I and 3)	297,051	278,613
Accounts receivable, net and other assets (Note 2J)	11,585	744
Equipment, net (Notes 2D and 4)	10,833	32,500
Inventories, net (Note 2F)	333	7,029
TOTAL ASSETS	$ 1,900,324	$ 1,390,227
LIABILITIES		
Accounts payable and accrued expenses	$ 495,546	$ 238,817
Deferred revenue (Note 2K)	45,000	-
Due to MTV Networks (Note 7)	896,028	834,560
TOTAL LIABILITIES	1,436,574	1,073,377
NET ASSETS (Note 2C)		
Unrestricted	378,750	162,432
Temporarily restricted (Note 5)	85,000	154,418
TOTAL NET ASSETS	463,750	316,850
TOTAL LIABILITIES AND NET ASSETS	$ 1,900,324	$ 1,390,227

The accompanying notes are an integral part of these financial statements.

VH1 SAVE THE MUSIC FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Unrestricted	Temporarily Restricted	Total 2015	Unrestricted	Temporarily Restricted	Total 2014
PUBLIC SUPPORT AND REVENUE:						
Public Support:						
Special events revenue	$ 644,114	$ -	$ 644,114	$ 375,233	$ -	$ 375,233
Less cost of direct benefit to donor (Note 2L)	(48,130)	-	(48,130)	(87,921)	-	(87,921)
Special events, net	595,984	-	595,984	287,312	-	287,312
Contributions and grants	1,090,095	85,000	1,175,095	1,667,177	9,418	1,676,595
Donated musical instruments (Note 2M)	7,810	-	7,810	23,424	-	23,424
Donated materials and services (Notes 2M and 7)	2,024,831	-	2,024,831	1,588,712	-	1,588,712
Total Public Support	3,718,720	85,000	3,803,720	3,566,625	9,418	3,576,043
Revenue:						
Royalties (Note 2N)	699	-	699	1,153	-	1,153
Net assets released from restrictions (Notes 2C and 5)	154,418	(154,418)	-	85,000	(85,000)	-
Total Revenue	155,117	(154,418)	699	86,153	(85,000)	1,153
TOTAL SUPPORT AND REVENUE	3,873,837	(69,418)	3,804,419	3,652,778	(75,582)	3,577,196
EXPENSES (NOTE 2G):						
Program services						
Musical education restoration (Note 2O)	2,121,599	-	2,121,599	2,283,077	-	2,283,077
Supporting services						
Management and general	300,458	-	300,458	335,492	-	335,492
Fundraising	1,235,462	-	1,235,462	715,477	-	715,477
TOTAL EXPENSES	3,657,519	-	3,657,519	3,334,046	-	3,334,046
CHANGE IN NET ASSETS	216,318	(69,418)	146,900	318,732	(75,582)	243,150
Net assets - beginning of year	162,432	154,418	316,850	(156,300)	230,000	73,700
NET ASSETS - END OF YEAR	$ 378,750	$ 85,000	$ 463,750	$ 162,432	$ 154,418	$ 316,850

The accompanying notes are an integral part of these financial statements.

VH1 SAVE THE MUSIC FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Year Ended September 30, 2015				Year Ended September 30, 2014			
		Supportive Services				Supportive Services		
	Program Services	Management and General	Fundraising	Total 2015	Program Services	Management and General	Fundraising	Total 2014
Salaries	$ 164,512	$ 7,161	$ 240,071	$ 411,744	$ 180,175	$ 11,482	$ 213,323	$ 404,980
Benefits and related payroll expenses	55,750	2,856	73,296	131,902	79,980	4,615	95,956	180,551
Total Salaries and Related Costs (Notes 6 and 7)	220,262	10,017	313,367	543,646	260,155	16,097	309,279	585,531
Musical instrument grants (Note 2O)	1,517,202	-	-	1,517,202	1,616,705	-	-	1,616,705
Donated professional services and office expenses (Notes 2M and 7)	282,459	135,784	742,212	1,160,455	288,627	138,175	234,983	661,785
Professional services	-	154,624	-	154,624	10,800	181,057	12,094	203,951
Travel and meetings	-	-	-	-	310	121	115	546
Office expenses	5,893	33	10,004	15,930	8,858	42	12,208	21,108
Caterer, rental, production costs and related expenses	-	-	135,780	135,780	-	-	162,224	162,224
Website expense	29,440	-	29,440	58,880	23,990	-	24,068	48,058
Marketing and promotion	9,174	-	38,425	47,599	0	-	26,404	26,404
Depreciation	10,834		10,833	21,667	10,834	-	10,833	21,667
Miscellaneous	46,335	-	3,531	49,866	62,798	-	11,190	73,988
Subtotal	2,121,599	300,458	1,283,592	3,705,649	2,283,077	335,492	803,398	3,421,967
Less: cost of direct benefit to donors (Note 2L)	-	-	(48,130)	(48,130)	-	-	(87,921)	(87,921)
TOTAL EXPENSES	$ 2,121,599	$ 300,458	$ 1,235,462	$ 3,657,519	$ 2,283,077	$ 335,492	$ 715,477	$ 3,334,046

The accompanying notes are an integral part of these financial statements.

VH1 SAVE THE MUSIC FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 146,900	$ 243,150
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Allowance for doubtful contributions and grants receivable	10,000	(35,000)
Depreciation	21,667	21,667
Subtotal	178,567	229,817
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Contributions and grants receivable	(28,438)	12,562
Accounts receivable and other assets	(10,841)	11,822
Change in inventory	6,696	39,720
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	256,729	(138,385)
Deferred revenue	45,000	-
Due to MTV Networks	61,468	21,245
Net Cash Provided by Operating Activities	509,181	176,781
NET INCREASE IN CASH AND CASH EQUIVALENTS	509,181	176,781
Cash and cash equivalents - beginning of year	1,071,341	894,560
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,580,522	$ 1,071,341

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

VH1 Save The Music Foundation (the "Foundation") is a nonprofit organization dedicated to improving the quality of education in America's public schools by restoring and supporting instrumental music education programs in America's public schools, and by raising public awareness about the importance of music participation and the positive impact it has on our Nation's youth. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation adheres to accounting principles generally accepted in the United States of America, ("U.S. GAAP").

B. The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

C. The Foundation maintains its net assets under the following two classes:

- Unrestricted – represents resources available for support of the Foundation's operations over which the Board of Directors (the "Board") has discretionary control.
- Temporarily Restricted – resulting from contributions and other inflows of assets subject to donor imposed stipulations that either can be fulfilled and removed by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. When such stipulations are fulfilled or time restrictions expire, such temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets that have been both earned and have had their restrictions met in the current year are recorded as unrestricted net assets.

D. Equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Contributed fixed assets are stated at fair value at the date of gift. The Foundation has established a $1,000 threshold above which assets are capitalized. Purchases below $1,000 are expensed at the time of acquisition. Equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

E. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

F. The Foundation has inventories of certain donated and purchased musical instruments which will be granted to educational institutions in accordance with the Foundation's mission. The Foundation also has inventories of donated items for sale such as concert tickets, memorabilia and collectibles. Inventories are recorded at cost at the time of purchase or the fair value at date of donation. As of September 30, 2015 and 2014, the Foundation had an inventory obsolescence provision of $1,100 and $5,300, respectively.

The Foundation reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills and represents services that would have been purchased had they not been donated. See Note 7 for details of such contributed services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. The following program and supporting services are included in the accompanying financial statements:

Program – Includes musical instrument grants, public education and advocacy programs to explain the importance and value of music education.

Management and general – Provides coordination and articulation of the Foundation's program strategy through the Office of the Executive Director; secures proper administrative functioning of the Board of Directors; maintains competent legal services for the proper administration of the Foundation; and manages the financial responsibilities of the Foundation.

Fundraising – Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations.

H. Unconditional contributions receivable are recognized as contribution revenue and contributions receivable during the period in which they are promised. Conditional contributions are recognized only when the stipulated conditions on which they depend are substantially met and the contributions become unconditional.

I. The Foundation's management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors including an assessment of the credit-worthiness of its donors, agings of the amounts due and historical experience. As of September 30, 2015 and 2014, the Foundation determined that an allowance for uncollectable contributions and grants was necessary in the amount of $10,000 and $0, respectively.

J. The Foundation's management evaluates the need for an allowance for doubtful accounts applicable to its accounts receivable based on various factors including an assessment of the credit worthiness of its vendors, agings of the amounts due and historical experience. As of September 30, 2015 and 2014, no allowance was considered necessary.

K. The Foundation receives cash in advance of a special event that is held after the statement of financial position date. It is the Foundation's policy to refund money paid for an event if it is cancelled or postponed based on the donor's request.

L. The direct costs of special events includes costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

M. The estimated fair values of materials and services are recorded in the statements of activities as revenue in the year received and as expenses (musical instruments, donated professional services, and office expenses) in the period in which they are provided or used. The Foundation receives musical instruments from donors to benefit public school music programs.

N. The Foundation receives nonrefundable royalty payments for its licensing agreements pertaining to cargo cases and music CDs. Royalty income is recorded when initial nonrefundable royalty payments are received and when subsequent royalties are earned.

O. The Foundation distributes musical instruments to various public schools around the United States for their music programs. Grant expense is recorded at the date of the unconditional promise to give and is recorded at an amount equal to the fair value of musical instruments originally donated to the Foundation.

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following as of September 30, 2015 and 2014:

	2015	2014
Amounts due in less than one year	$ 307,051	$ 278,613
Total	307,051	278,613
Less: Reserve for uncollectible pledges	(10,000)	-
Total contributions and grants receivable, net	$ 297,051	$ 278,613

NOTE 4 – EQUIPMENT

Equipment consists of the following as of September 30, 2015 and 2014:

	2015	2014	Estimated Useful Life
Computer software	$ 65,000	$ 65,000	3 years
Total costs	65,000	65,000	
Less: accumulated depreciation and amortization	(54,167)	(32,500)	
Net book value	$ 10,833	$ 32,500	

Depreciation expense amounted to $21,667 for each of the years ended September 30, 2015 and 2014.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of September 30, 2015 and 2014:

	2015	2014
New Jersey schools	$ 75,000	$ 145,000
San Diego, PA schools	10,000	-
Philadelphia, PA schools	-	2,500
Keys + Kids Program	-	6,918
	$ 85,000	$ 154,418

Net assets were released from restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes for the year ended September 30, 2015 and 2014 as follows:

	2015	2014
New Jersey schools	$ 145,000	$ 45,000
Keys + Kids Program	6,918	-
Philadelphia, PA schools	2,500	-
New Haven, CT schools	-	40,000
	$ 154,418	$ 85,000

NOTE 6 – TAX-DEFERRED ANNUITY PLAN

The Foundation has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code that covers full-time employees of the Foundation. The Foundation matches 75% of the first 6% that an employee contributes to the plan (maximum of 4.5% of gross salary per employee). Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Pension expense for the years ended September 30, 2015 and 2014 was $11,039 and $15,270, respectively.

NOTE 7 – RELATED PARTY

The Foundation is a co-employer of its staff with a professional employer organization. Through an agreement, which is renewable every two years, with MTV Networks, the Foundation recognizes the benefit contributed from the services of certain employees including the Executive Director of the Foundation, management and general support, office space, travel and other expenses. MTV Networks also grants to the Foundation a non-exclusive and non-transferable right to use certain trademarks and logos and an exclusive right to certain trademarks and logos, both to be used solely in connection with the Foundation's charitable and educational activities. MTV Networks has rights to appoint two of the three members of the nominating committee to nominate persons for election to the Foundation's Board. However, the directors, officers and employees of MTV Networks shall in the aggregate constitute less than a majority of the directors of the Foundation's Board. Donated services, including use of office space, contributed by MTV Networks were $1,136,455 and $631,785 for the years ended September 30, 2015 and 2014, respectively. Donated accounting services were $24,000 and $30,000 for the years ended September 30, 2015 and 2014, respectively.

In addition, the Foundation incurred expenses of $121,403 and $77,316 for the years ended September 30, 2015 and 2014, respectively, for other services provided by MTV Networks. As of September 30, 2015 and 2014, the Foundation has a liability to MTV Networks amounting to $896,028 and $834,560, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Foundation believe it has no uncertain tax positions as of September 30, 2015 and 2014 in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 9 – CONCENTRATION

Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to $250,000 per depositor. As of September 30, 2015 and 2014 there was approximately $1,232,000 and $855,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of statement of financial position through April 25, 2016, the date the financial statements were available to be issued.