NOTES FOR NOTES, INC.

FINANCIAL STATEMENTS

December 31, 2022

(With Independent Auditor's Report Thereon)

NOTES FOR NOTES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Notes for Notes, Inc.

Opinion

We have audited the accompanying financial statements of the Notes for Notes, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Notes for Notes, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Notes for Notes, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the financial statements, restricted partner sustainability receivable was understated in previously issued financial statements. Our opinion is not modified with respect to that matter.

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 Notes for Notes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Notes for Notes, Inc.'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 Notes for Notes, Inc.'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.

UHY LLP

Nashville, Tennessee
October 27, 2023

NOTES FOR NOTES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and restricted cash	$ 519,122
Accounts receivable	314,345
Assets held for sale	12,872
Total current assets	846,339
Property and equipment, net	163,588
Assets whose use is limited:	
Donated rent receivable	491,068
Partner sustainability receivable	1,591,861
Present value discount on partner sustainability receivable	(69,171)
Total assets whose use is limited	2,013,758
Total assets	$ 3,023,685

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 10,954
Accrued expenses	60,830
Total current liabilities	71,784
NET ASSETS	
Without donor restrictions	938,143
With donor restrictions	2,013,758
Total net assets	2,951,901
Total liabilities and net assets	$ 3,023,685

See notes to financial statements.

NOTES FOR NOTES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Corporate contributions	$ 371,463	-	$ 371,463
Individual contributions	101,282	-	101,282
Foundations	69,608	-	69,608
Grants	272,228	-	272,228
Contributed nonfinancial assets	253,732	286,412	540,144
Partner sustainability and earned contractor income	204,427	272,000	476,427
Employee retention credit	478,273	-	478,273
Other income	153,739	-	153,739
Net assets released from restrictions	508,313	(508,313)	-
Total public support			
Total public support and revenue	2,413,065	50,099	2,463,164
EXPENSES			
Program services	2,391,347	-	2,391,347
Total program services	2,391,347	-	2,391,347
Supporting services			
Management and general	147,631	-	147,631
Fundraising	166,411	-	166,411
Total supporting services	314,042	-	314,042
Total expenses	2,705,389	-	2,705,389
CHANGES IN NET ASSETS	(292,324)	50,099	(242,225)
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	1,230,467	1,396,048	2,626,515
PRIOR PERIOD ADJUSTMENT	-	567,611	567,611
NET ASSETS - BEGINNING OF YEAR, RESTATED	1,230,467	1,963,659	3,194,126
NET ASSETS - END OF YEAR	$ 938,143	$2,013,758	$ 2,951,901

See notes to financial statements.

NOTES FOR NOTES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and payroll taxes	$ 1,527,276	$ 82,991	$ 157,768	$ 240,759	$ 1,768,035
Donated rent	449,372	-	-	-	449,372
Equipment purchased expense	166,870	-	-	-	166,870
Supplies	116,512	15,793	3,952	19,745	136,257
Travel	59,402	224	1,081	1,305	60,707
Professional fees	-	35,382	-	35,382	35,382
Insurance	26,393	7,107	-	7,107	33,500
Depreciation	21,830	-	-	-	21,830
In-kind instruments and other donations	15,462	-	-	-	15,462
Outreach activities	8,173	-	-	-	8,173
Fees, licenses, compliance	-	5,921	-	5,921	5,921
Bank fees	-	213	3,047	3,260	3,260
Advertising	-	-	563	563	563
Studio expenses	57	-	-	-	57
Total expenses	$ 2,391,347	$ 147,631	$ 166,411	$ 314,042	$ 2,705,389

See notes to financial statements.

NOTES FOR NOTES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ (242,225)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	21,830
Present value discount on partner sustainability receivable	69,171
Change in operating assets and liabilities-	
Accounts receivable	90,999
Prepaids and other assets	439
Assets held for sale	996
Donated rent receivable	(75,309)
Partner sustainability receivable	(64,250)
Accounts payable	2,739
Accrued expenses	7,056
Net cash used in operating activities	(188,554)
INVESTING ACTIVITIES	
Purchase of property and equipment	(28,285)
Net cash used in investing activities	(28,285)
Net change in cash	(216,839)
Cash and restricted cash, Beginning	735,961
Cash and restricted cash, Ending	$ 519,122

See notes to financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Program Description

Notes for Notes, Inc. (the "Organization") is a not-for-profit organization. The Organization was incorporated in California during 2006. The Organization designs, equips and staffs after-school recording studios inside Boys & Girls Clubs, offering youth the opportunity to explore, create and record music for free. Notes for Notes studios contain professional instruments such as guitars, basses, drums, keyboards, synthesizers and equipment, including DJ gear and digital music workstations. Notes for Notes studios include full recording facilities. Other than providing access to the equipment and resources, the Organization educates youth about careers both on the stage and behind the scenes. Notes for Notes, Inc. has studio locations all over the country, with locations in California, Georgia, Illinois, Michigan, Minnesota, New York, Ohio, Tennessee, Texas, and Washington, D.C.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash Concentrations

The Organization maintains cash at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporations (FDIC) up to $250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Held for Sale

At December 31, 2022, the Organization included purchased and donated musical instruments on the statement of financial position that are held for sale. Accounting principles generally accepted in the United States of America require that assets that are held for sale be recorded as a separate line item on the statement of financial position. The estimated fair market value of these assets at December 31, 2022, was $12,872. As of October 27, 2023, these assets were not sold.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is calculated using the straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over $1,500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. For the year ended December 31, 2022, no assets were considered to be impaired.

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Revenue and Cost Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation which is determined by a series of services performed or upon delivery of a promised good or service. Contract terms are determined based on the expected completion dates of each performance obligation.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and are therefore, accounted as part of the existing contract.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our service contracts satisfied at a point in time have a single performance obligation that is based on the service specifically described in the contracts.

Performance Obligations Satisfied at a Point in Time

All of our revenue is recognized at a point in time rather than over time. Upon fulfillment of the performance obligation, which is the delivery of the service and reimbursement requests to the customer, the customer is provided an invoice demonstrating transfer of control to the customer. The Organization believes that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

Contributed Nonfinancial Assets

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. Such services are recognized at fair value as support and expense in the period the services are performed. Income for donated rent is recognized on the effective date of the lease for the term of the lease.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Income Tax Status

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. Management does not believe there are any uncertain tax positions. Further, it does not believe that the Organization has any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates costs based on the methodology of time and effort spent based on management's best judgment as well as on an invoice-by-invoice basis through review of invoices in Bill.com.

Advertising

Advertising is expensed as incurred. At December 31, 2022, $563 was expensed for advertising costs.

Recently Adopted Accounting Pronouncements

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the Financial Accounting Standards Board issued accounting standards update ("ASU") 2016-02 "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities with lease terms greater than 12 months on its statement of financial position and disclose key information about leasing arrangements.

The Organization adopted the new standard effective January 1, 2022, using the modified retrospective approach. This approach allows the Organization to initially apply the ASU at the adoption date and recognize a cumulative adjustment to the opening balance of net assets in the period of adoption. The adoption of the new standard had no impact on net assets.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward historical lease classification.

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Organization's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Organization would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment. The Organization's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through October 27, 2023, the date financial statements were available to be issued.

NOTE 2 — AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Cash	$ 519,122
Accounts receivable	314,345
	$ 833,467

NOTE 2 — AVAILABILITY AND LIQUIDITY (Continued)

In the next fiscal year, the Organization plans to receive, at a minimum, the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in five bank accounts. This cash is readily available.

The Organization manage its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, The Organization will immediately reduce spending of program and management and general expenditures.

NOTE 3 — ASSET WHOSE USE IS LIMITED

Contributions receivable consisted of the following at December 31, 2022:

Due within one year	$ 449,527
Due within two to five years	1,633,402
Present value discount on partner sustainability receivable	(69,171)
	$ 2,013,758

NOTE 3 — ASSET WHOSE USE IS LIMITED (Continued)

The assets whose use is limited represents donated rent (in-kind) and donated funding for operations for our locations. The restrictions on the pledges will be released as time elapses for rent and as the funding is received (NOTE 6).

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2022:

Furniture and equipment	$	1,079,232
Less accumulated depreciation		(915,644)
Property and equipment, net	$	163,588

Depreciation expense was $21,830 for the year ending December 31, 2022.

NOTE 5 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses had a balance of $71,784 at December 31, 2022. Accrued expenses consist mainly of credit card payables and accrued payroll.

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

Donated rent receivable	$	491,068
Partner sustainability receivable		1,591,861
Present value discount on partner sustainability receivable		(69,171)
	$	2,013,758

NOTE 7 — CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

NOTE 7 — CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities for the year ended December 31, 2022:

	Valuation Techniques and Inputs	
Donated rent	The Organization estimated the fair value on the basis of current rates for occupancy	$ 524,682
Donated instruments	Contributed services at estimated fair value based on current rates for similar goods	15,462
		$ 540,144

Contributions of nonfinancial assets and their use in programs and other activities are as follows:

	Year Ended December 31, 2022			
	Program Services	General & Administrative	Fundraising	Total
Donated rent and other	$ 524,682	$ -	$ -	$ 524,682
Donated instruments	15,462	-	-	15,462
	$ 540,144	$ -	$ -	$ 540,144

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Organization receives a significant amount of its public support and revenue from contributions. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization’s programs and services. For the year ended December 31, 2022, 24% of the Organization’s revenue were recognized from two customers. At December 31, 2022, 64% of the Organization’s receivable were from two grantor, while 72% of the Organization’s accounts payable were from three vendors.

NOTE 9 — COVID-19 RELIEF FUNDING

Paycheck Protection Program (PPP)

The Organization was granted loans in the amounts of $331,073 in fiscal year 2021, under the PPP, administered by the Small Business Administration (SBA) under the CARES Act. The Organization received loan forgiveness of $331,073 during the year ended December 31, 2021.

NOTE 9 — COVID-19 RELIEF FUNDING (Continued)

Paycheck Protection Program (PPP) (Continued)

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Employee Retention Credit (ERC)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization elected to account for the ERC. The ERC is considered a conditional grant, as the Organization only qualifies for the transfer of assets if it has overcome the barrier of eligibility. For the year ended December 31, 2022, the Organization determined they met the barriers of the ERC and has recorded revenue of $478,273. All ERC funding revenue was received in the year ended December 31, 2022.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

Beginning restricted partner sustainability receivable and net assets with donor restrictions were increase by $567,611 to correct errors in previously reported balances.