



FITZGERALD & CO., CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

GnG NCA

Financial Statements
For the Year Ended
December 31, 2010
With Independent Auditors' Report



FITZGERALD & CO., CPAs, P.C.

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Financial Statements

For the Year Ended December 31, 2010

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

GnG NCA
Springfield, Virginia

We have audited the accompanying statement of financial position of GnG NCA (the "Organization") as of December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of GnG NCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GnG NCA as of December 31, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald & Co., CPAs, P.C.

McLean, Virginia
September 16, 2011



GnG NCA
Statement of Financial Position
December 31, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	32,338
Pledges receivable		3,099
Grants receivable		4,471
Inventory for use		19,011
Inventory for sale		10,456
Total current assets	\$	<u>69,375</u>

LIABILITIES AND NET ASSETS

NET ASSETS:

Unrestricted	\$	68,275
Temporarily restricted net assets		<u>1,100</u>
Total net assets		<u>69,375</u>
	\$	<u>69,375</u>



GnG NCA
Statement of Activities
For the Year Ended December 31, 2010

UNRESTRICTED NET ASSETS:

SUPPORT AND REVENUE:

Contributions	\$	26,328
Grants		8,138
Product sales		3,960
Events		458
Net assets release from restrictions		<u>7,638</u>
Total support and revenue		<u>46,522</u>

EXPENSES:

Cost of goods sold		3,549
Program services		17,596
General and administrative		1,763
Fundraising		<u>1,527</u>
Total expenses		<u>24,435</u>

Change in unrestricted net assets 22,087

TEMPORARILY RESTRICTED NET ASSETS:

Contributions		8,738
Net assets released from restriction		<u>(7,638)</u>

Change in temporarily restricted net assets 1,100

CHANGE IN NET ASSETS 23,187

NET ASSETS, BEGINNING OF YEAR 46,188

NET ASSETS, END OF YEAR \$ 69,375

**GnG NCA****Statement of Functional Expenses****For the Year Ended December 31, 2010**

	Program Services	General and Administrative	Fundraising	Cost of Goods sold	Total
Advertising and promotions	\$ 291	\$ -	\$ -	\$ -	\$ 291
Bank charges and fees	-	31	-	-	31
Dues and subscriptions	200	-	-	-	200
Fundraising expenses	-	-	910	-	910
Guitars and accessories	13,225	-	-	3,549	16,774
Internet services	75	377	13	-	465
Insurance	1,211	-	-	-	1,211
Mailing, delivery and postage	-	106	14	-	120
Professional fees	-	-	590	-	590
State registration fees	-	1,249	-	-	1,249
Training and teaching supplies	2,594	-	-	-	2,594
	<u>\$ 17,596</u>	<u>\$ 1,763</u>	<u>\$ 1,527</u>	<u>\$ 3,549</u>	<u>\$ 24,435</u>

GnG NCA
Statement of Cash Flows
For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 23,187
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributed inventory	(8,917)
Changes in assets and liabilities affecting operations:	
Decrease in pledges receivable	<u>6,527</u>
Net cash provided by operating activities	<u>20,797</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 20,797
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>11,541</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 32,338</u></u>

GnG NCA

Notes to Financial Statements

December 31, 2010

A. ORGANIZATION

GnG NCA (“GnG”) was formally incorporated in 2010 as a separate legal entity and obtained its own federal tax exempt 501(C)(3) status. GnG is the local affiliate of Guitars not Guns which was incorporated and became a federally exempt 501(C)(3) entity in the state of California on July 24, 2000. Guitars not Guns is a volunteer based charity that was established to provide an after school music and mentoring program for at-risk and other deserving youth who may not otherwise have the opportunity. It is a community based organization that provides youth a positive alternative to the self-destructive behaviors or substance abuse, crime, truancy, and gang activity. GnG’s program provides each student with a guitar and case, music books, guitar supplies and other related items. Upon successful completion of the class, the student is allowed to keep the items that were provided by GnG. GnG NCA is supported primarily through donor contributions, grants, and product sales.

Guitars not Guns Virginia was chartered as a Guitars not Guns affiliate in June 2006; Guitars not Guns Maryland and Guitars not Guns Washington, DC were chartered in April 2009. Virginia, Maryland and DC operated jointly as Guitars not Guns National Capital Area (GnG NCA) until the separate incorporation of GnG NCA in 2010.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The records of GnG NCA are maintained on the accrual basis of accounting, under which revenue is recognized when earned and expenses are recorded as incurred.

Financial statement presentation – GnG NCA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no permanently restricted net assets as of December 31, 2010.

Use of estimates and assumptions - 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 support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income taxes - The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization complies with the accounting for uncertainty in income taxes guidance, FASB Codification topic 740, “Accounting for Income Taxes”. The accounting guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in the applicable operating expense account. The organization’s Form 990, Return of Organization Exempt from Income Tax, for the year ended 2010 is subject to examination by the IRS, generally for three years after it is filed.

GnG NCA

Notes to Financial Statements

December 31, 2010

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2010.

Pledges and grant receivables – Pledges and grant receivables consists of amounts due from donors within one year. Payments are received by the Organization under various payment plans. The Organization maintains an allowance for doubtful accounts based on the expected collectability of all receivables. The allowance for doubtful accounts as of December 31, 2010 is zero.

Inventory - Inventory consists of T-shirts, guitars, educational books, videos and printed information. Inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory is classified as for use (items to be used in fulfillment of its mission) and for sale (donated items which cannot be used in fulfillment of its mission). Donated items are recorded at their fair market value at the time of the contribution.

Contributions – Contributions received are unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. The Organization report gifts of cash as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses - The costs of providing program and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and the supporting services benefited.

Advertising - The Organization charges advertising costs to expense as incurred. For the year ended December 31, 2010, total advertising costs incurred were \$291.

C. TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted when donors restrict the use of their donation to a specific purpose. Temporarily restricted net assets as of December 31, 2010 were \$1,100 and consisted of funds to be used to provide music classes in a specific geographic location.

D. NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donors restrictions when the expenses are incurred that satisfy the donor restricted purpose. Net assets released from restrictions as of December 31, 2010 were \$7,638 and consisted of amounts used to provide music classes in different geographic locations.

GnG NCA

Notes to Financial Statements

December 31, 2010

E. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the GnG NCA to concentrations of credit risk consist of cash. GnG NCA maintains its operating cash accounts in a national financial institution whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization had no uninsured cash balances at December 31, 2010.

F. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 16, 2011, the date that the financial statements are available to be issued.