

**AMERICAN CHILDREN'S ORCHESTRAS
FOR PEACE, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Children's Orchestras for Peace, Inc.
Miami, Florida

We have audited the accompanying financial statements of American Children's Orchestras for Peace, Inc. (a "nonprofit organization"), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 American Children's Orchestras for Peace, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016 on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

HCB Granger, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 25, 2016

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

CURRENT ASSETS

| | |
|---|----------------|
| Cash | \$ 82,900 |
| Grants receivable, no allowance necessary | 35,630 |
| TOTAL CURRENT ASSETS | <u>118,530</u> |

| | |
|--------------|-------------------|
| TOTAL ASSETS | <u>\$ 118,530</u> |
|--------------|-------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 637 |
| TOTAL LIABILITIES | <u>637</u> |

NET ASSETS

| | |
|------------------------|----------------|
| Temporarily restricted | 11,000 |
| Unrestricted | 106,893 |
| TOTAL NET ASSETS | <u>117,893</u> |

| | |
|----------------------------------|-------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 118,530</u> |
|----------------------------------|-------------------|

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

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|-------------------|---------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Government grants | \$ 278,005 | \$ - | \$ 278,005 |
| Contributions | 12,317 | 11,000 | 23,317 |
| In-kind services (See Note 4) | 152,720 | - | 152,720 |
| | <u>443,042</u> | <u>11,000</u> | <u>454,042</u> |
| Total support and revenue | | | |
| EXPENSES | | | |
| Program services: | | | |
| Wages and benefits | 157,257 | - | 157,257 |
| Occupancy | 174,516 | - | 174,516 |
| Instruments and supplies | 3,777 | - | 3,777 |
| Contracted services | 50,210 | - | 50,210 |
| Events, meals and direct costs | 2,696 | - | 2,696 |
| Allocated indirect costs | 13,368 | - | 13,368 |
| Total program services | <u>401,824</u> | <u>-</u> | <u>401,824</u> |
| Supporting services: | | | |
| Wages and benefits | 11,286 | - | 11,286 |
| Other general and administrative | 16,117 | - | 16,117 |
| Total supporting services | <u>27,403</u> | <u>-</u> | <u>27,403</u> |
| Fundraising services: | | | |
| Wages and benefits | 3,639 | - | 3,639 |
| Total fundraising services | <u>3,639</u> | <u>-</u> | <u>3,639</u> |
| | <u>432,866</u> | <u>-</u> | <u>432,866</u> |
| CHANGE IN NET ASSETS | 10,176 | 11,000 | 21,176 |
| NET ASSETS, BEGINNING OF YEAR | <u>96,717</u> | <u>-</u> | <u>96,717</u> |
| NET ASSETS, END OF YEAR | <u>\$ 106,893</u> | <u>\$ 11,000</u> | <u>\$ 117,893</u> |

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

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------------|
| Change in net assets | <u>\$ 21,176</u> |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Decrease in grants receivable | (10,866) |
| Increase in accounts payable and accrued expenses | 215 |
| Decrease in deferred revenue | <u>(22,715)</u> |
| | <u>(33,366)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | (12,190) |
| | |
| NET DECREASE IN CASH | (12,190) |
| | |
| CASH - BEGINNING OF YEAR | <u>95,090</u> |
| | |
| CASH - END OF YEAR | <u><u>\$ 82,900</u></u> |

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

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 – Significant Accounting Policies and Operations

Organization

American Children's Orchestras for Peace, Inc. (the "Organization") is a not-for-profit organization whose objective is to achieve peace, created for children through music, in an environment free of violence. The Organization has developed musical programs to provide children with alternatives to the cycle of poverty and to involve the general community through free concerts at schools, parks and other institutions.

The Organization reports in accordance with industry guide for "Audits of Certain Nonprofit Organizations." The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Foundation has adopted the provisions of FASB Accounting Standards Codification (ASC) 958 *Accounting for Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classification of resources into three separate classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The net asset categories as reflected in the accompanying financial statements are as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions, it includes all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted

Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of American Children's Orchestras for Peace, Inc. pursuant to those stipulations.

Permanently Restricted

Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of American Children's Orchestras for Peace, Inc. There are no permanently restricted net assets as of December 31, 2015.

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 – Significant Accounting Policies and Operations (Continued)

Revenue Recognition

Government funds restricted by grantor for operating purposes are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the specific restrictions.

Restricted Contributions whose Restrictions are Met in the Same Reporting Period

Donor and grantor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

In-kind Services

Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Cash and Cash Equivalents

American Children's Orchestras for Peace, Inc. considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivables consist primarily of amounts due from grantor under the Organization's grant agreements. Grants receivable are stated at its estimated net realizable value. No allowance for doubtful accounts was recorded as of December 31, 2015.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets. Cost of major additions and improvements are capitalized and expenditures for maintenance and repairs which do not extend the useful life of the assets are expensed. Donated equipment is recorded at fair market value at the date of the gift.

Deferred Revenue

Deferred revenues consist primarily of advances received from grantors under grant agreements, for which required expenditures have not been incurred by the Organization as of the end of the period. If not earned, these funds must be returned to the grantor at the end of the grant agreement period.

Income Taxes

American Children's Orchestras for Peace, Inc. qualifies as a tax exempt not-for-profit organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for Federal or State income tax is required.

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 – Significant Accounting Policies and Operations (Continued)

The Foundation has adopted “*Accounting for Uncertainties in Income Taxes*” as prescribed by the *Accounting Standards Codification*, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return’s due date or the date filed) that remain subject to examination.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with ASC 855, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through April 25, 2016, which is the date the financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment at December 31, 2015 consists of the following:

| | |
|--|-----------------|
| Furniture, fixtures and office equipment | \$ 19,377 |
| Leasehold improvements | 3,492 |
| Less accumulated depreciation | <u>(22,869)</u> |
| | <u>\$ -</u> |

There was no depreciation expense for 2015.

Note 3 – Commitments and Contingencies

The costs and unexpended funds reflected in the accompanying financial statements relating to government funded programs are subject to audit by the respective governmental agencies (funding sources). The possible disallowance by the related governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. No provision, for any liability that may result, has been made in the financial statements.

AMERICAN CHILDREN'S ORCHESTRAS FOR PEACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3 – Commitments and Contingencies (Continued)

The Organization has a lease for office space that expires on June 30, 2017, with monthly payments of approximately \$1,900. Rent expense for the year end December 31, 2015 was \$19,100. Future minimum payments under this agreement are as follows:

| | |
|------|----------|
| 2016 | \$23,142 |
| 2017 | \$11,742 |

Note 4 – In-kind Revenues

The Organization has arrangements with various schools and other organizations to provide space at no charge to support the Organization's program. As a result, the Organization operations for the year ended December 31, 2015 include the following value of such services as both program revenues and expenses:

| | |
|-----------|------------|
| Occupancy | \$ 152,720 |
|-----------|------------|

Note 5 – Economic Dependence

The Organization provides its program services primarily with funds received from Miami-Dade County's The Children's Trust. A significant reduction in the level of this funding, if this were to occur, may have an effect on the Organization's programs and activities. Funding received under this contract represents approximately 73% of the Organization's support and revenue (excluding the value of in-kind contributions) for the year ended December 31, 2015.

Note 6 – Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash in excess of federally insured limits. The Organization generally limits the amount of credit exposure by maintaining its cash balances under these limits.

SUPPLEMENTARY INFORMATION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing
Standards*

To the Board of Directors of
American Children's Orchestras for Peace, Inc.
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Children's Orchestras for Peace, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year the ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Children's Orchestras for Peace, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Children's Orchestras for Peace, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Children's Orchestras for Peace, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herb Growing Up
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 25, 2016