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MUSICAL BRIDGES AROUND THE WORLD, INC.
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
SAN ANTONIO, TEXAS
AUGUST 31, 2014 AND 2013

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Board of Directors
Musical Bridges Around the World, Inc.
San Antonio, Texas

I have audited the accompanying financial statements of Musical Bridges Around the World, Inc. (a non-profit organization) which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities 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 my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Musical Bridges Around the World, Inc. as of August 31, 2014 and 2013, 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.

Other Matter

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 7 and 8 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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San Antonio, Texas
January __, 2015

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MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 33,498	\$ 49,950
Deposits - Office Lease	2,550	1,275
Inventory - Artwork	17,250	-
Prepaid Expenses	7,400	1,600
Total Current Assets	<u>60,698</u>	<u>52,825</u>
Fixed Assets:		
Property and Equipment	32,404	25,551
Less: Accumulated Depreciation	<u>22,820</u>	<u>18,963</u>
Net Property and Equipment	<u>9,584</u>	<u>6,588</u>
 TOTAL ASSETS	 <u>\$ 70,282</u>	 <u>\$ 59,413</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:		
Accounts Payable	\$ 2,224	\$ 1,432
Payroll Liabilities	1,726	126
Deferred Revenues	37,159	-
Total Current Liabilities	<u>\$ 41,109</u>	<u>\$ 1,558</u>

NET ASSETS

Unrestricted	<u>29,173</u>	<u>57,855</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 70,282</u>	 <u>\$ 59,413</u>

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

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MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	2014
REVENUE AND SUPPORT	
Donations	\$ 68,635
Grants	194,072
Memberships	44,642
Ad Sales - Programs	4,692
Art Sales	27,874
In-Kind Contributions	169,982
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TOTAL REVENUE AND SUPPORT	509,897
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EXPENSES	
Program	474,915
Administrative	43,167
Fundraising	20,497
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TOTAL EXPENSES	538,579
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CHANGE IN NET ASSETS	(28,682)
NET ASSETS AT BEGINNING OF THE YEAR	57,855
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NET ASSETS AT END OF YEAR	\$ 29,173
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The accompanying notes are an integral part of these financial statements.

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MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2013

	2013
REVENUE AND SUPPORT	
Donations	\$ 59,401
Grants	116,221
Memberships	46,549
Ticket Sales - Concerts	27,089
Special Events, Net of Expenses of \$35,727	49,295
Ad Sales - Programs	4,862
In-Kind Contributions	126,429
TOTAL REVENUE AND SUPPORT	429,846
EXPENSES	
Program	372,163
Administrative	39,750
Fundraising	15,000
TOTAL EXPENSES	426,913
CHANGE IN NET ASSETS	2,933
NET ASSETS AT BEGINNING OF THE YEAR	54,922
NET ASSETS AT END OF YEAR	\$ 57,855

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

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MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (28,682)	\$ 2,933
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,857	3,712
Donated Property and Equipment	-	(1,380)
Donated Inventory	(17,250)	-
(Increase) Decrease in Deposits - Office Lease	(1,275)	(1,275)
(Increase) Decrease in Prepaid Expenses	(5,800)	(1,600)
Increase (Decrease) in Accounts Payable	792	1,432
Increase (Decrease) in Payroll Liabilities	1,600	126
Increase (Decrease) Deferred Revenues	<u>37,159</u>	<u>-</u>
Net Cash Provided (Used) By Operating Activities	(9,599)	3,948
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	<u>(6,853)</u>	<u>(3,401)</u>
Net Cash Used By Investing Activities	(6,853)	(3,401)
Net Increase (Decrease) in Cash	(16,452)	547
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>49,950</u>	<u>49,403</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 33,498</u>	<u>\$ 49,950</u>

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014
(Supplemental Schedule)

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	Program	Administrative	Fundraising	2014 Total
Advertising	\$ 5,552	\$ -	\$ -	\$ 5,552
Artistic Fee	128,039	-	-	128,039
Auto	12,616	-	-	12,616
Bank Charges	-	253	-	253
Catering	11,001	-	7,349	18,350
Contract Labor	1,059	-	-	1,059
Credit Card Fees	-	195	-	195
Depreciation	3,165	692	-	3,857
Dues and Subscriptions	-	1,054	-	1,054
Flowers	965	-	-	965
Insurance	1,542	-	-	1,542
Meals for Guest Artists	9,760	-	-	9,760
Occupancy	20,000	1,300	-	21,300
Office Supplies	8,000	2,423	-	10,423
Payroll - Artistic Director	44,110	6,000	-	50,110
Payroll - Program Managers	50,000	6,086	-	56,086
Payroll Taxes	7,000	1,199	-	8,199
Piano Expense	6,595	-	-	6,595
Postage and Delivery	4,297	1,000	-	5,297
Printing and Reproduction	11,000	2,286	-	13,286
Professional Consultants:				
Accounting Fees	-	10,995	-	10,995
Attorney Fees	7,000	750	-	7,750
Computer Technician	2,000	795	-	2,795
Graphic Designer	10,641	-	-	10,641
Marketing Consultant	500	-	800	1,300
Media Producer	8,000	-	1,200	9,200
Photography	8,850	-	-	8,850
Video Production	25,650	-	4,000	29,650
Web-Site Designer	9,338	-	-	9,338
Rentals	1,575	-	-	1,575
Telephone	1,500	4,126	-	5,626
Travel	24,160	-	-	24,160
Utilities	-	2,956	-	2,956
Venue Rental	45,000	-	7,148	52,148
Volunteers for Concerts	6,000	-	-	6,000
Web Hosting	-	1,057	-	1,057
TOTAL FUNCTIONAL EXPENSES	<u>\$ 474,915</u>	<u>\$ 43,167</u>	<u>\$ 20,497</u>	<u>\$ 538,579</u>

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2013
(Supplemental Schedule)

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	Program	Administrative	Fundraising	2013 Total
Advertising	\$ 9,715	\$ -	\$ -	\$ 9,715
Artistic Fee	68,320	-	-	68,320
Auto	12,135	-	-	12,135
Bank Charges	-	60	-	60
Catering	15,013	-	5,000	20,013
Credit Card Fees	-	352	-	352
Depreciation	3,000	712	-	3,712
Dues and Subscriptions	-	726	-	726
Flowers	2,073	-	-	2,073
Insurance	4,945	-	-	4,945
Meals for Guest Artists	6,044	-	-	6,044
Occupancy	2,000	1,825	-	3,825
Office Supplies	7,883	2,000	-	9,883
Payroll - Artistic Director	40,000	7,787	-	47,787
Payroll - Program Managers	35,000	4,326	-	39,326
Payroll Taxes	4,905	777	-	5,682
Piano Expense	13,951	-	-	13,951
Postage and Delivery	6,476	1,000	-	7,476
Printing and Reproduction	10,000	2,924	-	12,924
Professional Consultants:				
Accounting Fees	-	11,653	-	11,653
Attorney Fees	4,000	750	-	4,750
Computer Technician	2,000	500	-	2,500
Graphic Designer	18,529	-	-	18,529
Marketing Consultant	1,198	-	3,000	4,198
Photography	6,300	-	-	6,300
Video Production	15,200	-	2,000	17,200
Web-Site Designer	11,930	-	-	11,930
Rentals	1,781	-	-	1,781
Repairs and Maintenance	3,000	1,250	-	4,250
Telephone	1,000	1,752	-	2,752
Travel	30,110	-	-	30,110
Utilities	116	106	-	222
Venue Rental	30,820	-	5,000	35,820
Volunteers for Concerts	4,719	-	-	4,719
Web Hosting	-	1,250	-	1,250
TOTAL FUNCTIONAL EXPENSES	\$ 372,163	\$ 39,750	\$ 15,000	\$ 426,913

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

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NOTE 1: NATURE OF ACTIVITIES

Musical Bridges Around the World, Inc. (the Organization) is a nonprofit corporation founded in 1998 for the purpose of inviting international classical and jazz artists from all over the world to perform with talented local musicians at venues in San Antonio and surrounding areas. The organization is dedicated to creating unforgettable classical music experiences for San Antonio residents regardless of age or socio-economic status by providing concerts of classical chamber music and jazz for adults, and concerts for local school children through its “Kids to Concerts” educational outreach program in partnership with San Antonio public school districts.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization uses United States generally accepted accounting principles in the preparation of its financial statements. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization’s net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and are immediately available to the organization for the performance of its service.

Temporarily Restricted Net Assets – Net assets that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and otherwise removed by actions of the Organization pursuant to purpose stipulations. There were no temporarily restricted net assets held by the Organization as of August 31, 2014 or 2013.

Permanently Restricted Net Assets – Net assets restricted in perpetuity by donor. There are no permanently restricted net assets held by the Organization as of August 31, 2014 and 2013.

Estimates

The preparation of financial statements in conformity with United States 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.

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MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash and cash equivalents consist of cash deposits and various short-term investment vehicles with maturities of 90 days or less.

Inventory

Inventory held at year end consists of donated artwork that is available to be sold to the public. Inventory is recorded at its estimated fair market value.

Property and Equipment

Property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is computed using the modified accelerated cost recovery system method over the estimated useful lives of the assets. Individual items of furniture, fixtures, and equipment are depreciated over periods varying from five to seven years.

Revenue and Support

The Organization receives support from individual contributions and grants from corporations, foundations, and local government entities. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Federal Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code, and is not a private foundation as defined by Section 509 (a)(1) of the Code. The Organization adapted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Tax* (now codified as ASC 740-10) on January 1, 2008, the implementation of which has no effect on the Organization's financial statements. The organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits in the accompanying financial statements. The Organization has filed all of its required Forms 990, however the tax years 2010 through 2012 remain open by the taxing jurisdictions to which the Organization is subject, and these periods have not been extended beyond the applicable statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2014 and 2013:

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MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 3: PROPERTY AND EQUIPMENT (CONTINUED)

	2014	2013
Furniture and Equipment	\$ 32,404	\$ 25,551
Less: Accumulated Depreciation	(22,820)	(18,963)
Net Property and Equipment	<u>\$ 9,584</u>	<u>\$ 6,588</u>

NOTE 4: IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions during the years ended August 31, 2014 and 2013:

	2014	2013
Donated Facilities	\$ 43,499	\$ 41,380
Volunteers for Concerts	6,000	4,719
Artwork	17,250	-
Furniture	-	2,571
Piano Rental & Moving	2,500	9,900
Repairs and Maintenance	-	5,750
Legal Services	7,750	4,750
Computer Services	2,500	2,500
Photographer	7,500	6,000
Video Production	27,200	8,400
Website Design	2,345	6,500
Graphic Design	-	8,553
Accounting Services	5,000	2,775
Printing & Reproduction	7,500	7,822
Meals for Guest Artists	7,434	3,514
Auto	10,819	11,295
Artistic Fee	16,360	-
Advertising	1,125	-
Hotel Accomodations	5,200	-
Total In-Kind Contributions	<u>\$ 169,982</u>	<u>\$ 126,429</u>

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

As required by the Fair Value of Financial Instruments topic of the FASB Accounting Standards Codification, the Organization adapted the provisions of Fair Value Measurements.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Under the Fair Value Measurements topic, fair value is defined as the price that would be received to sell an asset or an amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority, Level 2 valuations are based on quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, and Level 3 valuations are based on inputs that are unobservable and consequently have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets or liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 input valuations were used by the Organization.

The following methods and assumptions were used by The Organization in estimating its fair value disclosures for financial statements:

Cash and cash equivalents (Level 1) - The carrying amounts reported in the statements of financial position approximate their fair values because of the short maturities of those instruments.

NOTE 6: OPERATING LEASE COMMITMENTS

The Organization has entered into two non-cancelable operating leases for office space, which will expire in May 2015 and February 2017. Minimum annual lease payments for the next three years are:

<u>Year Ending</u> <u>August 31,</u>	<u>Amount</u>
2015	\$ 22,000
2016	14,950
2017	7,650
	<u>\$ 44,600</u>

Total lease expense for the office space for the years ending August 31, 2014 and 2013 were as follows \$21,300 and \$3,825.

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MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 7: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2013 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2014. These reclassifications had no effect on net assets.

NOTE 8: SUBSEQUENT EVENTS

The annual gala, which is a major fundraising event for the Organization, was originally scheduled to be held in May 2014 but was subsequently moved until September 2014. The Organization plans on holding the gala event in September of each year. Subsequent events have been evaluated through January 1, 2015, which is the date the financial statements were available to be issued.