

GATEWAYS MUSIC FESTIVAL, INC.

**Financial Statements as of
October 31, 2020
Together with
Independent Accountant's Review Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

September 3, 2021

To the Board of Directors of
Gateways Music Festival, Inc.:

We have reviewed the accompanying financial statements of Gateways Music Festival, Inc. (a New York not-for-profit corporation) (the Organization), which comprise the balance sheet as of October 31, 2020 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Summarized Comparative Information

We previously reviewed the Organization's 2019 financial statements and in our conclusion dated June 5, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended October 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Bonadio & Co., LLP

GATEWAYS MUSIC FESTIVAL, INC.

BALANCE SHEET

OCTOBER 31, 2020

(With Comparative Totals for 2019)

(See Independent Accountant's Review Report)

	<u>2020</u>	<u>2019</u>
ASSETS		
CASH	\$ 332,452	\$ 343,331
ACCOUNTS RECEIVABLE	68,680	4,416
PREPAID EXPENSES	<u>10,374</u>	<u>-</u>
Total assets	<u>\$ 411,506</u>	<u>\$ 347,747</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	131,046	187,555
Deferred revenue	<u>53,641</u>	<u>-</u>
Total liabilities	<u>184,687</u>	<u>187,555</u>
NET ASSETS:		
Without donor restrictions	92,898	(29,655)
With donor restrictions	<u>133,921</u>	<u>189,847</u>
Total net assets	<u>226,819</u>	<u>160,192</u>
Total liabilities and net assets	<u>\$ 411,506</u>	<u>\$ 347,747</u>

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2020**

(With Comparative Totals for 2019)

(See Independent Accountant's Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
REVENUE AND SUPPORT:				
Contributions and other support	\$ 138,646	\$ 6,000	\$ 144,646	\$ 128,279
Foundation and government grants	101,911	-	101,911	179,350
In-kind revenue	122,043	-	122,043	195,564
Other	365	-	365	27,852
Releases from restrictions	<u>61,926</u>	<u>(61,926)</u>	<u>-</u>	<u>-</u>
Total unrestricted revenue and support	<u>424,891</u>	<u>(55,926)</u>	<u>368,965</u>	<u>531,045</u>
EXPENSES:				
Salaries and benefits	265,973	-	265,973	269,477
Musician expenses	-	-	-	214,290
Other program expenses	3,077	-	3,077	86,614
Music festival expenses	5,925	-	5,925	-
Marketing expenses	2,652	-	2,652	28,994
Administration expenses	12,725	-	12,725	8,412
Fund raising and special events	<u>11,986</u>	<u>-</u>	<u>11,986</u>	<u>21,362</u>
Total expenses	<u>302,338</u>	<u>-</u>	<u>302,338</u>	<u>629,149</u>
CHANGE IN NET ASSETS	122,553	(55,926)	66,627	(98,104)
NET ASSETS - beginning of year	<u>(29,655)</u>	<u>189,847</u>	<u>160,192</u>	<u>258,296</u>
NET ASSETS - end of year	<u>\$ 92,898</u>	<u>\$ 133,921</u>	<u>\$ 226,819</u>	<u>\$ 160,192</u>

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2020**

(With Comparative Totals for 2019)

(See Independent Accountant's Review Report)

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2020</u>	<u>2019</u>
EXPENSES:					
Administrative staff salaries and benefits	\$ 200,623	\$ 27,996	\$ 37,354	\$ 265,973	\$ 269,477
Musician expenses	-	-	-	-	214,290
Other program expenses					
In-kind venue expenses	-	-	-	-	63,000
Professional sound and video recording	2,600	-	-	2,600	5,900
Instrument & score rental	-	-	-	-	4,595
Honorariums	6,350	-	-	6,350	-
Other	52	-	-	52	13,119
Marketing expenses					
Printing, copying & supplies	871	-	-	871	11,200
Videography - graphic design & artwork	750	-	-	750	7,380
Other	1,031	-	-	1,031	10,414
Administration expenses					
Webhosting, email, & cloud storage	-	4,267	-	4,267	1,977
Telephone	-	2,006	-	2,006	1,762
Conferences & meetings	-	755	-	755	1,118
Other	-	5,697	-	5,697	3,555
Fund raising and special events					
Special events	-	-	-	-	11,148
Fundraising	-	-	11,986	11,986	9,014
Other	-	-	-	-	1,200
Total expenses	<u>\$ 212,277</u>	<u>\$ 40,721</u>	<u>\$ 49,340</u>	<u>\$ 302,338</u>	<u>\$ 629,149</u>

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED OCTOBER 31, 2020

(With Comparative Totals for 2019)

(See Independent Accountant's Review Report)

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 66,627	\$ (98,104)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	(64,264)	(3,416)
Prepaid expenses	(10,374)	4,292
Accounts payable and accrued liabilities	(56,509)	91,887
Deferred revenue	<u>53,641</u>	<u>(275)</u>
Net cash flow from operating activities	<u>(10,879)</u>	<u>(5,616)</u>
CHANGE IN CASH	(10,879)	(5,616)
CASH - beginning of year	<u>343,331</u>	<u>348,947</u>
CASH - end of year	<u>\$ 332,452</u>	<u>\$ 343,331</u>

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2020

(See Independent Accountant's Review Report)

1. THE ORGANIZATION

The mission of Gateways Music Festival, Inc. (the Organization) is to "connect and support professional classical musicians of African descent and inspire and enlighten communities through the power of performance." During the 2019 Festival, 125 professional musicians, players in major symphony orchestras, faculty at distinguished music schools and conservatories and freelancers from around the world, came to Rochester, New York to perform in more than 50 venues throughout the Rochester area. They performed before a live audience of approximately 6,500 and more than 52,000 online and on air. The vast majority of events were free and all ticketed events were \$15 or under. A successful virtual chamber music festival was held in 2020 due to the Novel Coronavirus (COVID-19) pandemic..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Reporting

The Organization reports its net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions are net assets whose use by the Organization is limited by donor-imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Organization pursuant to the stipulations, as well as donor-imposed stipulations that do not expire.

Change in Accounting Principle

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and has subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 606"). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASC 606 is effective for the Organization's year ended October 31, 2020 and was applied retrospectively.

There was no impact on the Organization's beginning net assets or change in net assets as a result of adopting ASC 606.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle (Continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with the purpose of improving consistency in reporting whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and whether a right of return of assets transferred exists. The Organization adopted ASU 2018-08 for the year ended October 31, 2020 using a modified prospective basis, in which the change in accounting principle is applied only to agreements that are either not completed as of, or are entered into after, the adoption date. There was no effect on total net assets or change in net assets.

Revenue and Support

Revenue and support are received in the form of contributions from various organizations and individuals. The purpose of the contributions is to support the ongoing activities of the Foundation.

Contributions and grants are recognized as revenue in the year an unconditional promise to give is received and are recorded at fair value. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of the donor-imposed restrictions. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions. Conditional contributions are not recognized as support until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at the estimated fair value at the date of donation.

Special events, fundraising and program service revenue is recorded in the year the event or related activity is held. Funds collected in advance of the year the event or related activity is held are recorded as deferred revenue.

Accounts receivable represents amounts due to the Organization from events and other miscellaneous items. The Organization does not accrue interest on these receivables. Accounts for which no payments have been received for several months are considered delinquent, and the account is written-off when customary collection efforts have been exhausted. The Organization believes that an allowance is not necessary at October 31, 2020 and 2019, based on the Organization's past experience and a review of outstanding accounts.

Cash

Cash consists of bank demand deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk with respect to cash.

Allocation of Certain Expenses

The costs of providing program and supporting services have been directly charged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

A significant number of unpaid volunteers have made contributions of their time to the administrative and programmatic activities of the Organization. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria for recognition under GAAP.

A portion of the President and Artistic Director's salaries and benefits is paid by and space is provided by the Eastman School of Music and the University of Rochester in the amount of \$121,618 and \$178,293, for the years ended October 31, 2020 and 2019, respectively. Those amounts have been included both in income and expense in the accompanying financial statements.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an organization that is not a private foundation.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. LIQUIDITY

The Organization is substantially supported by revenue generated by contributions, special events and programming services. Some support is received in the form of contributions with donor restrictions, which require the resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors. As a result, some of the financial assets reported may not be available for general expenditure within one year. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's financial assets available for general expenditure within one year of the balance sheet date are as follows as of October 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 332,452	\$ 343,331
Accounts receivable	<u>68,680</u>	<u>4,416</u>
	401,132	347,747
Restricted by donors with purpose restrictions	<u>(133,921)</u>	<u>(189,847)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 267,211</u>	<u>\$ 157,900</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

The Organization had net assets with donor restrictions for the following purposes at October 31:

<u>Purpose of Release</u>	<u>2020</u>	<u>2019</u>
Program management salaries and expenses (Mellon Foundation)	\$ 127,921	\$ 183,847
Young Musician Institute	<u>6,000</u>	<u>6,000</u>
Total	<u>\$ 133,921</u>	<u>\$ 189,847</u>

Net assets with donor restrictions were released from restrictions as follows for the years ended October 31:

<u>Purpose of Release</u>	<u>2020</u>	<u>2019</u>
Program management salaries and expenses (Mellon Foundation)	\$ 55,926	\$ 92,343
Young Musician Institute	<u>6,000</u>	<u>6,000</u>
	<u>\$ 61,926</u>	<u>\$ 98,343</u>

5. CONCENTRATION

Approximately 33% and 34% of the Organization's total revenue and support was received from the Eastman School of Music and the University of Rochester for the years ended October 31, 2020 and 2019, respectively.

6. RISKS AND UNCERTAINTIES

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 3, 2021, which is the date the financial statements were available to be issued.