

**SONGS FOR SOUND, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016**

**SONGS FOR SOUND, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	2
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	3
Statement of Functional Expenses – Modified Cash Basis	4
Statement of Cash Flows – Modified Cash Basis	5
Notes to Financial Statements	6-7

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Songs for Sound, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Songs for Sound, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2016 and the related statements of revenues, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Songs for Sound, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Blankenship CPA Group, PLLC

December 15, 2017

215 Ward Circle • Brentwood, TN 37027-5032 • 615-373-3771 • FAX 615-377-4915

SONGS FOR SOUND, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
(MODIFIED CASH BASIS)
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS	
Cash	<u>\$ 27,133</u>
PROPERTY AND EQUIPMENT	
Equipment	66,842
Accumulated depreciation	<u>(7,944)</u>
Property and equipment, net	<u>58,898</u>
TOTAL ASSETS	<u><u>\$ 86,031</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accrued expenses	<u>\$ 10,840</u>
Total Liabilities	<u>10,840</u>
NET ASSETS	
Unrestricted	<u>75,191</u>
Total Net Assets	<u>75,191</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 86,031</u></u>

The accompanying notes are an integral part of these financial statements.

SONGS FOR SOUND, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS)
YEAR ENDED DECEMBER 31, 2016

Changes in Unrestricted Net Assets

Revenues:	
Contributions	\$ 519,602
Grants	25,500
Special event revenue (net of direct expense of \$35,491)	<u>44,005</u>
Total Revenues	589,107
Functional Expenses:	
Program services	413,622
Supporting services	
Management and general	58,266
Fundraising	<u>40,096</u>
Total Functional Expenses	<u>511,984</u>
Increase in Unrestricted Net Assets	<u>77,123</u>
NET ASSETS - BEGINNING OF YEAR	<u>(1,932)</u>
NET ASSETS - END OF YEAR	<u><u>\$ 75,191</u></u>

The accompanying notes are an integral part of these financial statements.

SONGS FOR SOUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(MODIFIED CASH BASIS)
YEAR ENDED DECEMBER 31, 2016

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Management fees	\$ 77,157	\$ 15,431	\$ 10,288	\$ 102,876
Officer compensation	63,533	6,283	-	69,816
Travel	54,427	3,754	4,379	62,560
Contract labor	50,965	-	8,994	59,959
Equipment rental	42,400	7,950	2,650	53,000
Other event expenses	22,578	-	3,984	26,562
Grants	25,075	-	-	25,075
Accounting	-	19,400	3,423	22,823
Other compensation	12,691	2,380	793	15,864
Office	13,331	306	1,686	15,323
Occupancy	7,523	89	1,239	8,851
Insurance	7,265	427	855	8,547
Payroll taxes	7,378	388	-	7,766
Supplies	5,478	-	967	6,445
Depreciation	5,516	682	-	6,198
Employee benefits	5,293	279	-	5,572
Information technology	4,255	224	-	4,479
Legal	3,757	-	663	4,420
Advertising	3,162	572	76	3,810
Other business expense	996	51	-	1,047
Interest	842	50	99	991
	<u>842</u>	<u>50</u>	<u>99</u>	<u>991</u>
Total functional expenses	<u>\$ 413,622</u>	<u>\$ 58,266</u>	<u>\$ 40,096</u>	<u>\$ 511,984</u>

The accompanying notes are an integral part of these financial statements.

SONGS FOR SOUND, INC.
STATEMENTS OF CASH FLOWS (MODIFIED CASH BASIS)
YEARS ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 77,123
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	6,198
Increase in accrued expenses	<u>(9,932)</u>
Net Cash Provided By Operating Activities	<u>73,389</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of equipment	<u>(63,381)</u>
Net Cash Used By Investing Activities	<u>(63,381)</u>

NET INCREASE IN CASH	10,008
----------------------	--------

CASH - BEGINNING OF YEAR	<u>17,125</u>
--------------------------	---------------

CASH - END OF YEAR	<u><u>\$ 27,133</u></u>
--------------------	-------------------------

The accompanying notes are an integral part of these financial statements.

SONGS FOR SOUND, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Songs for Sound, Inc. (the "Organization") is a Tennessee not-for-profit corporation whose mission is to bridge the gap between "I think I have hearing loss" and quality hearing healthcare while increasing inclusion and opportunities for those with hearing loss and deafness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; consequently, support and revenues and the related assets are recognized when received rather than when earned, and expenses (other than depreciation, payroll taxes, and travel expenses purchased with the Organization's credit card) are recognized when paid rather than when the obligation is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes checking deposits held by financial institutions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and changes in net assets as net assets released from restrictions. There were no temporary or permanently restricted net assets at December 31, 2016.

SONGS FOR SOUND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services

Various volunteers donate many hours to the Organization's administrative and program services. These contributed services are only reflected in the financial statements when the services required specialized skills that would otherwise need to be purchased. Property, equipment, materials and other assets received as donations are recorded and reflected in the accompanying statements of financial position at their estimated fair values at the date of the receipt.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the tax laws of the state of Tennessee.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include contributions received by donors that have a preference for particular projects. There were no temporarily restricted net assets at December 31, 2016.

NOTE 4 - CONCENTRATIONS

Substantially all of the Organization's revenues for 2016 represents funds received from donors. No other revenue source represents 10% or more of total revenues.

NOTE 5 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 15, 2017 which is the date the financial statements were available to be issued.