

**SONGWRITINGWITH: INC. D/B/A**  
**SONGWRITINGWITH:SOLDIERS AND**  
**SUBSIDIARY**

**CONSOLIDATED FINANCIAL**  
**STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORT**

**DECEMBER 31, 2022 AND 2021**

**SONGWRITINGWITH: INC. D/B/A SONGWRITINGWITH:SOLDIERS AND SUBSIDIARY**

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## Independent Auditor's Report

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 and Subsidiary (the Organization), a Texas nonprofit corporation, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022 and 2021, and the changes in its consolidated net assets and consolidated 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 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 Consolidated 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 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 Consolidated 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 the 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 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 report continued on next page)*

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## **Auditor's Responsibilities for the Audit of the Consolidated 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.

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  
Nashville, Tennessee  
April 24, 2023

**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
**Consolidated Statements of Financial Position**  
**December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash	\$ 483,441	\$ 21,276	\$ 504,717
Accounts receivable	263	30,000	30,263
Pledges receivable - current portion	-	175,000	175,000
Prepaid expenses	<u>15,440</u>	<u>-</u>	<u>15,440</u>
<b>Total Current Assets</b>	499,144	226,276	725,420
Pledges receivable, excluding current portion	-	50,000	50,000
Other assets	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<b>Total Assets</b>	<u>\$ 500,644</u>	<u>\$ 276,276</u>	<u>\$ 776,920</u>
 <b><u>Liabilities and Net Assets</u></b>			
Accounts payable	\$ 12,450	\$ -	\$ 12,450
Accrued expenses and liabilities	<u>13,374</u>	<u>-</u>	<u>13,374</u>
<b>Total Current Liabilities</b>	<u>25,824</u>	<u>-</u>	<u>25,824</u>
 <b>Net Assets</b>			
Without donor restrictions	474,820	-	474,820
With donor restrictions	<u>-</u>	<u>276,276</u>	<u>276,276</u>
<b>Total Net Assets</b>	<u>474,820</u>	<u>276,276</u>	<u>751,096</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 500,644</u>	<u>\$ 276,276</u>	<u>\$ 776,920</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 Financial Position (Continued)**  
**December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash	\$ 593,513	\$ -	\$ 593,513
Accounts receivable	-	10,553	10,553
Pledges receivable - current portion	-	125,000	125,000
Prepaid expenses	<u>9,722</u>	<u>-</u>	<u>9,722</u>
<b>Total Current Assets</b>	603,235	135,553	738,788
Pledges receivable, excluding current portion	-	175,000	175,000
Other assets	<u>2,150</u>	<u>-</u>	<u>2,150</u>
<b>Total Assets</b>	<u>\$ 605,385</u>	<u>\$ 310,553</u>	<u>\$ 915,938</u>
 <b><u>Liabilities and Net Assets</u></b>			
Accounts payable	\$ 21,792	\$ -	\$ 21,792
Accrued expenses and liabilities	14,275	-	14,275
Deferred revenue	<u>5,500</u>	<u>-</u>	<u>5,500</u>
<b>Total Current Liabilities</b>	<u>41,567</u>	<u>-</u>	<u>41,567</u>
 <b>Net Assets</b>			
Without donor restrictions	563,818	-	563,818
With donor restrictions	<u>-</u>	<u>310,553</u>	<u>310,553</u>
<b>Total Net Assets</b>	<u>563,818</u>	<u>310,553</u>	<u>874,371</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 605,385</u>	<u>\$ 310,553</u>	<u>\$ 915,938</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 Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Contributions and grants	\$ 380,146	\$ 168,000	\$ 548,146
Program income	472,500	-	472,500
Contributions of nonfinancial assets	10,710	-	10,710
Miscellaneous	749	-	749
Net assets released from restrictions	<u>202,277</u>	<u>(202,277)</u>	<u>-</u>
<b>Total Public Support and Revenue</b>	<u>1,066,382</u>	<u>(34,277)</u>	<u>1,032,105</u>
<b>Expenses</b>			
<b>Program Services</b>			
Program	932,079	-	932,079
<b>Supporting Services</b>			
Management and general	93,053	-	93,053
Fundraising	<u>130,248</u>	<u>-</u>	<u>130,248</u>
<b>Total Expenses</b>	<u>1,155,380</u>	<u>-</u>	<u>1,155,380</u>
<b>Change in Net Assets</b>	(88,998)	(34,277)	(123,275)
<b>Net Assets - Beginning of Year</b>	<u>563,818</u>	<u>310,553</u>	<u>874,371</u>
<b>Net Assets - End of Year</b>	<u>\$ 474,820</u>	<u>\$ 276,276</u>	<u>\$ 751,096</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 Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2021 (Continued)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support and Revenue</b>			
Contributions and grants	\$ 368,732	\$ 235,553	\$ 604,285
Program income	555,750	-	555,750
Paycheck Protection Program loan forgiveness	68,518	-	68,518
Miscellaneous	1,039	-	1,039
Net assets released from restrictions	<u>163,440</u>	<u>(163,440)</u>	<u>-</u>
<b>Total Public Support and Revenue</b>	<u>1,157,479</u>	<u>72,113</u>	<u>1,229,592</u>
<b>Expenses</b>			
<b>Program Services</b>			
Program	839,014	-	839,014
<b>Supporting Services</b>			
Management and general	114,296	-	114,296
Fundraising	<u>99,374</u>	<u>-</u>	<u>99,374</u>
<b>Total Expenses</b>	<u>1,052,684</u>	<u>-</u>	<u>1,052,684</u>
<b>Change in Net Assets</b>	104,795	72,113	176,908
<b>Net Assets - Beginning of Year</b>	<u>459,023</u>	<u>238,440</u>	<u>697,463</u>
<b>Net Assets - End of Year</b>	<u>\$ 563,818</u>	<u>\$ 310,553</u>	<u>\$ 874,371</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
<b>Change in Net Assets</b>	\$ (123,275)	\$ 176,908
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities</b>		
<b>(Increase) Decrease in Operating Assets</b>		
Pledges receivable	75,000	(100,000)
Accounts receivable	(19,710)	27,887
Prepaid expenses	(5,718)	(2,535)
Other assets	650	-
<b>Increase (Decrease) in Operating Liabilities</b>		
Accounts payable	(9,342)	16,966
Accrued expenses and liabilities	(901)	9,655
Deferred revenue	<u>(5,500)</u>	<u>(50,000)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(88,796)</u>	<u>78,881</u>
<b>Increase (Decrease) in Cash</b>	(88,796)	78,881
<b>Cash - Beginning of Year</b>	<u>593,513</u>	<u>514,632</u>
<b>Cash - End of Year</b>	<u>\$ 504,717</u>	<u>\$ 593,513</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, 2022**

	<u>Supporting Services</u>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Retreat expense	\$ 508,225	\$ 272	\$ 8,396	\$ 516,893
Salaries and wages	281,223	24,914	49,833	355,970
Professional fees	64,533	56,201	30,936	151,670
Outreach communications	46,754	1,056	8,875	56,685
Office expense	1,991	4,917	14,698	21,606
Rent	12,600	1,800	3,600	18,000
Travel	5,968	610	9,907	16,485
Dues and subscriptions	1,883	1,079	4,003	6,965
In-Kind expense	6,850	-	-	6,850
Insurance - general	2,042	2,204	-	4,246
Music administration	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total Expenses	<u>\$ 932,079</u>	<u>\$ 93,053</u>	<u>\$ 130,248</u>	<u>\$ 1,155,380</u>
Percent of Total Expenses	<u>81%</u>	<u>8%</u>	<u>11%</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 (Continued)**  
**For the Year Ended December 31, 2021**

	<u>Supporting Services</u>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Retreat expense	\$ 446,648	\$ 342	\$ 847	\$ 447,837
Salaries and wages	290,582	39,806	67,670	398,058
Professional fees	44,345	64,471	1,775	110,591
Outreach communications	26,273	58	3,540	29,871
Office expense	9,549	3,412	12,872	25,833
Rent	12,556	1,440	5,400	19,396
Travel	4,741	350	4,301	9,392
Dues and subscriptions	3,546	552	2,869	6,967
Insurance - general	534	3,865	-	4,399
Music administration	<u>240</u>	<u>-</u>	<u>100</u>	<u>340</u>
Total Expenses	<u>\$ 839,014</u>	<u>\$ 114,296</u>	<u>\$ 99,374</u>	<u>\$ 1,052,684</u>
Percent of Total Expenses	<u>80%</u>	<u>11%</u>	<u>9%</u>	

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

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**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**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 Internal Revenue Code Section (IRCS) 501(c)(3) on December 4, 2007. In 2012, SongwritingWith:Soldiers, Inc. was established operating under Be An Artist, Inc.'s nonprofit, charitable IRCS 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 accompanying consolidated financial statements of the Organization are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

***Financial Statement Presentation***

The accompanying consolidated financial statements of the Organization report its consolidated financial information according to the following net asset classifications:

**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 donor restrictions may be designated for specific purposes by action of the Board of Directors. The Board has not designated any funds in 2022 and 2021.

**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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
Notes to Consolidated Financial Statements (Continued)

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Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statements of Activities and Changes in Net Assets.

***Measure of Operations***

The Consolidated Statements of Activities and Changes in Net Assets report changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from donor-restricted contributions, net assets released for capital expenditure, and other activities considered to be of a more unusual or non-recurring nature. There were no non-operating activities for the years ended December 31, 2022 and 2021.

***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 - Management and General** - 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.

***Use of Estimates***

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

**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
Notes to Consolidated Financial Statements (Continued)

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***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 established a fair value hierarchy that prioritized 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 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 market prices 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 for 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 principally 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 accounts and pledges receivable, and other short-term assets, and liabilities. For these financial instruments, carrying values approximate fair value.

***Contributions and Contributions Receivable***

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Organization determines, based on historical experience and collection efforts, that a contribution receivable is uncollectible. No allowance for uncollectible receivables was considered necessary as of December 31, 2022 or 2021.

**Revenue Recognition**

**Revenue from Exchange Transactions** - The Organization recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its Consolidated Statements of Activities and Changes in Net Assets for the years ending December 31, 2022 and 2021:

**Retreats**

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 and Grants**

Contributions and other public support are generally recognized at the time of receipt as there are no performance obligations that are required to be satisfied. The Organization reports any gifts of property, equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used and no performance obligations exist. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service as the performance obligation is considered to be met at that point in time.

**Contributions of Non-Financial Assets**

The Organization recognizes contributed non-financial assets within revenues in the Consolidated Statements of Activities and Changes in Net Assets consisting of guitars and professional services. Unless otherwise noted, contributed nonfinancial assets do not have any donor-imposed restrictions. The Organization records contributed nonfinancial assets at fair value when determinable, otherwise at value indicated by the donor, if material.

**Income Taxes**

The Organization is exempt from income taxes under the provisions of IRCS 501(c)(3), and, accordingly, no provision for income taxes is included in the consolidated financial statements.

The Organization follows FASB 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50% that the full amount of the tax position 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 for the three most recent years filed, or expected to be taken in the Organization's tax return. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by either of these jurisdictions. As of December 31, 2022 and 2021, the Organization has accrued no interest and no penalties related to uncertain tax positions.

**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
Notes to Consolidated Financial Statements (Continued)

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***Right-of-Use Assets and Liabilities***

Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. The Organization's policy is to apply a risk-free rate as the discount rate used to measure lease liabilities and ROU assets. For other classes of underlying leased assets, the Organization applies the interest rate implicit in the lease, if available, or the Organization's incremental borrowing rate. The ROU asset includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options.

***Reclassifications***

Certain reclassifications have been made to the 2021 consolidated financial statements in order for them to conform to the 2022 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

***Events Occurring After Reporting Date***

The Organization has evaluated events and transactions that occurred between January 1, 2023 and April 24, 2023 which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

**Note 2 - Adoption of New Accounting Pronouncements**

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an organization's programs and other activities. There was no effect on changes in net assets as a result of this adoption and did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the Consolidated Statements of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Consolidated Statements of Activities and Changes in Net Assets. The Organization adopted the new standard effective January 1, 2022 using the optional alternative method of adoption. This method allows the Organization to apply the new requirements to only those leases that exist as of January 1, 2022. There was no effect on the



**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
Notes to Consolidated Financial Statements (Continued)

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Consolidated Statements of Activities and Changes in Net Assets as a result of this adoption.

Using the adoption of the new lease standard, the Organization has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

The Organization has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, and (4) to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

At December 31, 2022, the Organization had no significant ROU assets or liabilities that extended beyond 12 months.

**Note 3 - Availability and Liquidity**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statements of Financial Position date, are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 504,717	\$ 593,513
Pledges receivable	175,000	125,000
Accounts receivable	<u>30,263</u>	<u>10,553</u>
Total financial assets available to be used within one year	<u>\$ 709,980</u>	<u>\$ 729,066</u>

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give, which are not funded until a subsequent year and are donor restricted, at December 31, 2022 and 2021, represent pledges for donations or grants as follows:

	<u>2022</u>	<u>2021</u>
Payable in one year	\$ 175,000	\$ 125,000
Payable in one to three years	<u>50,000</u>	<u>175,000</u>
	<u>\$ 225,000</u>	<u>\$ 300,000</u>

**SongwritingWith: Inc. d/b/a SongwritingWith:Soldiers and Subsidiary**  
Notes to Consolidated Financial Statements (Continued)

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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 has a month-to-month office lease and paid \$18,000 in rent payments during the years ended December 31, 2022 and 2021.

**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 \$276,276 and \$310,553, respectively, at December 31, 2022 and 2021. Net assets of \$202,277 and \$163,440, respectively, for the years ended December 31, 2022 and 2021 were released from donor restrictions during 2022 and 2021 by incurring expenses which satisfied purpose and time restrictions.

**Note 7 - Credit Risk and Other Concentrations**

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, 2022 and 2021, were uninsured and uncollateralized.

**Note 8 - Concentrations**

The Organization received 17% of total revenues and support from one organization in 2022. As of December 31, 2022 and 2021, three and two donors, respectively, accounted for the total promises to give.