

MUSICAL BRIDGES AROUND THE WORLD, INC.
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
SAN ANTONIO, TEXAS
AUGUST 31, 2016 AND 2015

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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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, 2016 and 2015, 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.

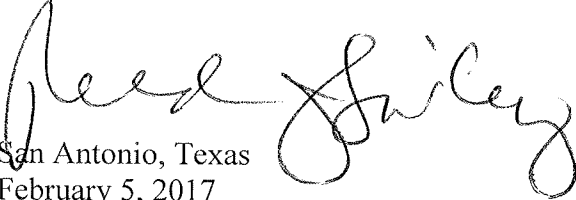
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2016 and 2015, 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.

Report on Supplementary Information

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.


San Antonio, Texas
February 5, 2017

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS

	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 23,223	\$ 10,708
Receivables - Other	5,584	-
Deposits - Office Lease	2,550	2,550
Inventory - Artwork	6,750	6,750
Prepaid Expenses	14,121	14,815
Total Current Assets	52,228	34,823
Investments	479,682	473,418
Fixed Assets:		
Property and Equipment	55,727	51,510
Less: Accumulated Depreciation	35,635	27,183
Net Property and Equipment	20,092	24,327
TOTAL ASSETS	\$ 552,002	\$ 532,568

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:		
Accounts Payable	\$ 543	\$ 3,926
Payroll Liabilities	3,951	2,924
Deferred Revenues	-	8,301
Total Current Liabilities	\$ 4,494	\$ 15,151

NET ASSETS

Unrestricted Net Assets:		
Board Designated - Future Reserves	479,682	473,418
Undesignated	67,826	30,695
Total Unrestricted	547,508	504,113
Temporarily Restricted:	-	13,304
Total Net Assets	547,508	517,417
TOTAL LIABILITIES AND NET ASSETS	\$ 552,002	\$ 532,568

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	\$ 114,882	\$ -	\$ 114,882
Grants	444,371	-	444,371
Memberships and Subscriptions	45,532	-	45,532
Ad Sales - Programs	2,440	-	2,440
Art Sales	13,596	-	13,596
Special Events, net of expenses of \$32,104	31,427	-	31,427
Investment Income (Loss), net expenses	43,263	-	43,263
In-Kind Contributions	106,588	-	106,588
Net Assets Released from Restrictions	13,304	(13,304)	-
TOTAL REVENUE AND SUPPORT	815,403	(13,304)	802,099
EXPENSES			
Program	639,659	-	639,659
Administrative	82,768	-	82,768
Fundraising	49,581	-	49,581
TOTAL EXPENSES	772,008	-	772,008
CHANGE IN NET ASSETS	43,395	(13,304)	30,091
NET ASSETS AT BEGINNING OF THE YEAR	504,113	13,304	517,417
NET ASSETS AT END OF YEAR	\$ 547,508	\$ -	\$ 547,508

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	\$ 651,689	\$ -	\$ 651,689
Grants	288,848	13,304	302,152
Memberships and Subscriptions	26,523	-	26,523
Ad Sales - Programs	2,074	-	2,074
Art Sales	7,806	-	7,806
Special Events, net of expenses of \$43,216	61,661	-	61,661
Loss on Sale of Assets	(1,000)	-	(1,000)
Investment Income (Loss)	(26,582)	-	(26,582)
In-Kind Contributions	127,385	-	127,385
TOTAL REVENUE AND SUPPORT	1,138,404	13,304	1,151,708
EXPENSES			
Program	542,630	-	542,630
Administrative	77,481	-	77,481
Fundraising	34,353	-	34,353
TOTAL EXPENSES	654,464	-	654,464
CHANGE IN NET ASSETS	483,940	13,304	497,244
NET ASSETS AT BEGINNING OF THE YEAR	20,173	-	20,173
NET ASSETS AT END OF YEAR	\$ 504,113	\$ 13,304	\$ 517,417

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 30,091	\$ 497,244
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,452	4,363
Donated Property and Equipment	-	(3,900)
Inventory - Artwork	-	1,500
Investment (Income) Loss	(43,263)	26,582
(Increase) Decrease in Receivables - Other	(5,584)	-
(Increase) Decrease in Prepaid Expenses	694	(7,415)
Increase (Decrease) in Accounts Payable	(3,383)	1,702
Increase (Decrease) in Payroll Liabilities	1,027	1,198
Increase (Decrease) Deferred Revenues	(8,301)	(28,858)
	(20,267)	492,416
Net Cash Provided (Used) By Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Investments	(30,000)	(500,000)
Sale of Investments	67,000	-
Purchase of Property and Equipment	(4,218)	(15,206)
Net Cash Provided (Used) By Investing Activities	32,782	(515,206)
Net Increase (Decrease) in Cash	12,515	(22,790)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,708	33,498
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 23,223	\$ 10,708

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, 2016
(Supplemental Schedule)

	Program	Administrative	Fundraising	2016 Total
Advertising	\$ 10,223	\$ -	\$ -	10,223
Artistic Fee	176,398	-	-	176,398
Auto	5,094	-	-	5,094
Bank Charges	-	2,351	-	2,351
Catering	22,000	-	5,941	27,941
Contract Labor	10,463	-	-	10,463
Depreciation	8,452	-	-	8,452
Dues and Subscriptions	-	1,323	-	1,323
Employee Benefits	-	867	-	867
Flowers and Gifts	1,826	-	-	1,826
Insurance	8,894	-	-	8,894
Occupancy	20,570	10,000	-	30,570
Office Supplies	12,000	3,075	-	15,075
Payroll - Artistic Director	50,000	13,685	-	63,685
Payroll - Program Managers	90,000	30,161	30,000	150,161
Payroll Taxes	7,500	4,045	2,500	14,045
Piano Expense	21,905	-	-	21,905
Postage and Delivery	4,000	2,397	-	6,397
Printing and Reproduction	20,793	-	-	20,793
Professional Consultants:				
Accounting Fees	-	10,635	-	10,635
Attorney Fees	5,000	2,550	-	7,550
Development Consultant	5,000	-	4,867	9,867
Graphic Designer	23,455	-	-	23,455
Grant Writer	-	-	5,273	5,273
Marketing Consultant	4,220	-	1,000	5,220
Media Producer	22,750	-	-	22,750
Photography	2,000	-	-	2,000
Video Production	7,000	-	-	7,000
Web-Site Designer	13,769	-	-	13,769
Rentals	3,598	-	-	3,598
Travel	48,931	-	-	48,931
Utilities	1,679	1,679	-	3,358
Venue Rental	31,834	-	-	31,834
Volunteers for Concerts	305	-	-	305
TOTAL FUNCTIONAL EXPENSES	\$ 639,659	\$ 82,768	\$ 49,581	\$ 772,008

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015
(Supplemental Schedule)

	Program	Administrative	Fundraising	2015 Total
Advertising	\$ 2,693	\$ -	\$ -	\$ 2,693
Artistic Fee	157,910	-	-	157,910
Auto	8,118	-	-	8,118
Bank and Credit Card Charges	-	2,212	-	2,212
Catering	19,127	-	2,250	21,377
Conferences	852	-	-	852
Contract Labor	20,520	-	-	20,520
Depreciation	4,363	-	-	4,363
Dues and Subscriptions	-	3,253	-	3,253
Flowers and Gifts	1,494	-	-	1,494
Insurance	1,062	-	-	1,062
Licenses & Permits	-	189	-	189
Meals for Guest Artists	13,645	-	-	13,645
Occupancy	21,225	7,075	-	28,300
Office Supplies	6,500	3,041	-	9,541
Payroll - Artistic Director	42,086	14,029	-	56,115
Payroll - Program Managers	44,316	20,433	23,882	88,631
Payroll Taxes	6,193	4,366	1,827	12,386
Piano Expense	4,075	-	-	4,075
Postage and Delivery	6,923	2,308	-	9,231
Printing and Reproduction	22,532	-	-	22,532
Professional Consultants:				
Accounting Fees	-	11,800	-	11,800
Attorney Fees	7,000	1,812	-	8,812
Graphic Designer	10,425	-	-	10,425
Marketing Consultant	7,000	-	940	7,940
Media Producer	33,400	-	-	33,400
Photography	400	-	-	400
Video Production	2,000	-	-	2,000
Web-Site Designer	4,254	-	-	4,254
Rentals	10,103	-	-	10,103
Repairs and Maintenance	-	135	-	135
Telephone	4,000	465	-	4,465
Travel	39,975	-	-	39,975
Utilities	-	3,770	-	3,770
Venue Rental	33,914	-	5,454	39,368
Volunteers for Concerts	6,525	-	-	6,525
Web Hosting	-	2,593	-	2,593
TOTAL FUNCTIONAL EXPENSES	\$ 542,630	\$ 77,481	\$ 34,353	\$ 654,464

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1: NATURE OF ACTIVITIES

Musical Bridges Around the World, Inc. (the Organization) is a nonprofit corporation founded in 1998. The Organization's mission is to unite, educate, and inspire through culturally diverse performances and visual arts programming. 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, concerts for local school children through its "Kids to Concerts" educational outreach program in partnership with San Antonio public school districts, and hosting art gallery openings that combine art and music together.

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. Unrestricted net assets may be designated for a specific purpose by the Organization's Board of Directors.

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. Temporarily restricted net assets held by the Organization as of August 31, 2015 were \$13,304 for the current rebranding project. There were no temporarily restricted net assets as of August 31, 2016.

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, 2016 or 2015.

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.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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 for sale 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. Leasehold improvements are depreciated over a fifteen year period.

Board Designated Net Assets

The Board of Directors has set aside funds to be available in the future, should unforeseen events limit the Organization's ability to function as intended. The Board's intention is to continue to designate funds for this purpose on an annual basis. The designated funds balance is \$479,682 and \$473,418 as of August 31, 2016 and 2015, respectively.

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 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 2013 through 2015 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.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: INVESTMENTS

Investments are presented in the statements of financial position at fair value based on quoted market prices at year-end. Investments held by the Organization consist of the following as of August 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 2,978	\$ 732
Mutual Funds	<u>476,704</u>	<u>472,686</u>
Total	<u>\$ 479,682</u>	<u>\$ 473,418</u>

Investment income (losses) for the year ended August 31, 2016 and 2015 was comprised of:

	<u>2016</u>	<u>2015</u>
Dividends and Interest	\$ 11,549	\$ 1,981
Unrealized Gains (Losses)	31,789	(28,563)
Less: Fees	<u>(75)</u>	<u>-</u>
Total	<u>\$ 43,263</u>	<u>\$ (26,582)</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 43,196	\$ 41,608
Leasehold Improvements	12,531	9,902
Less: Accumulated Depreciation	<u>(35,635)</u>	<u>(27,183)</u>
Net Property and Equipment	<u>\$ 20,092</u>	<u>\$ 24,327</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5: IN-KIND CONTRIBUTIONS

The Organization receives a significant amount of donated goods and services. In accordance with accounting principles generally accepted in the United States, goods and services received during fiscal years 2016 and 2015 were recognized in the Statement of Activities as in-kind support, and were offset by a charge to expense in accordance with the character of the donation.

The Organization received the following in-kind contributions during the years ended August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated Facilities	\$ 15,300	\$ 33,300
Volunteers for Concerts	304	6,525
Artwork	-	500
Furniture and Leasehold Improvements	-	3,900
Supplies	252	1,250
Piano Rental & Moving	13,849	7,300
Legal Services	7,550	7,750
Photographer	2,000	-
Media Producer	5,000	13,000
Video Production	7,000	-
Accounting Services	2,500	5,000
Printing & Reproduction	719	7,811
Catering	2,463	3,143
Auto	2,102	5,500
Development Assistant	32,000	-
Advertising	1,250	-
Travel	-	4,726
Contract Labor	-	20,021
Hotel Accommodations	<u>14,299</u>	<u>7,659</u>
 Total In-Kind Contributions	 <u>\$ 106,588</u>	 <u>\$ 127,385</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 6: 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.

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:

At August 31, 2016 and 2015 all investments were classified as Level 1. The fair value of the Organization's investments is determined by observing active market prices for identical or similar assets.

At August 31, 2016 and 2015, the fair value of the Organization's cash and cash equivalents, accounts payable, and accrued liabilities approximate the carrying amounts of such instruments due to their short maturity, and are therefore classified as Level 1 inputs.

NOTE 7: OPERATING LEASE COMMITMENTS

The Organization has entered into one non-cancelable operating lease for office space, which will expire in February 2017. Minimum annual lease payments for the next year are:

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 7: OPERATING LEASE COMMITMENTS (CONTINUED)

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	<u>\$ 7,650</u>

Total lease expense for the office space for the years ending August 31, 2016 and 2015 was \$30,570 and \$28,300, respectively.

NOTE 8: MAJOR SOURCES OF SUPPORT

For the fiscal year ended August 31, 2015, approximately 43% of the Organization's revenue and support came from a one-time donation from a private donor.

NOTE 9: EMPLOYEE RETIREMENT PLAN

In 2016, The Organization implemented a Simple IRA Plan. An employee is eligible to become a participant in the Plan provided the employee has earned \$5,000 during any preceding year and it is anticipated the employee will receive at least as much in the current year. A formula has been established whereby employee contributions are matched by the Organization up to a maximum of 3% of the employee's compensation. The employer contributions of \$867 for 2016 are matching, non-elective contributions.

NOTE 10: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2015 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2016. These reclassifications had no effect on net assets.

NOTE 11: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2016. Subsequent events have been evaluated through February 5, 2017, which is the date the financial statements were available to be issued.