

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS  
SAN ANTONIO, TEXAS  
AUGUST 31, 2022 AND 2021

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210-884-2043

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

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Musical Bridges Around the World, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Musical Bridges Around the World, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Musical Bridges Around the World, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Musical Bridges Around the World, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



San Antonio, Texas  
January 27, 2023



MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 141,805	\$ 245,938
Cash and Cash Equivalents - Colburn Scholarship	118,872	121,972
Total Cash and Cash Equivalents	<u>260,677</u>	<u>367,910</u>
Grants Receivable	33,509	100,000
Deposits - Office Lease	2,550	2,550
Prepaid Expenses	47,336	-
Total Current Assets	<u>344,072</u>	<u>470,460</u>
Investments - Future Reserves	853,994	955,808
Investments - New Braunfels Community Foundation Fund	29,590	6,397
Total Investments	<u>883,584</u>	<u>962,205</u>
Fixed Assets:		
Property and Equipment	105,350	99,496
Less: Accumulated Depreciation	<u>(50,268)</u>	<u>(38,173)</u>
Net Property and Equipment	<u>55,082</u>	<u>61,323</u>
TOTAL ASSETS	<u><u>\$ 1,282,738</u></u>	<u><u>\$ 1,493,988</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 5,466	\$ 9,134
PPP Loan - Refundable Advance	-	84,772
Total Current Liabilities	<u>\$ 5,466</u>	<u>\$ 93,906</u>
<u>NET ASSETS</u>		
Without Donor Restrictions:		
Board Designated - Future Reserves	853,994	955,808
Undesignated	204,796	215,905
Total Without Donor Restrictions	<u>1,058,790</u>	<u>1,171,713</u>
With Donor Restrictions	<u>218,482</u>	<u>228,369</u>
Total Net Assets	<u>1,277,272</u>	<u>1,400,082</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,282,738</u></u>	<u><u>\$ 1,493,988</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 143,233	\$ 20,000	\$ 163,233
Grants	658,650	-	658,650
Memberships and Subscriptions	133,696	-	133,696
SBA Grant - Paycheck Protection Program	84,647	-	84,647
Gurwitz Piano Competition	-	70,020	70,020
Special Events, Net Expenses of \$8,110	30,493	-	30,493
Investment Income (Loss), net expenses	(101,814)	(1,007)	(102,821)
In-Kind Contributions	99,694	-	99,694
Art Gallery Sales	8,016	-	8,016
Miscellaneous Income	2,059	-	2,059
Organization Donations to Endowment Fund	(4,200)	4,200	-
Net Assets Released from Restrictions	103,100	(103,100)	-
TOTAL REVENUE AND SUPPORT	1,157,574	(9,887)	1,147,687
EXPENSES			
Program	1,043,195	-	1,043,195
Administrative	131,813	-	131,813
Fundraising	95,489	-	95,489
TOTAL EXPENSES	1,270,497	-	1,270,497
CHANGE IN NET ASSETS	(112,923)	(9,887)	(122,810)
NET ASSETS AT BEGINNING OF THE YEAR	1,171,713	228,369	1,400,082
NET ASSETS AT END OF YEAR	\$ 1,058,790	\$ 218,482	\$ 1,277,272

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



MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	\$ 113,453	\$ -	\$ 113,453
Grants	593,865	221,972	815,837
Memberships and Subscriptions	68,287	-	68,287
SBA Grant - Paycheck Protection Program	60,400	-	60,400
Gurwitz Piano Competition	29,555	-	29,555
Special Events, Net Expenses of \$6,562	48,711	-	48,711
Investment Income (Loss), net expenses	186,203	-	186,203
In-Kind Contributions	32,067	-	32,067
Net Assets Released from Restrictions	46,012	(46,012)	-
TOTAL REVENUE AND SUPPORT	1,178,553	175,960	1,354,513
EXPENSES			
Program	678,226	-	678,226
Administrative	116,654	-	116,654
Fundraising	84,675	-	84,675
TOTAL EXPENSES	879,555	-	879,555
CHANGE IN NET ASSETS	298,998	175,960	474,958
NET ASSETS AT BEGINNING OF THE YEAR	879,112	46,012	925,124
RECLASSIFICATION OF NET ASSETS (NOTE 12)	(6,397)	6,397	-
NET ASSETS AT END OF YEAR	\$ 1,171,713	\$ 228,369	\$ 1,400,082

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (122,810)	\$ 474,958
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,094	10,391
In-Kind Fixed Asset Contribution	-	(800)
Investment (Income) Loss	102,821	(186,203)
 (Increase) Decrease in Grants Receivable	 66,491	 (53,988)
(Increase) Decrease in Prepaid Expenses	(47,336)	4,190
Increase (Decrease) in Accounts Payable	(3,668)	(454)
Increase (Decrease) in Payroll Liabilities	-	(11,450)
Increase (Decrease) in PPP Loan - Refundable Advance	(84,772)	24,372
Increase (Decrease) Deferred Revenues	<u>-</u>	<u>(14,712)</u>
 Net Cash Provided (Used) By Operating Activities	 (77,180)	 246,304
 Cash Flows from Investing Activities:		
Purchase of Investments	(24,200)	(4,770)
Sale of Investments	-	-
Purchase of Property and Equipment	<u>(5,853)</u>	<u>(12,674)</u>
Net Cash Provided (Used) By Investing Activities	(30,053)	(17,444)
 Net Increase (Decrease) in Cash	 (107,233)	 228,860
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	 <u>367,910</u>	 <u>139,050</u>
 THE END OF THE YEAR	 <u><u>\$ 260,677</u></u>	 <u><u>\$ 367,910</u></u>
 Allocation of Cash and Cash Equivalents:		
Unrestricted	\$ 141,805	\$ 245,938
Colburn Scholarship	<u>118,872</u>	<u>121,972</u>
Total Cash and Cash Equivalents	<u>\$ 260,677</u>	<u>\$ 367,910</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, 2022

	Program	Administrative	Fundraising	2022 Total
Advertising	\$ 6,123	\$ -	\$ -	\$ 6,123
Art Gallery	1,467	-	-	1,467
Artistic Fee	107,150	-	-	107,150
Bank Charges and Other Fees	-	17,048	-	17,048
Catering and Meals for Artists and Events	7,646	-	-	7,646
Conferences and Workshops	2,500	1,463	1,000	4,963
Depreciation	8,000	4,094	-	12,094
Donor Cultivation	10,000	-	4,206	14,206
Dues and Subscriptions	9,576	-	-	9,576
Employee Benefits	36,496	3,725	4,380	44,601
Gurwitz Competition	360	-	-	360
In-Kind Contributions	99,694	-	-	99,694
Insurance	9,839	-	-	9,839
Medals and Awards	604	-	-	604
Meetings	2,000	-	3,582	5,582
Membership Benefits	40,000	-	13,754	53,754
Miscellaneous Expenses	195	-	-	195
Music Licensing	3,751	-	-	3,751
Musical Sprouts	3,006	-	-	3,006
Occupancy	15,000	18,000	-	33,000
Office Supplies	1,000	1,000	1,439	3,439
Payroll Taxes	30,624	3,126	3,675	37,425
Piano Expense	5,760	-	-	5,760
Postage and Delivery	6,000	-	502	6,502
Printing and Reproduction	22,628	-	-	22,628
Professional Consultants:				
Accounting Fees	-	20,550	-	20,550
Administrative Assistant	5,000	7,626	5,000	17,626
Attorney Fees	4,000	4,165	-	8,165
Curriculum Development	15,050	-	-	15,050
Education Director	13,000	-	-	13,000
Educational Research Assistant	4,500	-	-	4,500
Gallery Coordinator	3,042	-	-	3,042
Grant Writer	10,000	-	5,905	15,905
Graphic Designer	26,585	-	-	26,585
Marketing Assistant	2,700	-	-	2,700
Publicist	6,506	-	-	6,506
Sound Engineer	1,375	-	-	1,375
Video and Media Production	41,519	-	-	41,519
Web-site Designer	18,000	-	-	18,000
Repairs and Maintenance	-	1,126	-	1,126
Salaries and Wages	400,000	40,828	48,000	488,828
Scholarships	3,100	-	-	3,100
Security	5,121	-	-	5,121
Software	2,500	6,374	2,500	11,374
Telephone, Website, and Internet	2,000	1,000	1,546	4,546
Travel	34,607	-	-	34,607
Utilities	1,500	1,688	-	3,188
Venue Rental	13,671	-	-	13,671
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,043,195</b>	<b>\$ 131,813</b>	<b>\$ 95,489</b>	<b>\$ 1,270,497</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, 2021

	Program	Administrative	Fundraising	2021 Total
Advertising	\$ 1,174	\$ -	\$ -	1,174
Artistic Fee	42,527	-	-	42,527
Bank Charges and Other Fees	-	4,827	-	4,827
Catering and Meals for Artists and Events	-	1,500	1,663	3,163
Conferences and Workshops	2,492	-	-	2,492
Depreciation	10,000	391	-	10,391
Dues and Subscriptions	2,157	-	-	2,157
Employee Benefits	20,000	7,000	6,173	33,173
Flowers and Gifts	326	-	-	326
In-Kind Contributions	25,000	6,267	-	31,267
Insurance	8,000	2,141	-	10,141
Medals and Awards	325	250	250	825
Meetings	250	-	-	250
Membership Benefits	25,067	-	-	25,067
Miscellaneous Expenses	500	500	437	1,437
Music Licensing	600	-	-	600
Occupancy	30,000	3,000	-	33,000
Office Supplies	1,500	1,000	1,436	3,936
Payroll Taxes	20,000	5,000	5,195	30,195
Piano Expense	767	-	-	767
Postage and Delivery	1,000	-	306	1,306
Printing and Reproduction	7,500	1,015	1,500	10,015
Professional Consultants:				-
Accounting Fees	-	19,763	-	19,763
Administrative Assistant	2,000	7,000	840	9,840
Attorney Fees	8,446	-	-	8,446
Curriculum Development	20,533	-	-	20,533
Development Consultant	-	5,000	5,000	10,000
Donor Relations	-	-	10,085	10,085
Education Director	20,000	-	-	20,000
Educational Research Assistant	8,000	-	-	8,000
Gallery Coordinator	500	-	-	500
Graphic Designer	13,025	1,000	1,000	15,025
Grant Writer	11,142	-	-	11,142
Marketing Assistant	1,600	-	-	1,600
Publicist	2,725	-	-	2,725
Sound Engineer	305	-	-	305
Video and Media Production	54,228	-	-	54,228
Web-site Designer	18,000	-	-	18,000
Salaries and Wages	293,673	50,000	50,000	393,673
Security	1,888	-	-	1,888
Software	11,865	-	-	11,865
Telephone, Website, and Internet	2,500	500	264	3,264
Travel	2,632	-	-	2,632
Utilities	2,000	500	526	3,026
Venue Rental	3,979	-	-	3,979
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 678,226</b>	<b>\$ 116,654</b>	<b>\$ 84,675</b>	<b>\$ 879,555</b>

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



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

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 those resources be maintained in perpetuity. As of August 31, 2022 and 2021, \$218,482 and \$228,369 were included in net assets with donor restrictions. There were no net assets held by the Organization that are permanently restricted as of August 31, 2022, and 2021.

*Cash*

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



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

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.

*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, 2022 and 2021.

*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 \$853,994 and \$955,808 as of August 31, 2022 and 2021, respectively.

*Contributions and Revenue Recognition*

The majority of the Organization's activities are supported by contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution and grant to determine if the revenue stream follows the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit-Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as “without donor restrictions” only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization did not have any unrecognized conditional awards as of August 31, 2022 and 2021.

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 2018 through 2020 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. At times such amounts may exceed the Federal Deposit Insurance Corporation (FDIC) limits. As of August 31, 2022 and 2021, The Organization exceeded the FDIC limitations by \$14,247 and \$117,910.

*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.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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

In the prior fiscal year, The Board of Directors agreed to transfer internal funds to the New Braunfels Community Foundation as an irrevocable gift with the intention to turn the funds into an endowment fund. In the prior year, all funds contributed to the fund were made internally by the Organization and were considered to be board designated funds. The agreement with New Braunfels Community Foundation stated upon reaching \$10,000 within five years of the agreement that the funds will convert into an Endowment Fund. The Organization reached this threshold during the current fiscal year when a donor contributed \$20,000 towards the endowment fund. At the time the financial statements were released, a formal endowment agreement has not been written to establish the endowment policies and guidelines so funds are not classified as endowment funds for financial statement purposes. The funds are reported as New Braunfels Community Foundation funds on the statements of financial position and on the footnotes to the financial statements.

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, 2022 and 2021.

	2022	2021
Cash and Cash Equivalents	\$ 219,274	\$ 138,663
Mutual Funds	634,720	817,145
New Braunfel Community Foundation Fund	29,590	6,397
Total	<u>\$ 883,584</u>	<u>\$ 962,205</u>



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

NOTE 3: INVESTMENTS (CONTINUED)

Investment income (losses) for the year ended August 31, 2022 and 2021 was comprised of:

	2022	2021
Dividends and Interest	\$ 12,001	\$ 11,218
Unrealized and Realized Gains (Losses)	(114,777)	174,985
Less: Fees	(45)	-
Total	<u>\$ (102,821)</u>	<u>\$ 186,203</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2022 and 2021:

	2022	2021
Furniture and Equipment	\$ 92,019	\$ 86,965
Leasehold Improvements	13,331	12,531
Less: Accumulated Depreciation	(50,268)	(38,173)
Net Property and Equipment	<u>\$ 55,082</u>	<u>\$ 61,323</u>

The Organization recorded depreciation expense in the amount of \$12,094 and \$10,391 for the fiscal years ending August 31, 2022 and 2021.

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, 2022 and 2021. The line of credit remains available to the Organization if needed for future use.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

	2022	2021
Gurwitz Piano Competition	\$ 70,020	\$ -
New Braunfels Community Foundation Fund	29,590	6,397
Multi-Year Grant - Time Restricted	-	100,000
Colburn-Pledge Music Scholarship	118,872	121,972
Total	<u>\$ 218,482</u>	<u>\$ 228,369</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022 AND 2021

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The total release from donor restrictions for the fiscal year ending August 31, 2022 and 2021 was 103,100 and \$46,012.

The Colburn-Pledge Music Scholarship Foundation dissolved the Foundation and contributed all of their cash and assets in the amount of \$121,972 to Musical Bridges Around the World, Inc. in August 2021. The restriction of the contribution to The Organization is to continue distributing scholarships to for students pursuing the studies of a bowed string instrument in classical music. The amount received from the Foundation is properly recorded as revenues with donor restrictions on the statement of activities and donor restricted net assets on the statement of financial position as of August 31, 2021. \$3,100 was spent on scholarships during the fiscal year ending August 31, 2022 and was properly released from restrictions in the current fiscal year.

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 2022 and 2021 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, 2022 and 2021:

	2022	2021
Venue Rentals	\$ 22,430	\$ -
Office Assistant	28,080	28,080
Video Production	11,500	1,687
Printing & Reproduction	1,423	-
Photography	6,503	-
Catering and Meals for Guest Artists	14,778	-
Advertising	525	1,500
Piano and Instrument Rentals	587	-
Donated Furniture	-	800
Event Expenses	1,750	-
Hotel Accommodations	12,118	-
Total In-Kind Contributions	<u>\$ 99,694</u>	<u>\$ 32,067</u>



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NOTE 8: 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.

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.

New Braunfels Community Foundation Funds: The Organization has \$29,590 and \$6,397 invested within the fund. All investments are considered Level 1 inputs.

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, 2022 and 2021:

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NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

		Fair Value Measurements at August 31, 2022			
		Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and Cash Equivalents	\$	219,274	\$219,274	\$ -	\$ -
Mutual Funds		634,720	634,720	-	-
New Braunfels Community Foundation Funds		29,590	29,590	-	-
Total	\$	883,584	\$883,584	\$ -	\$ -

  

		Fair Value Measurements at August 31, 2021			
		Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and Cash Equivalents	\$	138,663	\$138,663	\$ -	\$ -
Mutual Funds		817,145	817,145	-	-
New Braunfels Community Foundation Funds		6,397	6,397	-	-
Total	\$	962,205	\$962,205	\$ -	\$ -

NOTE 9: OPERATING LEASE COMMITMENTS

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

Annual lease payment for the next year is as follows:

Year Ending	Amount
August 31,	
2023	<u>\$ 13,750</u>

Total lease expense for the office space for the years ending August 31, 2022 and 2021 was \$33,000, respectively.



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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 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 \$13,513 and \$7,514 for 2022 and 2021 are matching, non-elective contributions.

NOTE 11: PPP LOAN – REFUNDABLE ADVANCE

During the 2021 fiscal year, the Organization received their second PPP loan in the amount of \$84,647 from the Small Business Administration (SBA). The loan accrued interest at 1.0% per annum, with no required payments for ten months after funding of the loan.

The Organization is accounting for the proceeds of the loan as a conditional contribution under *FASB ASC 958-605 Not-for-Profits Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. As of August 31, 2022, the Organization has expended 100% of the proceeds for eligible expenses during the covered period of the loan and fulfilled the forgiveness criteria under the Program. The Organization submitted the loan forgiveness application to the Lender and on September 3, 2021 the Organization was notified that the entire loan balance had been forgiven. As a result, the Organization has recognized grant revenue in the amount of \$84,647 for the fiscal year ended August 31, 2022.

NOTE 12: RECLASSIFICATION OF NET ASSETS

As noted in Note 3, The Board of Directors agreed to transfer internal funds to the New Braunfels Community Foundation as an irrevocable gift with the intention to turn the funds into an endowment fund. In the prior year, all funds contributed to the fund were made internally by the Organization and were considered to be board designated funds. The agreement with New Braunfels Community Foundation stated upon reaching \$10,000 within five years of the agreement that the funds will convert into a restricted Endowment Fund. The Organization reached this threshold during the current fiscal year when a donor contributed \$20,000 that is restricted to the endowment fund. These funds are now considered to be purpose restricted net assets. In the prior year, the balance of these funds was recorded as board designated net assets without restrictions, therefore, a reclassification needs to be recorded to properly account for the new restriction. A reclassification of net assets has been recorded for the fiscal year ending August 31, 2021 to increase net assets with restrictions by \$6,397 and decrease net assets without restrictions by \$6,397.

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NOTE 13: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2022. Subsequent events have been evaluated through January \_\_\_\_, 2023, which is the date the financial statements were available to be issued.

NOTE 14: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$855,246 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. This consists of unrestricted cash and cash equivalents of \$141,805 current assets of \$83,395 and unrestricted investments of \$853,994 net of the Organization's current liabilities of \$5,466 and restricted net assets in the amount of \$218,482. 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.