

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)**



**Financial Statements
(Together with Independent Auditors' Report)**

**Three Month Period Ended December 31, 2019 and
Year Ended September 30, 2019**

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

**THREE MONTH PERIOD ENDED DECEMBER 31, 2019 AND
YEAR ENDED SEPTEMBER 30, 2019**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Save The Music Foundation
(d/b/a MTV Save The Music Foundation
and VH1 Save The Music Foundation)

We have audited the accompanying financial statements of Save The Music Foundation (d/b/a MTV Save The Music Foundation and VH1 Save The Music Foundation) (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and September 30, 2019, and the related statements of activities, functional expenses and cash flows for the three-month period ended December 31, 2019 and the year ended September 30, 2019, 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 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 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 Save The Music Foundation (d/b/a MTV Save The Music Foundation and VH1 Save The Music Foundation) as of December 31, 2019 and September 30, 2019, and the changes in its net assets and its cash flows for the three-month period ended December 31, 2019 and the year ended September 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
November 6, 2020

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

	12/31/19	9/30/19
ASSETS		
Cash and cash equivalents (Notes 2B and 10)	\$ 568,336	\$ 900,368
Contributions and grants receivable, net (Notes 2H, 2I and 4)	674,531	839,628
Accounts receivable and other assets (Note 2J)	72,751	21,363
Inventories, net (Note 2F)	19,822	20,521
Equipment, net (Notes 2D and 5)	27,083	32,500
TOTAL ASSETS	\$ 1,362,523	\$ 1,814,380
LIABILITIES		
Accounts payable and accrued expenses	\$ 110,595	\$ 534,221
Deferred revenue (Note 2K)	27,418	-
Due to MTV Networks (Notes 8 and 11)	188,042	294,429
TOTAL LIABILITIES	326,055	828,650
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Without donor restrictions	(8,555)	62,430
With donor restrictions (Note 6)	1,045,023	923,300
TOTAL NET ASSETS	1,036,468	985,730
TOTAL LIABILITIES AND NET ASSETS	\$ 1,362,523	\$ 1,814,380

SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2019 AND YEAR ENDED SEPTEMBER 30, 2019

	Three-Month Period Ended December 31, 2019			Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2019
PUBLIC SUPPORT AND REVENUE:						
Public Support:						
Contributions and grants (Note 8)	\$ 272,072	\$ 199,500	\$ 471,572	\$ 1,841,787	\$ 923,300	\$ 2,765,087
Donated musical instruments (Note 2M)	-	-	-	15,678	-	15,678
Donated goods and services (Notes 2M and 8)	<u>200,291</u>	<u>-</u>	<u>200,291</u>	<u>1,827,600</u>	<u>-</u>	<u>1,827,600</u>
 Total Public Support	 <u>472,363</u>	 <u>199,500</u>	 <u>671,863</u>	 <u>3,685,065</u>	 <u>923,300</u>	 <u>4,608,365</u>
Revenue:						
Royalties (Note 2N)	31	-	31	2,556	-	2,556
Net assets released from restrictions (Notes 2C and 6)	<u>77,777</u>	<u>(77,777)</u>	<u>-</u>	<u>508,128</u>	<u>(508,128)</u>	<u>-</u>
 Total Revenue	 <u>77,808</u>	 <u>(77,777)</u>	 <u>31</u>	 <u>510,684</u>	 <u>(508,128)</u>	 <u>2,556</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>550,171</u>	 <u>121,723</u>	 <u>671,894</u>	 <u>4,195,749</u>	 <u>415,172</u>	 <u>4,610,921</u>
EXPENSES (NOTE 2G):						
Program services						
Musical education restoration (Note 2O)	288,874	-	288,874	3,054,363	-	3,054,363
Supporting services						
Management and general	103,601	-	103,601	367,954	-	367,954
Fundraising	<u>228,681</u>	<u>-</u>	<u>228,681</u>	<u>955,911</u>	<u>-</u>	<u>955,911</u>
 TOTAL EXPENSES	 <u>621,156</u>	 <u>-</u>	 <u>621,156</u>	 <u>4,378,228</u>	 <u>-</u>	 <u>4,378,228</u>
 CHANGE IN NET ASSETS	 (70,985)	 121,723	 50,738	 (182,479)	 415,172	 232,693
Net assets - beginning of year	<u>62,430</u>	<u>923,300</u>	<u>985,730</u>	<u>244,909</u>	<u>508,128</u>	<u>753,037</u>
 NET ASSETS - END OF YEAR	 <u>\$ (8,555)</u>	 <u>\$ 1,045,023</u>	 <u>\$ 1,036,468</u>	 <u>\$ 62,430</u>	 <u>\$ 923,300</u>	 <u>\$ 985,730</u>

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

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2019 AND YEAR ENDED SEPTEMBER 30, 2019**

	<u>Three-Month Period Ended December 31, 2019</u>				<u>Year Ended September 30, 2019</u>			
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2019</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2019</u>
		<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>	
Salaries and Related Costs:								
Salaries	\$ 98,238	\$ 6,350	\$ 111,578	\$ 216,166	\$ 382,563	\$ 25,060	\$ 403,349	\$ 810,972
Benefits and related payroll expenses	<u>22,174</u>	<u>1,412</u>	<u>25,905</u>	<u>49,491</u>	<u>96,155</u>	<u>5,688</u>	<u>93,099</u>	<u>194,942</u>
Total Salaries and Related Costs (Notes 7 and 8)	120,412	7,762	137,483	265,657	478,718	30,748	496,448	1,005,914
Musical instrument grants (Note 2O)	33,416	-	-	33,416	1,974,227	-	-	1,974,227
Donated professional services and office expenses (Notes 2M and 8)	71,581	42,246	72,149	185,976	272,541	153,759	280,816	707,116
Professional services	1,035	52,263	3,013	56,311	12,623	182,634	92,030	287,287
Travel and meetings	-	1,330	10	1,340	192	417	365	974
Office expenses	1,396	-	1,737	3,133	6,157	387	16,898	23,442
Website expense	4,009	-	6,527	10,536	15,812	9	33,021	48,842
Marketing and promotion	104	-	3,043	3,147	-	-	19,523	19,523
Delivery and advocacy events	54,213	-	-	54,213	283,259	-	-	283,259
Depreciation (Notes 2D and 5)	2,708	-	2,708	5,416	10,834	-	10,833	21,667
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,011</u>	<u>2,011</u>	<u>-</u>	<u>-</u>	<u>5,977</u>	<u>5,977</u>
TOTAL EXPENSES	<u>\$ 288,874</u>	<u>\$ 103,601</u>	<u>\$ 228,681</u>	<u>\$ 621,156</u>	<u>\$ 3,054,363</u>	<u>\$ 367,954</u>	<u>\$ 955,911</u>	<u>\$ 4,378,228</u>

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

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2019 AND YEAR ENDED SEPTEMBER 30, 2019

	12/31/19	9/30/19
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 50,738	\$ 232,693
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for doubtful contributions and grants receivable	46,747	32,124
Depreciation	5,417	21,667
Subtotal	102,902	286,484
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Contributions and grants receivable	118,350	(228,609)
Accounts receivable and other assets	(51,388)	(9,090)
Inventories	699	10,130
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(423,626)	(79,475)
Deferred revenue	27,418	(75,000)
Due to MTV Networks	(106,387)	(19,020)
Net Cash Used In Operating Activities	(332,032)	(114,580)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(332,032)	(114,580)
Cash and cash equivalents - beginning of period/year	900,368	1,014,948
CASH AND CASH EQUIVALENTS - END OF PERIOD/YEAR	\$ 568,336	\$ 900,368

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Save The Music Foundation (d/b/a MTV Save The Music Foundation and 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, and by raising public awareness about the importance of music participation and the positive impact it has on our Nation’s youth. The Foundation’s mission is to help kids, schools, and communities realize their potential through the power of music. The Foundation is exempt from federal income taxes under Internal Revenue Code 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. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax.

During the year ended September 30, 2019, management decided to change the Foundation’s year end from September 30th to December 31st. As a result, the current year financials statements are as of and for the three-month period ended December 31, 2019.

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 equivalents.
- C. The Foundation maintains its net assets under the following two classes:
 - Without donor restrictions – represents resources available for support of the Foundation’s operations over which the Board of Directors (the “Board”) has discretionary control.
 - With donor restrictions – 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 net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions that have had their restrictions met in the current year are recorded as net assets without donor restrictions. See Note 6 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.
- D. Equipment is stated at cost less accumulated depreciation. 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 U.S. 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.

**SAVE THE MUSIC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 December 31, 2019 and September 30, 2019, the Foundation had an inventory obsolescence provision of \$1,000.

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 8 for details of such contributed services.

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

Program – Includes musical instrument grants, professional development and local collective impact convenings, research studies on the impact of increased music education access, and 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; secure proper administrative functioning of the Board of Directors; maintains competent legal services for the proper administration of the Foundation; maintains an adequate working environment, and manages the financial responsibilities of Foundation.

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

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Some expenses are allocated based on direct identification. Other expenses require allocation among the programs and supporting services benefits on a reasonable basis that is consistently applied. Salaries and wages, benefits, payroll taxes, office expenses, website, and other are allocated on the basis of estimates of time and effort.

- 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.

Recent Accounting Pronouncements: Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* was adopted for the three-month period ended December 31, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution or government grant is conditional. The Foundation's grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Contributions are recognized when they are received or pledged. Contributions and grants amounted to \$471,572 and \$2,765,087 for the three-month period ended December 31, 2019 and the year ended September 30, 2018, respectively, and are included in the statements of activities.

- 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, aging of the amounts due and historical experience. As of December 31, 2019 and September 30, 2019, the Foundation determined that an allowance for uncollectable contributions and grants was necessary in the amount of \$46,747 and \$32,124, respectively.

**SAVE THE MUSIC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 creditworthiness of its vendors, aging of the amounts due and historical experience. As of December 31, 2019 and September 30, 2019, no allowance was considered necessary for accounts receivable.
- 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 include costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.
- M. Donated goods and services are recorded as contributions at their fair value at the time of receipt. 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 music CDs and temporary tattoos. 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 – LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of December 31, 2019 and September 30, 2019, financial assets and resources available to meet general expenditures over the next 12 months were as follows:

	<u>12/31/19</u>	<u>9/30/19</u>
Cash and cash equivalents	\$ 568,336	\$ 900,368
Contributions and grants receivable, net	674,531	839,628
Accounts receivable and other assets	<u>72,751</u>	<u>21,363</u>
 Total financial assets	 1,315,618	 1,761,359
 Less: Contributions and grants receivable not due within one year	 (70,421)	 (145,473)
Other assets	(26,993)	(21,313)
Net assets with donor restrictions	<u>(1,045,023)</u>	<u>(923,300)</u>
	<u>\$ 173,181</u>	<u>\$ 671,273</u>

**SAVE THE MUSIC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following as of December 31, 2019 and September 30, 2019:

	<u>12/31/19</u>	<u>9/30/19</u>
Amounts due in less than one year	\$ 650,857	\$ 726,280
Amounts due in one to five years	48,723	123,774
Amounts due in six to ten years	<u>21,698</u>	<u>21,698</u>
Total	721,278	871,752
Less: Reserve for uncollectible pledges	<u>(46,747)</u>	<u>(32,124)</u>
Total contributions and grants receivable, net	<u>\$ 674,531</u>	<u>\$ 839,628</u>

NOTE 5 – EQUIPMENT

Equipment consists of the following as of December 31, 2019 and September 30, 2019:

	<u>12/31/19</u>	<u>9/30/19</u>	<u>Estimated Useful Life</u>
Computer software	\$ 65,000	\$ 65,000	3 years
Total costs	65,000	65,000	
Less: accumulated depreciation	<u>(37,917)</u>	<u>(32,500)</u>	
Net book value	<u>\$ 27,083</u>	<u>\$ 32,500</u>	

Depreciation expense amounted to \$5,417 and \$21,667 for the three-month period ended December 31, 2019 and the year ended September 30, 2019, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following as of December 31, 2019 and September 30, 2019:

	<u>12/31/19</u>	<u>9/30/19</u>
Newark, NJ schools	\$ 319,509	\$ 300,000
New Orleans, LA schools	265,898	300,000
West Virginia schools	180,000	160,000
New York, NY	92,500	-
Detroit, MI schools	51,816	55,000
Pajaro Valley, CA schools	61,000	50,000
Windham, CT schools	43,300	43,300
Nashville, TN schools	-	15,000
Anaheim, CA schools	15,000	-
Newark, NJ schools & K+K	10,000	-
New Orleans, LA schools & ITM	<u>6,000</u>	<u>-</u>
	<u>\$ 1,045,023</u>	<u>\$ 923,300</u>

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DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes for the three-month period ended December 31, 2019 and the year ended September 30, 2019 as follows:

	<u>12/31/19</u>	<u>9/30/19</u>
Newark, NJ schools	\$ 25,491	\$ 279,600
West Virginia schools	-	140,000
Zion, IL schools	-	70,000
Music Technology Grant in Newark, NJ school	-	9,754
New Orleans, LA schools	34,102	5,000
Music Technology Grant in Brooklyn, NY school	-	3,774
Nashville, TN schools	15,000	-
Detroit, MI schools	3,184	-
	<u>\$ 77,777</u>	<u>\$ 508,128</u>

NOTE 7 – 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 three-month period ended December 31, 2019 and the year ended September 30, 2019 was \$7,124 and \$21,282, respectively.

NOTE 8 – RELATED PARTIES

Through an agreement with MTV Networks which is renewable every two years, the Foundation recognizes the benefit contributed from the services of certain employees including the Executive Director of the Foundation, special events production, management and general support, in addition to office rent and some overhead and travel expenses. In addition, the Foundation reimburses MTV Network for certain operating expenses beyond the donated amount. MTV Networks also grants to the Foundation certain exclusive, non-exclusive and non-transferable rights to use certain trademarks and logos in connection with the Foundation's charitable and educational activities. MTV Networks has the 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 contributed by MTV Networks including special events production, music talent booking, public relations, travel reimbursement, the services of the Executive Director and use of office space were \$174,456 and \$677,116 for the three-month period ended December 31, 2019 and the year ended September 30, 2019, respectively.

In addition, the Foundation incurred expenses of \$17,738 and \$145,012 for the three-month period ended December 31, 2019 and the year ended September 30, 2019, respectively, for special events production and other services provided by MTV Networks. As of December 31, 2019 and September 30, 2019, the Foundation has a liability to MTV Networks amounting to \$188,042 and \$294,429, respectively. This liability relates principally to MTV Networks coverage of the Foundation's operating shortfalls in 2008 and 2011.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 8 – RELATED PARTIES (Continued)

In July 2016, MTV Networks and the Foundation worked out a debt repayment schedule in which the Foundation agreed to pay down a portion of the prior year's liability over four years beginning with the year ended September 30, 2016. In addition, in July 2016, MTV Networks agreed to write off and forgive an amount of \$74,597 of the debt each year for four years beginning with the year ended September 30, 2016. The reduction in the amount due to MTV Networks is reported as part of contributions and grants in the accompanying statements of activities for the three-month period ended December 31, 2019 and the year ended September 30, 2019.

In transactions not related to MTV Networks, donated services from the Foundation's third-party accounting provider were \$11,520 and \$30,000 for the three-month period ended December 31, 2019 and the year ended September 30, 2019, respectively.

The Foundation is also a co-employer of its staff with a professional employer organization that provides payroll, benefits, human resources, tax administration and regulatory compliance assistance. The contractual obligation enables the Foundation to offer competitive employee benefit package to its employees.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. On March 27, 2020 in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES" Act). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the less of (a) 2.5 times the entity's average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; of (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the twenty four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Foundation's employees. The Foundation applied for this loan through a Small Business Administration ("SBA") authorized lender and received \$193,675 on April 14, 2020. The Foundation has opted to account for the PPP loan as a conditional grant and expects to recognize the grant revenue when the conditions are substantially met.
- B. The Foundation believes it has no uncertain tax positions as of December 31, 2019 and September 30, 2019 in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – 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 (\$250,000) by approximately \$372,000 and \$656,000 as of December 31, 2019 and September 30, 2019, respectively. Such excess includes outstanding checks.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of statement of financial position through November 6, 2020, the date the financial statements were available to be issued. Management noted the following events:

In February 2020, MTV Networks agreed to write off and forgive an additional amount of \$149,417, which represents the final balance of the MTV Networks liability related to the 2008 and 2011 operating shortfalls (see Note 8 for further details).

**SAVE THE MUSIC FOUNDATION
(D/B/A MTV SAVE THE MUSIC FOUNDATION
AND VH1 SAVE THE MUSIC FOUNDATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**

NOTE 11 – SUBSEQUENT EVENTS (Continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Foundation could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Foundation’s mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Foundation cannot predict the extent to which its financial condition and results of operations will be affected.

The Foundation made requests to donors who gave restricted donations in 2019 or prior years to consider removing such restrictions in light of COVID-19. As a result, approximately \$356,000 of previously restricted donations were released in 2020.