

WORLD MUSIC INSTITUTE, INC.

Audited Financial Report

June 30, 2016

GRACE NEGGIE
CERTIFIED PUBLIC ACCOUNTANT



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
World Music Institute, Inc.**

We have audited the accompanying statements of financial position of World Music Institute, Inc. (a not-for-profit corporation) as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements as of June 30, 2015, were audited by other auditors whose report dated April 12, 2016, expressed an unqualified opinion on those 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 our judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to World Music Institute, Inc.'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 World Music Institute, Inc.'s internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Music Institute, Inc. as of June 30, 2016, 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.

Grace Neggie CPA.

New York, New York
February 8, 2017

WORLD MUSIC INSTITUTE, INC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

Assets	June 30, 2016	June 30, 2015
Cash and cash equivalents	\$26,466	\$37,147
Accounts receivable	28,000	30,043
Pledge receivable	131,000	125,000
Inventories	4,739	4,837
Prepaid expenses	12,294	26,505
Furniture and equipment - net	3,588	4,692
Security deposits	4,900	7,000
Total assets	\$210,987	\$235,224
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$79,410	\$92,479
Note payable	92,444	64,567
Deferred income	2,000	0
Total liabilities	173,854	157,046
Net assets		
Unrestricted	31,689	70,234
Temporarily restricted	5,444	7,944
Total net assets	37,133	78,178
Total liabilities and net assets	\$210,987	\$235,224

See independent auditor's report

The accompanying notes are an integral part of these statements

WORLD MUSIC INSTITUTE, INC
 STATEMENTS OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTAL FOR JUNE 30, 2015)

	Unrestricted	Temporarily restricted	June 30, 2016 Total	June 30, 2015 Total
Revenues and support				
Grants and contributions	\$451,460	\$90,000	\$541,460	\$580,528
Program revenues	327,340		327,340	250,283
Special Event (Net of event expenses of \$21,090)	6,598		6,598	0
Membership	5,770		5,770	1,155
Donated services	30,101		30,101	26,433
Other revenues	302		302	6,685
Net assets released from restrictions	92,500	(92,500)	0	0
Total revenues and other support	914,071	(2,500)	911,571	865,084
Expenses				
Program services	771,025		771,025	590,161
Management and general	167,242		167,242	166,087
Fund raising	14,349		14,349	26,198
Total expenses	952,616	0	952,616	782,446
Change in net assets	(38,545)	(2,500)	(41,045)	82,638
Net assets - beginning of year	70,234	7,944	78,178	(4,460)
Net assets - end of year	\$31,689	\$5,444	\$37,133	\$78,178

See independent auditor's report

The accompanying notes are an integral part of these statements

WORLD MUSIC INSTITUTE, INC
SCHEDULE OF FUNCTIONAL EXPENSES

5

YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTAL FOR JUNE 30, 2015)

	Program services	Management and general	Fund raising	June 30, 2016 Total	June 30, 2015 Total
Salaries	\$152,500	\$27,500	\$9,167	\$189,167	\$130,577
Fringe benefits	33,050	3,498	1,166	37,714	35,144
Subtotal	185,550	30,998	10,333	226,881	165,721
Artists' fees	228,268			228,268	117,226
Professional and consulting fees	87,800	39,674	3,400	130,874	201,627
Rent					
Office		23,668		23,668	27,750
Theatre	39,190			39,190	51,155
Production costs	64,565			64,565	21,551
Co-Production expenses	28,945			28,945	8,514
Travel expenses	41,993	459		42,452	29,352
Advertising	35,074			35,074	41,607
Marketing	48,781			48,781	27,416
Donated services	1,032	29,069		30,101	26,433
Fundraising expenses			562	562	0
Equipment rental & maintenance		7,867		7,867	12,190
Postage and delivery		1,682		1,682	778
Supplies		3,390		3,390	2,917
Telephone		3,796		3,796	4,992
Dues and subscriptions		3,514		3,514	2,230
Insurance	6,587	8,550		15,137	9,249
Fiscal sponsorship expenses	2,350			2,350	2,596
Office expenses		6,355		6,355	6,999
Interest expenses		4,936		4,936	3,129
Credit card fees		603		603	12,602
Miscellaneous		2,521		2,521	5,884
Depreciation	890	160	54	1,104	528
Total	\$771,025	\$167,242	\$14,349	\$952,616	\$782,446

WORLD MUSIC INSTITUTE, INC
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Cash flows from operating activities		
Change in net assets	(\$41,045)	\$82,638
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	1,104	528
Decrease (increase) in assets		
Accounts receivable	2,043	58,927
Pledge receivable	(6,000)	(125,000)
Inventories	98	70
Prepaid expenses	14,211	(23,093)
Security deposits	2,100	0
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(13,069)	25,789
Deferred income	2,000	0
Net cash provided (used) by operating activities	(38,558)	19,859
Cash flows from investing activities		
Equipment purchase	0	(5,220)
Net cash (used) by investing activities	0	(5,220)
Cash flows from financing activities		
Addition (repayment) of note payable	27,877	15,400
Net cash provided (used) by financing activities	27,877	15,400
Net Increase (decrease) in cash and cash equivalents	(10,681)	30,039
Cash and cash equivalents - beginning of year	37,147	7,108
Cash and cash equivalents - end of year	\$26,466	\$37,147
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$4,936	\$3,129

See independent auditor's report
 The accompanying notes are an integral part of these statements

**WORLD MUSIC INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

Note 1 – Nature of activities and summary of significant accounting policies

Nature of activities

World Music Institute, Inc. (the Organization) is a not-for-profit concert presenting organization founded in 1985 and dedicated to the research, presentation, and documentation of the finest in traditional and contemporary music and dance from around the world. Music and dance are both a means to communicate social values and a measure of a society's aspirations. Through its concerts the Organization seeks to educate, entertain, and provide spiritual nourishment. The Organization's programs are intended to reinforce the cultural values of the community and to communicate to all the unique power of each individual culture.

Basis of presentation

The Organization's financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

Cash and cash equivalents

For purpose of statements of cash flows, the Organization considers all highly liquid financial instruments purchased with original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market.

Furniture and equipment

Furniture and equipment are recorded at cost. Depreciation is provided on straight-line basis over the estimated useful lives of the assets.

Income taxes

The Organization is exempt from federal taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws. The Organization adopted the provisions of FASB ASC 740, Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain income tax positions. The Organization's tax return for the fiscal year 2013 and forward are subject to the usual review by the appropriate taxing authorities.

WORLD MUSIC INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

Note 1 - Nature of activities and summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Net assets

The net assets of the Organization are classified and reported as follows:

Unrestricted

Unrestricted net assets represent those resources that are not subject to donor restrictions.

Temporarily restricted

Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulation that will be met either by actions of the Organization and/or the passage of time. Net assets released from restrictions represent the satisfaction of the restricted purpose.

Permanently restricted

The Organization has no permanently restricted net assets.

Contributions receivable

Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Members of World Music Institute

The Organization receives income from individual supporters in exchange for discounts and other benefits. Revenue from current year's membership program is recognized in the current fiscal year in which it is realized. Memberships are valid for one year after payment of membership fee.

Prior-year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

WORLD MUSIC INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

Note 1 – Nature of activities and summary of significant accounting policies (continued)

Donated Services

The Organization receives donated services from its Board of Directors and from volunteers. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated services amounted to \$30,101 and \$26,433 for the years ended June 30, 2016 and 2015, respectively.

Note 2 – Furniture and equipment

Furniture and equipment consist of the following:

	June 30, 2016	June 30, 2015
Furniture and equipment	\$ 6,848	\$ 6,848
Computers	4,802	4,802
	<u>\$ 11,650</u>	<u>\$ 11,650</u>
Less accumulated depreciation	(8,062)	(6,958)
Net	<u>\$ 3,588</u>	<u>\$ 4,692</u>

Depreciation amounted to \$1,104 and \$528 for the years ended June 30, 2016 and 2015.

Note 3 – Note payable

The Organization maintains a secured credit facility with a bank whereby it is permitted to borrow up to a maximum of \$50,000 under a line of credit facility for working capital purpose. Interest is payable on any outstanding balance of the line of credit at the bank's prime rate plus 1.75 percent. The credit facility is secured by substantially all of the Organization's unrestricted assets. The outstanding balances under the existing line of credit were \$49,160 and \$49,167 as of June 30, 2016 and 2015 respectively.

On October 28, 2014 and July 1, 2015, Daisy Paradis, a member of the Board, lent to the Organization \$15,000 and \$40,000 respectively, at an interest rate of 4% payable on demand. The loan balances were \$43,284 and \$15,400 as of June 30, 2016 and 2015 respectively. The combined outstanding loan balance plus accrued interest on these loans in the amount of \$44,157 as of December 31, 2016 was forgiven by the lender.

Interest expenses amounted to \$4,936 and \$3,129 for the years ended June 30, 2016 and 2015, respectively.

WORLD MUSIC INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

Note 4 - Commitments and contingencies

On February 1, 2012, the Organization entered into a sublease agreement with Collaborative Design Enterprises Inc. for a three-year lease commencing on February 1, 2012 and ending on January 31, 2015. Total rent commitment was \$126,000. In September 2014, a rider to the lease became effective. The basic rent was revised to \$2,000 payable on the first day of each month thereafter. In October 2015, the Organization entered into a monthly license agreement with Green Desk LLC to use an office space in Green Desk. The monthly license fee is \$1,900.

Rent expenses amounted to \$23,668 and \$27,750 for the fiscal years ended June 30, 2016 and 2015.

The Organization receives a substantial portion of its funding in grants from corporations, foundations, and government agencies. A significant reduction of this funding, if it were to occur, may have an effect on the program activities of the Organization.

In some instances, grants require fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. Management believes this contingency to be remote.

Government grants could be subject to audit by the funding source. No provision has been made for any liabilities, which may arise from such audit and any disallowances or adjustments will be reflected in the financial statements in the period of settlement.

Note 5 - Retirement plan

The Organization maintains deferred-compensation retirement plan for all qualifying employees. Qualifying employee may elect to contribute up to the federal tax law limitations. The Organization may contribute 3% of all eligible employees' salary.

The Organization's contributions to this plan were suspended in March 2010 with the goal of reinstating contributions at a later date. There were no Organization contributions to the plan for the years ended June 30, 2016 and 2015, respectively.

Note 6 - Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalent amounts in financial institution, which, from time to time, exceed federal insurance limits.

WORLD MUSIC INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

Note 7 - Functional expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. Approximately, 82% of the salaries and fringe of benefits were allocated to program expenses.

Note 8 - Temporarily restricted fund

As of June 30, 2016, temporarily restricted fund consists of the following:

	July 1, 2015	Received	Released	June 30, 2016
Trust for Mutual Understanding	\$ 2,500	\$ 0	\$ 2,500	\$ 0
French American Cultural Exchange	444	0	0	444
ConEdison	5,000	5,000	5,000	5,000
Rockefeller Brothers Fund	0	75,000	75,000	0
The Fan Fox and Leslie R. Samuels Foundation	0	10,000	10,000	0
	<u>\$ 7,944</u>	<u>\$ 90,000</u>	<u>\$ 92,500</u>	<u>\$ 5,444</u>

Note 9 - Subsequent events

The Organization evaluated subsequent events for the period from June 30, 2016 through February 8, 2017, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to the financial statements.