

**MUSICAL BRIDGES AROUND THE WORLD, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**SAN ANTONIO, TEXAS**  
**AUGUST 31, 2020 AND 2019**

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**ERIN LECCE, CPA**

2623 CROW VALLEY

SAN ANTONIO, TEXAS 78232

210-884-2043

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, 2020 and 2019, and the related statements of activities, functional expenses, 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.

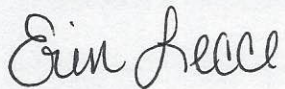
**Auditor's Responsibility**

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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Erin Leace".

San Antonio, Texas  
August 13, 2021

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 139,050	\$ 39,030
Accounts Receivable	-	3,000
Grants Receivable	46,012	-
Deposits - Office Lease	2,550	2,550
Prepaid Expenses	4,190	4,481
Total Current Assets	<u>191,802</u>	<u>49,061</u>
Investments	771,233	712,849
Fixed Assets:		
Property and Equipment	113,388	63,389
Less: Accumulated Depreciation	<u>55,149</u>	<u>49,221</u>
Net Property and Equipment	<u>58,239</u>	<u>14,168</u>
TOTAL ASSETS	<u>\$ 1,021,274</u>	<u>\$ 776,078</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 9,588	\$ 9,497
Deferred Revenues	14,712	-
Payroll Liabilities	11,450	7,506
PPP Loan - Refundable Advance	60,400	-
Total Current Liabilities	<u>\$ 96,150</u>	<u>\$ 17,003</u>
<u>NET ASSETS</u>		
Without Donor Restrictions:		
Designated - Future Reserves	771,233	712,849
Undesignated	<u>107,879</u>	<u>46,226</u>
Total Without Donor Restrictions	<u>879,112</u>	<u>759,075</u>
With Donor Restrictions	<u>46,012</u>	<u>-</u>
Total Net Assets	<u>925,124</u>	<u>759,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,021,274</u>	<u>\$ 776,078</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 113,251	\$ -	\$ 113,251
Grants	586,154	46,012	632,166
Memberships and Subscriptions	78,423	-	78,423
Gurwitz Piano Competition	244,351	-	244,351
Art Sales	1,715	-	1,715
Investment Income (Loss), net expenses	98,384	-	98,384
Other Income	4,400	-	4,400
In-Kind Contributions (See Footnote 6)	192,313	-	192,313
Net Assets Released from Restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	1,318,991	46,012	1,365,003
EXPENSES			
Program	923,583	-	923,583
Administrative	136,716	-	136,716
Fundraising	138,655	-	138,655
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,198,954	-	1,198,954
CHANGE IN NET ASSETS	120,037	46,012	166,049
NET ASSETS AT BEGINNING OF THE YEAR	<hr/> 759,075	<hr/> -	<hr/> 759,075
NET ASSETS AT END OF YEAR	<hr/> <u>\$ 879,112</u>	<hr/> <u>\$ 46,012</u>	<hr/> <u>\$ 925,124</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 128,375	\$ -	\$ 128,375
Grants	439,782	-	439,782
Memberships and Subscriptions	95,386	-	95,386
Gurwitz Piano Competition - Donations and Grants	87,346	-	87,346
Gurwitz Piano Competition - Application Fees	7,600	-	7,600
Art Sales	6,400	-	6,400
Special Events, net of expenses of \$21,969	47,500	-	47,500
Investment Income (Loss), net expenses	16,912	-	16,912
Other Income	2,990	-	2,990
In-Kind Contributions (See Footnote 6)	172,726	-	172,726
Net Assets Released from Restrictions	-	-	-
 TOTAL REVENUE AND SUPPORT	 1,005,017	 -	 1,005,017
EXPENSES			
Program	725,540	-	725,540
Administrative	129,828	-	129,828
Fundraising	161,794	-	161,794
 TOTAL EXPENSES	 1,017,162	 -	 1,017,162
 CHANGE IN NET ASSETS	 (12,145)	 -	 (12,145)
NET ASSETS AT BEGINNING OF THE YEAR	771,220	-	771,220
NET ASSETS AT END OF YEAR	\$ 759,075	\$ -	\$ 759,075

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 166,049	\$ (12,145)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,928	3,500
In-Kind Fixed Asset Contribution	(50,000)	-
Investment (Income) Loss	(98,384)	(16,912)
 (Increase) Decrease in Accounts Receivable	 3,000	 (3,000)
(Increase) Decrease in Grants Receivable	(46,012)	-
(Increase) Decrease in Prepaid Expenses	291	(120)
Increase (Decrease) in Accounts Payable	91	(3,576)
Increase (Decrease) in Payroll Liabilities	3,944	1,452
Increase (Decrease) in PPP Loan - Refundable Advance	60,400	-
Increase (Decrease) Deferred Revenues	<u>14,712</u>	<u>(31,900)</u>
 Net Cash Provided (Used) By Operating Activities	 60,019	 (62,701)
 Cash Flows from Investing Activities:		
Purchase of Investments	(108,254)	-
Sale of Investments	148,255	49,991
Purchase of Property and Equipment	-	(6,321)
Net Cash Provided (Used) By Investing Activities	<u>40,001</u>	<u>43,670</u>
 Cash Flows from Financing Activities:		
Repayment on Line of Credit	-	(50,000)
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>(50,000)</u>
 Net Increase (Decrease) in Cash	 100,020	 (69,031)
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	 <u>39,030</u>	 <u>108,061</u>
 THE END OF THE YEAR	 <u><u>\$ 139,050</u></u>	 <u><u>\$ 39,030</u></u>
 Supplemental Disclosure:		
Interest Paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2020**

	Program	Administrative	Fundraising	2020 Total
Advertising	\$ 23,789	\$ -	\$ -	23,789
Artistic Fee	127,419	-	-	127,419
Bank Charges	-	4,878	-	4,878
Catering and Meals for Artists and Events	30,864	-	7,000	37,864
Conferences and Workshops	3,000	641	-	3,641
Contract Labor	3,466	-	-	3,466
Depreciation	5,000	928	-	5,928
Dues and Subscriptions	6,470	-	-	6,470
Employee Benefits	7,000	4,523	3,765	15,288
Flowers and Gifts	1,500	-	1,827	3,327
Insurance	10,000	4,658	-	14,658
Meetings	-	-	137	137
Membership Benefits	26,210	-	-	26,210
Miscellaneous Expenses	1,000	300	579	1,879
Occupancy	30,000	3,000	600	33,600
Office Supplies	12,000	4,000	3,419	19,419
Payroll Taxes	20,723	5,556	8,444	34,723
Piano Competition Awards	74,822	-	-	74,822
Piano Expense	43,930	-	-	43,930
Postage and Delivery	5,000	1,540	1,500	8,040
Printing and Reproduction	14,000	-	403	14,403
Professional Consultants:				
Accounting Fees	-	15,639	-	15,639
Attorney Fees	2,043	-	-	2,043
Curriculum Development	17,071	-	-	17,071
Development Consultant	-	2,379	10,000	12,379
Donor Relations	-	-	2,000	2,000
Education Director	28,000	-	-	28,000
Gallery Coordinator	1,750	-	-	1,750
Graphic Designer	38,000	2,622	8,000	48,622
Grant Writer	12,799	-	-	12,799
Intern	24,750	-	-	24,750
Office Assistant	-	28,080	-	28,080
Photography	8,639	-	-	8,639
Publicist	7,050	-	-	7,050
Video and Media Production	22,804	-	5,000	27,804
Web-site Designer	17,267	-	-	17,267
Salaries and Wages	200,000	55,772	80,000	335,772
Security	2,844	-	-	2,844
Software	8,498	-	-	8,498
Telephone, Website, and Internet	4,000	2,000	1,659	7,659
Travel	45,000	-	4,207	49,207
Utilities	2,800	200	115	3,115
Venue Rental	34,075	-	-	34,075
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 923,583</b>	<b>\$ 136,716</b>	<b>\$ 138,655</b>	<b>\$ 1,198,954</b>

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, 2019

	Program	Administrative	Fundraising	2019 Total
Advertising	\$ 10,591	\$ -	\$ -	10,591
Artistic Fee	143,780	-	-	143,780
Auto	1,330	-	-	1,330
Bank Charges	-	6,610	-	6,610
Catering and Meals for Artists and Events	15,000	-	4,839	19,839
Conferences and Workshops	4,026	2,000	-	6,026
Depreciation	3,500	-	-	3,500
Dues and Subscriptions	14,433	-	-	14,433
Employee Benefits	3,657	1,500	500	5,657
Flowers and Gifts	900	-	762	1,662
Insurance	8,000	1,500	601	10,101
Meetings	800	500	227	1,527
Membership Benefits	33,690	-	-	33,690
Occupancy	30,000	3,000	-	33,000
Office Supplies	7,000	4,000	1,086	12,086
Payroll Taxes	9,468	2,291	3,996	15,755
Piano Expense	8,633	-	-	8,633
Postage and Delivery	2,000	1,448	1,500	4,948
Printing and Reproduction	18,000	3,000	3,762	24,762
Professional Consultants:				
Accounting Fees	-	12,714	-	12,714
Architecture Services	-	-	22,076	22,076
Attorney Fees	2,000	1,318	-	3,318
Curriculum Development	8,699	-	-	8,699
Development Consultant	-	32,000	35,440	67,440
Education Director	25,401	-	-	25,401
Financial Advisor	-	5,000	-	5,000
Gallery Coordinator	1,618	-	-	1,618
Graphic Designer	42,662	3,000	3,000	48,662
Grant Writer	5,987	-	-	5,987
Intern	1,500	1,000	-	2,500
Office Assistant	15,000	4,468	3,000	22,468
Photography	12,662	-	-	12,662
Publicist	4,702	-	-	4,702
Video and Media Production	5,808	2,500	2,500	10,808
Web-site Designer	19,500	-	-	19,500
Salaries and Wages	163,172	39,479	68,876	271,527
Security	2,637	-	-	2,637
Telephone, Website, and Internet	3,750	1,500	1,500	6,750
Travel	36,000	-	3,870	39,870
Utilities	3,500	1,000	259	4,759
Venue Rental	56,134	-	4,000	60,134
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 725,540</b>	<b>\$ 129,828</b>	<b>\$ 161,794</b>	<b>\$ 1,017,162</b>

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

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

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 transform lives through multicultural performing and visual arts by shattering barriers, creating connectivity and inspiring hope for those with least access. 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, hosting the International Piano Competition that takes place every four years, 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:

Net Assets Without Donor Restrictions – These are net assets that are not subject to donor-imposed stipulations and are immediately available to the organization for the performance of its service. Net assets designated for a specific purpose by the Organization's Board of Directors are reported as net assets without donor restrictions, designated.

Net Assets With Donor Restrictions – These are net assets that are limited by donor-imposed stipulations. Some donor imposed-restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of August 31, 2020, \$46,012 was restricted for the Musical Sprouts program and included in net assets with donor restrictions. There were no net assets with donor restrictions held by the Organization as of August 31, 2019.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

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.

*Grants Receivable*

The Organization receives grants for its program services from state, foundation, and corporate grantors but payment is expected at a later time in accordance with the grant agreement. These receivables are considered to be fully collectible, therefore, no allowance for doubtful accounts has been established as of August 31, 2020 and 2019.

*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 straight-line 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 \$771,233 and \$712,849 as of August 31, 2020 and 2019, respectively.

*Contributions and Revenue Recognition*

Contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as net assets with donor restrictions, which increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are recognized when the condition on which they depend are substantially met.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization holds events during the year in order to raise funds. Revenue from sponsorships and ticket sales related to a fundraising event is recognized when the event takes place. Contributions received and promises to give as a result of the event follow the revenue recognition for contribution revenue noted above.

Membership dues are recognized as revenue ratably over the membership term as membership benefits are provided to members over the entire membership period.

*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 2017 through 2019 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.

*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.

*New Accounting Pronouncements*

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. 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.

*Recently Adopted Accounting Pronouncements*

In 2014, the FASB issued ASU 2014-19 *Revenue from Contract with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Organization should recognize revenue when the entity satisfies a performance obligation. Not-for-profit organizations must consider whether certain arrangements are fully or partially subject to this standard. The Organization adopted this ASU as of and for the fiscal year ended August 31, 2019.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The Organization adopted this ASU for the year ended August 31, 2019.

Analysis of various provisions of the adopted ASU's resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASU's.

*Reclassifications*

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented.

*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, 2020 and 2019.

	2020	2019
Cash and Cash Equivalents	\$ 128,327	\$ 20,521
Mutual Funds	642,906	692,328
Total	<u>\$ 771,233</u>	<u>\$ 712,849</u>

Investment income (losses) for the year ended August 31, 2020 and 2019 was comprised of:

	2020	2019
Dividends and Interest	\$ 13,503	\$ 14,478
Unrealized and Realized Gains	87,406	2,434
Less: Fees	<u>(2,525)</u>	<u>-</u>
Total	<u>\$ 98,384</u>	<u>\$ 16,912</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 100,857	\$ 50,858
Leasehold Improvements	12,531	12,531
Less: Accumulated Depreciation	<u>(55,149)</u>	<u>(49,221)</u>
Net Property and Equipment	<u>\$ 58,239</u>	<u>\$ 14,168</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. There have been no draws taken on the line of credit for the fiscal years ending August 31, 2020 and 2019. The line of credit remains available to the Organization if needed for future use.

**NOTE 6: 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 2020 and 2019 were recognized in the Statements 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Venue Rentals	\$ 21,765	\$ 33,287
Supplies	1,215	3,284
Piano Rental & Moving	31,750	5,625
Legal Services	-	320
Financial Advisor	-	5,000
Photographer	7,414	9,512
Office Assistant	28,080	22,468
Development Services	-	25,000
Advertising	-	100
Architecture Services	-	22,076

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

NOTE 6: IN-KIND CONTRIBUTIONS (CONTINUED)

	2020	2019
Graphic Designer	25,000	25,000
Video Production	5,000	5,000
Printing & Reproduction	1,044	543
Catering and Meals for Guest Artists	6,768	3,145
Piano	50,000	-
Storage Unit	3,000	-
Hotel Accommodations	11,277	12,366
	<u>11,277</u>	<u>12,366</u>
Total In-Kind Contributions	<u>\$ 192,313</u>	<u>\$ 172,726</u>

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization records financial instruments at estimated fair value. 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Fair Value Measurements and Disclosures* 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 - Quoted prices in active markets for identical assets or liabilities and have the highest priority.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 - Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. No level 3 input valuations were used by the Organization.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds: Valued at the net asset value at the closing price reported in the active market in which the mutual funds are traded. The Organization holds bond funds and equities funds.

The following table shows the fair value classification of the Organization's investments that are required to be measured at fair value as of August 31, 2020 and 2019:

Fair Value Measurements at August 31, 2020				
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and Cash Equivalents	\$ 128,327	\$128,327	\$ -	\$ -
Mutual Funds	642,906	642,906	-	-
Total	\$ 771,233	\$771,233	\$ -	\$ -

Fair Value Measurements at August 31, 2019				
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and Cash Equivalents	\$ 20,521	\$ 20,521	\$ -	\$ -
Mutual Funds	692,328	692,328	-	-
Total	\$ 712,849	\$712,849	\$ -	\$ -

NOTE 8: OPERATING LEASE COMMITMENTS

The Organization has entered into two non-cancelable operating leases for office space, which expire in January 2023.

Annual lease payments for the next three years are as follows:

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NOTE 8: OPERATING LEASE COMMITMENTS (CONTINUED)

Year Ending August 31,	Amount
2021	\$ 33,000
2022	33,000
2023	13,750
	<u>\$ 79,750</u>

Total lease expense for the office space for the years ending August 31, 2020 and 2019 was \$33,600 and \$33,000 respectively.

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 \$6,829 and \$5,657 for 2020 and 2019 are matching, non-elective contributions.

NOTE 10: PPP LOAN – REFUNDABLE ADVANCE

The Organization received loan proceeds of \$60,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes (including payroll, benefits, rent, and utilities) and maintains its payroll levels. The Organization intends to use the loan proceeds for purposes consistent with the PPP and believes that the Organization's use of the loan proceeds will meet the conditions for forgiveness of the loan. Any unforgiven portion of the loan bears interest at the rate of 1 percent. Should any portion of the PPP loan be deemed unforgiven the Organization has two years to retire the loan. Principal payments required should the entire amount not be forgiven would be \$60,400.

NOTE 11: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2020. Subsequent events have been evaluated through August 13, 2021, which is the date the financial statements were available to be issued.

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NOTE 12: RISKS AND UNCERTAINTIES

During 2020, many countries around the world, including the United States, were impacted by the coronavirus or COVID-19 outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, disruptions of supply chains, and reductions in program service fees and contributions, affecting results of operations and cash flows. In addition, The Organization has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time management is not aware of any material risk to the Organization's financial statements and cannot quantify the full extent the virus will have on the Organization's financial information.

NOTE 13: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$860,145 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. This consists of cash and cash equivalents of \$139,050 receivables of \$46,012, and investments of \$771,233 net of the Organization's current liabilities of \$96,150. The Organization has enough financial assets on hand to meet at least 90 days of normal operating expenses which are, on average approximately \$100,000 per month.