

MUSICAL BRIDGES AROUND THE WORLD, INC.
AUDITED FINANCIAL STATEMENTS
SAN ANTONIO, TEXAS
AUGUST 31, 2011 AND 2010

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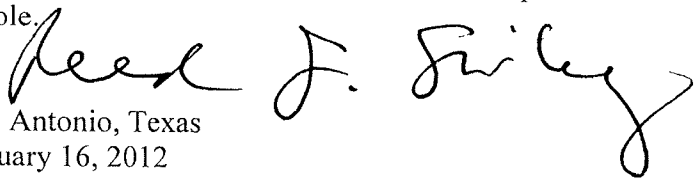
Board of Directors
Musical Bridges Around the World, Inc.
San Antonio, Texas

I have audited the accompanying statements of financial position of Musical Bridges Around the World, Inc. (a non-profit organization) as of August 31, 2011 and 2010, and the related statements of activities and cash flows 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, 2011 and 2010, 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.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


San Antonio, Texas
January 16, 2012

MUSICAL BRIDGES AROUND THE WORLD, INC.
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 27,923	\$ 11,273
Total Current Assets	<u>27,923</u>	<u>11,273</u>
Fixed Assets:		
Property and Equipment	20,770	18,172
Less: Accumulated Depreciation	<u>12,617</u>	<u>9,972</u>
Net Property and Equipment	<u>8,153</u>	<u>8,200</u>
 TOTAL ASSETS	 <u>\$ 36,076</u>	 <u>\$ 19,473</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 2,504	\$ 145
Total Current Liabilities	<u>2,504</u>	<u>145</u>
 <u>NET ASSETS</u>		
Unrestricted	<u>33,572</u>	<u>19,328</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 36,076</u>	 <u>\$ 19,473</u>

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUE AND SUPPORT		
Donations	\$ 86,203	\$ 56,615
Grants	106,892	79,774
Memberships	20,211	35,720
Ticket Sales - Concerts	23,705	22,119
Ad Sales - Programs	4,550	6,022
Other	57	-
In-Kind Revenue	<u>77,680</u>	<u>89,642</u>
 TOTAL REVENUE AND SUPPORT	 <u>319,298</u>	 <u>\$ 289,892</u>
 EXPENSES		
Program	276,971	241,757
Administrative	26,083	30,901
Fundraising	<u>2,000</u>	<u>24,203</u>
 TOTAL EXPENSES	 <u>305,054</u>	 <u>296,861</u>
 INCREASE (DECREASE) IN NET ASSETS, BEFORE ADJUSTMENTS	 14,244	 (6,969)
 PRIOR PERIOD ADJUSTMENT	 <u>-</u>	 <u>(1,068)</u>
 CHANGE IN NET ASSETS	 14,244	 (8,037)
 NET ASSETS AT BEGINNING OF THE YEAR	 <u>19,328</u>	 <u>27,365</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 33,572</u></u>	 <u><u>\$ 19,328</u></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, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 14,244	\$ (8,037)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,645	3,650
Prior Period Adjustment to Accumulated Depreciation	-	1,068
Increase in Accounts Payable	2,359	145
Net Cash Provided (Used) By Operating Activities	19,248	(3,174)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(2,598)	-
Net Cash Used By Investing Activities	(2,598)	-
Net Increase (Decrease) in Cash	16,650	(3,174)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,273	14,447
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 27,923	\$ 11,273

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, 2011 AND 2010

	Program	Administrative	Fundraising	2011 Total	2010 Total
Advertising	\$ 1,910	\$ -	\$ -	\$ 1,910	\$ 1,577
Artistic Fee	70,344	-	-	70,344	70,255
Bank Charges	-	290	-	290	558
Catering	17,906	-	-	17,906	10,055
Compensation: Artistic Director	28,800	7,200	-	36,000	29,500
Compensation: Office Manager	14,560	3,640	-	18,200	5,000
Contract Labor	-	-	-	-	100
Credit Card Charges	-	1,509	-	1,509	1,513
Depreciation	2,116	529	-	2,645	3,650
Dues and Subscriptions	-	1,100	-	1,100	1,225
Flowers	1,050	-	-	1,050	412
Insurance	1,128	-	-	1,128	1,338
Interest	-	259	-	259	222
Licenses & Permits	44	-	-	44	-
Meals for Guest Artists	2,411	-	-	2,411	5,876
Office Supplies	7,097	2,275	-	9,372	4,950
Other	-	-	-	-	62
Piano Expense	9,511	-	-	9,511	11,748
Postage and Delivery	4,067	-	-	4,067	5,667
Printing and Reproduction	21,794	-	-	21,794	10,012
Professional Consultants: Accounting Fees	-	6,116	-	6,116	7,082
Professional Consultants: Computer Technical Assistance	-	2,000	-	2,000	2,000
Professional Consultants: Development Consultant	-	-	2,000	2,000	4,639
Professional Consultants: Grant Writer	-	-	-	-	10,000
Professional Consultants: Graphic Designer	4,975	-	-	4,975	3,530
Professional Consultants: Marketing Consultant	-	-	-	-	9,564
Professional Consultants: Photography	6,000	-	-	6,000	5,000
Professional Consultants: Recording Engineer	10,250	-	-	10,250	4,000
Professional Consultants: Video Production	8,400	-	-	8,400	8,500
Professional Consultants: Web-Site Designer	4,872	-	-	4,872	4,810
Rentals	2,766	-	-	2,766	1,701
Travel	20,269	-	-	20,269	31,874
Venue Rental	28,118	-	-	28,118	26,376
Volunteers for Concerts	8,583	-	-	8,583	12,506
Web Hosting	-	1,165	-	1,165	1,559
TOTAL FUNCTIONAL EXPENSES	\$ 276,971	\$ 26,083	\$ 2,000	\$ 305,054	\$ 296,861

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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. There were no temporarily restricted net assets held by the Organization as of August 31, 2011 or 2010.

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, 2011 and 2010.

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, 2011 AND 2010

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, 2011 and 2010:

	2011	2010
Computer and Musical Equipment	\$ 20,770	\$ 18,172
Less: Accumulated Depreciation	(12,617)	(9,972)
Net Property and Equipment	\$ 8,153	\$ 8,200

NOTE 4: IN-KIND CONTRIBUTIONS

Contributed Facilities

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

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

NOTE 4: IN-KIND CONTRIBUTIONS (CONTINUED)

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 \$20,000 for 2011 and \$21,780 for 2010.

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 \$3,380 and \$9,120 for the fiscal years ending August 31, 2011 and 2010, 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 \$9,000 for the fiscal year ended August 31, 2011 and \$10,933 for the fiscal year ended August 31, 2010.

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 \$45,300 for the fiscal year ended August 31, 2011 and \$47,809 for the fiscal year ended August 31, 2010. 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 5: 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.

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. 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

MUSICAL BRIDGES AROUND THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

have the highest priority, Level 2 valuations are based on quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, 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 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 (Level 1) - The carrying amounts reported in the statements of financial position approximate their fair values because of the short maturities of those instruments.

NOTE 6: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2010 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2011. These reclassifications had no effect on net assets.

NOTE 7: PRIOR PERIOD ADJUSTMENT

Depreciation expense reported in the August 31, 2009 financial statements was inadvertently recorded using the straight line method of depreciation; however, the Organization has elected to depreciate all fixed assets using the modified accelerated cost recovery system method. This error resulted in depreciation expense being understated in the August 31, 2009 financial statements by \$1,068. A prior period adjustment has been reported in the Organization's statements of activities for this fiscal year in order to correct that error.

NOTE 8: SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions subsequent to August 31, 2011 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, 2011. Subsequent events have been evaluated through the date the financial statements became available to be issued, January 16, 2012.