

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

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JULY 31, 2023

HISPANIC ALLIANCE FOR THE PERFORMING ARTS
dba AUSTINSOUNDWAVES
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INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JULY 31, 2023

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report.....	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL
SUITE 150W
AUSTIN, TX 78759
(512) 502-3077
FAX: 800-512-7990
WWW.ALLMANCPAS.COM

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, 2023, 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, 2023, 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 19, 2024

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

STATEMENT OF FINANCIAL POSITION

July 31, 2023

Assets

Current Assets:	
Cash and cash equivalents	\$ 106,656
Investments	253,933
Accounts receivable	1,000
Grants receivable	<u>33,500</u>
Total Current Assets	395,089
Property and equipment, net of accumulated depreciation	27,623
Other Assets:	
Trademark	<u>100</u>
Total Assets	<u>\$ 422,812</u>

Liabilities and Net Assets

Current Liabilities:	
Accrued liabilities	<u>\$ 19,107</u>
Total Current Liabilities	<u>19,107</u>
Total Liabilities	<u>19,107</u>
Net Assets:	
Net assets without donor restrictions	330,205
Net assets with donor restrictions	<u>73,500</u>
Total Net Assets	<u>403,705</u>
Total Liabilities and Net Assets	<u>\$ 422,812</u>

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

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

STATEMENT OF ACTIVITIES

Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Program income	\$ 114,646	-	\$ 114,646
Government grants	36,125	-	36,125
Foundation grants	86,655	33,500	120,155
Contributions	375,547	60,000	435,547
In-kind contributions	23,500	-	23,500
Investment income	6,046	-	6,046
Net assets released from restrictions	40,000	(40,000)	-
Total Support and Revenue	682,519	53,500	736,019
Expenses			
Program Services			
School partnerships	333,706	-	333,706
Community programs	350,976	-	350,976
Total Program Services	684,682	-	684,682
Support Services			
General administration	74,226	-	74,226
Fundraising	70,356	-	70,356
Total Support Services	144,582	-	144,582
Total Expenses	829,264	-	829,264
Change in Net Assets	(146,745)	53,500	(93,245)
Beginning Net Assets	476,950	20,000	496,950
Ending Net Assets	\$ 330,205	\$ 73,500	\$ 403,705

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

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended July 31, 2023

Expense Category	Program Services		Support Services		Totals
	School Partnerships	Community Programs	Fundraising	General Administration	
Programming:					
Concerts	\$ 1,102	\$ 1,752	\$ -	\$ -	\$ 2,854
DM Fellowship	-	7,570	-	-	7,570
Instrument expense	13,697	13,697	-	-	27,394
Scholarships	-	9,000	-	-	9,000
Supplies	1,497	1,497	-	-	2,994
Administrative:					
Insurance	1,621	1,621	-	-	3,242
Marketing	8,028	8,028	-	-	16,056
Meals	3,210	3,210	1,187	318	7,925
Miscellaneous	254	255	-	22	531
Occupancy	2,080	2,080	-	1,040	5,200
Office expense	405	405	9	55	874
Printing and postage	504	504	2,394	-	3,402
Professional fees	-	-	-	15,048	15,048
Staff development	2,016	2,016	250	539	4,821
Subscriptions	1,526	1,526	1,398	3,642	8,092
Telephone	16	16	-	526	558
Travel	584	584	-	-	1,168
Website	-	-	-	95	95
Payroll expense:					
Employee benefits	10,041	10,041	2,796	2,334	25,212
Payroll taxes	20,166	20,166	4,209	3,529	48,070
Salaries	251,749	251,748	57,612	39,664	600,773
Other:					
Bank and miscellaneous fees	217	217	-	7,149	7,583
Contract expense	8,588	8,638	501	-	17,727
Depreciation & amortization	6,405	6,405	-	265	13,075
Total expenses	\$ 333,706	\$ 350,976	\$ 70,356	\$ 74,226	\$ 829,264

See accompanying auditors' report and notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year Ended July 31, 2023

Cash flows in operating activities:	
Change in net assets	\$ (93,245)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,075
Net investment return	(3,933)
Changes in assets and liabilities:	
Accounts receivable	36,500
Grants receivable	(13,500)
Accounts payable	(12,751)
Accrued liabilities	(1,505)
Net cash used by operating activities	<u>(75,359)</u>
Cash flows from investing activities:	
Purchase of investments	<u>(250,000)</u>
Net cash used by investing activities	<u>(250,000)</u>
Decrease in cash and cash equivalents	(325,359)
Cash and cash equivalents, beginning of the year	<u>432,015</u>
Cash and cash equivalents, end of the year	<u><u>\$ 106,656</u></u>
Supplemental data:	
Income taxes paid	<u><u>\$ -</u></u>
Interest paid	<u><u>\$ -</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

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

Austin Soundwaves' mission is to make learning music accessible and equitable. Austin Soundwaves leads music learning 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 Austin Soundwaves' Equity in Music Education Framework and holistic partnership model, the focus is on systems-level change by planning with school leaders, teaching and mentoring students, and coaching music teachers.

Community Programs

Austin Soundwaves offers innovative community music programs and performances for all ages. In addition to private lessons, ensembles, and a festival series, Austin Soundwaves offers the intergenerational Mariachi Para Todos, the Draylen Mason Fellows Program, as well as mentoring for young professionals pursuing careers in the arts. Since 2013, Austin Soundwaves has led Fall Into Music, a citywide instrument drive and music education advocacy campaign that has distributed 3,500+ instruments to 20 schools and nonprofits in Central Texas.

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

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.

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

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

At July 31, 2023, management recorded \$0 for the allowance for uncollectible accounts and believes all receivables are 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

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

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, 2023. 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.

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

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 do not exceed the federal depository insurance limits as of July 31, 2023. 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, 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.

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

2. Property and Equipment

Major classes of property and equipment consist of the following as of July 31, 2023:

Furniture and fixtures	\$ 2,782
Instruments	160,948
Computer equipment	<u>6,087</u>
Total property and equipment	169,817
Less accumulated depreciation	<u>(142,194)</u>
Property and equipment, net	<u>\$ 27,623</u>

Depreciation expense for the year ended July 31, 2023 was \$13,075.

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. 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 donor restrictions on the donated goods.

The value of donated goods included in in-kind contributions revenue in the financial statements and corresponding expenses for instruments distributed for the year ended July 31, 2023:

Instruments	<u>\$ 23,500</u>
Total in-kind donations	<u>\$ 23,500</u>

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at July 31, 2023:

Subject to expenditure for specified purpose:	
Community programs	<u>\$ 73,500</u>
Total net assets with donor restrictions	<u>\$ 73,500</u>

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

4. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions released from restrictions consisted of the following for the year ending July 31, 2023:

Satisfaction of purpose restrictions:	
Community programs	\$ <u>40,000</u>
Total net assets released from donor restrictions	\$ <u><u>40,000</u></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.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

5. Fair Value Measurements and Disclosures (continued)

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, 2023, 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	\$ 4,694	\$ -	\$ 4,694	\$ -
Government and agency bonds	249,239	249,239	-	-
Total investments	<u>\$ 253,933</u>	<u>\$ 249,239</u>	<u>\$ 4,694</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. 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	\$ 106,656
Investments	253,933
Accounts receivable	1,000
Grants receivable	33,500
Total financial assets	<u>395,089</u>
Less those unavailable for general expenditures within one year due to:	
Purpose and time restricted net assets	<u>(73,500)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 321,589</u>

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

NOTES TO FINANCIAL STATEMENTS

July 31, 2023

6. Liquidity and Availability (continued)

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

7. Line of Credit

Austin Soundwaves maintains a \$20,000 line of credit, with a maturity date of March 1, 2024 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, 2023, and no interest paid during the year ended July 31, 2023.

8. 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, 2023 are \$48,691.

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 19, 2024, and there were no subsequent events to be disclosed.