

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

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 and 2020

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

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers (a Texas nonprofit corporation) and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial

(Auditor's report continued on next page)

doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

(Auditor's report continued on next page)

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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
May 4, 2022

SONGWRITINGWITH: INC. d/b/a
SONGWRITINGWITH:SOLDIERS AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 593,513	\$ 514,632
Accounts receivable	10,553	38,440
Promises to give	125,000	50,000
Prepaid expenses	9,722	7,187
Total Current Assets	738,788	610,259
Other Assets		
Promises to give	175,000	150,000
Deposits and other assets	2,150	2,150
Total Other Assets	177,150	152,150
Total Assets	\$ 915,938	\$ 762,409
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 36,067	\$ 9,446
Deferred revenue	5,500	55,500
Total Current Liabilities	41,567	64,946
Net Assets		
Without donor restrictions	563,818	459,023
With donor restrictions	310,553	238,440
Total Net Assets	874,371	697,463
Total Liabilities and Net Assets	\$ 915,938	\$ 762,409

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, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and Support		
Contributions and grants	\$ 368,731	\$ 482,337
Program income	555,750	260,250
Paycheck Protection Program loan forgiveness	68,518	68,000
Other income	1,039	1,970
Total Revenues and Support	<u>994,038</u>	<u>812,557</u>
Net Assets Released From Restrictions		
Expiration of time restrictions	<u>163,440</u>	<u>85,850</u>
Total Net Assets Released From Restrictions	<u>163,440</u>	<u>85,850</u>
Total Revenues and Support Without Donor Restrictions	<u>1,157,478</u>	<u>898,407</u>
Expenses		
Program services	839,141	525,384
General and administrative	114,177	90,339
Fundraising	<u>99,365</u>	<u>140,882</u>
Total Expenses	<u>1,052,683</u>	<u>756,605</u>
Change in Net Assets With Donor Restrictions		
Contributions and grants	235,553	238,440
Net Assets Released From Restrictions	<u>(163,440)</u>	<u>(85,850)</u>
Increase (decrease) in net assets with donor restrictions	<u>72,113</u>	<u>152,590</u>
Change in Net Assets	<u>176,908</u>	<u>294,392</u>
Net Assets - Beginning of Year - as previously reported	497,463	403,071
Prior period adjustment - Note 2	<u>200,000</u>	<u>-</u>
Balance at beginning of the year, as restated	<u>697,463</u>	<u>403,071</u>
Net Assets - End of Year	<u>\$ 874,371</u>	<u>\$ 697,463</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 Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>Restated</u> <u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 176,908	\$ 294,392
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
(Increase) decrease in accounts receivable	27,887	56,876
(Increase) decrease in promises to give	(100,000)	(200,000)
(Increase) decrease in prepaid expenses	(2,535)	8,212
(Increase) decrease in deposits and other assets	-	(1,500)
Increase (decrease) in accounts payable and accrued expenses	26,621	(11,498)
Increase (decrease) in deferred revenue	(50,000)	55,500
Net Cash Provided by (Used for) Operating Activities	<u>78,881</u>	<u>201,982</u>
Net Change in Cash	78,881	201,982
Cash - Beginning of Year	<u>514,632</u>	<u>312,650</u>
Cash - End of Year	<u>\$ 593,513</u>	<u>\$ 514,632</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, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 290,582	\$ 39,806	\$ 67,670	\$ 398,058
Retreat expenses	446,649	342	847	447,838
Professional fees	44,345	64,471	1,774	110,590
Travel	4,741	350	4,300	9,391
Music administration	240	-	100	340
Outreach communications	26,273	57	3,541	29,871
Facilities	12,556	1,440	5,400	19,396
Office expense	9,675	3,294	12,864	25,833
Dues and subscriptions	3,546	552	2,869	6,967
Insurance	534	3,865	-	4,399
Total Functional Expenses	<u><u>\$ 839,141</u></u>	<u><u>\$ 114,177</u></u>	<u><u>\$ 99,365</u></u>	<u><u>\$ 1,052,683</u></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, 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	154,134	-	-	154,134
Professional fees	45,565	47,237	4,292	97,094
Travel	54,541	552	1,854	56,947
Music administration	1,050	90	30	1,170
Outreach communications	8,024	716	853	9,593
Facilities	14,310	1,440	5,400	21,150
Office expense	10,605	1,176	8,408	20,189
Dues and subscriptions	2,079	7,520	7,635	17,234
Insurance	2,762	1,632	-	4,394
Total Functional Expenses	<u>\$ 525,384</u>	<u>\$ 90,339</u>	<u>\$ 140,882</u>	<u>\$ 756,605</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, 2021 and 2020

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 consolidated 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 consolidated financial statements 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 consolidated 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 2021 and 2020.

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 Consolidated 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.

Promises to Give

Promises to give are unconditional promises to give that are recognized as contributions when the promise is received. Promises to give 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 promises to give, 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 Consolidated 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 years ended December 31, 2021 and 2020.

Program and Supporting Services – Functional Expenses

The following program and supporting services are included in the accompanying consolidated financial statements on the Consolidated 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 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 donor 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 (2018 - 2020), or expected to be taken in the Organization's 2021 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, 2021 and 2020.

Reclassification

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

Note 2 - Prior Period Adjustment

Restricted net assets at the end of 2020 have been adjusted to record promise to give in the amount of \$200,000, restating net assets at December 31, 2020 from \$497,463 to \$697,463.

Note 3 - Liquidity and Availability

At December 31, 2021, the Organization has \$729,066 of financial assets consisting of unrestricted cash and current receivables, of which \$135,553 is subject to donor restrictions of time, therefore, leaving \$593,513 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 4 - Promises to Give

Promises to give at December 31, 2021 and 2020 amounted to \$300,000 and \$200,000, respectively. Future promises to give are as follows:

2022	\$	125,000
2023		125,000
2024		50,000
	\$	<u>300,000</u>

The discount rate is commensurate with the risks associated with the ultimate payment of the receivable, including collectibility. The difference between pledges receivable before and after the discount is insignificant.

Note 5 - 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 years ended December 31, 2021 and 2020. In addition, the Organization ended its lease in its former New York location in August 2020. The Organization paid \$1,307 and \$3,150, respectively, in rent payments during 2021 and 2020 for this location.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions subject to time restrictions for use in the Organization's various programs totaled \$310,553 and \$238,440, respectively, at December 31, 2021 and 2020. Net assets of \$163,440 and \$85,850, respectively, for the years ended December 31, 2021 and 2020 were released from donor restrictions during 2021 and 2020 by incurring expenses which satisfied the time restrictions.

Note 7 - 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, 2021 and 2020, were uninsured and uncollateralized.

Note 8 - Concentrations

The Organization received 17% of total revenues and support from one organization in 2021. As of December 31, 2021 and 2020, two and one donors accounted for the total promises to give, respectively.

Note 9 - 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. In 2021, COVID-19 restrictions were decreased and the Organization was able to return to in-person events.

On May 4, 2020 and January 1, 2021, the Organization received loans in the amount of \$68,000 and \$68,518, respectively, in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). On November 17, 2020 and August 24, 2021, these loans were forgiven as a result of meeting the required stipulations under the PPP. The Organization has recorded this in total revenues and support on the Consolidated Statements of Activities and Changes in Net Assets for the years ended December 31, 2021 and 2020.

Note 10 - Subsequent Events

The Organization has evaluated subsequent events through May 4, 2022, the date which the consolidated financial statements were available to be issued.

Note 11 - 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.