

CreatiVets

Financial Statements
For the Years Ended June 30, 2022 and 2021

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Financial Statements
For the Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
CreatiVets

Opinion

We have audited the financial statements of CreatiVets (a not-for-profit corporation, the Organization), which comprise the statement of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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 (GAAS). 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
February 27, 2023

CreatiVets
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 393,009	\$ 352,906
Promises to give	23,550	45,000
Prepaid expenses	16,229	11,216
Property and equipment, net	<u>52,092</u>	<u>29,363</u>
Total assets	\$ 484,880	\$ 438,485
Liabilities and Net Assets		
Accounts payable	\$ 26,272	\$ 5,358
Accrued expenses, compensation	40,126	54,083
Deferred rent	<u>79,482</u>	<u>57,571</u>
Total liabilities	145,880	117,012
Net assets		
Without donor restrictions	320,450	210,836
With donor restrictions	<u>18,550</u>	<u>110,637</u>
Total net assets	<u>339,000</u>	<u>321,473</u>
Total liabilities and net assets	\$ 484,880	\$ 438,485

CreatiVets
Statement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets			
General	\$ 696,480	\$ -	\$ 696,480
Sponsored events, net of direct benefit expenses totaling \$24,569	78,558	-	78,558
Grants	25,000	18,550	43,550
Contributions of nonfinancial assets	131,310	-	131,310
Interest income and other	1,297	-	1,297
Net assets released from restrictions	<u>110,637</u>	<u>(110,637)</u>	<u>-</u>
Total public support and revenues	1,043,282	(92,087)	951,195
Expenses			
Program services	707,274	-	707,274
Management and general	139,350	-	139,350
Fundraising	<u>87,044</u>	<u>-</u>	<u>87,044</u>
Total expenses	933,668	-	933,668
Change in net assets	109,614	(92,087)	17,527
Net assets, beginning of year	<u>210,836</u>	<u>110,637</u>	<u>321,473</u>
Net assets, end of year	\$ 320,450	\$ 18,550	\$ 339,000

CreatiVets
Statement of Activities
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets			
General	\$ 474,255	\$ -	\$ 474,255
Sponsored events, net of direct benefit expenses totaling \$21,595	55,114	-	55,114
Grants	59,471	85,000	144,471
Grant, Paycheck Protection Program	1,790	-	1,790
Contributions of nonfinancial assets	78,728	-	78,728
Interest income and other	1,353	-	1,353
Net assets released from restrictions	40,603	(40,603)	-
Total public support and revenues	711,314	44,397	755,711
Expenses			
Program services	544,964	-	544,964
Management and general	92,173	-	92,173
Fundraising	80,444	-	80,444
Total expenses	717,581	-	717,581
Change in net assets	(6,267)	44,397	38,130
Net assets, beginning of year	217,103	66,240	283,343
Net assets, end of year	\$ 210,836	\$ 110,637	\$ 321,473

CreatiVets
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program services				Supporting services			
	Songwriting	Art	Shared program development	Total	Management and general	Fundraising	Total	Total
Employee compensation	\$ -	\$ -	\$ 244,581	\$ 244,581	\$ 21,416	\$ 50,868	\$ 72,284	\$ 316,865
Advertising	-	-	-	-	40,513	1,054	41,567	41,567
Auto and transportation	4,127	6,297	6,566	16,990	-	2	2	16,992
Bank fees	-	-	-	-	1,069	2,481	3,550	3,550
Demo and CDs	35,217	-	15,874	51,091	-	-	-	51,091
Depreciation	-	-	-	-	13,194	-	13,194	13,194
Housing	13,041	8,341	8,441	29,823	-	841	841	30,664
Insurance	-	-	-	-	4,270	-	4,270	4,270
Meals	12,635	16,150	2,317	31,102	84	2,106	2,190	33,292
Office rent	-	-	62,325	62,325	14,091	-	14,091	76,416
Other expenses	25,986	15,747	9,521	51,254	5,825	4,447	10,272	61,526
Postage	64	-	1,670	1,734	1,098	682	1,780	3,514
Professional fees	75,544	12,000	-	87,544	31,470	475	31,945	119,489
Software licenses	-	-	-	-	2,917	4,800	7,717	7,717
Special event expenses	-	-	-	-	-	14,010	14,010	14,010
Storage and studio	-	-	2,660	2,660	-	-	-	2,660
Supplies	5,009	14,026	1,120	20,155	3,403	4,917	8,320	28,475
Tuition	600	44,022	-	44,622	-	-	-	44,622
Travel	20,275	36,307	6,811	63,393	-	361	361	63,754
	192,498	152,890	361,886	707,274	139,350	87,044	226,394	933,668
Allocation of shared program development	170,086	191,800	(361,886)	-	-	-	-	-
	\$ 362,584	\$ 344,690	\$ -	\$ 707,274	\$ 139,350	\$ 87,044	\$ 226,394	\$ 933,668

CreatiVets
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program services				Supporting services			
	Songwriting	Art	Shared program development	Total	Management and general	Fundraising	Total	Total
Employee compensation	\$ -	\$ -	\$ 240,463	\$ 240,463	\$ 29,975	\$ 50,474	\$ 80,449	\$ 320,912
Advertising	-	-	-	-	30	3,612	3,642	3,642
Auto and transportation	13,618	2,433	1,467	17,518	-	636	636	18,154
Bank fees	-	-	-	-	722	1,285	2,007	2,007
Demo and CDs	27,292	-	14,550	41,842	-	-	-	41,842
Depreciation	-	-	-	-	9,095	-	9,095	9,095
Event fees	8,000	-	-	8,000	-	-	-	8,000
Housing	-	7,629	155	7,784	-	620	620	8,404
Insurance	-	-	-	-	4,075	-	4,075	4,075
Meals	4,154	3,403	311	7,868	186	346	532	8,400
Office rent	-	-	63,406	63,406	13,923	-	13,923	77,329
Other expenses	14,851	2,384	571	17,806	2,438	6,523	8,961	26,767
Postage	501	-	392	893	15	632	647	1,540
Professional fees	75,418	8,592	3,841	87,851	24,192	4,081	28,273	116,124
Software licenses	-	-	-	-	2,573	5,593	8,166	8,166
Special event expenses	-	-	-	-	-	1,280	1,280	1,280
Storage and studio	-	-	10,187	10,187	-	-	-	10,187
Streaming	4,700	-	-	4,700	-	-	-	4,700
Supplies	6,525	14,495	4,195	25,215	4,949	3,937	8,886	34,101
Travel	9,628	808	995	11,431	-	1,425	1,425	12,856
	164,687	39,744	340,533	544,964	92,173	80,444	172,617	717,581
Allocation of shared program development	219,474	121,059	(340,533)	-	-	-	-	-
	\$ 384,161	\$ 160,803	\$ -	\$ 544,964	\$ 92,173	\$ 80,444	\$ 172,617	\$ 717,581

CreatiVets
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 352,906	\$ 262,661
Cash flows from operating activities		
Change in net assets	17,527	38,130
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	13,194	9,095
Change in:		
Promises to give	21,450	(20,000)
Prepaid expenses	(5,013)	1,577
Accounts payable	20,914	632
Accrued expenses, compensation	(13,957)	32,553
Refundable advance	-	(1,790)
Deferred rent	21,911	44,963
Net cash provided (used) by operating activities	<u>76,026</u>	<u>105,160</u>
Cash flows from investing activities		
Purchase of property and equipment	(35,923)	(14,915)
Net change in cash	<u>40,103</u>	<u>90,245</u>
Cash, end of year	\$ 393,009	\$ 352,906
Supplemental disclosures of cash flow information		
Contributions of nonfinancial assets	\$ 69,801	\$ 78,728

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1. Nature of Activities

CreatiVets was formed on July 19, 2013 in the State of Illinois as a not-for-profit Corporation. CreatiVets' mission is to provide combat veterans struggling with post-traumatic stress and traumatic brain injury with opportunities to use music, and art to heal their unseen wounds of war. The goal of CreatiVets programs is to empower veterans with tools they can use for the rest of their lives to combat stress, depression and other side effects of war, and to enable veterans to see their own capacity for success in an arena outside of the battlefield.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of CreatiVets have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires CreatiVets to report information regarding its financial position and activities 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 CreatiVets. These net assets may be used at the discretion of CreatiVets' management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CreatiVets or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

CreatiVets is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the State of Illinois.

CreatiVets has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. CreatiVets is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date.

Cash

Cash consists of checking, savings, and money market accounts.

Promises to Give

Promises to give are recognized as revenues in the period the promises are received. CreatiVets provides an allowance for doubtful promises to give equal to the estimated collection losses that will be incurred in collection of all promises to give. The estimated losses are based on a review of the current status of the existing promises to give. There were no losses on uncollectible balances for the years ended June 30, 2022 and 2021. Management is of the opinion that no allowance is necessary. There are no promises to give with due dates extending beyond one year.

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Property and Equipment

CreatiVets follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of the asset which ranges from 3 to 5 years and is computed on the straight-line method.

Intangible Assets

CreatiVets owns a portion of the copyright in the composition and sound recording of each song written through its Songwriting program. CreatiVets does not commercialize any of the songs composition or recording, therefore, intangible assets are not capitalized in the accompanying financial statements.

PPP Loan

CreatiVets received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. CreatiVets has elected to treat the PPP loan as a conditional contribution.

Deferred Rent

Deferred rent relates to office space lease. CreatiVets records lease expenses on a straight-line basis on this lease based on the total rental payments due over the term of the lease. The difference between rent expense and the amount paid is charged to deferred rent.

Contributions of Cash and Other Financial Assets

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CreatiVets' grants revenue stream is considered contribution revenue. Contribution and grant revenues are either recognized upon receipt if there are no conditions or recognized as conditions are satisfied.

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Contributions of Nonfinancial Assets

Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated fair values when received.

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Program Services

Songwriting

CreatiVets' songwriting program takes veterans struggling with post-traumatic stress and/or traumatic brain injury and pairs them with accomplished songwriters to allow them to write a song that expresses their story and teaches them the benefits of music and writing as a form of stress and anxiety relief.

Art

CreatiVets has partnered with several arts programs to provide multiple week, fully-accredited immersion art programs for disabled veterans at no cost to the veterans. Veterans have full access to studios and equipment at the schools, and the programs give them opportunities to create and discuss art with some of the best art instructors in the country. Through the process, veterans learn the benefits of using art as a form of stress and anxiety relief, as well as a way to tell their stories.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of allocation
Employee compensation	Time and effort
Demo and CDs	Proportion of participants in each program
Housing	Proportion of participants in each program
Office rent	Proportion of participants in each program
Storage and studio	Proportion of participants in each program
Supplies	Proportion of participants in each program

New Accounting Pronouncement

In September 2020, FASB issued Accounting Standards Update (ASU), 2020-07, *Not-for-Profit Entities* (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item separate from contributions of cash or other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The ASU has been applied retrospectively to all periods presented.

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3. Availability and Liquidity

The following represents CreatiVets' financial assets:

	2022	2021
Financial assets		
Cash	\$ 393,009	\$ 352,906
Promises to give	<u>23,550</u>	<u>45,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 416,559	\$ 397,906

As part of its liquidity plan, CreatiVets has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CreatiVets receives year-round donations from individuals and foundations, and CreatiVets makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors. Cash and all highly liquid investments are monitored against standards set by CreatiVets to access liquidity and financial solvency (days of cash on hand).

Note 4. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Website	\$ 3,250	\$ 3,250
Software	4,453	4,453
Audio equipment	4,858	4,858
Video equipment	6,038	6,038
Art program equipment	53,355	17,432
Leasehold improvements	7,391	7,391
Less: accumulated depreciation	<u>(27,253)</u>	<u>(14,059)</u>
Property and equipment, net	\$ 52,092	\$ 29,363

Depreciation expense was \$13,194 and \$9,095 for the years ended June 30, 2022 and 2021, respectively.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions received that are primarily restricted for specific programs.

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 6. Contributions of Nonfinancial Assets

The following contributions of nonfinancial assets have been included in revenues and assets/expenses in the financial statements:

	2022	2021
Program services	\$ 97,160	\$ 69,659
Vehicle	29,350	-
Supplies and other	-	3,476
Software licenses*	4,800	5,593
	<u>\$ 131,310</u>	<u>\$ 78,728</u>

* Software licenses were donated for one year. Differences for the amount of the donations are included in promises to give in one year and are recorded as expense during the following year.

Unless otherwise noted, CreatiVets did not recognize any contributions of nonfinancial assets with donor-imposed restrictions. In 2022, a donated vehicle was received and capitalized for use in operations. Program services, supplies and other, and software licenses were utilized in the art program.

Program services comprise donated songwriting sessions, tuition and housing, and frequent flyer miles. Songwriting services are valued based on the amounts charged for identical services. Tuition and housing services are valued based on the amounts charged by the institution to other participants for identical services. Frequent flyer miles were valued based on the discounts obtained when the flights were booked. The vehicle was valued using Kelley Blue Book, specifically the Private Party Value. Contributed supplies and other were valued based on estimates of wholesale values that would be received for selling similar products in the United States. Software licenses were valued based on then current retail values.

Note 7. Leasing Arrangements

CreatiVets entered in a 10-year lease agreement for its office space in Nashville, Tennessee effective May 1, 2020. The rent commenced 120 days from the effective date of the lease agreement, which was September 1, 2020. The agreement also includes additional rent for utilities as well as the option to extend the lease for four additional periods of five years.

Office rent expense of \$76,416 and \$77,329 was recorded during the years ended June 30, 2022 and 2021, respectively.

Future minimum rental payments on the noncancelable lease are contractually due as follows:

Year ended June 30,	
2023	\$ 73,964
2024	79,266
2025	81,644
2026	84,094
2027	86,809
Thereafter	<u>291,413</u>
Total	<u>\$ 697,190</u>

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8. Related Party Transactions

CreatiVets utilized the services of independent contractors to provide program and management services. The contractors utilized included a board member and certain members of the management team. Total expenses paid to these contractors was \$18,000 and \$12,000 for the years ended June 30, 2022 and 2021, respectively. There were no accounts payable to these contractors at June 30, 2022 and 2021.

Note 9. Concentrations

CreatiVets has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$63,000 and \$82,000 at June 30, 2022 and 2021, respectively. CreatiVets maintains its cash with high quality financial institutions which management believes limits these risks.

Note 10. Subsequent Events

CreatiVets has evaluated subsequent events through February 27, 2023, the date on which the financial statements were available to be issued.