

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
dba AUSTIN SOUNDWAVES  
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

JULY 31, 2024

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
dba AUSTINSOUNDWAVES  
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

JULY 31, 2024

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# Allman & Associates, Inc.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Hispanic Alliance for the Performing Arts dba Austin Soundwaves  
Austin, Texas

### **Opinion**

We have audited the accompanying financial statements of Hispanic Alliance for the Performing Arts dba Austin Soundwaves (a nonprofit corporation), which comprise the statement of financial position as of July 31, 2024, and the related statements of activities, 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 Hispanic Alliance for the Performing Arts dba Austin Soundwaves as of July 31, 2024, and the changes in its net assets and 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 Hispanic Alliance for the Performing Arts dba Austin Soundwaves 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 these 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, considered in the aggregate, that raise substantial doubt about the Hispanic Alliance for the Performing Arts dba Austin Soundwaves' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 Hispanic Alliance for the Performing Arts dba Austin Soundwaves' 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 Hispanic Alliance for the Performing Arts dba Austin Soundwaves' 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.

*Allman & Associates, Inc.*

Austin, Texas  
January 22, 2025

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
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STATEMENT OF FINANCIAL POSITION

July 31, 2024

**Assets**

Current Assets:		
Cash and cash equivalents	\$	450,488
Investments		263,210
Accounts receivable		7,688
Grants receivable		20,000
Prepaid expense		750
		<hr/>
Total Current Assets		742,136
Property and equipment, net of accumulated depreciation		18,438
Other Assets:		
Trademark		100
		<hr/>
Total Assets	\$	<u><u>760,674</u></u>

**Liabilities and Net Assets**

Current Liabilities:		
Accrued liabilities	\$	25,137
		<hr/>
Total Current Liabilities		25,137
		<hr/>
Total Liabilities		25,137
Net Assets:		
Net assets without donor restrictions		615,537
Net assets with donor restrictions		120,000
		<hr/>
Total Net Assets		735,537
		<hr/>
Total Liabilities and Net Assets	\$	<u><u>760,674</u></u>

See accompanying auditors' report and notes to the financial statements.

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
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STATEMENT OF ACTIVITIES

Year Ended July 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Program income	\$ 179,446	-	\$ 179,446
Government grants	78,000	-	78,000
Foundation grants	116,750	20,000	136,750
Contributions	534,398	100,000	634,398
Net investment return	9,277	-	9,277
Interest income	1,806	-	1,806
Net assets released from restrictions	73,500	(73,500)	-
<b>Total Support and Revenue</b>	<u>993,177</u>	<u>46,500</u>	<u>1,039,677</u>
<b>Expenses</b>			
<b>Program Services</b>			
School partnerships	295,649	-	295,649
Community programs	311,378	-	311,378
<b>Total Program Services</b>	<u>607,027</u>	<u>-</u>	<u>607,027</u>
<b>Support Services</b>			
General administration	62,766	-	62,766
Fundraising	38,052	-	38,052
<b>Total Support Services</b>	<u>100,818</u>	<u>-</u>	<u>100,818</u>
<b>Total Expenses</b>	<u>707,845</u>	<u>-</u>	<u>707,845</u>
Change in Net Assets	285,332	46,500	331,832
Beginning Net Assets	<u>330,205</u>	<u>73,500</u>	<u>403,705</u>
Ending Net Assets	<u>\$ 615,537</u>	<u>\$ 120,000</u>	<u>\$ 735,537</u>

See accompanying auditors' report and notes to the financial statements.

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2024

Expense Category	Program Services		Support Services		Totals
	School Partnerships	Community Programs	Fundraising	General Administration	
Programming:					
Concerts	\$ 2,365	\$ 2,365	\$ -	\$ -	\$ 4,730
DM Fellowship	-	11,353	-	-	11,353
Instrument expense	-	1,884	-	-	1,884
Scholarships	-	2,100	-	-	2,100
Supplies	1,388	1,388	-	-	2,776
Administrative:					
Insurance	1,168	1,168	-	-	2,336
Marketing	8,307	8,307	-	-	16,614
Meals	5,721	5,720	-	-	11,441
Miscellaneous	232	232	-	-	464
Occupancy	1,400	1,400	-	2,000	4,800
Office expense	660	659	-	-	1,319
Printing and postage	3,178	3,178	-	-	6,356
Professional fees	-	-	-	15,981	15,981
Staff development	1,632	1,632	-	-	3,264
Subscriptions	3,538	3,537	-	-	7,075
Telephone	101	101	-	-	202
Travel	1,112	1,112	-	-	2,224
Payroll expense:					
Employee benefits	8,472	8,471	1,127	1,127	19,197
Payroll taxes	16,931	16,930	2,661	3,275	39,797
Salaries	218,602	218,602	34,264	34,263	505,731
Other:					
Bank and miscellaneous fees	1,027	1,026	-	6,120	8,173
Contract expense	15,278	15,677	-	-	30,955
Depreciation & amortization	4,537	4,536	-	-	9,073
Total expenses	\$ <u>295,649</u>	\$ <u>311,378</u>	\$ <u>38,052</u>	\$ <u>62,766</u>	\$ <u>707,845</u>

See accompanying auditors' report and notes to financial statements.

HISPANIC ALLIANCE FOR THE PERFORMING ARTS  
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STATEMENT OF CASH FLOWS

Year Ended July 31, 2024

Cash flows in operating activities:	
Change in net assets	\$ 331,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,073
Net investment return	(9,277)
Changes in assets and liabilities:	
Accounts receivable	(6,688)
Grants receivable	13,500
Prepaid expense	(750)
Accrued liabilities	6,142
	<hr/>
Net cash provided by operating activities	343,832
	<hr/>
Net change in cash and cash equivalents	343,832
Cash and cash equivalents, beginning of the year	106,656
	<hr/>
Cash and cash equivalents, end of the year	\$ 450,488
	<hr/> <hr/>
Supplemental data:	
Income taxes paid	\$ -
	<hr/>
Interest paid	\$ 100
	<hr/> <hr/>

See accompanying auditors' report and notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2024

**1. Organization & Summary of Significant Accounting Policies**

This summary of significant accounting policies of Hispanic Alliance for the Performing Arts, dba Austin Soundwaves (hereafter referred to as Austin Soundwaves) is presented to assist in understanding Austin Soundwaves' financial statements. The financial statements and notes are representations of Austin Soundwaves' management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP), and have been consistently applied in preparation of the financial statements.

**Organization**

The mission of Austin Soundwaves is to make learning music accessible and equitable in a world without barriers to music education. Austin Soundwaves leads partnerships that transform school music programs into inspiring centers of creativity. Beyond the school day, Austin Soundwaves offers community-based music programs that encourage lifelong learning and empower students to achieve personal and professional success.

Austin Soundwaves' revenue comes primarily from program fees, grants, and contributions. Austin Soundwaves' major programs are described below.

***School Partnerships***

Using the Equity in Music Education Framework, Austin Soundwaves helps schools start and grow high-quality K-12 music education programs. As part of this holistic approach, Austin Soundwaves teaches students in small group classes and private lessons; coaches and mentors music teachers; and collaborates with school leaders on topics such as scheduling, budgeting, and long-term planning.

***Community Programs***

Austin Soundwaves offers innovative community music programs and performances for all ages. In addition to private lessons, group classes, and a festival series, Austin Soundwaves offers Summer Music Camp and Soundwaves Spotlight, an interactive performance series for K-12 students. Since 2013, Austin Soundwaves has distributed over 5,000 instruments to students, schools, and nonprofits throughout Central Texas.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2024

**1. Organization & Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when cash is disbursed.

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, Austin Soundwaves considers all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition to be cash and cash equivalents unless designated for investment purposes.

**Accounts Receivable**

Receivables reported are program fees collectible within one year. The receivables create a credit risk for Austin Soundwaves should the parties to the receivables fail to perform as obligated. Austin Soundwaves' policy for determining when these types of receivables are past due is based on when the payments are promised.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2024

**1. Organization & Summary of Significant Accounting Policies (continued)**

The allowance for credit losses is an estimate based on historical information, current conditions, and reasonable and supportable forecasts. At July 31, 2024, Austin Soundwaves recorded no allowance for doubtful accounts as substantially all receivables were deemed collectible.

**Contributions and Grants Receivable**

Contributions and grants receivable, including unconditional promises, are recognized as revenue when the donor's commitment is received. Contributions and grants receivable are recognized at the estimated present value of the future cash flows, net of allowance for uncollectible contributions and grants. Contributions and grants receivable are reported as current (due within one year) or long-term (due after one year).

**Property and Equipment**

Property and equipment are recorded at cost if purchased, and fair value if donated, and depreciated over their estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period assets are disposed. Assets, including significant renewals and betterments, with a cost of \$2,500 and greater are capitalized. Maintenance and repairs are charged to expense as incurred.

**Revenue Recognition/Contributions**

Contributions, including unconditional pledges and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are satisfied in the same period they are received are reported as contributions without donor restrictions. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When Austin Soundwaves receives payment in advance, a contract liability is recorded as deferred revenue and then reduced

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July 31, 2024

**1. Organization & Summary of Significant Accounting Policies (continued)**

when the revenue is recognized. Revenue streams that are recorded as contracts with customers include program fees.

**Federal Income Taxes**

Austin Soundwaves is exempt from federal income taxes, except on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been reflected in the financial statements.

Austin Soundwaves has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. Austin Soundwaves has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. Austin Soundwaves believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on Austin Soundwaves' financial position, changes in net assets or cash flows. Accordingly, Austin Soundwaves has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at July 31, 2024. Austin Soundwaves is subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities, by program services, fundraising, and general administration. The statement of functional expenses reports the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. General administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Austin Soundwaves.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2024

**1. Organization & Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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. Significant estimates include those used in the functional allocation of expenses and depreciation of assets. Actual results could differ from those estimates.

**Credit Risk**

Financial instruments which potentially subject Austin Soundwaves to credit risk consist of cash and cash equivalents, investments, and receivables. Austin Soundwaves' deposits exceeded the federal depository insurance limits by \$208,542 as of July 31, 2024. Austin Soundwaves does not require collateral for receivables, and management does not believe it has significant credit risk related to those receivables.

Investments are exposed to various risks such as significant world events, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Investments**

Investments consist of money market funds, mutual funds, and government and agency bonds, and are stated at fair market value. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Change in Not-for-Profit Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The most significant change in this standard is a shift from the

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July 31, 2024

**1. Organization & Summary of Significant Accounting Policies (continued)**

incurred loss model to the expected loss model. ASU 2016-13 is effective for non-profit organizations for fiscal years beginning after December 15, 2022. Financial assets held by Austin Soundwaves that are subject to this guidance include trade accounts receivable. ASU 2016-13 has been adopted with no material effect on the financial statements or disclosures.

**2. Property and Equipment**

Major classes of property and equipment consist of the following as of July 31, 2024:

Furniture and fixtures	\$ 2,782
Instruments	160,948
Computer equipment	5,975
Total property and equipment	<u>169,705</u>
Less accumulated depreciation	(151,267)
Property and equipment, net	<u>\$ 18,438</u>

Depreciation expense for the year ended July 31, 2024 was \$9,073.

**3. Donated Goods**

Donated goods that meet the requirements for recognition are recorded at their fair market value based on wholesale prices of identical or similar products if purchased in the region. Occasionally, Austin Soundwaves receives donations of instruments, which they use in their programs throughout the year, as well as instruments collected through donations, and distributed to schools and nonprofit organizations. There were no instrument donations received during the year ended July 31, 2024.

**4. Net Assets With Donor Restrictions**

In 2024, Austin Soundwaves launched Music Transforms, a comprehensive campaign which raises funds for essential improvement to the organization, including a first-ever facility for programs, expansion of community programs, and expansion of the Summer Music Camp. Funds received for the campaign are recorded as net assets with donor restrictions for the comprehensive campaign.

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**4. Net Assets With Donor Restrictions (continued)**

Net assets with donor restrictions consisted of the following at July 31, 2024:

Subject to expenditure for specified purpose:	
Community programs	\$ 20,000
Comprehensive campaign	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 120,000</u>

Net assets with donor restrictions released from restrictions consisted of the following for the year ending July 31, 2024:

Satisfaction of purpose restrictions:	
Community programs	\$ <u>73,500</u>
Total net assets released from donor restrictions	<u>\$ 73,500</u>

**5. Fair Value Measurements and Disclosures**

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.

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**5. Fair Value Measurements and Disclosures (continued)**

- Level 3 Inputs – Unobservable inputs for the asset or liability.

The following table represents assets measured at fair value on a recurring basis as reported on the statement of financial position as of July 31, 2024, and by level within the fair value measurement hierarchy:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 91,718	\$ -	\$ 91,718	\$ -
Fixed income	171,492	171,492	-	-
Total investments	<u>\$ 263,210</u>	<u>\$ 171,492</u>	<u>\$ 91,718</u>	<u>\$ -</u>

The fair value of Austin Soundwaves' remaining current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

**6. Line of Credit**

Austin Soundwaves maintains a \$30,000 line of credit, with a maturity date of March 1, 2026 and a floating interest rate of 1% over the Prime Rate, which it may draw on from time to time. There was no outstanding balance at July 31, 2024, and interest of \$100 was paid during the year ended July 31, 2024.

**7. Related Party Transactions**

Austin Soundwaves receives contributions and donations from board members of the organization. The related party contributions and donations for the year ending July 31, 2024 are \$54,006.

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NOTES TO FINANCIAL STATEMENTS

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**8. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 450,488
Investments	263,210
Accounts receivable	7,688
Grants receivable	<u>20,000</u>
Total financial assets	741,386

Less those unavailable for general expenditures within one year due to:

Purpose restricted net assets	<u>(120,000)</u>
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Financial assets available within one year to meet cash needs for  
general expenditures

\$ 621,386

Austin Soundwaves meets cash needs through program fees, grants, and contribution revenue.

**9. Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the financial statements were available for issuance, January 22, 2025, and there were no subsequent events to be disclosed.