

SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020 and 2019

**SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS
AND SUBSIDIARY**

Table of Contents

December 31, 2020 and 2019

Independent Auditor’s Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6
Notes to Consolidated Financial Statements	8



Independent Auditor's Report

To the Board of Directors
SongwritingWith: Inc. d/b/a
SongwritingWith:Soldiers and Subsidiary
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers (a Texas nonprofit corporation) and Subsidiary (the Organization) which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 the Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Organization as of December 31, 2019, were audited by other auditors whose report dated May 29, 2020, expressed an unmodified opinion on those statements.



Puryear & Noonan, CPAs

Nashville, Tennessee

April 15, 2021

SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 514,632	\$ 312,650
Pledges receivable	38,440	95,316
Prepaid expenses	7,187	15,399
Total Current Assets	560,259	423,365
Other Assets		
Deposits and other assets	2,150	650
Total Other Assets	2,150	650
Total Assets	\$ 562,409	\$ 424,015
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 9,446	\$ 20,944
Deferred revenue	55,500	-
Total Current Liabilities	64,946	20,944
Net Assets		
Without donor restrictions	459,023	317,221
With donor restrictions	38,440	85,850
Total Net Assets	497,463	403,071
Total Liabilities and Net Assets	\$ 562,409	\$ 424,015

See independent auditor's report and accompanying notes to consolidated financial statements.

SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS AND SUBSIDIARY
Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and Support		
Contributions and grants	\$ 482,337	\$ 511,457
Program income	260,250	340,532
Paycheck Protection Program loan forgiveness	68,000	-
Other Income	1,970	8,118
Total Revenues and Support	812,557	860,107
Net Assets Released From Restrictions		
Expiration of time restrictions	85,850	-
Total Net Assets Released From Restrictions	85,850	-
Total Revenues and Support Without Donor Restrictions	898,407	860,107
Expenses		
Program services	525,503	601,973
General and administrative	90,250	125,783
Fundraising	140,852	109,361
Total Expenses	756,605	837,117
Change in Net Assets With Donor Restrictions		
Contributions and grants	38,440	85,850
Net Assets Released From Restrictions	(85,850)	-
Increase (decrease) in net assets with donor restrictions	(47,410)	85,850
Change in Net Assets	94,392	108,840
Net Assets - Beginning of Year	403,071	294,231
Net Assets - End of Year	\$ 497,463	\$ 403,071

See independent auditor's report and accompanying notes to consolidated financial statements.

SONGWRITINGWITH: INC. d/b/a
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Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 94,392	\$ 108,840
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
(Increase) decrease in pledges receivables	56,876	(75,856)
(Increase) decrease in prepaid expenses	8,212	(5,999)
(Increase) decrease in deposits and other assets	(1,500)	-
Increase (decrease) in accounts payable and accrued expenses	(11,498)	4,674
Increase (decrease) in deferred revenue	55,500	-
Net Cash Provided by (Used for) Operating Activities	<u>201,982</u>	<u>31,659</u>
Net Change in Cash	201,982	31,659
Cash - Beginning of Year	<u>312,650</u>	<u>280,991</u>
Cash - End of Year	<u>\$ 514,632</u>	<u>\$ 312,650</u>

See independent auditor's report and accompanying notes to consolidated financial statements.

SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS AND SUBSIDIARY
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 232,314	\$ 29,976	\$ 112,410	\$ 374,700
Retreat expenses	152,764	-	-	152,764
Professional fees	45,565	47,237	4,292	97,095
Travel	54,536	374	1,674	56,585
Printing and production	5,529	238	5,200	10,968
Communications	8,024	716	853	9,593
Facilities	14,310	1,440	5,400	21,150
Other	1,491	90	80	1,661
Meals and entertainment	2,541	179	180	2,900
Supplies	816	582	680	2,078
Postage and shipping	2,769	266	2,448	5,483
Dues and subscriptions	2,079	7,520	7,635	17,234
Insurance	2,762	1,632	-	4,394
Total Functional Expenses	<u>\$ 525,503</u>	<u>\$ 90,250</u>	<u>\$ 140,852</u>	<u>\$ 756,605</u>

See independent auditor's report and accompanying notes to consolidated financial statements.

SONGWRITINGWITH: INC. d/b/a
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Consolidated Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 256,357	\$ 44,053	\$ 74,546	\$ 374,956
Retreat expenses	211,882	-	-	211,882
Professional fees	17,836	50,810	14,040	82,686
Travel	69,471	4,751	6,065	80,287
Printing and production	17,011	360	223	17,594
Communications	7,006	6,068	2,868	15,942
Facilities	7,061	5,917	-	12,978
Other	-	5,330	5,747	11,077
Meals and entertainment	5,675	906	2,098	8,679
Supplies	2,937	1,124	2,585	6,646
Postage and shipping	3,571	521	798	4,890
Dues and subscriptions	420	4,001	391	4,812
Insurance	2,746	1,942	-	4,688
Total Functional Expenses	<u>\$ 601,973</u>	<u>\$ 125,783</u>	<u>\$ 109,361</u>	<u>\$ 837,117</u>

See independent auditor's report and accompanying notes to consolidated financial statements.

**SONGWRITINGWITH: INC. d/b/a SONGWRITINGWITH:SOLDIERS
AND SUBSIDIARY**

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

Be An Artist, Inc. was incorporated as a Texas nonprofit corporation and received tax exempt status under Section 501(c)(3) of the Internal Revenue Code on December 4, 2007. In 2012, SongwritingWith:Soldiers, Inc. was established operating under Be An Artist, Inc.'s nonprofit, charitable Section 501(c)(3) of the code status. In 2013, Be An Artist, Inc. and SongwritingWith:Soldiers, Inc. merged with Be An Artist, Inc., the surviving nonprofit entity and changed its legal name to SongwritingWith: Inc., which performs charitable activities using the doing business as (d/b/a) name SongwritingWith:Soldiers (SW:S). On June 6, 2013, a for-profit, wholly owned subsidiary, SongwritingWith:Soldiers Music, LLC (the LLC), was created to oversee the publication rights for music produced at retreats and workshops. The consolidated financial statements include the accounts of SW:S and the LLC (the Organization).

The Organization's mission is to transform lives by using songwriting to expand creativity, connections and strengths. The Organization uses songwriting as a catalyst for positive change allowing participants a unique way to tell their stories, rebuild trust, release pain, forge new bonds, and flourish. Through retreats and workshops, service members are paired with professional songwriters to craft songs about their experiences, often about combat and the return home. Through their songs, participants rediscover their creativity and reconnect with family, friends, and communities. The songs are recorded and shared through CDs, concerts, and social media in order to bridge military and civilian communities, and build awareness of the challenges faced by our returning service members and their families.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned rather than when collected and expenses are recorded when incurred rather than when disbursed.

Use of Estimates

Management of the Organization has made a number of assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statement in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from these estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors. The Board has not designated any funds in 2020 and 2019.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Pledges Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value and included in current assets. For multi-year pledges, the amounts promised in subsequent years are discounted and included in other assets. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Measure of Operation

The Statements of Activities and Changes in Net Assets report changes in net assets, including net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and interest and investment income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual/or non-reoccurring nature.

There were no non-operating activities for the year ended December 31, 2020 and 2019.

Program and Supporting Services – Functional Expenses

The following program and supporting services are included in the accompanying financial statements on the Statements of Functional Expenses.

Program Services – includes activities carried out to fulfill the Organization’s ongoing activities of transforming lives through songwriting.

Supporting Services – General and Administrative – relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Supporting Services – Fundraising – includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities in active markets as of the measurement date;

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices of identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,

- Inputs that are derived primarily from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, pledges receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

The Organization's revenue primarily consists of services such as retreats and Progressive and Alternative Training for Healing Heroes (PATHH) events. The services performed provide a distinct service and include contractual agreements for the events. The retreats and PATHH event revenue is recognized as received based off the performance obligation being satisfied at the time these services are provided.

Contributions are considered unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled.

Contributions, which are received as temporary restricted and whose restrictions are met within the same year, are shown as unrestricted support on a first-in, first-out basis.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and therefore, no provision for federal or state income taxes is applicable.

The Organization follows FASB ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. Therefore, management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2017-2019), or expected to be taken in the Organization's 2020 tax returns. The Organization identifies its major tax jurisdiction's as the U.S. Federal and the State of Texas. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Organization incurred no interest or penalties during the years ended December 31, 2020 and 2019.

Note 2 - Liquidity and Availability

The Organization has \$553,072 of financial assets consisting of unrestricted cash and current receivables, of which \$38,440 is subject to donor restrictions of time, therefore, leaving \$514,632 available to meet cash needs for general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3 - Lease Commitments

The Organization signed a lease agreement to rent office space from a landlord on November 1, 2019 in Nashville, Tennessee that required a monthly payment of \$1,500 with an annual escalation. As of November 1, 2020, the Organization decided to amend the lease to month-to-month with the approval of the landlord due to the current economic situation with regards to the pandemic. The Organization paid \$18,000 in net rent payments during the year ended December 31, 2020. In addition, the Organization ended its lease in its former New York location. The Organization paid \$3,150 in rent payments during 2020 for this location.

Note 4 - Net Assets with Donor Restrictions

Net assets with donor restrictions subject to time restrictions for use in the Organization's various programs totaled \$38,440 and \$85,850, respectively, at December 31, 2020 and 2019. Net assets of \$85,850 for the year ended December 31, 2020 were released from donor restrictions during 2020 by incurring expenses which satisfied the time restriction. No net assets were released from restriction during 2019.

Note 5 - Concentration of Credit Risk

The Organization maintains its checking and savings accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. The standard FDIC insurance amount is limited to \$250,000 per depositor, per insured bank. Therefore, amounts in excess of this \$250,000 held by the Organization as of, and during the years ended December 31, 2020 and 2019, were uninsured and uncollateralized.

Note 6 – Commitments

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. It is anticipated that these impacts will continue for some time. As a result of the pandemic, the Organization decided to cancel many of its in person events. However, many were able to be done virtually. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization.

On May 4, 2020, the Organization received a loan in the amount of \$68,000 in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Air, Relief, and Economic Security Act (the CARES Act). On November 17, 2020, this loan was forgiven as a result of meeting the required stipulations under the PPP. The Organization has recorded this in total revenues and support on the Statements of Activities and Changes in Net Assets for the year ended December 31, 2020.

Note 7 - Subsequent Events

The Organization has evaluated subsequent events through April 15, 2021, the date which the financial statements were available to be issued.

Note 8 - Accounting Standards Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2021. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2022. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial position and results of operations.