

**GATEWAYS MUSIC FESTIVAL, INC.**

**Financial Statements as of  
October 31, 2022  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

September 14, 2023

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

### Opinion

We have audited 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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of October 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The 2021 financial statements were reviewed by us, and our report thereon, dated September 12, 2022, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events the Organization, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Bonadio & Co., LLP*

# GATEWAYS MUSIC FESTIVAL, INC.

## BALANCE SHEET

OCTOBER 31, 2022

(With Comparative Totals for 2021)

	2022 (Audited)	2021 (Reviewed)
<b>ASSETS</b>		
CASH	\$ 1,032,802	\$ 1,103,004
ACCOUNTS RECEIVABLE	21,400	433,150
INVENTORY	13,409	-
PREPAID EXPENSES	<u>-</u>	<u>10,082</u>
Total assets	<u>\$ 1,067,611</u>	<u>\$ 1,546,236</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	226,072	148,034
Deferred revenue	<u>559,723</u>	<u>1,175,425</u>
Total liabilities	785,795	1,323,459
NET ASSETS	<u>281,816</u>	<u>222,777</u>
Total liabilities and net assets	<u>\$ 1,067,611</u>	<u>\$ 1,546,236</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, 2022**

(With Comparative Totals for 2021)

	Gateways Music Festival	Black Orchestral Network	Total	
			2022 (Audited)	2021 (Reviewed)
<b>REVENUE AND SUPPORT:</b>				
Contributions and other support	\$ 153,908	\$ 1,030	\$ 154,938	\$ 213,088
Foundation and government grants	1,167,000	-	1,167,000	213,216
Foundation grant - BON	-	48,702	48,702	1,575
In-kind revenue	214,178	-	214,178	121,618
Earned revenue	<u>114,567</u>	<u>-</u>	<u>114,567</u>	<u>8,464</u>
Total unrestricted revenue and support	<u>1,649,653</u>	<u>49,732</u>	<u>1,699,385</u>	<u>557,961</u>
<b>EXPENSES:</b>				
Program	1,293,652	16,300	1,309,952	323,157
Administration	89,605	32,402	122,007	46,755
Fund raising and special events	<u>208,387</u>	<u>-</u>	<u>208,387</u>	<u>192,091</u>
Total expenses	<u>1,591,644</u>	<u>48,702</u>	<u>1,640,346</u>	<u>562,003</u>
CHANGE IN NET ASSETS	<u>\$ 58,009</u>	<u>\$ 1,030</u>	59,039	(4,042)
NET ASSETS - beginning of year			<u>222,777</u>	<u>226,819</u>
NET ASSETS - end of year			<u>\$ 281,816</u>	<u>\$ 222,777</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, 2022**  
(With Comparative Totals for 2021)

	Gateways Music Festival			Black Orchestral Network		Total	
	Program	Administration	Fund Raising	Program	Administration	2022 (Audited)	2021 (Reviewed)
<b>EXPENSES:</b>							
Staff salaries and benefits	\$ 134,637	\$ 33,595	\$ 44,825	\$ -	\$ -	\$ 213,057	\$ 132,739
Staff salaries and benefits - in-kind	162,492	-	-	-	-	162,492	121,618
Music festival							
Festival services	327,887	-	-	-	-	327,887	-
Travel, lodging and meals	251,631	-	-	-	-	251,631	-
Transportation - in-kind	1,686	-	-	-	-	1,686	-
Venue expenses	12,115	-	-	-	-	12,115	-
Venue expenses in-kind	50,000	-	-	-	-	50,000	-
Professional sound and video recording	40,759	-	-	-	-	40,759	-
Other festival expenses	32,769	-	-	-	-	32,769	-
Seasonal and contracted services	122,205	-	-	13,675	-	135,880	7,071
Friends of Gateway							
Tour management	55,250	-	-	-	-	55,250	-
Travel, lodging and meals	25,877	-	-	-	-	25,877	-
Marketing expenses							
Printing, copying & supplies	14,251	-	-	-	-	14,251	3,300
Videography - graphic design & artwork	-	-	-	-	-	-	33,022
Website development and design	18,235	-	-	-	-	18,235	1,500
Marketing Services	26,450	-	-	-	-	26,450	13,500
Other	9,201	-	-	2,625	-	11,826	318
Other program expenses							
Independent contractors	-	-	-	-	-	-	23,784
Professional sound and video recording	-	-	-	-	-	-	19,341
Honorariums	-	-	-	-	-	-	24,700
Other	8,207	-	-	-	-	8,207	7,614
Administration expenses							
Travel & lodging	-	12,311	-	-	-	12,311	10,568
Webhosting, email, & cloud storage	-	4,174	-	-	31,400	35,574	2,071
Insurance	-	1,857	-	-	-	1,857	1,832
Conferences & meetings	-	4,951	-	-	157	5,108	929
Search	-	21,750	-	-	-	21,750	-
Other	-	10,967	-	-	845	11,812	3,359
Fund raising and special events	-	-	163,562	-	-	163,562	154,737
<b>Total expenses</b>	<b>\$ 1,293,652</b>	<b>\$ 89,605</b>	<b>\$ 208,387</b>	<b>\$ 16,300</b>	<b>\$ 32,402</b>	<b>\$ 1,640,346</b>	<b>\$ 562,003</b>

The accompanying notes are an integral part of these statements.

## GATEWAYS MUSIC FESTIVAL, INC.

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED OCTOBER 31, 2022 (With Comparative Totals for 2021)

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	2022 (Audited)	2021 (Reviewed)
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 59,039	\$ (4,042)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	411,750	(364,470)
Inventory	(13,409)	-
Prepaid expenses	10,082	292
Accounts payable and accrued liabilities	78,038	16,988
Deferred revenue	<u>(615,702)</u>	<u>1,121,784</u>
Net cash flow from operating activities	<u>(70,202)</u>	<u>770,552</u>
CHANGE IN CASH	(70,202)	770,552
CASH - beginning of year	<u>1,103,004</u>	<u>332,452</u>
CASH - end of year	<u>\$ 1,032,802</u>	<u>\$ 1,103,004</u>

The accompanying notes are an integral part of these statements.

# **GATEWAYS MUSIC FESTIVAL, INC.**

## **NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2022**

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### **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.” In April 2022, Gateways made its New York City debut which included a sold-out performance of the Gateways Festival Orchestra at Carnegie Hall’s Stern Auditorium. The Gateways Festival Orchestra was the first all-Black classical orchestra to be presented by Carnegie Hall in its nearly 130-year history. The seven-day Festival took place in Rochester, NY and New York City, featured more than 17 concerts and events, and engaged more than 125 Black professional classical musicians who performed before a combined audience of approximately 7,500.

During 2021, the Organization became a sponsor for the newly formed Black Orchestral Network (BON), a national organization dedicated to advancing the efforts of Black orchestra musicians who are members of professional symphony orchestras.

### **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. The Organization reports donor-restricted contributions as without donor restriction support whenever the restrictions are met in the same year the contributions are received. Net assets with donor restrictions were released from restrictions during 2021 for program management salaries and expenses in the amount of \$127,921 and for the Young Musician Institute in the amount of \$6,000.

At October 31, 2022 and 2021, all of the Organization’s net assets were without donor restrictions.

#### **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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Revenue and Support (Continued)**

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, 2022 and 2021, 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.

### **Inventory**

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) method.

### **Allocation of Functional Expenses**

The financial statements report salaries and benefits that are attributable to one or more program or supporting functions, which are allocated based on time spent performing the services. Other expenses are directly charged to program and support.

### **Donations-in-Kind**

The Organization's policy related to donations-in-kind is to utilize the items given to carry out the mission of the Organization. A portion of the President and Artistic Director's salaries and benefits is paid by the Eastman School of Music and the University of Rochester and is reported as donations-in-kind. Transportation services are recorded at their estimated fair market value, as determined by the donor. Venue space utilized for performances without change is recorded at its estimated fair market value. The Organization's policy is to record revenue and related expense at the estimated fair value of these premises, as determined by the donor. The Organization makes an independent assessment of fair market value using costs of space in the region.

### **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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Recently Adopted Accounting Guidance

#### Contributed Nonfinancial Assets

The Organizations adopted FASB Accounting Standards Update (ASU) 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" for the year ended December 31, 2022. This ASU enhances presentation and disclosures relating to nonfinancial assets. The standard is effective for annual periods beginning after June 15, 2021 and was applied on a retrospective basis to all periods presented. The adoption of this guidance did not have an impact on the financial statements.

## 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>2022</u>	<u>2021</u>
Cash	\$ 1,032,802	\$ 1,103,004
Accounts receivable	<u>21,400</u>	<u>433,150</u>
	<u>\$ 1,054,202</u>	<u>\$ 1,536,154</u>

## 4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 20,900	\$ 326,400
Gifts receivable	-	106,750
Other	<u>500</u>	<u>-</u>
	<u>\$ 21,400</u>	<u>\$ 433,150</u>

**5. DONATIONS-IN-KIND**

The Organization received donations-in-kind, as follows, for the years ended October 31:

	<u>2022</u>	<u>2021</u>
Staff salaries and benefits	\$ 162,492	\$ 121,618
Venue expenses	50,000	-
Transportation services	<u>1,686</u>	<u>-</u>
	<u>\$ 214,178</u>	<u>\$ 121,618</u>

Donations-in-kind are reported as program expenses in the statement of functional expenses.

**6. CONCENTRATION**

Approximately 36% and 23% of the Organization's total revenue and support was received from one Foundation and approximately 13% and 22% 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, 2022 and 2021, respectively.

**7. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 14, 2023 which is the date the financial statements were available to be issued.