

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES  
SAN ANTONIO, TEXAS  
AUGUST 31, 2017 AND 2016

## CONTENTS

Report of Independent Certified Public Accountant	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Statements of Functional Expenses – Supplemental Schedule	7
Notes to Financial Statements	9

**REED J. SMILEY**  
CERTIFIED PUBLIC ACCOUNTANT  
1550 N.E. LOOP 410, SUITE 207  
**SAN ANTONIO, TEXAS 78209**  
(210) 822-6900  
FAX: (210) 822-6946  
REED@REEDSMILEYCPA.COM

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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.

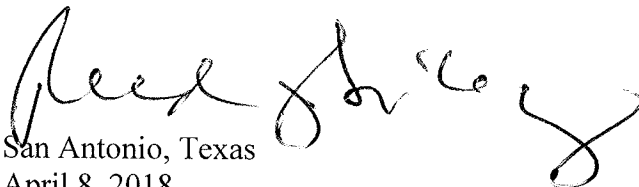
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **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, 2017 and 2016, 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  
April 8, 2018

MUSICAL BRIDGES AROUND THE WORLD, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 AUGUST 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 31,703	\$ 23,223
Grants Receivable	205,000	-
Receivables - Other	-	5,584
Deposits - Office Lease	2,550	2,550
Inventory - Artwork	-	6,750
Prepaid Expenses	361	14,121
Total Current Assets	<u>239,614</u>	<u>52,228</u>
Investments	424,201	479,682
Fixed Assets:		
Property and Equipment	57,068	55,727
Less: Accumulated Depreciation	<u>41,021</u>	<u>35,635</u>
Net Property and Equipment	<u>16,047</u>	<u>20,092</u>
 TOTAL ASSETS	 <u>\$ 679,862</u>	 <u>\$ 552,002</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 4,026	\$ 543
Payroll Liabilities	5,452	3,951
Line of Credit	50,000	-
Total Current Liabilities	<u>\$ 59,478</u>	<u>\$ 4,494</u>

NET ASSETS

Unrestricted Net Assets:

Board Designated - Future Reserves	424,201	479,682
Undesignated	<u>157,683</u>	<u>67,826</u>
Total Unrestricted	581,884	547,508
Temporarily Restricted:	<u>38,500</u>	-
Total Net Assets	620,384	547,508

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 679,862</u>	<u>\$ 552,002</u>
----------------------------------	-------------------	-------------------

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

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Donations	\$ 263,431	\$ 38,500	\$ 301,931
Grants	427,332	-	427,332
Memberships and Subscriptions	73,176	-	73,176
CD Sales	1,215	-	1,215
Art Sales	9,942	-	9,942
Special Events, net of expenses of \$13,272	20,553	-	20,553
Investment Income (Loss), net expenses	49,520	-	49,520
In-Kind Contributions	114,075	-	114,075
Net Assets Released from Restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	959,244	38,500	997,744
EXPENSES			
Program	709,481	-	709,481
Administrative	100,918	-	100,918
Fundraising	114,469	-	114,469
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	924,868	-	924,868
CHANGE IN NET ASSETS	34,376	38,500	72,876
NET ASSETS AT BEGINNING OF THE YEAR	<hr/>	<hr/>	<hr/>
	547,508	-	547,508
NET ASSETS AT END OF YEAR	<u>\$ 581,884</u>	<u>\$ 38,500</u>	<u>\$ 620,384</u>

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)	-
	815,403	(13,304)	802,099
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program	639,659	-	639,659
Administrative	82,768	-	82,768
Fundraising	49,581	-	49,581
	772,008	-	772,008
TOTAL EXPENSES			
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.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 72,876	\$ 30,091
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,385	8,452
Investment (Income) Loss	(49,520)	(43,263)
(Increase) Decrease in Grants Receivables	(205,000)	-
(Increase) Decrease in Receivables - Other	5,584	(5,584)
(Increase) Decrease in Inventory - Artwork	6,750	-
(Increase) Decrease in Prepaid Expenses	13,760	694
Increase (Decrease) in Accounts Payable	3,483	(3,383)
Increase (Decrease) in Payroll Liabilities	1,501	1,027
Increase (Decrease) Deferred Revenues	-	(8,301)
Net Cash Provided (Used) By Operating Activities	(145,181)	(20,267)
Cash Flows from Investing Activities:		
Purchase of Investments	-	(30,000)
Sale of Investments	105,000	67,000
Purchase of Property and Equipment	(1,339)	(4,218)
Net Cash Provided (Used) By Investing Activities	103,661	32,782
Cash Flows from Financing Activities:		
Issuance of Line of Credit	50,000	-
Net Cash Provided (Used) By Financing Activities	50,000	-
Net Increase (Decrease) in Cash	8,480	12,515
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	23,223	10,708
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 31,703	\$ 23,223

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, 2017  
(Supplemental Schedule)

	Program	Administrative	Fundraising	2017 Total
Advertising	\$ 15,919	\$ -	\$ -	15,919
Artistic Fee	187,387	-	-	187,387
Auto	3,911	-	-	3,911
Bank Charges	-	4,911	-	4,911
Catering and Meals for Guest Artists	20,000	-	14,511	34,511
Computer Services	-	110	-	110
Depreciation	5,385	-	-	5,385
Dues and Subscriptions	1,395	-	-	1,395
Employee Benefits	5,936	1,504	920	8,360
Flowers and Gifts	847	-	-	847
Insurance	10,895	-	-	10,895
Miscellaneous	1,000	972	1,000	2,972
Occupancy	21,972	6,938	-	28,910
Office Supplies	5,000	3,164	-	8,164
Payroll - Artistic Director	50,000	10,000	10,000	70,000
Payroll - Program Managers	123,097	34,974	16,800	174,871
Payroll Taxes	13,141	3,331	2,036	18,508
Piano Expense	14,264	-	-	14,264
Postage and Delivery	5,000	285	2,000	7,285
Printing and Reproduction	20,000	2,941	5,000	27,941
Professional Consultants:				
Accounting Fees	-	9,210	-	9,210
Attorney Fees	5,500	5,000	-	10,500
Curriculum Development	9,600	-	-	9,600
Development Consultant	-	-	41,245	41,245
Financial Advisor	-	5,000	-	5,000
Gallery Coordinator	11,079	-	-	11,079
Graphic Designer	30,000	-	8,931	38,931
Grant Writer	-	-	11,081	11,081
Marketing Consultant	-	3,675	-	3,675
Meetings	3,000	2,000	447	5,447
Photography	13,700	-	-	13,700
Video Production	17,435	-	-	17,435
Web-Site Designer	10,260	-	-	10,260
Rentals	5,627	-	-	5,627
Telephone and Internet	2,000	4,000	498	6,498
Travel	41,002	-	-	41,002
Utilities	1,000	2,903	-	3,903
Venue Rental	54,129	-	-	54,129
Volunteers for Concerts				-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 709,481</b>	<b>\$ 100,918</b>	<b>\$ 114,469</b>	<b>\$ 924,868</b>

See Accompanying Independent Auditor's Report.

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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 639,659</b>	<b>\$ 82,768</b>	<b>\$ 49,581</b>	<b>\$ 772,008</b>

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

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. In the current fiscal year, Musical Bridges Around the World, Inc. merged with The San Antonio International Piano Competition, which is another non-profit Organization located in San Antonio. Musical Bridges Around the World, Inc. will take over their signature event, the International Piano Competition, which takes place every four years. The next competition is scheduled for 2020.

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, 2017 amounted to \$38,500. See Note 6 for further details about temporarily restricted net assets. There were no temporarily restricted net assets as of August 31, 2016.

Permanently Restricted Net Assets – Net assets that are restricted in perpetuity by the donor. There are no permanently restricted net assets held by the Organization as of August 31, 2017 or 2016.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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.

*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 \$424,201 and \$479,682 as of August 31, 2017 and 2016, 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 2014 through 2016 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, 2017 AND 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Concentrations of Credit Risk:*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization minimizes its risk by maintaining substantially all of its cash and cash equivalents in FDIC insured accounts.

*Functional Allocation of Expenses*

The costs of providing the Organization's 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, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 13,683	\$ 2,978
Mutual Funds	<u>410,518</u>	<u>476,704</u>
Total	<u>\$ 424,201</u>	<u>\$ 479,682</u>

Investment income (losses) for the year ended August 31, 2017 and 2016 was comprised of:

	<u>2017</u>	<u>2016</u>
Dividends and Interest	\$ 8,736	\$ 11,549
Unrealized and Realized Gains (Losses)	40,834	31,789
Less: Fees	<u>(50)</u>	<u>(75)</u>
Total	<u>\$ 49,520</u>	<u>\$ 43,263</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 44,537	\$ 43,196
Leasehold Improvements	12,531	12,531
Less: Accumulated Depreciation	<u>(41,021)</u>	<u>(35,635)</u>
Net Property and Equipment	<u>\$ 16,047</u>	<u>\$ 20,092</u>

NOTE 5: LINE OF CREDIT

In March 2017, The Organization opened a line of credit with Broadway National Bank for a maximum amount of \$100,000. As of August 31, 2017, \$50,000 was drawn upon the line of credit and principal and interest payments are due to the bank through monthly payments. The maturity date on the line of credit is March 2018.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

	<u>2017</u>	<u>2016</u>
International Piano Competition	\$ 25,000	\$ -
Kids to Concert Series	<u>13,500</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 38,500</u>	<u>\$ -</u>

NOTE 7: 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 2017 and 2016 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, 2017 and 2016:

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 7: IN-KIND CONTRIBUTIONS (CONTINUED)

	<u>2017</u>	<u>2016</u>
Donated Facilities	\$ 26,300	\$ 15,300
Volunteers for Concerts	-	304
Supplies	-	252
Piano Rental & Moving	8,880	13,849
Legal Services	9,500	7,550
Financial Advisor	5,000	-
Photographer	13,700	2,000
Graphic Designer	12,450	-
Media Producer	-	5,000
Video Production	6,000	7,000
Accounting Services	-	2,500
Printing & Reproduction	13,996	719
Catering	4,944	2,463
Auto	2,125	2,102
Development Assistant	-	32,000
Advertising	-	1,250
Hotel Accommodations	<u>11,180</u>	<u>14,299</u>
Total In-Kind Contributions	<u>\$ 114,075</u>	<u>\$ 106,588</u>

NOTE 8: 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

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2017 and 2016 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, 2017 and 2016, the fair value of the Organization's cash and cash equivalents, accounts receivable, grants receivable, 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 9: OPERATING LEASE COMMITMENTS

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

Total lease expense for the office space for the years ending August 31, 2017 and 2016 was \$28,910 and \$30,570 respectively.

NOTE 10: 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



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

NOTE 10: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 \$8,360 and \$867 for 2017 and 2016 are matching, non-elective contributions.

NOTE 11: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2016 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2017. These reclassifications had no effect on net assets.

NOTE 12: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2017. Subsequent events have been evaluated through April 8, 2018, which is the date the financial statements were available to be issued.

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early applications permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.