

SWAN: SCALING WALLS A NOTE AT A TIME

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS REVIEW REPORT

DECEMBER 31, 2021 AND 2020

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 years ended December 31, 2021 and 2020, 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.

We are required to be independent of SWAN and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 14, 2022

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STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2021 And 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Cash Receipts			
Donations	\$ 137,217	\$ 19,000	\$ 156,217
Special Events, net	(3,243)	-	(3,243)
Interest Income	68	-	68
Cash released from Restrictions	<u>15,660</u>	<u>(15,660)</u>	<u>-</u>
Total Cash Receipts	<u>149,702</u>	<u>3,340</u>	<u>153,042</u>
Cash Disbursements			
Program Services			
Personnel	53,225	-	53,225
Voice and Instrument Coaching	50,022	-	50,022
Performance Expenses	778	-	778
Music Books and Materials	913	-	913
Insurance Expense	3,182	-	3,182
Business Meeting Expenses	1,219	-	1,219
Postage	865	-	865
Miscellaneous Program Services	<u>6,406</u>	<u>-</u>	<u>6,406</u>
Total Program Services	<u>116,610</u>	<u>-</u>	<u>116,610</u>
Management and General			
Personnel	10,753	-	10,753
Computer Expenses	455	-	455
Office Supplies	1,526	-	1,526
Accounting and Legal	5,065	-	5,065
Advertising	1,563	-	1,563
Printing	<u>65</u>	<u>-</u>	<u>65</u>
Total Management and General	<u>19,427</u>	<u>-</u>	<u>19,427</u>
Development			
Personnel	<u>20,618</u>	<u>-</u>	<u>20,618</u>
Total Development	<u>20,618</u>	<u>-</u>	<u>20,618</u>
Total Disbursements	<u>156,655</u>	<u>-</u>	<u>156,655</u>
Excess Disbursements over Receipts	(6,953)	3,340	(3,613)
Cash In Bank			
Beginning of year	<u>45,114</u>	<u>6,150</u>	<u>51,264</u>
End of year	<u>\$ 38,161</u>	<u>\$ 9,490</u>	<u>\$ 47,651</u>

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STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS – (Continued)

Years Ended December 31, 2021 And 2020

	<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
Special Events, net	(640)	-	(640)
Interest Income	58	-	58
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
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>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 And 2020

(1) SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

SWAN: Scaling Walls a Note at a Time (“SWAN”) seeks to provide free music lessons, ensemble training, performance opportunities and mentoring for children and youth affected by parental incarceration. SWAN’s program reached 190 children in 2021 and 209 children in 2020. 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 (2018 – 2020) or expected to be taken in SWAN’s 2021 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 SWAN. For the years ended December 31, 2021 and 2020, the fair market value of donated services that SWAN received are as follows:

	<u>2021</u>	<u>2020</u>
Professional Services	\$43,260	\$37,060
Grant writing	-	700
Performances	<u>4,450</u>	<u>1,735</u>
	<u>\$47,710</u>	<u>\$39,495</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. Approximately \$22,500 and \$37,000 of the donated professional services was provided by the SWAN’s executive director in 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

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, 2021 and 2020, 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, 2021, SWAN received \$78,350 in support from three contributors which represented 48.5% of SWAN's total support and revenues. For the year ended December 31, 2020, SWAN received \$70,115 in support from four contributors which represented 47% of SWAN's total support and revenues (excluding government grants).

(2) NET ASSETS WITH DONOR RESTRICTIONS

For the years ended December 31, 2021 and 2020, net assets with donor restrictions were available for the following purposes:

	<u>2021</u>	<u>2020</u>
York Pennsylvania program	\$ 4,640	\$ 6,150
Lancaster Pennsylvania program	3,350	-
Benefit concert	<u>1,500</u>	<u>-</u>
	<u>\$ 9,490</u>	<u>\$ 6,150</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(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, 2021 and 2020, expenses of \$8,425 and \$1,040, 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. SWAN was notified in 2021 that its PPP Loan was forgiven by the SBA.

(5) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. This coronavirus has resulted in closing international borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to the supply chains, as well as general public uncertainty. SWAN adopted a "Pandemic Program Model" to adapt to the current operating environment which reduced the number of children assigned to each instructor. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to SWAN including political, social and economic risks. The ultimate impact of COVID-19 on SWAN's operations is not reasonably estimable as of the date that the financial statements were available for issuance. SWAN will continue to monitor the effects of the COVID-19 pandemic and will adjust its operations as necessary.

(6) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure consisted of cash which totaled approximately \$42,450 and \$51,250 as of December 31, 2021 and 2020, respectively. \$9,420 and \$6,150 of this balance is made up of restricted funds to support purposes designated by the donor as of December 31, 2021 and 2020, respectively (See "Note 2").

(7) SUBSEQUENT EVENTS

Subsequent events after year-end through the date that the financial statements were available for issuance, February 14, 2022, have been evaluated in the preparation of the financial statements.