

SONG FOR CHARLIE, INC.

FINANCIAL STATEMENTS

**For the year ended
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Song for Charlie, Inc.
Pasadena, CA

Opinion

We have audited the accompanying financial statements of Song for Charlie, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 Song for Charlie, Inc. as of December 31, 2023, 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 Song for Charlie, 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.

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 Song for Charlie, 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 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 Song for Charlie, 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 Song for Charlie, 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.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California
May 14, 2024

SONG FOR CHARLIE, INC.

Statement of Financial Position

December 31, 2023

ASSETS

Cash and cash equivalents	\$	1,379,412
Receivables, net		1,904
Prepays and other assets		<u>7,781</u>
Total assets	\$	<u><u>1,389,097</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	42,050
Other current liabilities		<u>143,821</u>
Total liabilities		185,871
Net assets		
Without donor restrictions		<u>1,203,226</u>
Total liabilities and net assets	\$	<u><u>1,389,097</u></u>

See notes to the financial statements.

SONG FOR CHARLIE, INC.

Statement of Activities

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>
Revenues	
Contribution revenue	\$ 951,273
Government grant	2,250,000
In-kind donations	95,033
Investment income	<u>18,774</u>
Total revenues	<u>3,315,080</u>
Expenses	
Program	2,254,893
General and administration	282,962
Fundraising	<u>258,949</u>
Total expenses	<u>2,796,804</u>
Changes in net assets	518,276
Net assets - beginning of year	<u>684,950</u>
Net assets - end of year	<u><u>\$ 1,203,226</u></u>

See notes to the financial statements.

SONG FOR CHARLIE, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2023

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits				
Salaries	\$ 437,194	\$ 136,000	\$ 171,556	\$ 744,750
Payroll taxes	29,727	18,223	11,665	59,615
Benefits	<u>37,705</u>	<u>11,728</u>	<u>14,796</u>	<u>64,229</u>
Total salaries and benefits	504,626	165,951	198,017	868,594
Other expenses				
Content development	442,233	-	-	442,233
Platform develop and maintenance	460,930	-	-	460,930
Strategic planning and consultants	253,600	-	-	253,600
Public relations	120,440	-	-	120,440
National fentanyl awareness day	78,355	-	-	78,355
Research	89,500	-	-	89,500
Hispanic content	43,525	-	-	43,525
Grants awarded to non profits	11,000	-	-	11,000
Outreach speakers and presentations	1,350	-	-	1,350
Editorial management	22,500	-	-	22,500
Billboard ads	30,000	-	-	30,000
Promotional items and giveaways	18,637	-	-	18,637
Printed materials	4,672	-	-	4,672
Conferences and exhibit fees	2,500	-	-	2,500
Meals and entertainment	4,591	-	75	4,666
Online ad placement	96,723	-	-	96,723
Grant writing	-	-	36,000	36,000
CRM subscriptions	-	-	6,244	6,244
Database migration	-	-	8,120	8,120
Travel - conferences and presentations	50,404	-	1,266	51,670
Legal and professional services	14,749	83,009	-	97,758
Tech subscriptions, software and support	2,092	13,833	-	15,925
Bank, credit card, and payroll fees	-	4,266	7,275	11,541
Computer and equipment purchases	2,466	1,577	1,952	5,995
Office supplies expense	-	10,530	-	10,530
Insurance	-	3,327	-	3,327
Taxes, licenses and fines	-	469	-	469
Total other expenses	<u>1,750,267</u>	<u>117,011</u>	<u>60,932</u>	<u>1,928,210</u>
Total expenses	<u>\$ 2,254,893</u>	<u>\$ 282,962</u>	<u>\$ 258,949</u>	<u>\$ 2,796,804</u>

See notes to the financial statements.

SONG FOR CHARLIE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ 518,276
Changes in assets and liabilities:	
Accounts receivable	(30)
Prepays	(6,995)
Accounts payable	42,050
Other current liabilities	<u>143,821</u>
Net cash provided by operating activities and net increase in cash and cash equivalents	697,122
Cash and cash equivalents, beginning of year	<u>682,290</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,379,412</u></u>

See notes to the financial statements.

SONG FOR CHARLIE, INC.
Notes to Financial Statements

1 Nature of organization

Song For Charlie, Inc., (the "Organization"), is a California, nonprofit public benefit and educational organization governed by an independent board of directors. The Organization is not subject to federal and state income taxes.

The Organization's mission is to encourage young people to choose healthy coping strategies over self-medication. The Organization focuses on educating U.S. youth and their parents and caregivers about the dangers of counterfeit pills and the new chemical drug landscape through its online platform, social media, short videos, events, and empowering messaging. Their initiatives include widespread social media campaigns, educational content creation, and partnerships with schools and other organizations to deliver presentations and resources aimed at both students and parents. The Organization implements the following projects and services, which are coordinated jointly with its partners and affiliates:

The New Drug Talk (TNDT)

The New Drug Talk: Connect to Protect is an online resource developed in collaboration with the California Department of Healthcare Services in California and Trillium Community Health Plan in Oregon.

La Nueva Drug Talk (LaNDT)

La Nueva Drug Talk: Conectar Para Empoderar is an online resource that provides culturally resonant information and resources, highlighting the importance of drug education and awareness within Hispanic communities.

National Fentanyl Awareness Day (NFAD)

NFAD is an annual event organized by the Organization, aiming to bring national attention to the fentanyl crisis and inspire action to address this public health threat. Since its inception in 2022, NFAD has united hundreds of partners and reached millions of Americans.

2 Summary of significant accounting policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis and are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to non-profit organizations. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

SONG FOR CHARLIE, INC.
Notes to Financial Statements

2 Summary of significant accounting policies, continued

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions and donor restricted contributions whose restrictions are met in the same reporting period.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. For the year ended December 31, 2023, there were no net assets with donor restrictions.

Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization invests cash in excess of its immediate needs in money market funds, which are reported as cash and cash equivalents in the statement of financial position. The money market funds are managed to maintain a net asset value per share of \$1, and are reported at that net asset value, which closely approximates fair value.

Equipment

All equipment having a useful life in excess of one year and cost in excess of \$3,000 is capitalized. Equipment is recorded at cost at the purchase date. Depreciation, if any, is computed using the straight-line method over their estimated useful lives of the related assets of 3 to 10 years, and the lesser of the estimated useful lives.

Revenue Recognition

Contributions, including unconditional promises to give are recognized at their realized values as revenue and assets when cash, other assets, or notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

SONG FOR CHARLIE, INC.
Notes to Financial Statements

2 Summary of significant accounting policies, continued

Conditional Promises to Give from Donor

Conditional promises to give are recognized only when the conditions on which they depend are substantially met by the Organization and the promises become unconditional. At December 31, 2023, the Organization had grant agreements containing \$2,750,000 of conditional promises to give, contingent on the performance of each phase of the grant agreement.

Concentration of Contribution Revenue

For the year ended December 31, 2023, approximately 68%, or \$2,250,000, of the Organization's revenue came from one California state grant agreement. 2023 was the first year the Organization entered into a grant agreement to provide program services.

Contributed Services and In-Kind Contribution

Contributed services are recognized if the services received (a) create or enhance long-lived 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. In-Kind services are recorded as an in-kind contribution and related expenses allocated among program and non-program expenses in the financial statements at the fair value of the services received. Donated services in 2023 consisted of ad credits on social media platforms.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

The accounting standard on accounting for uncertainty in income taxes provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization believes that it has no uncertain tax positions that impact its financial statements.

United States federal and state jurisdictions in which the Organization files tax returns have statutes of limitations that generally range from three to four years. No open tax returns are currently under examination in the U.S. federal or state jurisdictions.

SONG FOR CHARLIE, INC.
Notes to Financial Statements

2 Summary of significant accounting policies, continued

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs, management and general, and fundraising. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management. Accordingly, certain expenses are allocated based on personnel function, time and effort. The costs of providing programs and supporting services have been summarized on the functional basis in the Statement of Activities and detailed in the Statement of Functional Expenses.

Concentrations

The Organization maintains its cash and cash equivalents in accounts at a large financial institution that are insured with The Federal Deposit Insurance Corporation up to \$250,000. Additionally, the Organization's accounts are protected by the Securities Investor Protection Corporation up to a maximum of \$500,000 for securities, inclusive of up to \$250,000 for cash. Cash and cash equivalents in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Date of Management's Review

Management has evaluated significant events or transactions that have occurred since the balance sheet date through May 14, 2024, which represents the date that the financial statements were available to be issued.

3 Liquidity and availability of resources

The Organization has \$1,381,316 of financial assets consisting of cash and cash equivalents of \$1,379,412 and receivable of \$1,904 available as of the financial position date. As of December 31, 2023, the total amount of \$1,381,316 is available to be used within one year of the financial position date to meet cash needs for general expenditures.

SONG FOR CHARLIE, INC.
Notes to Financial Statements

3 Liquidity and availability of resources, continued

The Organization strives to maintain liquid financial assets sufficient to cover up to three months of core operating expenditures. The Organization has excess financial assets invested in liquid high-yield money market funds. The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments. As part of the liquidity management, the Organization structures its financial assets including its checking account balances sufficient to meet its core operating expenditures, liabilities, and donor-restricted obligations as they come due.

4 Commitments and Contingencies

The Organization has received certain state, and other governmental funds for specific purposes that are subject to review and audit by the funding agencies. Such reviews and audits could generate expenditure disallowances or refunds payable under terms of the Organization's contracts.