

MUSICAL BRIDGES AROUND THE WORLD, INC.
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
SAN ANTONIO, TEXAS
AUGUST 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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
July 10, 2019

MUSICAL BRIDGES AROUND THE WORLD, INC.
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 108,061	\$ 31,703
Grants Receivable	-	205,000
Deposits - Office Lease	2,550	2,550
Prepaid Expenses	4,361	361
Total Current Assets	<u>114,972</u>	<u>239,614</u>
Investments	745,928	424,201
Fixed Assets:		
Property and Equipment	57,068	57,068
Less: Accumulated Depreciation	<u>45,721</u>	<u>41,021</u>
Net Property and Equipment	<u>11,347</u>	<u>16,047</u>
 TOTAL ASSETS	 <u><u>\$ 872,247</u></u>	 <u><u>\$ 679,862</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 13,073	\$ 4,026
Deferred Revenues	31,900	-
Payroll Liabilities	6,054	5,452
Line of Credit	50,000	50,000
Total Current Liabilities	<u>\$ 101,027</u>	<u>\$ 59,478</u>
 <u>NET ASSETS</u>		
Unrestricted Net Assets:		
Board Designated - Future Reserves	745,928	424,201
Undesignated	<u>25,292</u>	<u>157,683</u>
Total Unrestricted	771,220	581,884
Temporarily Restricted:	-	38,500
Total Net Assets	<u>771,220</u>	<u>620,384</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 872,247</u></u>	 <u><u>\$ 679,862</u></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, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	\$ 349,519	\$ -	\$ 349,519
Grants	405,271	-	405,271
Memberships and Subscriptions	106,610	-	106,610
Piano Competition Entry Fees	200	-	200
CD Sales	3,300	-	3,300
Special Events, net of expenses of \$15,000	21,328	-	21,328
Investment Income (Loss), net expenses	96,727	-	96,727
Other Income	1,958	-	1,958
In-Kind Contributions	123,548	-	123,548
Net Assets Released from Restrictions	38,500	(38,500)	-
 TOTAL REVENUE AND SUPPORT	 1,146,961	 (38,500)	 1,108,461
 EXPENSES			
Program	723,095	-	723,095
Administrative	124,891	-	124,891
Fundraising	109,639	-	109,639
 TOTAL EXPENSES	 957,625	 -	 957,625
 CHANGE IN NET ASSETS	 189,336	 (38,500)	 150,836
 NET ASSETS AT BEGINNING OF THE YEAR	 581,884	 38,500	 620,384
 NET ASSETS AT END OF YEAR	 \$ 771,220	 \$ -	 \$ 771,220

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	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 959,244	 38,500	 997,744
EXPENSES			
Program	709,481	-	709,481
Administrative	100,918	-	100,918
Fundraising	<u>114,469</u>	<u>-</u>	<u>114,469</u>
 TOTAL EXPENSES	 <u>924,868</u>	 <u>-</u>	 <u>924,868</u>
 CHANGE IN NET ASSETS	 34,376	 38,500	 72,876
NET ASSETS AT BEGINNING OF THE YEAR	<u>547,508</u>	<u>-</u>	<u>547,508</u>
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 150,836	\$ 72,876
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,701	5,385
Investment (Income) Loss	(96,727)	(49,520)
(Increase) Decrease in Grants Receivables	205,000	(205,000)
(Increase) Decrease in Receivables - Other	-	5,584
(Increase) Decrease in Inventory - Artwork	-	6,750
(Increase) Decrease in Prepaid Expenses	(4,000)	13,760
Increase (Decrease) in Accounts Payable	9,047	3,483
Increase (Decrease) in Payroll Liabilities	601	1,501
Increase (Decrease) Deferred Revenues	31,900	-
Net Cash Provided (Used) By Operating Activities	301,358	(145,181)
Cash Flows from Investing Activities:		
Purchase of Investments	(325,000)	-
Sale of Investments	100,000	105,000
Purchase of Property and Equipment	-	(1,339)
Net Cash Provided (Used) By Investing Activities	(225,000)	103,661
Cash Flows from Financing Activities:		
Repayment on Line of Credit	(50,000)	-
Issuance of Line of Credit	50,000	50,000
Net Cash Provided (Used) By Financing Activities	-	50,000
Net Increase (Decrease) in Cash	76,358	8,480
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31,703	23,223
THE END OF THE YEAR	\$ 108,061	\$ 31,703
Supplemental Disclosure:		
Interest Paid	\$ 150	\$ -

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, 2018
(Supplemental Schedule)

	Program	Administrative	Fundraising	2018 Total
Advertising	\$ 9,713	\$ -	\$ -	9,713
Artistic Fee	161,322	-	-	161,322
Auto	3,778	-	-	3,778
Bank Charges	-	4,793	-	4,793
Catering and Meals for Guest Artists	30,000	-	5,695	35,695
Computer Services	-	354	-	354
Depreciation	4,701	-	-	4,701
Dues and Subscriptions	7,972	-	-	7,972
Employee Benefits	6,000	1,085	1,000	8,085
Flowers and Gifts	1,000	474	500	1,974
Insurance	10,000	2,000	934	12,934
Occupancy	30,000	3,184	-	33,184
Office Supplies	15,000	5,000	1,168	21,168
Payroll - Artistic Director	50,000	10,000	10,000	70,000
Payroll - Program Managers	110,000	20,000	5,225	135,225
Payroll Taxes	10,000	3,000	2,991	15,991
Piano Expense	9,809	-	-	9,809
Postage and Delivery	4,000	1,323	1,000	6,323
Printing and Reproduction	15,000	2,500	2,837	20,337
Professional Consultants:				
Accounting Fees	-	10,760	-	10,760
Attorney Fees	10,628	6,000	-	16,628
Curriculum Development	3,600	-	-	3,600
Development Consultant	-	35,418	40,000	75,418
Education Director	7,000	-	-	7,000
Financial Advisor	-	5,000	-	5,000
Gallery Coordinator	500	-	-	500
Graphic Designer	49,262	2,500	2,500	54,262
Grant Writer	-	-	23,952	23,952
Intern	3,240	3,000	-	6,240
Meetings	5,000	3,000	195	8,195
Photography	11,200	-	-	11,200
Publicist	3,810	-	-	3,810
Video and Media Production	6,830	2,500	2,500	11,830
Web-site Designer	18,254	-	-	18,254
Rentals	6,315	-	-	6,315
Security	2,580	-	-	2,580
Telephone, Website, and Internet	6,000	2,000	2,044	10,044
Travel	65,000	-	6,780	71,780
Utilities	4,000	1,000	318	5,318
Venue Rental	41,581	-	-	41,581
TOTAL FUNCTIONAL EXPENSES	\$ 723,095	\$ 124,891	\$ 109,639	\$ 957,625

See Accompanying Independent Auditor's Report.

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
TOTAL FUNCTIONAL EXPENSES	\$ 709,481	\$ 100,918	\$ 114,469	\$ 924,868

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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 prior 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. There are no temporarily restricted net assets as of August 31, 2018. See Note 6 for further details about temporarily restricted net assets.

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, 2018 or 2017.

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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.

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 \$745,928 and \$424,201 as of August 31, 2018 and 2017, 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 2015 through 2017 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, 2018 AND 2017

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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 56,043	\$ 13,683
Mutual Funds	<u>689,885</u>	<u>410,518</u>
Total	<u>\$ 745,928</u>	<u>\$ 424,201</u>

Investment income (losses) for the year ended August 31, 2018 and 2017 was comprised of:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 12,558	\$ 8,736
Unrealized and Realized Gains	84,169	40,834
Less: Fees	<u>-</u>	<u>(50)</u>
Total	<u>\$ 96,727</u>	<u>\$ 49,520</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$ 44,537	\$ 44,537
Leasehold Improvements	12,531	12,531
Less: Accumulated Depreciation	<u>(45,721)</u>	<u>(41,021)</u>
Net Property and Equipment	<u>\$ 11,347</u>	<u>\$ 16,047</u>

NOTE 5: LINE OF CREDIT

In March 2018, The Organization opened a line of credit with Broadway National Bank for a maximum amount of \$100,000. As of August 31, 2018, \$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 2019.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

	<u>2018</u>	<u>2017</u>
International Piano Competition	\$ -	\$ 25,000
Kids to Concert Series	<u>-</u>	<u>13,500</u>
Total Temporarily Restricted Net Assets	<u>\$ -</u>	<u>\$ 38,500</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 2018 and 2017 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, 2018 and 2017:

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 7: IN-KIND CONTRIBUTIONS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Donated Facilities	\$ 22,350	\$ 26,300
Supplies	7,550	-
Piano Rental & Moving	3,738	8,880
Legal Services	9,500	9,500
Financial Advisor	5,000	5,000
Photographer	11,200	13,700
Graphic Designer	20,000	12,450
Video Production	6,000	6,000
Printing & Reproduction	6,686	13,996
Catering	6,095	4,944
Auto	3,778	2,125
Hotel Accommodations	<u>21,651</u>	<u>11,180</u>
Total In-Kind Contributions	<u>\$ 123,548</u>	<u>\$ 114,075</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, 2018 AND 2017

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, 2018 and 2017 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, 2018 and 2017, 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 2019. Minimum annual lease payments for the next year are:

<u>Year Ending</u> <u>August 31,</u>	<u>Amount</u>
2019	<u>\$ 16,500</u>
	<u>\$ 16,500</u>

Total lease expense for the office space for the years ending August 31, 2018 and 2017 was \$33,184 and \$28,910 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, 2018 AND 2017

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 \$8,085 and \$8,360 for 2018 and 2017 are matching, non-elective contributions.

NOTE 11: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2017 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2018. 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, 2018. Subsequent events have been evaluated through July 10, 2019, 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.