

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS  
SAN ANTONIO, TEXAS  
AUGUST 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 assess 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  
May 22, 2024

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2023 AND 2022

	<u>ASSETS</u>	(Restated)
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 401,843	\$ 141,805
Cash and Cash Equivalents - Colburn Scholarship	115,722	118,872
Total Cash and Cash Equivalents	<u>517,565</u>	<u>260,677</u>
Current Portion of Grants Receivable	125,000	33,509
Deposits - Office Lease	2,550	2,550
Prepaid Expenses	51,921	47,336
Total Current Assets	<u>697,036</u>	<u>344,072</u>
Other Assets:		
Investments - Future Reserves	975,407	883,584
Grants Receivable, Less Current Portion	50,000	-
Total Other Assets	<u>1,025,407</u>	<u>883,584</u>
Fixed Assets:		
Property and Equipment	105,350	105,350
Less: Accumulated Depreciation	<u>(62,362)</u>	<u>(50,268)</u>
Net Property and Equipment	<u>42,988</u>	<u>55,082</u>
TOTAL ASSETS	<u>\$ 1,765,431</u>	<u>\$ 1,282,738</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 14,813	\$ 5,466
Total Current Liabilities	<u>\$ 14,813</u>	<u>\$ 5,466</u>
 <u>NET ASSETS</u>		
Without Donor Restrictions:		
Board Designated - Future Reserves	975,407	883,584
Undesignated	299,444	204,796
Total Without Donor Restrictions	<u>1,274,851</u>	<u>1,088,380</u>
With Donor Restrictions	<u>475,767</u>	<u>188,892</u>
Total Net Assets	<u>1,750,618</u>	<u>1,277,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,765,431</u>	<u>\$ 1,282,738</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Donations	\$ 255,240	\$ 128,646	\$ 383,886
Grants	870,534	200,000	1,070,534
Memberships and Subscriptions	97,579	-	97,579
Investment Income (Loss), net expenses	88,669	-	88,669
Employee Retention Credit Income	89,081	-	89,081
In-Kind Contributions	63,982	-	63,982
Art Gallery Sales	9,175	-	9,175
Miscellaneous Income	7,586	-	7,586
Net Assets Released from Restrictions	41,771	(41,771)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>1,523,617</b>	<b>286,875</b>	<b>1,810,492</b>
<b>EXPENSES</b>			
Program	1,035,470	-	1,035,470
Administrative	143,297	-	143,297
Fundraising	158,379	-	158,379
<b>TOTAL EXPENSES</b>	<b>1,337,146</b>	<b>-</b>	<b>1,337,146</b>
<b>CHANGE IN NET ASSETS</b>	<b>186,471</b>	<b>286,875</b>	<b>473,346</b>
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<b>1,088,380</b>	<b>188,892</b>	<b>1,277,272</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,274,851</b>	<b>\$ 475,767</b>	<b>\$ 1,750,618</b>

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	(Restated) Total
<b>REVENUE AND SUPPORT</b>			
Donations	\$ 143,233	\$ 90,020	\$ 233,253
Grants	658,650	-	658,650
Memberships and Subscriptions	133,696	-	133,696
SBA Grant - Paycheck Protection Program	84,647	-	84,647
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)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>1,157,574</b>	<b>(9,887)</b>	<b>1,147,687</b>
<b>EXPENSES</b>			
Program	1,043,195	-	1,043,195
Administrative	131,813	-	131,813
Fundraising	95,489	-	95,489
<b>TOTAL EXPENSES</b>	<b>1,270,497</b>	<b>-</b>	<b>1,270,497</b>
<b>CHANGE IN NET ASSETS</b>	<b>(112,923)</b>	<b>(9,887)</b>	<b>(122,810)</b>
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<b>1,171,713</b>	<b>228,369</b>	<b>1,400,082</b>
<b>RECLASSIFICATION OF NET ASSETS (NOTE 13)</b>	<b>29,590</b>	<b>(29,590)</b>	<b>-</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,088,380</b>	<b>\$ 188,892</b>	<b>\$ 1,277,272</b>

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, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 473,346	\$ (122,810)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,094	12,094
Investment (Income) Loss	(88,669)	102,821
(Increase) Decrease in Grants Receivable	(141,491)	66,491
(Increase) Decrease in Prepaid Expenses	(4,585)	(47,336)
Increase (Decrease) in Accounts Payable	9,347	(3,668)
Increase (Decrease) in PPP Loan - Refundable Advance	-	(84,772)
	260,042	(77,180)
Net Cash Provided (Used) By Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Investments	(3,154)	(24,200)
Purchase of Property and Equipment	-	(5,853)
Net Cash Provided (Used) By Investing Activities	(3,154)	(30,053)
Net Increase (Decrease) in Cash	256,888	(107,233)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	260,677	367,910
THE END OF THE YEAR	\$ 517,565	\$ 260,677
Allocation of Cash and Cash Equivalents:		
Unrestricted	\$ 401,843	\$ 141,805
Colburn Scholarship	115,722	118,872
Total Cash and Cash Equivalents	\$ 517,565	\$ 260,677

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, 2023

	Program	Administrative	Fundraising	Total
Advertising	\$ 8,735	\$ -	\$ -	\$ 8,735
Artistic Fee	101,550	-	-	101,550
Bank Charges and Other Fees	3,000	1,291	-	4,291
Catering and Meals for Artists and Events	21,733	-	-	21,733
Conferences and Workshops	6,064	-	1,845	7,909
Depreciation	8,000	4,094	-	12,094
Donor Cultivation	-	-	20,399	20,399
Dues and Subscriptions	8,638	1,320	8,774	18,732
Employee Benefits	36,000	12,998	-	48,998
In-Kind Contributions	63,982	-	-	63,982
Insurance	10,476	-	-	10,476
Medals and Awards	13,563	-	-	13,563
Meetings	2,935	-	8,805	11,740
Membership Benefits	46,927	-	15,642	62,569
Merchandise	2,862	-	-	2,862
Music Licensing	2,903	-	-	2,903
Occupancy	15,000	18,300	-	33,300
Office Supplies	3,000	4,130	3,401	10,531
Payroll Taxes	27,533	6,000	6,000	39,533
Piano Expense	7,572	-	-	7,572
Postage and Delivery	5,000	-	972	5,972
Printing and Reproduction	25,314	-	-	25,314
Professional Consultants:				
Accounting Fees	-	25,538	-	25,538
Administrative Assistant	4,000	6,000	4,000	14,000
Attorney Fees	4,218	3,500	-	7,718
Creative Writer	2,500	-	-	2,500
Curriculum Development	22,318	-	-	22,318
Education Director	13,000	-	-	13,000
Educational Research Assistant	4,500	-	-	4,500
Gallery Coordinator	4,088	-	-	4,088
Grant Writer	10,000	-	9,947	19,947
Graphic Designer	15,937	-	-	15,937
Marketing Assistant	1,384	-	-	1,384
Publicist	9,742	-	-	9,742
Sound Engineer	3,650	-	-	3,650
Video and Media Production	32,024	-	-	32,024
Web-site Designer	18,005	1,117	-	19,122
Repairs and Maintenance	-	1,402	-	1,402
Salaries and Wages	385,906	51,455	77,181	514,542
Sales Taxes	-	99	-	99
Scholarships	3,150	-	-	3,150
Security	3,490	2,039	-	5,529
Telephone, Website, and Internet	2,000	1,500	1,413	4,913
Travel and Housing for Guest Artists	44,880	-	-	44,880
Utilities	838	2,514	-	3,352
Venue and Equipment Rental	29,053	-	-	29,053
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,035,470</b>	<b>\$ 143,297</b>	<b>\$ 158,379</b>	<b>\$ 1,337,146</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, 2022

	Program	Administrative	Fundraising	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
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	353	-	-	353
Music Licensing	3,751	-	-	3,751
Musical Sprouts	3,006	-	-	3,006
Occupancy	15,000	18,000	-	33,000
Office Supplies	1,100	1,000	1,439	3,539
Payroll Taxes	30,624	3,126	3,675	37,425
Piano Expense	5,760	-	-	5,760
Postage and Delivery	6,102	-	502	6,604
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 and Housing for Guest Artists	34,607	-	-	34,607
Utilities	1,500	1,688	-	3,188
Venue and Equipment 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.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022

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, 2023 and 2022, \$475,767 and \$188,892 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, 2023, and 2022.

*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, 2023 AND 2022

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, 2023 and 2022.

*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. The Organization capitalizes any purchase with an estimated life of over a year and over \$500.

*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 \$975,407 and \$883,584 as of August 31, 2023 and 2022, respectively.

*Revenue Recognition*

In accordance with accounting standards, The Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, The Organization applies guidance under Topic 606. If the transfer of assets is determined to be a contribution, The Organization evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before The Organization is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of promisor's obligation to transfer assets.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization has the following revenue classifications that are not contract revenues and are recognized as follows:

**Reimbursable Grants**

Reimbursable grants are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses, costs are incurred on the basis of direct costs plus allowable qualifying expenses. Revenue recognition on reimbursable grants which billings have not been presented to or collected from the awarding agency is included in grants receivable in the accompanying statements of financial position. Any amounts, if applicable, received in advance where conditions were not met as of year-end are included in unearned revenue in the accompanying statements of financial position.

**Contributions and Grants**

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions and 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.

Conditional contributions, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. The Organization did not have any unrecognized conditional awards as of August 31, 2023 and 2022.

The Organization earns (exchange) revenue from membership fees and special events. Revenue is recognized based on the following steps: (1) identification of contract with customer; (2) determination of performance obligations; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations and (5) recognition of revenue when (or as) The Organization satisfies each performance obligation. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. There are no complex, unique or nonrecurring contractually derived revenues.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization applied the standard's practical expedient that permits the omission of several disclosures related to receivables, contract assets, and contract liabilities. There have been no changes in judgements used to determine the timing of the satisfaction of performance obligations or the transaction price and amounts allocated to performance obligations. There are also no incremental costs of obtaining a contract and no significant financing components. The Organization has the following revenue classifications that are contract revenues and are recognized as follows:

**Memberships**

There are different levels of membership and seasonal benefits and services provided to members depends on their membership level. There is a list of membership levels and related benefits to the members at each level. The member determines what level of membership they wish to purchase. The transaction price is determined by the level of membership the member purchases. The membership fees will be recognized evenly over the 12 months of the subscription season which is the length of the membership. All agreed upon membership benefits were completed by the end of the season. Any amount received in excess of the benefit provided to the members is recorded as a contribution.

**Special Event Revenues**

Special event revenues from exchange transactions are deferred from recognition until the event has occurred. Revenue is recorded after the event has taken place when the performance obligation has been completed. Any amount received in excess of the benefit provided to the attendees is recorded as a contribution. There were no special event revenues for the fiscal year ending August 31, 2023.

*Contributed Nonfinancial Assets*

Contributed nonfinancial assets that were received by The Organization are valued using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. In-kind contributions received are utilized in their program services and for general and administrative purposes. There were no associated donor restrictions for the in-kind contributions received.

*Leases*

Transactions give rise to leases when The Organization receives substantially all the economic benefits from and has the ability to direct the use of specific property, plant,

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and equipment. The Organization has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the statements of financial position unless the term of the lease is 12 months or less.

Right-of-use assets represent the right to use underlying assets for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

*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 2019 through 2021 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, 2023 and 2022, The Organization exceeded the FDIC limitations by \$281,447 and \$14,247.

*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, 2023 and 2022.

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NOTE 3: INVESTMENTS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 274,643	\$ 219,274
Mutual Funds	700,764	634,720
New Braunfel Community Foundation Fund	<u>-</u>	<u>29,590</u>
Total	<u>\$ 975,407</u>	<u>\$ 883,584</u>

Investment income (losses) for the year ended August 31, 2023 and 2022 was comprised of:

	<u>2023</u>	<u>2022</u>
Dividends and Interest	\$ 21,910	\$ 12,001
Unrealized and Realized Gains (Losses)	67,057	(114,777)
Less: Fees	<u>(298)</u>	<u>(45)</u>
Total	<u>\$ 88,669</u>	<u>\$ (102,821)</u>

See reclassification note at Note 13 to discuss the closure of New Braunfels Community Foundation fund and reallocation of restricted funds to board designated funds.

NOTE 4: GRANTS RECEIVABLE

Grants receivable consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Due in Less than One Year	\$ 125,000	\$ -
Due in One to Five Years	<u>50,000</u>	<u>-</u>
Grants Receivable	<u>\$ 175,000</u>	<u>\$ -</u>

Discounting for present value is not significant.



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NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2023 and 2022:

	2023	2022
Furniture and Equipment	\$ 92,019	\$ 92,019
Leasehold Improvements	13,331	13,331
Less: Accumulated Depreciation	(62,362)	(50,268)
Net Property and Equipment	\$ 42,988	\$ 55,082

The Organization recorded depreciation expense in the amount of \$12,094 for the fiscal years ending August 31, 2023 and 2022.

NOTE 6: 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, 2023 and 2022. The line of credit remains available to the Organization if needed for future use.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

	2023	2022
Gurwitz Piano Competition	\$ 185,045	\$ 70,020
Time Restricted Grants	175,000	-
Colburn-Pledge Music Scholarship	115,722	118,872
Total	\$ 475,767	\$ 188,892

The total release from donor restrictions for the fiscal year ending August 31, 2023 and 2022 was \$41,771 and \$103,100.

The Colburn-Pledge Music Scholarship Foundation dissolved and the Foundation 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 students pursuing the studies of a bowed string instrument in classical music. The amount received from the Foundation was properly recorded as revenues with donor restrictions on the statement of

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NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

activities and donor restricted net assets on the statement of financial position as of August 31, 2021. \$3,150 and \$3,100 was spent on scholarships during the fiscal years ending August 31, 2023 and 2022 and was properly released from restrictions in the current fiscal year.

NOTE 8: CONTRIBUTED NONFINANCIAL ASSETS

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services, that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills. Donated services would typically need to be purchased if not provided by donation, are also recorded based on current market rates for similar services. The value of these professional services and donated items are reported by The Organization in the accompanying statements of activities as revenues and other support. A like amount is charged to a program, administrative, or fundraising expense in accordance with the character of the donation on the schedule of functional expenses.

The Organization received the following contributed nonfinancial assets during the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Venue Rentals	\$ 2,500	\$ 22,430
Office Assistant	28,080	28,080
Video Production	-	11,500
Printing & Reproduction	-	1,423
Photography	-	6,503
Catering and Meals for Guest Artists	4,905	14,778
Advertising	-	525
Piano and Instrument Rentals	1,100	587
Auto	90	-
Event Expenses	19,241	1,750
Hotel and Housing Accommodations	<u>8,066</u>	<u>12,118</u>
Total In-Kind Contributions	<u>\$ 63,982</u>	<u>\$ 99,694</u>

NOTE 9: 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

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NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 had \$29,590 invested within the fund at fiscal year-end August 31, 2022. The Account was closed during the fiscal year ending August 31, 2023.. 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, 2023 and 2022:

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NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair Value Measurements at August 31, 2023			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash and Cash Equivalents	\$ 274,643	\$274,643	\$ -	\$ -
Mutual Funds	700,764	700,764	-	-
Total	\$ 975,407	\$975,407	\$ -	\$ -
	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	\$ -	\$ -

NOTE 10: OPERATING LEASE COMMITMENTS

The Organization leases its office space under an operating lease agreement. The current office equipment and office space lease does not exceed beyond a 12-month period and, therefore, further disclosures under the new ASC 842 leases standard do not apply. Rent expenses under the leases totaled approximately \$33,300 and \$33,000 in 2023 and 2022.

The Organization entered into two non-cancelable operating leases for office space, which expire in January 2023. The Organization was on a month-to-month basis for the remainder of the fiscal year ending August 31, 2023.

NOTE 11: 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 \$14,497 and \$13,513 for 2023 and 2022 are matching, non-elective contributions.

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NOTE 12: 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. The Organization was not eligible for a PPP loan for the fiscal year ending August 31, 2023.

NOTE 13: RECLASSIFICATION OF NET ASSETS

As noted in Note 3, during the 2022 fiscal year, The Board of Directors approved the opening of 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 contributions and earnings to this fund were recorded as purposed restricted net assets. In actuality, the funds contributed to the New Braunfels Community Foundation were at the board designation and were not donor directed. A reclassification of net assets has been recorded for the fiscal year ending August 31, 2022 to increase net assets without restrictions board designated by \$29,590 and decrease net assets with restrictions by \$29,590.

In addition, The Board of Directors was not satisfied with the investment returns earned by the fund and approved closing the New Braunfels Community Foundation fund and combining funds with the other board designated endowment funds.

NOTE 14: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2023. Subsequent events have been evaluated through May 22, 2024, which is the date the financial statements were available to be issued.

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NOTE 15: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$1,066,141 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 \$401,843 current assets of \$179,471 and investments of \$975,407 net of the Organization's current liabilities of \$14,813 and restricted net assets in the amount of \$475,767. The Organization has enough financial assets on hand to meet at least 90 days of normal operating expenses which are, on average approximately \$110,000 per month.