

**GUITARS FOR VETS, INC.
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

GUITARS FOR VETS, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Guitars for Vets, Inc.
Milwaukee, Wisconsin

Opinion

We have audited the accompanying financial statements of Guitars for Vets, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Guitars for Vets, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Guitars for Vets, 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 Guitars for Vets, 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 Guitars for Vets, 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 Guitars for Vets, 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.



Krause & Associates, SC
Grafton, Wisconsin
August 31, 2023

GUITARS FOR VETS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$1,103,000	\$1,117,507
Contributions and grants receivable	29,461	124,902
Other receivable	1,800	-
Inventory	374,464	163,028
Prepaid expenses	<u>11,519</u>	<u>11,434</u>
TOTAL ASSETS	<u>\$1,520,244</u>	<u>\$1,416,871</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 25,095	\$ 8,891
Accrued payroll and payroll taxes	12,722	11,673
Deferred revenue	<u>-</u>	<u>5,000</u>
TOTAL LIABILITIES	37,817	25,564
 NET ASSETS		
Without donor restrictions	1,450,165	1,345,939
With donor restrictions	<u>32,262</u>	<u>45,368</u>
TOTAL NET ASSETS	<u>1,482,427</u>	<u>1,391,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,520,244</u>	<u>\$1,416,871</u>

The accompanying notes are an integral part of these statements.

GUITARS FOR VETS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 570,691	\$ 29,461	\$ 600,152
Grants - ERTC	-	-	-
In-kind contributions	239,935	-	239,935
Fundraising events	46,452	-	46,452
Sale of merchandise:			
Merchandise sales	101,996	-	101,996
Less: cost of goods sold	(32,300)	-	(32,300)
Interest and other	2,427	-	2,427
Released from restrictions	42,567	(42,567)	-
Total revenue & support	971,768	(13,106)	958,662
EXPENSES			
Program services	541,417	-	541,417
Supporting services:			
General and administrative	92,986	-	92,986
Fundraising and development	233,139	-	233,139
Total supporting services	326,125	-	326,125
Total expenses	867,542	-	867,542
Changes in net assets	104,226	(13,106)	91,120
Beginning net assets	1,345,939	45,368	1,391,307
Ending net assets	\$ 1,450,165	\$ 32,262	\$ 1,482,427

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

GUITARS FOR VETS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 481,034	\$ 43,567	\$ 524,601
Grants - ERTC	82,335	-	82,335
In-kind contributions	121,881	-	121,881
Fundraising events	102,209	-	102,209
Sale of merchandise:			
Merchandise sales	78,198	-	78,198
Less: cost of goods sold	(30,350)	-	(30,350)
Interest and other	5	-	5
Released from restrictions	<u>568,465</u>	<u>(568,465)</u>	<u>-</u>
Total revenue & support	1,403,777	(524,898)	878,879
EXPENSES			
Program services	394,572	-	394,572
Supporting services:			
General and administrative	133,569	-	133,569
Fundraising and development	<u>152,030</u>	<u>-</u>	<u>152,030</u>
Total supporting services	285,599	-	285,599
Total expenses	<u>680,171</u>	<u>-</u>	<u>680,171</u>
Changes in net assets	<u>723,606</u>	<u>(524,898)</u>	<u>198,708</u>
Beginning net assets	622,333	570,266	1,192,599
Ending net assets	<u><u>\$ 1,345,939</u></u>	<u><u>\$ 45,368</u></u>	<u><u>\$ 1,391,307</u></u>

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

GUITARS FOR VETS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total
		General & administrative	Fundraising & Development	
Cost of merchandise sold	\$ 32,300	\$ -	\$ -	\$ 32,300
Fundraising fees	-	-	31,717	31,717
Grants	88,825	-	-	88,825
Insurance	2,304	784	1,521	4,609
Miscellaneous	9,440	1,501	2,914	13,855
Office	4,334	1,473	3,027	8,834
Payroll expenses:				
Salaries and wages	177,123	60,300	115,693	353,116
Payroll taxes	14,036	4,772	9,264	28,072
Employee benefits	1,347	458	889	2,694
Postage	10,265	-	6,340	16,605
Printing	763	763	2,705	4,231
Professional fees	22,235	13,171	14,675	50,081
Rent	5,803	1,973	3,830	11,606
Student packages supplies	171,551	-	-	171,551
Supplies	5,381	4,191	26,022	35,594
Telephone	3,198	1,087	2,111	6,396
Travel and mileage	17,277	833	6,576	24,686
Website	7,535	1,680	5,855	15,070
	<u>573,717</u>	<u>92,986</u>	<u>233,139</u>	<u>899,842</u>
Less expense included with revenues on the statement of activities	(32,300)	-	-	(32,300)
Total Expenses	<u>\$ 541,417</u>	<u>\$ 92,986</u>	<u>\$ 233,139</u>	<u>\$ 867,542</u>

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

GUITARS FOR VETS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total
		General & administrative	Fundraising & Development	
Cost of merchandise sold	\$ 30,350	\$ -	\$ -	\$ 30,350
Fundraising fees	-	-	20,672	20,672
Grants	-	-	-	-
Insurance	1,945	1,297	1,081	4,323
Miscellaneous	19,916	418	1,144	21,478
Office	5,273	3,515	7,966	16,754
Payroll expenses:				
Salaries and wages	129,987	86,658	72,215	288,860
Payroll taxes	10,155	6,770	5,642	22,567
Employee benefits	673	448	374	1,495
Postage	12,751	221	918	13,890
Printing	-	-	1,854	1,854
Professional fees	20,199	21,966	11,222	53,387
Rent	4,320	2,880	2,400	9,600
Student packages supplies	159,023	-	-	159,023
Supplies	4,799	3,476	12,305	20,580
Telephone	4,463	2,976	2,480	9,919
Travel and mileage	14,046	1,524	5,682	21,252
Website	7,022	1,420	6,075	14,517
	424,922	133,569	152,030	710,521
Less expense included with revenues on the statement of activities	(30,350)	-	-	(30,350)
Total Expenses	\$ 394,572	\$ 133,569	\$ 152,030	\$ 680,171

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

GUITARS FOR VETS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 91,120	\$ 198,708
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in donated inventory	(224,276)	14,400
(Increase) decrease in contributions and grants receivable	95,441	443,563
(Increase) decrease in other receivable	(1,800)	14
(Increase) decrease in inventory	12,840	(25,130)
(Increase) decrease in prepaid expenses	(85)	(222)
Increase (decrease) in accounts payable	16,204	4,261
Increase (decrease) in accrued payroll and taxes	1,049	3,399
Increase (decrease) in deferred revenue	<u>(5,000)</u>	<u>(900)</u>
Net cash provided by operating activities	<u>(14,507)</u>	<u>638,093</u>
Net increase in cash and cash equivalents	(14,507)	638,093
Cash and cash equivalents, beginning of year	<u>1,117,507</u>	<u>479,414</u>
Cash and cash equivalents, end of year	<u>\$1,103,000</u>	<u>\$1,117,507</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
In-kind contributions	<u>\$ 239,935</u>	<u>\$ 121,881</u>

The accompanying notes are an integral part of these statements.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The Guitars for Vets, Inc. (Organization) is a nonprofit Wisconsin nonstock corporation dedicated to sharing the healing power of music with veterans suffering from significant post-combat mental and emotional distress, particularly post-traumatic stress disorder (PTSD). The Organization provides ten free private guitar lessons and a new acoustic guitar in a structured program run by volunteers, primarily through Veterans Administration (VA) facilities and veteran's centers.

2. Cash and cash equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

3. Contributions and grants receivables

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022 and 2021, management determined that no allowance for uncollectible contributions receivable was required. See Note C.

4. Inventory

Inventory consists of guitars and accessories, and other promotional items. Donated items are stated at fair market value. Purchased inventory is stated at the lower of cost or market.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

6. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Organization's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$5,000 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The Organization has not had any expenditures or donations that met the capitalization threshold. Accordingly, the Organization did not have any depreciation expense for the years ended December 31, 2022 and 2021.

7. Net assets

The Organization follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Revenue and revenue recognition

Payments received in advance of special events are reported as deferred revenue in the accompanying statements of financial position.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2022 and 2021, the Organization has no conditional contributions.

9. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. See Note F.

10. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

11. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Income taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Organization evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

The Organization's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Organization at December 31, 2022 and 2021. The Organization has not incurred any interest or penalties for income taxes for the years ended December 31, 2022 and 2021.

13. New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statements of financial position for operating leases.

The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. The Organization has implemented Topic 842 and has had no effect on these financial statements.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through August 31, 2023, which is the date that the financial statements were available to be issued.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date of December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$1,103,000	\$1,117,507
Contributions receivable	29,461	124,902
Other receivable	1,800	-
Less amounts unavailable for general expenditures:		
Donor purpose restrictions	(2,801)	(2,801)
	\$1,131,460	\$1,239,608

C – CONTRIBUTIONS AND GRANT RECEIVABLE

At December 31, 2022 and 2021, contributions receivable consist of outstanding donations to the Organization and total \$29,461 and \$124,902, respectively. The Organization considers all contributions receivable to be fully collectible; accordingly, no provision for doubtful accounts is included. If amounts become uncollectible, they will be charged to operations when that determination is made. All contributions receivable amounts are due within 12 months of the year end.

D – NET ASSETS

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor- imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

D – NET ASSETS - CONTINUED

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Contributions receivable – subject to passage of time	\$ 29,461	\$ 42,567
Purpose restriction:		
Programming	1,000	1,000
Kenneth Zankel Foundation	1,801	1,801
Total	\$ 32,262	\$ 45,368

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

Contributions receivable – passage of time	\$ 42,567	\$ 568,465
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E – LEASE COMMITMENTS

As noted in footnote A-13, the Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. Due to the short-term nature of the lease agreements (less than 12 months duration), management has determined that a right-of-use lease asset and lease liability does currently not exist. Management will review and reassess the agreement and underlying assumptions on an annual basis.

The Organization leased its office facilities under an operating lease at a rate of \$800 per month, ending June 2022. The lease was not renewed. Rent expense related to this lease was \$4,800 and \$9,600 for the years ended December 31, 2022 and 2021, respectively. After vacating the former office space, the Organization commenced leasing storage space on a month-to-month basis, with no long-term agreement. Total storage space rental was \$6,806 for the year ended December 31, 2022. Total rent expense was \$11,606 and \$9,600 for the years ended December 31, 2022 and 2021, respectively.

GUITARS FOR VETS, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2022 AND 2021

F – CONTRIBUTIONS IN-KIND

The Organization receives various types of contributed goods and services support, including professional services and auction items. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. The Organization received donated guitars and accessories and professional services as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Guitars and supplies	\$ 234,324	\$ 98,361
Promotional	-	15,020
Professional fees	5,611	8,500
Total	\$ 239,935	\$ 121,881

For the year ended December 31, 2022, the Organization received donated guitars and supplies of \$229,180 that were added to inventory for future student packages. As of December 31, 2022 and 2021, \$360,276 and \$136,000 of donated guitars and accessories are included in inventory on the statements of financial position.

The Organization receives in-kind use of warehousing, ordering systems and labor used to ship guitars to program graduates from a company owned by a board member of the Organization. This process involves processing the order, developing warehouse picking tickets, picking and shipping of the guitar, and utilizing computers, systems and warehouse equipment. The Organization has not assigned a value to the donated services received.

Lessons space is provided at VA and other centers at facilities across the country, without charge to the Organization.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization’s programs. The Organization relies on volunteers to provide the lessons for its programs. No amounts have been recognized in the statements of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

The Organization received donated personal property which the Organization used as auction and raffle items and supplies for the charity events held during the years ended December 31, 2022 and 2021. Revenue received from the sale of the auction and raffle items is reflected in the statements of activities and no amounts have been reflected for the donation of supplies for the charity events in the statements of activities.

GUITARS FOR VETS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

G – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a local bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured portion, without regard to outstanding checks and deposits in transit was \$852,500 and \$866,935 as of December 31, 2022 and 2021, respectively. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

H – EMPLOYEE RETENTION CREDIT

The Organization was eligible for the Employee Retention Credit (“ERC”) under the CARES Act. Grants receivable for the ERC at December 31, 2021 is \$82,335 which represents refunds due on the 2021 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021 and June 30, 2021. The grant funds were received in 2022.

I – RELATED PARTY

As noted in footnote I, the Organization receives in-kind use of warehousing, ordering systems and labor used to ship guitars to program graduates from a company owned by a board member of the Organization. In addition to the in-kind services received, the Organization purchases guitars, supplies and reimburses shipping expenses for shipping of packages to program graduates to the related party. During the years ended December 31, 2022 and 2021, the Organization paid the related party a total of \$145,648 and \$76,137, respectively.