

MUSICAL BRIDGES AROUND THE WORLD, INC.
AUDITED FINANCIAL STATEMENTS
SAN ANTONIO, TEXAS
AUGUST 31, 2010 AND 2009

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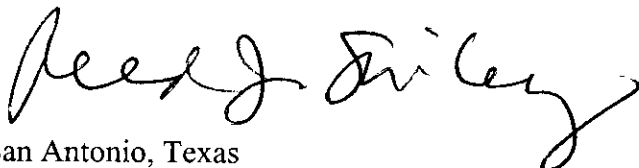
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

I have audited the accompanying statements of financial position of Musical Bridges Around the World, Inc. (a non-profit organization) as of August 31, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Musical Bridges Around the World's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



San Antonio, Texas
December 4, 2010

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2010 AND 2009

<u>ASSETS</u>		
	2010	2009
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,273	\$ 14,447
Total Current Assets	11,273	14,447
Fixed Assets:		
Property and Equipment	18,172	18,172
Less: Accumulated Depreciation	8,904	5,254
Net Property and Equipment	9,268	12,918
 TOTAL ASSETS	 \$ 20,541	 \$ 27,365
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 145	\$ -
Total Current Liabilities	145	-
 <u>NET ASSETS</u>		
Unrestricted	20,396	7,365
Temporarily Restricted	-	20,000
 TOTAL NET ASSETS	 20,396	 27,365
 TOTAL LIABILITIES AND NET ASSETS	 \$ 20,541	 \$ 27,365

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2010 AND 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
REVENUE AND SUPPORT				
Donations	\$ 56,615	\$ -	\$ 56,615	\$ 33,763
Grants	79,774	-	79,774	107,241
Memberships	35,720	-	35,720	14,992
Ticket Sales - Concerts	22,119	-	22,119	20,666
Ad Sales - Programs	6,022	-	6,022	3,847
In-Kind Revenue	89,642	-	89,642	69,668
Other	-	-	-	381
Net Assets Released from Restrictions	20,000	(20,000)	-	-
TOTAL REVENUE AND SUPPORT	<u>309,892</u>	<u>(20,000)</u>	<u>289,892</u>	<u>\$ 250,558</u>
EXPENSES				
Program	241,757	-	241,757	209,519
Administrative	30,901	-	30,901	29,843
Fundraising	24,203	-	24,203	11,201
TOTAL EXPENSES	<u>296,861</u>	<u>-</u>	<u>296,861</u>	<u>250,563</u>
CHANGE IN NET ASSETS	13,031	(20,000)	(6,969)	(5)
NET ASSETS AT BEGINNING OF THE YEAR	<u>7,365</u>	<u>20,000</u>	<u>27,365</u>	<u>27,370</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,396</u>	<u>\$ -</u>	<u>\$ 20,396</u>	<u>\$ 27,365</u>

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2010 AND 2009

	Program	Administrative	Fundraising	2010 Total	2009 Total
Advertising	\$ 1,577	\$ -	\$ -	\$ 1,577	\$ 3,745
Artistic Fee	70,255	-	-	70,255	83,534
Bank Charges	-	558	-	558	345
Catering	10,055	-	-	10,055	9,119
Compensation: Artistic Director	23,600	5,900	-	29,500	29,500
Compensation: Office Manager	-	5,000	-	5,000	7,160
Contract Labor	-	100	-	100	-
Credit Card Charges	-	1,513	-	1,513	1,980
Depreciation	2,920	730	-	3,650	2,345
Dues and Subscriptions	-	1,225	-	1,225	332
Flowers	412	-	-	412	-
Insurance	1,338	-	-	1,338	997
Interest	-	222	-	222	24
Meals for Guest Artists	5,876	-	-	5,876	2,589
Office Supplies	-	4,950	-	4,950	4,311
Other	-	62	-	62	-
Piano Expense	11,748	-	-	11,748	7,560
Postage and Delivery	5,667	-	-	5,667	3,499
Printing and Reproduction	10,012	-	-	10,012	7,401
Professional Consultants: Accounting Fees	-	7,082	-	7,082	1,808
Professional Consultants: Computer Technical Assistance	-	2,000	-	2,000	1,000
Professional Consultants: Development Consultant	-	-	4,639	4,639	8,589
Professional Consultants: Grant Writer	-	-	10,000	10,000	-
Professional Consultants: Graphic Designer	3,530	-	-	3,530	2,500
Professional Consultants: Legal Fees	-	-	-	-	9,570
Professional Consultants: Marketing Consultant	-	-	9,564	9,564	2,612
Professional Consultants: Photography	5,000	-	-	5,000	-
Professional Consultants: Recording Engineer	4,000	-	-	4,000	9,480
Professional Consultants: Video Production	8,500	-	-	8,500	-
Professional Consultants: Web-Site Designer	4,810	-	-	4,810	4,200
Rentals	1,701	-	-	1,701	430
Travel	31,874	-	-	31,874	10,177
Venue Rental	26,376	-	-	26,376	27,964
Volunteers for Concerts	12,506	-	-	12,506	7,268
Web Hosting	-	1,559	-	1,559	524
TOTAL FUNCTIONAL EXPENSES	\$ 241,757	\$ 30,901	\$ 24,203	\$ 296,861	\$ 250,563

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, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (6,969)	\$ (5)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,650	2,345
Increase in Accounts Payable	145	-
Net Cash Provided (Used) By Operating Activities	(3,174)	2,340
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(10,927)
Net Cash Used By Investing Activities	-	(10,927)
Net Decrease in Cash	(3,174)	(8,587)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,447	23,034
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 11,273	\$ 14,447

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

NOTE 1: NATURE OF ACTIVITIES

Musical Bridges Around the World, Inc. (the Organization) is a nonprofit corporation founded in 1998 for the purpose of inviting international classical and jazz artists from all over the world to perform with talented local musicians at venues in San Antonio and surrounding areas. 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, and concerts for local school children through its "Kids to Concerts" educational outreach program in partnership with San Antonio public school districts.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization uses United States generally accepted accounting principles in the preparation of its financial statements. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and are immediately available to the organization for the performance of its service.

Temporarily Restricted Net Assets – Net assets that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and otherwise removed by actions of the Organization pursuant to purpose stipulations.

Permanently Restricted Net Assets – Net assets restricted in perpetuity by donor. There are no permanently restricted net assets held by the Organization as of August 31, 2010 and 2009.

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.

MUSICAL BRIDGES AROUND THE WORLD, INC.
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2010 AND 2009

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is computed using the modified accelerated cost recovery system method over the estimated useful lives of the assets. Individual items of furniture, fixtures, and equipment are depreciated over periods varying from five to seven years.

Revenue and Support

The Organization receives support from individual contributions and grants from corporations, foundations, and local government entities. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Federal Income Tax Status

The Corporation is exempt from Federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the 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: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2010 and 2009:

	2010	2009
Computer and Musical Equipment	\$ 18,172	\$ 18,172
Less: Accumulated Depreciation	(8,904)	(5,254)
Net Property and Equipment	<u>\$ 9,268</u>	<u>\$ 12,918</u>

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31, 2010 and 2009:

	2010	2009
Kids to Concerts	\$ -	\$ 15,000
Operational Expenses	-	5,000
	<u>\$ -</u>	<u>\$ 20,000</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

NOTE 5: IN-KIND CONTRIBUTIONS

Contributed Facilities

Concert venues at San Fernando Cathedral, the Mexican Cultural Institute, and the Crown Ridge Music Academy are available for musical performances at no charge to the Organization.

The estimated value of these facilities is reflected in the accompanying statements of activities as both in-kind revenues and expenses in the amount of \$21,780 for 2010 and \$25,280 for 2009.

Other Contributed Materials and Services

Several of the musicians who perform in the organization's concerts travel from other cities and countries. The Organization provides free lodging and amenities to these individuals during their stay in San Antonio, and estimates the fair market value of the benefits provided to the guest musicians to be \$9,120 for the fiscal years ending August 31, 2010 and 2009, respectively.

During the current fiscal year, musical instruments and equipment were made available to the Organization free of charge for use in the organization's concerts. The fair rental value of the contributed property was \$10,933 for the fiscal year ended August 31, 2010 and \$7,248 for the fiscal year ended August 31, 2009.

Contributions of donated services (those that require specialized skills and would typically need to be purchased if not provided by donation) are provided by individuals possessing those skills and are recorded at their fair values in the period received. Website designers, a grant writer, graphic designers, a recording engineer, a computer tech, volunteers at concerts, and an attorney donated professional services to the Organization in the furtherance of its service. Management estimates the fair market value of these donated services to be \$47,809 for the fiscal year ended August 31, 2010 and \$28,020 for the fiscal year ended August 31, 2009. The value of these donated professional services is reported by the Organization in the accompanying statement of activities as in-kind revenue and as program and administrative expenses.

NOTE 6: FAIR VALUE OF FINANCIAL INSTRUMENTS

As required by the Fair Value of Financial Instruments topic of the FASB Accounting Standards Codification, the Organization adapted the provisions of Fair Value Measurements effective January 1, 2008. Under the Fair Value Measurements topic, fair value is defined as the price that would be received to sell an asset or an amount paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MUSICAL BRIDGES AROUND THE WORLD, INC.
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2010 AND 2009

NOTE 6: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority, Level 2 valuations are based on quoted prices in markets that are not active, and Level 3 valuations are based on inputs that are unobservable and consequently have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets or liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 input valuations were used by the Organization.

The following methods and assumptions were used by The Organization in estimating its fair value disclosures for financial statements:

Cash and cash equivalents - The carrying amounts reported in the statements of financial position approximate their fair values because of the short maturities of those instruments.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value as of August 31, 2010 and August 31, 2009:

<u>Fair Value Measurements at August 31, 2010:</u>	
<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Cash and cash equivalents	\$ 11,273
	\$ 11,273
 <u>Fair Value Measurements at August 31, 2009:</u>	
<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Cash and cash equivalents	\$ 14,447
	\$ 14,447

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

NOTE 7: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2009 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2010. These reclassifications had no effect on net assets.

NOTE 8: SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions subsequent to August 31, 2010 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended August 31, 2010. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 4, 2010.