

SWAN: SCALING WALLS A NOTE AT A TIME

*FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS REVIEW REPORT*

DECEMBER 31, 2020 AND 2019

SWAN: SCALING WALLS A NOTE AT A TIME

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 1 |
| FINANCIAL STATEMENTS | |
| <i>Statements of Cash Receipts and Disbursements,</i> | |
| December 31, 2020 | 2 |
| December 31, 2019 | 3 |
| <i>Notes to Financial Statements</i> | 4-6 |

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, 2020 and 2019, 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 19, 2021

SWAN: SCALING WALLS A NOTE AT A TIME

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2020 And 2019

| | <u>2020</u> | | |
|---|---|--|------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Cash Receipts | | | |
| Donations | \$ 134,507 | \$ 13,717 | \$ 148,224 |
| Government grant income | - | 13,897 | 13,897 |
| Other Income | 58 | - | 58 |
| Special Events, net | (640) | - | (640) |
| Cash released from Restrictions | <u>38,288</u> | <u>(38,288)</u> | <u>-</u> |
| Total Cash Receipts | <u>172,213</u> | <u>(10,674)</u> | <u>161,539</u> |
| Cash Disbursements | | | |
| Program Services | | | |
| Personnel | 50,297 | - | 50,297 |
| Voice and Instrument Coaching | 48,701 | - | 48,701 |
| Performance Expenses | 19 | - | 19 |
| Music Books and Materials | 298 | - | 298 |
| Insurance Expense | 2,975 | - | 2,975 |
| Instrument Repairs | 212 | - | 212 |
| Business Meeting Expenses | 1,406 | - | 1,406 |
| Conference Expenses | 836 | - | 836 |
| Postage | 715 | - | 715 |
| Miscellaneous Program Services | <u>2,585</u> | <u>-</u> | <u>2,585</u> |
| Total Program Services | <u>108,044</u> | <u>-</u> | <u>108,044</u> |
| Management and General | | | |
| Personnel | 8,442 | - | 8,442 |
| Computer Expenses | 1,412 | - | 1,412 |
| Office Supplies | 1,466 | - | 1,466 |
| Accounting and Legal | 5,336 | - | 5,336 |
| State Filing Fees | 350 | - | 350 |
| Advertising | - | - | - |
| Printing | <u>803</u> | <u>-</u> | <u>803</u> |
| Total Management and General | <u>17,809</u> | <u>-</u> | <u>17,809</u> |
| Development | | | |
| Personnel | <u>8,442</u> | <u>-</u> | <u>8,442</u> |
| Total Development | <u>8,442</u> | <u>-</u> | <u>8,442</u> |
| Total Disbursements | <u>134,295</u> | <u>-</u> | <u>134,295</u> |
| Excess Receipts Over Disbursements | 37,918 | (10,674) | 27,244 |
| Cash In Bank | | | |
| Beginning of year | <u>7,196</u> | <u>16,824</u> | <u>24,020</u> |
| End of year | <u>\$ 45,114</u> | <u>\$ 6,150</u> | <u>\$ 51,264</u> |

SWAN: SCALING WALLS A NOTE AT A TIME

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS – (Continued)

Years Ended December 31, 2020 And 2019

| | 2019 | | Total |
|---|----------------------------------|-------------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Cash Receipts | | | |
| Donations | \$ 34,319 | \$ 34,000 | \$ 68,319 |
| Other Income | 1,172 | - | 1,172 |
| Special Events, net | 50,062 | - | 50,062 |
| Cash released from Restrictions | <u>18,580</u> | <u>(18,580)</u> | <u>-</u> |
| Total Cash Receipts | <u>104,133</u> | <u>15,420</u> | <u>119,553</u> |
| Cash Disbursements | | | |
| Program Services | | | |
| Personnel | 46,113 | - | 46,113 |
| Voice and Instrument Coaching | 44,820 | - | 44,820 |
| Performance Expenses | 2,067 | - | 2,067 |
| Music Books and Materials | 1,618 | - | 1,618 |
| Insurance Expense | 2,671 | - | 2,671 |
| Instrument Repairs | 2,029 | - | 2,029 |
| Business Meeting Expenses | 3,123 | - | 3,123 |
| Conference Expenses | 354 | - | 354 |
| Postage | 667 | - | 667 |
| Miscellaneous Program Services | <u>1,153</u> | <u>-</u> | <u>1,153</u> |
| Total Program Services | <u>104,615</u> | <u>-</u> | <u>104,615</u> |
| Management and General | | | |
| Personnel | 6,664 | - | 6,664 |
| Computer Expenses | 1,002 | - | 1,002 |
| Office Supplies | 2,217 | - | 2,217 |
| Accounting and Legal | 5,898 | - | 5,898 |
| State Filing Fees | 350 | - | 350 |
| Advertising | 800 | - | 800 |
| Printing | <u>337</u> | <u>-</u> | <u>337</u> |
| Total Management and General | <u>17,268</u> | <u>-</u> | <u>17,268</u> |
| Development | | | |
| Personnel | <u>8,951</u> | <u>-</u> | <u>8,951</u> |
| Total Development | <u>8,951</u> | <u>-</u> | <u>8,951</u> |
| Total Disbursements | <u>130,834</u> | <u>-</u> | <u>130,834</u> |
| Excess Disbursements Over Receipts | (26,701) | 15,420 | (11,281) |
| Cash In Bank | | | |
| Beginning of year | <u>33,897</u> | <u>1,404</u> | <u>35,301</u> |
| End of year | <u>\$ 7,196</u> | <u>\$ 16,824</u> | <u>\$ 24,020</u> |

SWAN: SCALING WALLS A NOTE AT A TIME

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

(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 211 children in 2019 and 200 children in 2018. Children who benefit from SWAN’s program give back to the community by performing throughout the year in events held on 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 (2017 – 2019) or expected to be taken in SWAN’s 2020 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, 2020 and 2019, the fair market value of donated services that SWAN received and recorded in the financial statements are as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------|-----------------|-----------------|
| Professional Services | \$37,060 | \$36,400 |
| Grant writing | 700 | - |
| Performances | 1,735 | - |
| Teaching Instruction | - | 27,825 |
| Special Event Services | - | 600 |
| Accounting Services | - | 8,840 |
| | <u>\$39,495</u> | <u>\$73,665</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.

SWAN: SCALING WALLS A NOTE AT A TIME

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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.

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 based on time and effort.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject SWAN to concentrations of credit risk consist principally of cash. SWAN maintains its cash balances at two financial institutions. The balances are subject to limitations established by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2020 and 2019, 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, 2020, SWAN received \$70,115 in support from four major contributors which represented 47% of SWAN's total support and revenues (excluding government grants). For the year ended December 31, 2019, SWAN received \$39,920 in support from three major contributors which represented 33% of SWAN's total support and revenues.

RELATED PARTY TRANSACTIONS

SWAN did not receive any donations directly from its board members in 2020. The total contributions of all board members totaled approximately \$750 in 2019.

(2) NET ASSETS WITH DONOR RESTRICTIONS

For the years ended December 31, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|-----------------|-----------------|
| York Pennsylvania Program | \$ 6,150 | \$11,420 |
| Summer Camp | - | 2,500 |
| Instruction | - | 2,500 |
| Instrument Repair | - | 404 |
| | <u>\$ 6,150</u> | <u>\$16,824</u> |

SWAN: SCALING WALLS A NOTE AT A TIME

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(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, 2020 and 2019, expenses of \$1,040 and \$11,605, respectively, were incurred in connection with SWAN's special events.

(4) GOVERNMENT GRANT INCOME

On June 22, 2020, SWAN received a \$13,897 loan under the Small Business Administration's ("SBA") Payment Protection Program ("PPP Loan"). SWAN considers the PPP Loan to be a conditional contribution and considers such conditions to be met upon the incurrence of eligible expenditures. During 2020, SWAN incurred eligible expenditures that support full PPP Loan forgiveness and as such the contribution is reported as government grant income in the Statements of Cash Receipts and Disbursements.

(5) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure consisted of cash which totaled approximately \$51,250 and \$24,000 as of December 31, 2020 and 2019, respectively. Approximately \$6,150 and \$16,800 of this balance is made up of restricted funds to support purposes designated by the donor as of December 31, 2020 and 2019, respectively (See "*Note 2*").

(6) SUBSEQUENT EVENTS

Subsequent events after year-end through the date that the financial statements were available for issuance, February 19, 2021, have been evaluated in the preparation of the financial statements.