

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS  
SAN ANTONIO, TEXAS  
AUGUST 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, reading "Erin Heece".

San Antonio, Texas  
August 28, 2022

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2021 AND 2020

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents - Unrestricted	\$	245,938	\$ 139,050
Cash and Cash Equivalents - Colburn Scholarship		121,972	-
Total Cash and Cash Equivalents		<u>367,910</u>	<u>139,050</u>
Grants Receivable		100,000	46,012
Deposits - Office Lease		2,550	2,550
Prepaid Expenses		-	4,190
Total Current Assets		<u>470,460</u>	<u>191,802</u>
Investments - Board Designated - Future Reserves		955,808	771,233
Investments - Board Designated - Planned Giving		6,397	-
Fixed Assets:			
Property and Equipment		99,496	113,388
Less: Accumulated Depreciation		<u>(38,173)</u>	<u>(55,149)</u>
Net Property and Equipment		<u>61,323</u>	<u>58,239</u>
TOTAL ASSETS		<u>\$ 1,493,988</u>	<u>\$ 1,021,274</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$	9,134	\$ 9,588
Deferred Revenues		-	14,712
Payroll Liabilities		-	11,450
PPP Loan - Refundable Advance		84,772	60,400
Total Current Liabilities	\$	<u>93,906</u>	<u>\$ 96,150</u>
<u>NET ASSETS</u>			
Without Donor Restrictions:			
Board Designated - Future Reserves		955,808	771,233
Board Designated - Planned Giving		6,397	-
Undesignated		215,905	107,879
Total Without Donor Restrictions		<u>1,178,110</u>	<u>879,112</u>
With Donor Restrictions		<u>221,972</u>	<u>46,012</u>
Total Net Assets		<u>1,400,082</u>	<u>925,124</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,493,988</u>	<u>\$ 1,021,274</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, 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)	-
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	879,555	-	879,555
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	298,998	175,960	474,958
NET ASSETS AT BEGINNING OF THE YEAR	879,112	46,012	925,124
	<hr/>	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 1,178,110</u>	<u>\$ 221,972</u>	<u>\$ 1,400,082</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	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	759,075	-	759,075
	<hr/>	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 879,112</u>	<u>\$ 46,012</u>	<u>\$ 925,124</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 474,958	\$ 166,049
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	10,391	5,928
In-Kind Fixed Asset Contribution	(800)	(50,000)
Investment (Income) Loss	(186,203)	(98,384)
 (Increase) Decrease in Accounts Receivable	 -	 3,000
(Increase) Decrease in Grants Receivable	(53,988)	(46,012)
(Increase) Decrease in Prepaid Expenses	4,190	291
Increase (Decrease) in Accounts Payable	(454)	91
Increase (Decrease) in Payroll Liabilities	(11,450)	3,944
Increase (Decrease) in PPP Loan - Refundable Advance	24,372	60,400
Increase (Decrease) Deferred Revenues	<u>(14,712)</u>	<u>14,712</u>
 Net Cash Provided (Used) By Operating Activities	 246,304	 60,019
 Cash Flows from Investing Activities:		
Purchase of Investments	(4,770)	(108,254)
Sale of Investments	-	148,255
Purchase of Property and Equipment	<u>(12,674)</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	(17,444)	40,001
 Net Increase (Decrease) in Cash	 228,860	 100,020
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	 <u>139,050</u>	 <u>39,030</u>
 THE END OF THE YEAR	 <u><u>\$ 367,910</u></u>	 <u><u>\$ 139,050</u></u>
 Allocation of Cash and Cash Equivalents:		
Unrestricted	\$ 245,938	\$ 139,050
Colburn Scholarship	<u>121,972</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 367,910</u>	<u>\$ 139,050</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, 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.  
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	24,979	-	7,000	31,979
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
In-Kind Contributions	109,233	28,080	5,000	142,313
Insurance	10,000	4,658	-	14,658
Meetings	-	-	137	137
Membership Benefits	26,210	-	-	26,210
Miscellaneous Expenses	54	300	579	933
Occupancy	30,000	3,000	600	33,600
Office Supplies	8,731	4,000	3,419	16,150
Payroll Taxes	20,723	5,556	8,444	34,723
Piano Competition Awards	74,822	-	-	74,822
Piano Expense	12,180	-	-	12,180
Postage and Delivery	5,000	1,540	1,500	8,040
Printing and Reproduction	12,956	-	403	13,359
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	13,000	2,622	8,000	23,622
Grant Writer	12,799	-	-	12,799
Intern	24,750	-	-	24,750
Office Assistant	-	-	-	-
Photography	1,225	-	-	1,225
Publicist	7,050	-	-	7,050
Video and Media Production	22,804	-	-	22,804
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	33,723	-	4,207	37,930
Utilities	2,800	200	115	3,115
Venue Rental	11,427	-	-	11,427
<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.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

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, 2021 and 2020, \$221,972 and \$46,012 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, 2021, and 2020.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

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, 2021 and 2020.

*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 \$955,808 and \$771,233 as of August 31, 2021 and 2020, respectively.

In the 2020-2021 fiscal year, The Board of Directors has also designated funds to create a planned giving fund. The purpose of the fund is to create a vehicle to promote long-term giving from donors to the planned giving fund, and the funds will be used for The Organization's program service expenses. The value of the fund as of August 31, 2021 was \$6,397.

*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



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020.

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.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

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. At times such amounts may exceed the Federal Deposit Insurance Corporation (FDIC) limits. As of August 31, 2021, The Organization exceeded the FDIC limitations by \$117,910. The Organization did not exceed the FDIC limitations as of August 31, 2020 and cash accounts were fully insured.

*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.

*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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 138,663	\$ 128,327
Mutual Funds	817,145	642,906
Donor Advised Fund	<u>6,397</u>	<u>-</u>
Total	<u>\$ 962,205</u>	<u>\$ 771,233</u>



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

NOTE 3: INVESTMENTS (CONTINUED)

Investment income (losses) for the year ended August 31, 2021 and 2020 was comprised of:

	<u>2021</u>	<u>2020</u>
Dividends and Interest	\$ 11,218	\$ 13,503
Unrealized and Realized Gains	174,985	87,406
Less: Fees	<u>-</u>	<u>(2,525)</u>
Total	<u>\$ 186,203</u>	<u>\$ 98,384</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 86,965	\$ 100,857
Leasehold Improvements	12,531	12,531
Less: Accumulated Depreciation	<u>(38,173)</u>	<u>(55,149)</u>
Net Property and Equipment	<u>\$ 61,323</u>	<u>\$ 58,239</u>

The Organization recorded depreciation expense in the amount of \$10,391 and \$5,928 for the fiscal years ending August 31, 2021 and 2020.

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, 2021 and 2020. 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:

	<u>2021</u>	<u>2020</u>
Musical Sprouts Program	\$ -	\$ 46,012
Multi-Year Grant - Time Restricted	100,000	-
Colburn-Pledge Music Scholarship	<u>121,972</u>	<u>-</u>
Total	<u>\$ 221,972</u>	<u>\$ 46,012</u>



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

The Colburn-Pledge Music Scholarship Foundation dissolved the Foundation and contributed all of the 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.

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 2021 and 2020 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, 2021 and 2020:

	2021	2020
Venue Rentals	\$ -	\$ 21,765
Supplies	-	1,215
Piano Rental & Moving	-	31,750
Photographer	-	7,414
Office Assistant	28,080	28,080
Graphic Designer		25,000
Video Production	1,687	5,000
Printing & Reproduction		1,044
Catering and Meals for Guest Artists		6,768
Advertising	1,500	-
Piano		50,000
Donated Furniture	800	-
Storage Unit		3,000
Hotel Accommodations		11,277
Total In-Kind Contributions	<u>\$ 32,067</u>	<u>\$ 192,313</u>



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021 AND 2020

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.

**Donor Advised Funds:** Total investment value of funds is \$8,752,382 and the Organization has \$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, 2021 and 2020:



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NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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	-	-
Donor Advised Fund	6,397	6,397	-	-
Total	\$ 962,205	\$ 962,205	\$ -	\$ -

  

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	\$ -	\$ -

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 payments for the next two years are as follows:

Year Ending August 31,	Amount
2022	\$ 33,000
2023	13,750
	<u>\$ 46,750</u>

Total lease expense for the office space for the years ending August 31, 2021 and 2020 was \$33,000 and \$33,600 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 \$7,514 and \$6,829 for 2021 and 2020 are matching, non-elective contributions.

NOTE 11: PPP LOAN – REFUNDABLE ADVANCE

During the 2020 fiscal year, the Organization received a PPP loan in the amount of \$60,400 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, 2021, 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 June 17, 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 \$60,400 for the fiscal year ended August 31, 2021.

The Organization was granted a second loan in the amount of \$84,772 under the PPP administered by a Small Business Administration (SBA) approved partner in May 2021. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended August 31, 2021 for the second PPP loan. The Organization will be required to repay any remaining balance, plus accrued interest, in monthly payments commencing upon notification of forgiveness or partial forgiveness. Any unforgiven portion of the loan bears interest at a 1% interest rate and the Organization has two years to repay the loan. The Organization has filed a loan forgiveness application subsequent to year ending August 31, 2021, but notification on the approval of forgiveness has not been received.



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NOTE 12: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2021. Subsequent events have been evaluated through August 28, 2022, which is the date the financial statements were available to be issued.

NOTE 13: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$892,265 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 \$245,938 and investments of \$962,205 net of the Organization's current liabilities of \$93,906 and restricted net assets in the amount of \$221,972. The Organization has enough financial assets on hand to meet at least 90 days of normal operating expenses which are, on average approximately \$75,000 per month.