

Music for the Soul, Inc.

Financial Statements (Compiled)
For the Year Ended December 31, 2020

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For the Year Ended December 31, 2020

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Independent Accountant's Compilation Report

Board of Directors
Music for the Soul, Inc.

Management is responsible for the accompanying financial statements of Music for the Soul, Inc. (the Organization), which comprise the statements of certain assets, liabilities, and net assets - modified cash basis as of December 31, 2020, the related statements of revenues collected and expenses paid - 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 in accordance with the modified cash basis of accounting and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
March 26, 2021

Music for the Soul, Inc.
Statement of Certain Assets, Liabilities, and Net Assets - Modified Cash Basis
For the Year Ended December 31, 2020

Assets

Cash	\$ 27,161
Inventory	1,900
Property and equipment, net	<u>230</u>
Total assets	\$ 29,291

Liabilities and net assets

Royalties payable	\$ 6,186
Accrued payroll	<u>1,007</u>
Total liabilities	7,193

Net assets

Without donor restrictions	8,556
With donor restrictions	<u>13,542</u>
Total net assets	<u>22,098</u>
Total liabilities and net assets	\$ 29,291

Music for the Soul, Inc.
Statement of Revenues Collected and Expenses Paid - Modified Cash Basis
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues collected			
Contributions	\$ 71,774	\$ 5,026	\$ 76,800
Music and book sales	5,159	-	5,159
Interest income	2	-	2
Net assets released from restrictions	<u>4,799</u>	<u>(4,799)</u>	<u>-</u>
 Total revenues collected	 81,734	 227	 81,961
 Expenses paid			
Program services	72,199	-	72,199
Management and general	10,714	-	10,714
Fundraising	<u>11,077</u>	<u>-</u>	<u>11,077</u>
Total expenses	93,990	-	93,990
 Excess of expenses paid over revenues collected	 (12,256)	 227	 (12,029)
 Net assets, beginning of year	 <u>20,812</u>	 <u>13,315</u>	 <u>34,127</u>
Net assets, end of year	\$ 8,556	\$ 13,542	\$ 22,098

Music for the Soul, Inc.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

	Program Services	Management and general	Fundraising	Total
Wages	\$ 42,558	\$ 5,675	\$ 8,512	\$ 56,745
Payroll taxes and benefits	6,557	874	1,311	8,742
Book publishing	1,780	-	-	1,780
Contract services	10,304	-	-	10,304
Depreciation	92	-	-	92
Donations	-	124	-	124
Licenses and permits	534	22	185	741
Postage	1,109	159	317	1,585
Professional fees	5,571	3,714	-	9,285
Royalties	1,617	-	-	1,617
Supplies	108	73	544	725
Telephone	546	73	109	728
Travel	531	-	-	531
Website maintenance	892	-	99	991
	\$ 72,199	\$ 10,714	\$ 11,077	\$ 93,990

Music for the Soul, Inc.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2020

Cash, beginning of year	\$ 39,798
Cash flows from operating activities	
Excess of expenses paid over revenues collected	(12,029)
Adjustments to reconcile excess of expenses paid over revenues collected to net cash provided (used) by operating activities:	
Depreciation	92
Change in:	
Inventory	(700)
Net cash provided (used) by operating activities	<u>(12,637)</u>
Net change in cash	<u>(12,637)</u>
Cash, end of year	\$ 27,161

Music for the Soul, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 1. Nature of the Organization

Music for the Soul, Inc. (the Organization) is a Tennessee not-for-profit organization that creates audio, video, and written materials to help people suffering from trauma caused by abuse, addiction, loss, and other injurious life challenges. Their content is used by therapists, clergy, and others in helping professions as a tool to assist in healing and recovery.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's policy is to prepare its financial statements on a modified cash basis that includes recording inventory and capitalizing furniture and equipment. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable, and accrued expenses are not included in the financial statements, with the exception of the royalties payable and accrued payroll, as these liabilities arise from reported results.

The net assets of the Organization and changes therein are classified and reported as follows:

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 the Organization. These net assets may be used at the discretion of the Organization's 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 the Organization 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 the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues collected and expenses paid during the reporting period. Actual results could differ from those estimates.

Cash

Cash includes funds on deposit in financial institutions.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of revenues collected and expenses - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All of the Organization's functional expenses are allocated based on time and effort.

Music for the Soul, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 2. Summary of Significant Accounting Policies

Property and Equipment and Depreciation

Property and equipment is recorded at cost or, if donated, at the estimated fair market value at the date of donation. The Organization's policy is to capitalize any expenditure over \$500 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Advertising

Expenses for advertising are recognized when paid.

Inventory

Inventory is valued at the lower of cost or net realizable value on a first-in, first out basis and consists of music and books held for sale.

Revenue Recognition

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. 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 statement of revenues collected and expenses - modified cash basis as net assets released from restrictions.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenues from the sale of music and books are recognized when the sales occur.

Note 3. Income Tax Status

The Organization qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; accordingly, the Organization is not subject to federal or state income tax.

Note 4. Liquidity

The Organization has \$27,161 of financial assets, all of which are available to meet cash needs for general expenditures within one year.

Note 5. Property and Equipment

Property and equipment consists of the following:

Property and equipment	\$ 736
Less: accumulated depreciation	(506)
Property and equipment, net	<u>\$ 230</u>

Music for the Soul, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2020

Note 6. Net Assets With Donor Restrictions

As of December 31, 2020 net assets with donor restrictions consisted of the following:

Film projects	\$ 10,191
Song projects	<u>3,351</u>
	\$ 13,542

Note 7. Related Party

As of December 31, 2020 the Organization owed a related party \$6,186 in royalties for the sale of books contributed to the Organization by a family member of the Executive Director. No royalty payments were made during the year ended December 31, 2020.

Note 8. Subsequent Events

The Organization has evaluated subsequent events through March 26, 2021, the date on which the financial statements were available to be issued.