

SWAN: SCALING WALLS A NOTE AT A TIME

***FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS REVIEW REPORT***

DECEMBER 31, 2018 AND 2017

SWAN: SCALING WALLS A NOTE AT A TIME

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of SWAN: Scaling Walls a Note at a Time

We have reviewed the accompanying financial statements of SWAN: Scaling Walls a Note at a Time ("SWAN") (a nonprofit organization), which comprise the statements of cash receipts and disbursements for the year ended December 31, 2018 and 2017, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
February 7, 2019

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STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2018 And 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Cash Receipts			
Donations	\$ 86,741	\$ 1,000	\$ 87,741
Other Income	307	-	307
Special Events, net	31,080	-	31,080
Cash released from Restrictions	-	-	-
Total Cash Receipts	<u>118,128</u>	<u>1,000</u>	<u>119,128</u>
Cash Disbursements			
Program Services			
Office Manager	33,490	-	33,490
Voice and Instrument Coaching	34,642	-	34,642
Performance Expenses	139	-	139
Music Books and Materials	460	-	460
Insurance Expense	2,517	-	2,517
Instrument Repairs	2,305	-	2,305
Business Meeting Expenses	975	-	975
Conference Expenses	71	-	71
Postage	589	-	589
Miscellaneous Program Services	<u>1,579</u>	<u>-</u>	<u>1,579</u>
Total Program Services	<u>76,767</u>	<u>-</u>	<u>76,767</u>
Management and General			
Office Manager	8,148	-	8,148
Computer Expenses	1,093	-	1,093
Office Supplies	850	-	850
Accounting and Legal	2,723	-	2,723
State Filing Fees	100	-	100
Printing	<u>129</u>	<u>-</u>	<u>129</u>
Total Management and General	<u>13,043</u>	<u>-</u>	<u>13,043</u>
Development			
Development salaries	<u>7,255</u>	<u>-</u>	<u>7,255</u>
Total Development	<u>7,255</u>	<u>-</u>	<u>7,255</u>
Total Disbursements	<u>97,065</u>	<u>-</u>	<u>97,065</u>
Excess Receipts Over Disbursements	21,063	1,000	22,063
Cash In Bank			
Beginning of year	<u>12,834</u>	<u>404</u>	<u>13,238</u>
End of year	<u>\$ 33,897</u>	<u>\$ 1,404</u>	<u>\$ 35,301</u>

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STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS – (Continued)

Years Ended December 31, 2018 And 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Cash Receipts			
Donations	\$33,350	\$ 1,260	\$34,610
Grant Income	2,500	-	2,500
Other Income	7	-	7
Special Events, net	25,303	-	25,303
Cash Released from Restrictions	<u>1,834</u>	<u>(1,834)</u>	<u>-</u>
Total Cash Receipts	<u>62,994</u>	<u>(574)</u>	<u>62,420</u>
Cash Disbursements			
Program Services			
Office Manager	22,530	-	22,530
Voice and Instrument Coaching	10,939	-	10,939
Performance Expenses	1,195	-	1,195
Music Books and Materials	76	-	76
Insurance Expense	2,747	-	2,747
Instrument Repairs	574	-	574
Business Meeting Expenses	803	-	803
Postage	1,850	-	1,850
Miscellaneous Program Services	<u>699</u>	<u>-</u>	<u>699</u>
Total Program Services	<u>41,413</u>	<u>-</u>	<u>41,413</u>
Management and General			
Office Manager	10,353	-	10,353
Computer Expenses	4,361	-	4,361
Office Supplies	136	-	136
Accounting and Legal	2,284	-	2,284
State Filing Fees	100	-	100
Advertising	<u>467</u>	<u>-</u>	<u>467</u>
Total Management and General	<u>17,701</u>	<u>-</u>	<u>17,701</u>
Total Disbursements	<u>59,114</u>	<u>-</u>	<u>59,114</u>
Excess Receipts Over (Less than) Disbursements	3,880	(574)	3,306
Cash In Bank			
Beginning of year	<u>8,954</u>	<u>978</u>	<u>9,932</u>
End of year	<u>\$12,834</u>	<u>\$ 404</u>	<u>\$13,238</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018 And 2017

(1) SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

SWAN: Scaling Walls a Note at a Time (“SWAN”) seeks to provide free private music lessons, ensemble training, performance opportunities and mentoring for children and youth whose parent(s) have been incarcerated or have a history of incarceration. SWAN is also a support group for their students. SWAN’s program reached 200 children in 2018 and 80 children in 2017. Children who benefit from SWAN’s program give back to the community by performing throughout the year in events held on national and local platforms.

BASIS OF ACCOUNTING

The financial statements are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The primary differences between SWAN’s accounting basis and generally accepted accounting principles is that activity is recorded when a cash transaction occurs rather than when income and expenses are incurred. Additionally, capital items, such as property plant and equipment are expensed at the time of purchase. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

INCOME TAXES

SWAN is an organization exempt from United States federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management has reviewed the tax positions for each of the open tax years (2015 – 2017) or expected to be taken in SWAN’s 2018 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

CASH RECEIPTS

The majority of SWAN’s support and revenue come from private contributions. All contributions are considered to be used for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, such net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as cash released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as net assets without donor restrictions.

DONATED SERVICES

A number of volunteers have made significant contributions of their time to various programs. For the years ended December 31, 2018 and 2017, the fair market value of donated services SWAN received were as follows:

	<u>2018</u>	<u>2017</u>
Professional Services	\$ 56,000	\$ 60,000
Teaching Instruction	6,000	5,000
Special Event Planning	1,300	2,500
Counseling	<u>1,400</u>	<u>-</u>
	<u>\$ 64,700</u>	<u>\$ 67,500</u>

The value of these services is not reflected in the financial statements because SWAN recognizes support and revenue on the cash basis of accounting.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

DONATED MATERIALS

Annually, individuals and businesses donate items to SWAN to support the community events and other program activities. The value of all donated materials is not reflected in these statements because SWAN recognizes support and revenue on the cash basis of accounting.

NET ASSETS

SWAN reports information regarding its cash receipts and disbursements, according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of net assets without donor restrictions.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been recorded on a functional basis in the statement of cash receipts and disbursements. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a variety of cost allocation techniques.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject SWAN to concentrations of credit risk consist principally of cash. SWAN maintains its cash balances two financial institutions. The balances are subject to limitations established by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018 and 2017 the amounts on deposit are fully insured.

CASH AND CASH EQUIVALENTS

SWAN considers all highly liquid investments with a maturity of three months or less when purchased to be equivalents.

MAJOR CONTRIBUTORS

For the year ended December 31, 2018, SWAN received \$45,850 in support from three major contributors. This support represented 41% of SWAN's total support and revenues for the year ended December 31, 2018. For the year ended December 31, 2017, SWAN received \$17,160 in support from one major contributor. This support represented 25.22% of SWAN's total support and revenues for the year ended December 31, 2017.

RELATED PARTY TRANSACTIONS

The total contributions of all board members totaled approximately \$4,150 in 2018 and \$6,700 in 2017.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

NOT-FOR-PROFIT FINANCIAL STATEMENT PRESENTATION

During 2019, SWAN adopted ASU No. 2016-14 – *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net asset without donor restrictions, liquidity, and expenses by both their natural and functional classification.

(2) NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2018, there was \$1,404 in net assets with donor restrictions. \$404 was available for instrument repair, and \$1,000 was available to support costs associated with fundraising. For the year ended December 31, 2017, there was \$404 in net assets with donor restrictions available for instrument repair.

(3) SPECIAL EVENTS

Special events receipts are shown net of direct expenses in the statement of cash receipts and disbursements. For the years ended December 31, 2018 and 2017, expenses of \$10,179 and \$5,632, respectively, were incurred in connection with SWAN's special events.

(4) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure consisted of cash which totaled approximately \$35,000 as of December 31, 2018. Approximately \$1,400 of this balance is made up of restricted funds to support purposes designated by the donor (See "*Note 2*").

(5) SUBSEQUENT EVENTS

Subsequent events after year-end through the date that the financial statements were available for issuance, February 7, 2019, have been evaluated in the preparation of the financial statements.