

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES  
SAN ANTONIO, TEXAS  
AUGUST 31, 2012 AND 2011

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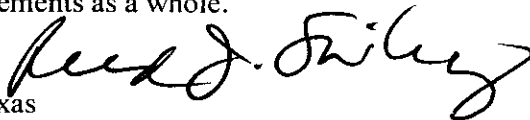
Board of Directors  
Musical Bridges Around the World, Inc.  
San Antonio, Texas

I have audited the accompanying statements of financial position of Musical Bridges Around the World, Inc. (a non-profit organization) as of August 31, 2012 and 2011, 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, 2012 and 2011, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 6 and 7 are presented for purposes of additional analysis and are 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 6, 2013

MUSICAL BRIDGES AROUND THE WORLD, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 AUGUST 31, 2012 AND 2011

	<u>ASSETS</u>	
<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 49,403	\$ 27,923
Total Current Assets	<u>49,403</u>	<u>27,923</u>
Fixed Assets:		
Property and Equipment	20,770	20,770
Less: Accumulated Depreciation	<u>15,251</u>	<u>12,617</u>
Net Property and Equipment	<u>5,519</u>	<u>8,153</u>
 TOTAL ASSETS	 <u>\$ 54,922</u>	 <u>\$ 36,076</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ -	\$ 2,504
Total Current Liabilities	<u>-</u>	<u>2,504</u>
 <u>NET ASSETS</u>		
Unrestricted	<u>54,922</u>	<u>33,572</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 54,922</u>	 <u>\$ 36,076</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, 2012

	2012
REVENUE AND SUPPORT	
Donations	\$ 53,167
Grants	139,763
Memberships	41,905
Ticket Sales - Concerts	24,695
Special Events, Net of Expenses of \$7,700	38,628
Ad Sales - Programs	5,000
In-Kind Revenue	114,142
 TOTAL REVENUE AND SUPPORT	 417,300
 EXPENSES	
Program	358,536
Administrative	34,314
Fundraising	3,100
 TOTAL EXPENSES	 395,950
 CHANGE IN NET ASSETS	 21,350
 NET ASSETS AT BEGINNING OF THE YEAR	 33,572
 NET ASSETS AT END OF YEAR	 \$ 54,922

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

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2011

	2011
<b>REVENUE AND SUPPORT</b>	
Donations	\$ 86,203
Grants	106,892
Memberships	20,211
Ticket Sales - Concerts	23,705
Ad Sales - Programs	4,550
Other	57
In-Kind Revenue	77,680
<b>TOTAL REVENUE AND SUPPORT</b>	<b>319,298</b>
<b>EXPENSES</b>	
Program	276,971
Administrative	26,083
Fundraising	2,000
<b>TOTAL EXPENSES</b>	<b>305,054</b>
<b>CHANGE IN NET ASSETS</b>	<b>14,244</b>
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<b>19,328</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 33,572</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, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 21,350	\$ 14,244
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,634	2,645
Increase (Decrease) in Accounts Payable	(2,504)	2,359
Net Cash Provided By Operating Activities	21,480	19,248
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(2,598)
Net Cash Used By Investing Activities	-	(2,598)
Net Increase in Cash	21,480	16,650
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	27,923	11,273
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 49,403	\$ 27,923

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, 2012  
(Supplemental Schedule)

	Program	Administrative	Fundraising	2012 Total
Advertising	\$ 4,842	\$ -	\$ -	\$ 4,842
Artistic Fee	79,057	-	-	79,057
Auto	620	-	-	620
Bank Charges	-	125	-	125
Catering	18,191	-	-	18,191
Credit Card Fees	-	787	-	787
Depreciation	2,107	527	-	2,634
Dues and Subscriptions	-	260	-	260
Flowers	384	-	-	384
Insurance	389	-	-	389
Meals for Guest Artists	1,446	-	-	1,446
Office Supplies	5,569	1,392	-	6,961
Payroll - Artistic Director	30,133	7,533	-	37,666
Payroll - Program Managers	19,536	4,884	-	24,420
Payroll Taxes	2,828	707	-	3,535
Piano Expense	16,731	-	-	16,731
Postage and Delivery	3,000	663	-	3,663
Printing and Reproduction	7,000	1,781	-	8,781
Professional Consultants:				
Accounting Fees	-	8,239	-	8,239
Development Consultant	-	-	1,400	1,400
Graphic Designer	35,000	2,735	-	37,735
Marketing Consultant	4,002	-	1,000	5,002
Photography	6,000	-	-	6,000
Recording Engineer	11,100	-	-	11,100
Video Production	23,400	-	-	23,400
Web-Site Designer	10,535	-	-	10,535
Rentals:	2,813	-	-	2,813
Telephone	-	3,745	-	3,745
Travel	36,435	-	700	37,135
Venue Rental	32,418	-	-	32,418
Volunteers for Concerts	5,000	-	-	5,000
Web Hosting	-	936	-	936
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 358,536</b>	<b>\$ 34,314</b>	<b>\$ 3,100</b>	<b>\$ 395,950</b>

See Accompanying Independent Auditor's Report.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2011  
(Supplemental Schedule)

	Program	Administrative	Fundraising	2011 Total
Advertising	\$ 1,910	\$ -	\$ -	\$ 1,910
Artistic Fee	70,344	-	-	70,344
Bank Charges	-	290	-	290
Catering	17,906	-	-	17,906
Compensation: Artistic Director	28,800	7,200	-	36,000
Compensation: Office Manager	14,560	3,640	-	18,200
Contract Labor	-	-	-	-
Credit Card Fees	-	1,768	-	1,768
Depreciation	2,116	529	-	2,645
Dues and Subscriptions	-	1,100	-	1,100
Flowers	1,050	-	-	1,050
Insurance	1,128	-	-	1,128
Licenses & Permits	44	-	-	44
Meals for Guest Artists	2,411	-	-	2,411
Office Supplies	7,097	2,275	-	9,372
Other	-	-	-	-
Piano Expense	9,511	-	-	9,511
Postage and Delivery	4,067	-	-	4,067
Printing and Reproduction	21,794	-	-	21,794
Professional Consultants:				
Accounting Fees	-	6,116	-	6,116
Computer Technical Assistance	-	2,000	-	2,000
Development Consultant	-	-	2,000	2,000
Graphic Designer	4,975	-	-	4,975
Photography	6,000	-	-	6,000
Recording Engineer	10,250	-	-	10,250
Video Production	8,400	-	-	8,400
Web-Site Designer	4,872	-	-	4,872
Rentals:	2,766	-	-	2,766
Travel	20,269	-	-	20,269
Venue Rental	28,118	-	-	28,118
Volunteers for Concerts	8,583	-	-	8,583
Web Hosting	-	1,165	-	1,165
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 276,971</b>	<b>\$ 26,083</b>	<b>\$ 2,000</b>	<b>\$ 305,054</b>

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

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, 2012 or 2011.

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, 2012 and 2011.

*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.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2012 AND 2011

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Cash*

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

*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, 2012 and 2011:

	2012	2011
Computer and Musical Equipment	\$ 20,770	\$ 20,770
Less: Accumulated Depreciation	(15,251)	(12,617)
Net Property and Equipment	\$ 5,519	\$ 8,153

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, 2012 AND 2011

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 \$22,998 for 2012 and \$20,000 for 2011.

*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 \$3,640 and \$3,380 for the fiscal years ending August 31, 2012 and 2011, 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 years ended August 31, 2012 and 2011.

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, concert volunteers, 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 \$78,504 and \$45,300 for the fiscal years ended August 31, 2012 and 2011, respectively. 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, 2012 AND 2011

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, 2011 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2012. These reclassifications had no effect on net assets.

NOTE 7: SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions subsequent to August 31, 2012 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, 2012. Subsequent events have been evaluated through the date the financial statements became available to be issued, January 6, 2013.