

CreatiVets

Financial Statements
For the Years Ended June 30, 2021 and 2020

CreatiVets
Financial Statements
For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
CreatiVets

Report on the Financial Statements

We have audited the accompanying financial statements of CreatiVets (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 from 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 auditor's 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 entity'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 entity'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 CreatiVets as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of CreatiVets, as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated January 11, 2021, expressed an unmodified opinion on those statements.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC

Nashville, Tennessee

March 26, 2022

CreatiVets
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 352,906	\$ 262,661
Promises to give	45,000	25,000
Prepaid expenses	11,216	12,793
Property and equipment, net	<u>29,363</u>	<u>23,543</u>
Total assets	\$ 438,485	\$ 323,997
Liabilities and Net Assets		
Accounts payable	\$ 5,358	\$ 4,726
Accrued expenses, compensation	54,083	21,530
Refundable advance	-	1,790
Deferred rent	<u>57,571</u>	<u>12,608</u>
Total liabilities	117,012	40,654
Net assets		
Without donor restrictions	210,836	217,103
With donor restrictions	<u>110,637</u>	<u>66,240</u>
Total net assets	<u>321,473</u>	<u>283,343</u>
Total liabilities and net assets	\$ 438,485	\$ 323,997

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

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

CreatiVets
Statement of Activities
For the Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions			
Regular	\$ 267,238	\$ 12,100	\$ 279,338
Non-sponsored events	1,245	-	1,245
In-kind contributions	151,876	-	151,876
Grants	136,000	50,000	186,000
Grant, Paycheck Protection Program	33,000	-	33,000
Insurance proceeds	10,000	-	10,000
Interest income and other	2,822	-	2,822
Net assets released from restrictions	80,860	(80,860)	-
Total public support and revenues	683,041	(18,760)	664,281
Expenses			
Program services	464,814	-	464,814
Management and general	98,399	-	98,399
Fundraising	67,329	-	67,329
Total expenses	630,542	-	630,542
Change in net assets	52,499	(18,760)	33,739
Net assets, beginning of year	164,604	85,000	249,604
Net assets, end of year	\$ 217,103	\$ 66,240	\$ 283,343

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

	Program services				Supporting services			
	Shared Program				Management			
	Songwriting	Art	Development	Total	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	17,781	5,900	-	23,681	23,703	4,081	27,784	51,465
Professional fees, in-kind	57,637	2,692	3,841	64,170	489	-	489	64,659
Software licenses	-	-	-	-	2,573	-	2,573	2,573
Software licenses, in-kind	-	-	-	-	-	5,593	5,593	5,593
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	3,049	14,495	4,195	21,739	4,949	3,937	8,886	30,625
Supplies and other, in-kind	3,476	-	-	3,476	-	-	-	3,476
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

See notes to financial statements

CreatiVets
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program services				Supporting services			
	Shared Program				Management			
	Songwriting	Art	Development	Total	and general	Fundraising	Total	Total
Employee compensation	\$ -	\$ -	\$ 128,611	\$ 128,611	\$ 57,185	\$ 49,469	\$ 106,654	\$ 235,265
Advertising	-	-	11	11	319	2,012	2,331	2,342
Auto and transportation	4,305	73	88	4,466	-	608	608	5,074
Bank fees	-	-	-	-	292	726	1,018	1,018
Demo and CDs	8,000	-	7,980	15,980	-	-	-	15,980
Depreciation	-	-	-	-	3,163	-	3,163	3,163
Event fees	16,000	5,424	60	21,484	-	-	-	21,484
Housing	7,592	13,420	367	21,379	-	484	484	21,863
Insurance	-	-	-	-	675	-	675	675
Meals	7,208	8,882	699	16,789	33	409	442	17,231
Meals, in-kind	304	-	-	304	-	-	-	304
Office rent	-	-	10,312	10,312	2,296	-	2,296	12,608
Other expenses	2,057	1,412	69	3,538	987	2,118	3,105	6,643
Postage	279	995	1,283	2,557	716	477	1,193	3,750
Professional fees	17,600	4,500	-	22,100	25,817	2,865	28,682	50,782
Professional fees, in-kind	79,634	2,176	24,694	106,504	550	-	550	107,054
Software licenses, in-kind	-	-	-	-	5,250	5,250	10,500	10,500
Storage and studio	-	-	12,118	12,118	-	-	-	12,118
Supplies	1,843	2,771	368	4,982	1,116	554	1,670	6,652
Supplies and other, in-kind	44,518	-	-	44,518	-	-	-	44,518
Tuition	5,590	22,712	-	28,302	-	-	-	28,302
Travel	10,029	8,251	1,897	20,177	-	2,357	2,357	22,534
Video production and masters	-	682	-	682	-	-	-	682
	204,959	71,298	188,557	464,814	98,399	67,329	165,728	630,542
Allocation of shared program development	162,057	26,500	(188,557)	-	-	-	-	-
	\$ 367,016	\$ 97,798	\$ -	\$ 464,814	\$ 98,399	\$ 67,329	\$ 165,728	\$ 630,542

See notes to financial statements

CreatiVets
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 262,661	\$ 221,731
Cash flows from operating activities		
Change in net assets	38,130	33,739
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,095	3,163
Change in:		
Promises to give	(20,000)	(2,095)
Prepaid expenses	1,577	(9,927)
Accounts payable	632	926
Accrued expenses, compensation	32,553	21,530
Refundable advance	(1,790)	1,790
Deferred rent	44,963	12,608
Net cash provided (used) by operating activities	105,160	61,734
Cash flows from investing activities		
Purchase of property and equipment	(14,915)	(20,804)
Net change in cash	90,245	40,930
Cash, end of year	\$ 352,906	\$ 262,661

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged by these reclassifications.

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.

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, 2021 and 2020. 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, 2021 and 2020

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

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, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

In-kind Contributions

Certain professional services are donated to CreatiVets by various organizations and individuals and are recorded at estimated fair value at the date of donation. Various supplies are donated to CreatiVets. These items are recorded as contributions at their estimated fair value at the date of donation.

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 the School of the Art Institute of Chicago (SAIC) and USC Roski School of Fine Arts (USC) to provide a multiple week, fully-accredited immersion art program for disabled veterans at no cost to themselves; SAIC hosted in 2020 and 2019 and USC hosted in 2019. Veterans have full access to studios and equipment at the school, and the program gives them an opportunity 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

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Availability and Liquidity

The following represents CreatiVets' financial assets at June 30:

	2021	2020
Financial assets		
Cash	\$ 352,906	\$ 262,661
Promises to give	<u>45,000</u>	<u>25,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 397,906	\$ 287,661

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 at June 30:

	2021	2020
Website	\$ 3,250	\$ 3,250
Software	4,453	4,453
Audio equipment	4,858	2,315
Video equipment	6,038	3,514
Art program equipment	17,432	9,984
Leasehold improvements	7,391	4,991
Less: accumulated depreciation	<u>(14,059)</u>	<u>(4,964)</u>
Property and equipment, net	\$ 29,363	\$ 23,543

Depreciation expense was \$9,095 and \$3,163 for the years ended June 30, 2021 and 2020, respectively.

Note 5. PPP Loan

On May 1, 2020, CreatiVets received a loan in the amount of \$34,790 in accordance with the PPP section of the CARES Act. As of June 30, 2020, CreatiVets recorded contribution revenue of \$33,000 as it determined it had substantially met all conditions of the refundable advance. Refundable advances of \$1,790 is included as a liability in the accompanying statement of financial position as of June 30, 2020. During the year ended June 30, 2021, CreatiVets was notified that the full amount of the loan had been forgiven. Accordingly, CreatiVets recognized the remaining \$1,790 as a contribution in 2021.

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 6. Net Assets

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

Note 7. In-kind Contributions

The following in-kind contributions have been included in revenues and expenses in the financial statements for the years ended June 30:

	2021	2020
Legal services	\$ -	\$ 16,706
Program services	69,659	84,710
Website and design services	-	5,638
Meals	-	304
Supplies and other	3,476	44,518
Software licenses*	<u>5,593</u>	<u>10,500</u>
	\$ 78,728	\$ 162,376

* 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.

Note 8. 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 \$77,329 and \$12,608 was recorded during the years ended June 30, 2021 and 2020, respectively.

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

Year ended June 30,	
2022	\$ 53,751
2023	73,964
2024	79,266
2025	81,644
2026	84,094
Thereafter	<u>378,222</u>
Total	\$ 750,941

CreatiVets
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 9. Related Party Transactions

Members of the Board of Directors contributed \$81,505 and \$86,823 for the years ended June 30, 2021 and 2020, respectively. These amounts are included in public support and revenues on the accompanying statement of activities.

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 \$12,000 and \$18,750 for the years ended June 30, 2021 and 2020, respectively. There were no accounts payable to these contractors at June 30, 2021 and 2020.

Note 10. Concentrations

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

CreatiVets received \$167,000 (21%) and \$160,000 (24%) of its total revenue from two organizations during the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, CreatiVets had no outstanding promises to give from these organizations.

Note 11. Subsequent Events

CreatiVets has evaluated subsequent events through March 26, 2022, the date on which the financial statements were available to be issued.