

GATEWAYS MUSIC FESTIVAL, INC.

**Financial Statements as of
June 30, 2023
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 27, 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 June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the eight months 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 June 30, 2023, and the changes in its net assets and its cash flows for the eight months 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.

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.

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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 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.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of October 31, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GATEWAYS MUSIC FESTIVAL, INC.

BALANCE SHEET

JUNE 30, 2023

(With Comparative Totals as of October 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
CASH	\$ 2,186,185	\$ 1,032,802
ACCOUNTS RECEIVABLE	16,339	21,400
INVENTORY	13,093	13,409
PREPAID EXPENSES	<u>23,482</u>	<u>-</u>
Total assets	<u>\$ 2,239,099</u>	<u>\$ 1,067,611</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	161,473	226,072
Deferred revenue	<u>1,700,053</u>	<u>559,723</u>
Total liabilities	<u>1,861,526</u>	<u>785,795</u>
NET ASSETS		
Without donor restrictions	297,573	281,816
With donor restrictions	<u>80,000</u>	<u>-</u>
Total net assets	<u>377,573</u>	<u>281,816</u>
Total liabilities and net assets	<u>\$ 2,239,099</u>	<u>\$ 1,067,611</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 EIGHT MONTHS ENDED JUNE 30, 2023**

(With Comparative Totals for the year ended October 31, 2022)

	Gateways Music Festival	Black Orchestral Network	Total	
			2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Support -				
Contributions and other support	\$ 108,851	\$ 1,375	\$ 110,226	\$ 154,938
Foundation and government grants	266,533	-	266,533	1,167,000
Foundation grant - BON	-	19,262	19,262	48,702
In-kind revenue	151,742	-	151,742	214,178
Earned revenue	52,117	-	52,117	114,567
Total unrestricted revenue and support	579,243	20,637	599,880	1,699,385
Expenses -				
Program	288,972	18,354	307,326	1,309,952
Administration	116,750	2,283	119,033	122,007
Fund raising and special events	157,764	-	157,764	208,387
Total expenses	563,486	20,637	584,123	1,640,346
Change in net assets without donor restrictions	15,757	-	15,757	59,039
NET ASSETS WITH DONOR RESTRICTIONS:				
Contributions with donor restrictions	80,000	-	80,000	-
Change in net assets with donor restrictions	80,000	-	80,000	-
CHANGE IN NET ASSETS	\$ 95,757	\$ -	95,757	59,039
NET ASSETS - beginning of year			281,816	222,777
NET ASSETS - end of year			\$ 377,573	\$ 281,816

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHT MONTHS ENDED JUNE 30, 2023**

(With Comparative Totals for the year ended October 31, 2022)

	Gateways Music Festival			Black Orchestral Network		Total	
	Program	Administration	Fund Raising	Program	Administration	2023	2022
EXPENSES:							
Staff salaries and benefits	\$ 67,007	\$ 43,736	\$ 125,615	\$ -	\$ -	\$ 236,358	\$ 213,057
Staff salaries and benefits - in-kind	58,030	29,015	24,697	-	-	111,742	162,492
Music festival							
Festival services	-	-	-	-	-	-	327,887
Travel, lodging and meals	-	-	-	-	-	-	251,631
Transportation - in-kind	-	-	-	-	-	-	1,686
Venue expenses	-	-	-	-	-	-	12,115
Venue expenses in-kind	-	-	-	-	-	-	50,000
Professional sound and video recording	-	-	-	-	-	-	40,759
Other festival expenses	-	-	-	-	-	-	32,769
Seasonal and contracted services	30,960	-	-	17,175	-	48,135	135,880
Friends of Gateway							
Tour management	-	-	-	-	-	-	55,250
Travel, lodging and meals	-	-	-	-	-	-	25,877
Marketing expenses							
Printing, copying & supplies	810	-	-	-	-	810	14,251
Website development and design	12,375	-	-	368	-	12,743	18,235
Marketing Services	24,000	-	-	-	-	24,000	26,450
Other	2,709	-	-	811	-	3,520	11,826
Other program expenses							
Musician Fees	23,000	-	-	-	-	23,000	-
Travel, lodging and meals	24,932	-	-	-	-	24,932	-
Venue expenses - in-kind	30,000	-	-	-	-	30,000	-
Other	15,149	-	-	-	-	15,149	8,207
Administration expenses							
Travel & lodging	-	6,391	-	-	92	6,483	12,311
Webhosting, email, & cloud storage	-	4,787	-	-	1,637	6,424	35,574
Insurance	-	718	-	-	-	718	1,857
Conferences & meetings	-	2,332	-	-	-	2,332	5,108
Search	-	17,400	-	-	-	17,400	21,750
Rent - in-kind	-	10,000	-	-	-	10,000	-
Other	-	2,371	-	-	554	2,925	11,812
Fund raising and special events	-	-	7,452	-	-	7,452	163,562
Total expenses	\$ 288,972	\$ 116,750	\$ 157,764	\$ 18,354	\$ 2,283	\$ 584,123	\$ 1,640,346

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

STATEMENT OF CASH FLOWS

FOR THE EIGHT MONTHS ENDED JUNE 30, 2023

(With Comparative Totals for the year ended October 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 95,757	\$ 59,039
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Changes in:		
Accounts receivable	5,061	411,750
Inventory	316	(13,409)
Prepaid expenses	(23,482)	10,082
Accounts payable and accrued liabilities	(64,599)	78,038
Deferred revenue	<u>1,140,330</u>	<u>(615,702)</u>
Net cash flow from operating activities	<u>1,153,383</u>	<u>(70,202)</u>
CHANGE IN CASH	1,153,383	(70,202)
CASH - beginning of year	<u>1,032,802</u>	<u>1,103,004</u>
CASH - end of year	<u>\$ 2,186,185</u>	<u>\$ 1,032,802</u>

The accompanying notes are an integral part of these statements.

GATEWAYS MUSIC FESTIVAL, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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 the abbreviated fiscal year 2023 (November 2022 through June 2023), the Organization did not host multi-day programming activities, except for the Gateways Brass Collective, which performed and was in residence in various locations across the country.

Throughout FY23, the Organization dedicated considerable efforts to planning the FY24 season, marking a significant milestone with two multi-day festivals occurring within a single fiscal year – a historic first and a new standard for the festival moving forward.

FY23 also saw strategic preparations for the transition in leadership as President & Artistic Director Lee Koonce concludes his tenure on December 31, 2023. The organization welcomes Alexander Laing, who will assume the role of President & Artistic Director starting on January 1, 2024, following his appointment as Executive Director on July 1, 2023. This transition reflects the commitment of Gateways Music Festival to ensuring a seamless and successful evolution in its leadership structure.

The Organization is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organization.

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 contributions, 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 June 30, 2023 and October 31, 2022, based on the Organization's past experience and a review of outstanding accounts.

Cash

Cash consists of bank demand deposit accounts and money market funds 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 salary 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 and office space used for administrative purposes without charge are recorded at their 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently Adopted Accounting Guidance

Leases

The Financial Accounting Standards Board (FASB) has issued several Accounting Standards Updates that have been codified as Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the standard effective November 1, 2022 using the modified retrospective approach and comparative financial information has not been restated. 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 June 30, 2023 and October 31, 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,186,185	\$ 1,032,802
Accounts receivable	<u>16,339</u>	<u>21,400</u>
	<u>\$ 2,202,524</u>	<u>\$ 1,054,202</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2023 and October 31, 2022:

<u>Nature of Restriction</u>	<u>2023</u>	<u>2022</u>
Purpose restriction - Music Festivals	\$ <u>80,000</u>	\$ <u>-</u>

There were no releases from restrictions during the eight months ended June 30, 2023 and for the year ended October 31, 2022.

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2023 and October 31, 2022:

	<u>2023</u>	<u>2022</u>
Gifts receivable	\$ 16,000	\$ -
Grants receivable	-	20,900
Other	<u>339</u>	<u>500</u>
	\$ <u>16,339</u>	\$ <u>21,400</u>

6. DONATIONS-IN-KIND

The Organization received donations-in-kind, as follows, for the eight months ended June 30, 2023 and for the year ended October 31, 2022 as follows:

	<u>2023</u>	<u>2022</u>
Staff salaries and benefits	\$ 111,742	\$ 162,492
Venue and office expenses	40,000	50,000
Transportation services	<u>-</u>	<u>1,686</u>
	\$ <u>151,742</u>	\$ <u>214,178</u>

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

7. CONCENTRATION

Approximately 16% and 36% of the Organization's total revenue and support was received from one foundation and approximately 21% and 13% of the Organization's total revenue and support was received from the Eastman School of Music and the University of Rochester for the eight months ended June 30, 2023 and for the year ended October 31, 2022, respectively.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 27, 2023, which is the date the financial statements were available to be issued.