

MUSICAL BRIDGES AROUND THE WORLD, INC.  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES  
SAN ANTONIO, TEXAS  
AUGUST 31, 2015 AND 2014

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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, 2015 and 2014, and the related statements of activities 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.

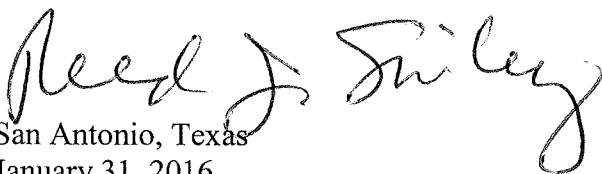
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **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, 2015 and 2014, 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.

### **Other Matter**

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 7 and 8 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 31, 2016

MUSICAL BRIDGES AROUND THE WORLD, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 AUGUST 31, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	(Restated) <u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 10,708	\$ 33,498
Deposits - Office Lease	2,550	2,550
Inventory - Artwork	6,750	8,250
Prepaid Expenses	14,815	7,400
Total Current Assets	34,823	51,698
Investments	473,418	-
Fixed Assets:		
Property and Equipment	51,510	32,404
Less: Accumulated Depreciation	27,183	22,820
Net Property and Equipment	24,327	9,584
<b>TOTAL ASSETS</b>	<b>\$ 532,568</b>	<b>\$ 61,282</b>

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:		
Accounts Payable	\$ 3,926	\$ 2,224
Payroll Liabilities	2,924	1,726
Deferred Revenues	8,301	37,159
Total Current Liabilities	\$ 15,151	\$ 41,109

NET ASSETS

Unrestricted Net Assets:		
Board Designated - Future Reserves	473,418	-
Undesignated	30,695	20,173
Total Unrestricted	504,113	20,173
Temporarily Restricted:	13,304	-
Total Net Assets	517,417	20,173
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 532,568</b>	<b>\$ 61,282</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, 2015

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Donations	\$ 651,689	\$ -	\$ 651,689
Grants	288,848	13,304	302,152
Memberships and Subscriptions	26,523	-	26,523
Ad Sales - Programs	2,074	-	2,074
Art Sales	7,806	-	7,806
Special Events, net of expenses of \$43,216	61,661	-	61,661
Loss on Sale of Assets	(1,000)	-	(1,000)
Investment Income (Loss)	(26,582)	-	(26,582)
In-Kind Contributions	127,385	-	127,385
	1,138,404	13,304	1,151,708
<b>EXPENSES</b>			
Program	542,630	-	542,630
Administrative	77,481	-	77,481
Fundraising	34,353	-	34,353
	654,464	-	654,464
<b>CHANGE IN NET ASSETS</b>	483,940	13,304	497,244
<b>NET ASSETS AT BEGINNING OF THE YEAR, RESTATED</b>	20,173	-	20,173
<b>NET ASSETS AT END OF YEAR</b>	\$ 504,113	\$ 13,304	\$ 517,417

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

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2014 (Restated)

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	\$ 68,635	\$ -	\$ 68,635
Grants	194,072	-	194,072
Memberships	44,642	-	44,642
Ad Sales - Programs	4,692	-	4,692
Art Sales	27,874	-	27,874
In-Kind Contributions	160,982	-	160,982
TOTAL REVENUE AND SUPPORT	500,897	-	500,897
EXPENSES			
Program	474,915	-	474,915
Administrative	43,167	-	43,167
Fundraising	20,497	-	20,497
TOTAL EXPENSES	538,579	-	538,579
CHANGE IN NET ASSETS	(37,682)	-	(37,682)
ASSETS AT BEGINNING OF THE YEAR	57,855	-	57,855
NET ASSETS AT END OF YEAR	\$ 20,173	\$ -	\$ 20,173

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, 2015 AND 2014

	<u>2015</u>	<u>(Restated) 2014</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 497,244	\$ (37,682)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,363	3,857
Donated Property and Equipment	(3,900)	-
Inventory - Artwork	1,500	(8,250)
Investment (Income) Loss	26,582	-
(Increase) Decrease in Deposits - Office Lease	-	(1,275)
(Increase) Decrease in Prepaid Expenses	(7,415)	(5,800)
Increase (Decrease) in Accounts Payable	1,702	792
Increase (Decrease) in Payroll Liabilities	1,198	1,600
Increase (Decrease) Deferred Revenues	<u>(28,858)</u>	<u>37,159</u>
Net Cash Provided (Used) By Operating Activities	492,416	(9,599)
Cash Flows from Investing Activities:		
Purchase of Investments	(500,000)	-
Purchase of Property and Equipment	<u>(15,206)</u>	<u>(6,853)</u>
Net Cash Used By Investing Activities	(515,206)	(6,853)
Net Increase (Decrease) in Cash	(22,790)	(16,452)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>33,498</u>	<u>49,950</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 10,708</u></u>	<u><u>\$ 33,498</u></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, 2015  
(Supplemental Schedule)

	Program	Administrative	Fundraising	2015 Total
Advertising	\$ 2,693	\$ -	\$ -	\$ 2,693
Artistic Fee	157,910	-	-	157,910
Auto	8,118	-	-	8,118
Bank Charges	-	760	-	760
Catering	19,127	-	2,250	21,377
Conferences	852	-	-	852
Contract Labor	20,520	-	-	20,520
Credit Card Fees	-	1,452	-	1,452
Depreciation	4,363	-	-	4,363
Dues and Subscriptions	-	3,253	-	3,253
Flowers and Gifts	1,494	-	-	1,494
Insurance	1,062	-	-	1,062
Licenses & Permits	-	189	-	189
Meals for Guest Artists	13,645	-	-	13,645
Occupancy	21,225	7,075	-	28,300
Office Supplies	6,500	3,041	-	9,541
Payroll - Artistic Director	42,086	14,029	-	56,115
Payroll - Program Managers	44,316	20,433	23,882	88,631
Payroll Taxes	6,193	4,366	1,827	12,386
Piano Expense	4,075	-	-	4,075
Postage and Delivery	6,923	2,308	-	9,231
Printing and Reproduction	22,532	-	-	22,532
Professional Consultants:				
Accounting Fees	-	11,800	-	11,800
Attorney Fees	7,000	1,812	-	8,812
Computer Technician	-	-	-	-
Graphic Designer	10,425	-	-	10,425
Marketing Consultant	7,000	-	940	7,940
Media Producer	33,400	-	-	33,400
Photography	400	-	-	400
Video Production	2,000	-	-	2,000
Web-Site Designer	4,254	-	-	4,254
Rentals	10,103	-	-	10,103
Repairs and Maintenance	-	135	-	135
Telephone	4,000	465	-	4,465
Travel	39,975	-	-	39,975
Utilities	-	3,770	-	3,770
Venue Rental	33,914	-	5,454	39,368
Volunteers for Concerts	6,525	-	-	6,525
Web Hosting	-	2,593	-	2,593
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 542,630</b>	<b>\$ 77,481</b>	<b>\$ 34,353</b>	<b>\$ 654,464</b>

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2014  
(Supplemental Schedule)

	Program	Administrative	Fundraising	2014 Total
Advertising	\$ 5,552	\$ -	\$ -	\$ 5,552
Artistic Fee	128,039	-	-	128,039
Auto	12,616	-	-	12,616
Bank Charges	-	253	-	253
Catering	11,001	-	7,349	18,350
Contract Labor	1,059	-	-	1,059
Credit Card Fees	-	195	-	195
Depreciation	3,165	692	-	3,857
Dues and Subscriptions	-	1,054	-	1,054
Flowers	965	-	-	965
Insurance	1,542	-	-	1,542
Meals for Guest Artists	9,760	-	-	9,760
Occupancy	20,000	1,300	-	21,300
Office Supplies	8,000	2,423	-	10,423
Payroll - Artistic Director	44,110	6,000	-	50,110
Payroll - Program Managers	50,000	6,086	-	56,086
Payroll Taxes	7,000	1,199	-	8,199
Piano Expense	6,595	-	-	6,595
Postage and Delivery	4,297	1,000	-	5,297
Printing and Reproduction	11,000	2,286	-	13,286
Professional Consultants:				
Accounting Fees	-	10,995	-	10,995
Attorney Fees	7,000	750	-	7,750
Computer Technician	2,000	795	-	2,795
Graphic Designer	10,641	-	-	10,641
Marketing Consultant	500	-	800	1,300
Media Producer	8,000	-	1,200	9,200
Photography	8,850	-	-	8,850
Video Production	25,650	-	4,000	29,650
Web-Site Designer	9,338	-	-	9,338
Rentals	1,575	-	-	1,575
Telephone	1,500	4,126	-	5,626
Travel	24,160	-	-	24,160
Utilities	-	2,956	-	2,956
Venue Rental	45,000	-	7,148	52,148
Volunteers for Concerts	6,000	-	-	6,000
Web Hosting	-	1,057	-	1,057
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 474,915</b>	<b>\$ 43,167</b>	<b>\$ 20,497</b>	<b>\$ 538,579</b>

See Accompanying Independent Auditor's Report.

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

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 unite, educate, and inspire through culturally diverse performing and visual arts programming. 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, 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:

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. Unrestricted net assets may be designated for a specific purpose by the Organization's Board of Directors.

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. Temporarily restricted net assets held by the Organization as of August 31, 2015 were \$13,304 for the current rebranding project. There were no temporarily restricted net assets as of August 31, 2014.

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, 2015 or 2014.

*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, 2015 AND 2014

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.

*Inventory*

Inventory held at year end consists of donated artwork that is available for sale to the public. Inventory is recorded at its estimated fair market value.

*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. 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 balance of these funds is \$473,418 as of August 31, 2015. There were no board designated net assets as of August 31, 2014.

*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 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 adapted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Tax* (now codified as ASC 740-10) on January 1, 2008, the implementation of which has no effect on the Organization's financial statements. 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 2012 through 2014 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, 2015 AND 2014

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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: 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, 2015. There were no investments held by the Organization as of August 31, 2014.

	<u>2015</u>
Cash and Cash Equivalents	\$ 732
Mutual Funds	<u>472,686</u>
Total	<u>\$ 473,418</u>

Investment income (losses) for the year ended August 31, 2015 was comprised of:

	<u>2015</u>
Dividends and Interest	\$ 1,981
Unrealized Losses	<u>(28,563)</u>
Total	<u>\$ (26,582)</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and Equipment	\$ 41,608	\$ 31,604
Leasehold Improvements	9,902	800
Less: Accumulated Depreciation	<u>(27,183)</u>	<u>(22,820)</u>
Net Property and Equipment	<u>\$ 24,327</u>	<u>\$ 9,584</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

NOTE 5: 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 2015 and 2014 were recognized in the Statement 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donated Facilities	\$ 33,300	\$ 43,499
Volunteers for Concerts	6,525	6,000
Artwork	500	8,250
Furniture and Leasehold Improvements	3,900	-
Supplies	1,250	-
Piano Rental & Moving	7,300	2,500
Legal Services	7,750	7,750
Computer Services	-	2,500
Photographer	-	7,500
Media Producer	13,000	-
Video Production	-	27,200
Website Design	-	2,345
Accounting Services	5,000	5,000
Printing & Reproduction	7,811	7,500
Meals for Guest Artists	3,143	7,434
Auto	5,500	10,819
Artistic Fee	-	16,360
Advertising	-	1,125
Travel	4,726	-
Contract Labor	20,021	-
Hotel Accommodations	<u>7,659</u>	<u>5,200</u>
 Total In-Kind Contributions	 <u>\$ 127,385</u>	 <u>\$ 160,982</u>

MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

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.

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 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:

At August 31, 2015 all investments were classified as Level 1. The fair value of the Organization's investments is determined by observing active market prices for identical or similar assets.

At August 31, 2015 and 2014, the fair value of the Organization's cash and cash equivalents, accounts payable, and accrued liabilities approximate the carrying amounts of such instruments due to their short maturity, and are therefore classified as Level 1 inputs.

NOTE 7: OPERATING LEASE COMMITMENTS

The Organization has entered into one non-cancelable operating lease for office space, which will expire in February 2017. Minimum annual lease payments for the next two years are:

MUSICAL BRIDGES AROUND THE WORLD, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2015 AND 2014

NOTE 7: OPERATING LEASE COMMITMENTS (CONTINUED)

Year Ending August 31,	Amount
2016	\$ 14,950
2017	7,650
	\$ 22,600

Total lease expense for the office space for the years ending August 31, 2015 and 2014 was \$28,300 and \$21,300, respectively.

NOTE 8: MAJOR SOURCES OF SUPPORT

For the fiscal year ended August 31, 2015, approximately 43% of the Organization's revenue and support came from a one-time donation from a private donor.

NOTE 9: PRIOR PERIOD ADJUSTMENT

At August 31, 2014, the Organization reported the fair market value of the donated artwork inventory to be \$17,250. Management has subsequently determined that the fair market value of the artwork inventory was overstated by \$9,000. The effect of correcting the overstatement of artwork inventory at August 31, 2014, decreased 2015 beginning unrestricted net assets by \$9,000. The effect of the restatements to the accompanying statements of financial position and statement of activities for the year ended August 31, 2014 are as follows:

	As Previously Reported	As Restated
Statement of Financial Position:		
Inventory - Artwork	\$ 17,250	\$ 8,250
Statement of Activities:		
In-Kind Contributions	\$ 169,982	\$ 160,982

NOTE 10: RECLASSIFICATIONS

Certain amounts in the financial statements for the fiscal year ended August 31, 2014 have been reclassified to conform to the presentation for the fiscal year ended August 31, 2015. These reclassifications had no effect on net assets.



MUSICAL BRIDGES AROUND THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

NOTE 11: SUBSEQUENT EVENTS

No material subsequent events were identified that would affect the financial statements for the period ended August 31, 2015. Subsequent events have been evaluated through January 31, 2016, which is the date the financial statements were available to be issued.