

THE SIMS FOUNDATION, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2023

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(A Nonprofit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The SIMS Foundation, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of The SIMS Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, 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 The SIMS Foundation, Inc. as of December 31, 2023, and the changes in its net assets and 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 The SIMS Foundation, 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 The SIMS Foundation, 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 The SIMS Foundation, 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 The SIMS Foundation, 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.

Allman & Associates, Inc.

Austin, Texas
May 28, 2025

THE SIMS FOUNDATION, INC.
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 811,279
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Total Assets	\$ 811,279
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 7,318
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Accrued expenses	10,852
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Total Liabilities	18,170
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Net Assets:

Without donor restrictions	793,109
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Total Net Assets	793,109
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Total Liabilities and Net Assets	\$ 811,279
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See accompanying auditors' report and notes to financial statements.

THE SIMS FOUNDATION, INC.
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 1,159,699	\$ -	\$ 1,159,699
Grants	356,360	-	356,360
Performance events	199,208	-	199,208
In-kind revenue	111,413	-	111,413
Other income	17,816	-	17,816
	<u>1,844,496</u>	<u>-</u>	<u>1,844,496</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 <u>1,844,496</u>	 <u>-</u>	 <u>1,844,496</u>
Expenses:			
Program Services - Clinical Services	1,055,591	-	1,055,591
General and administrative	193,213	-	193,213
Fundraising	164,524	-	164,524
	<u>1,413,328</u>	<u>-</u>	<u>1,413,328</u>
 Change in Net Assets	 431,168	 -	 431,168
 Beginning Net Assets	 <u>361,941</u>	 <u>-</u>	 <u>361,941</u>
 Ending Net Assets	 <u><u>\$ 793,109</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 793,109</u></u>

See accompanying auditors' report and notes to financial statements.

THE SIMS FOUNDATION, INC.
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

Expense Category	Program Services: General and			Totals
	Clinical Services	Administrative	Fundraising	
Board and staff development	\$ -	\$ -	\$ 36,562	\$ 36,562
Credit card fees	-	-	3,027	3,027
Grant writing	5,239	-	-	5,239
Insurance	3,216	3,216	-	6,432
Marketing	2,309	2,309	4,416	9,034
Miscellaneous	417	417	-	834
Occupancy	74,430	74,431	-	148,861
Office	3,526	3,526	-	7,052
Performance events	19,927	-	19,928	39,855
Personnel - administrative	201,182	100,591	100,591	402,364
Personnel - clinical	178,962	-	-	178,962
Provider services - addiction recovery	126,062	-	-	126,062
Provider services - counseling	345,128	-	-	345,128
Provider services - psychiatry	72,333	-	-	72,333
Supplies	5,694	5,694	-	11,388
Technology	17,166	3,029	-	20,195
Total expenses	\$ 1,055,591	\$ 193,213	\$ 164,524	\$ 1,413,328

See accompanying auditors' report and notes to financial statements.

THE SIMS FOUNDATION, INC.
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STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

Cash flows in operating activities:	
Change in net assets	\$ 431,168
Adjustments to reconcile change in net assets to net cash provided in operating activities:	
Changes in assets and liabilities	
Accounts payable	(36,601)
Accrued expenses	(822)
	<hr/>
Net cash provided by operating activities	393,745
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Increase in cash and cash equivalents	393,745
Cash and cash equivalents, beginning of the year	417,534
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Cash and cash equivalents, end of the year	<u><u>\$ 811,279</u></u>
Supplemental Data	
Interest paid	<u><u>\$ -</u></u>
Income tax paid	<u><u>\$ -</u></u>

See accompanying auditors' report and notes to financial statements.

THE SIMS FOUNDATION, INC.
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. Organization

The SIMS Foundation, Inc. (SIMS) was formed in 1995 as a 501 (c)(3) non-profit organization, founded by those mourning the loss of Sims Ellison, a musician who died by suicide after years struggling with depression. SIMS is the only non-profit of its kind in the United States. SIMS provides mental health and substance use recovery services and support for musicians, music industry professionals and their dependent family members. Through education, community partnerships, and accessible managed care, SIMS seeks to destigmatize and reduce mental health and substance use issues, while supporting and enhancing the wellbeing of the music community at large.

SIMS has a network of over 130 providers that provide services to SIMS' clients at a vastly reduced rate from the average rates for the Austin area. SIMS maintains a full array of treatment options and clients are guided to the treatment that best suits their needs by SIMS clinical staff. These services include:

Counseling Services

- Band Counseling
- Couples Counseling
- Family Counseling
- Group Counseling
- Individual Counseling
- Trauma-Specific Counseling
- Partial Hospitalization Programs
- Intensive Outpatient Programs

Substance Use Disorder Services and Support

- Medical Detoxification
- Residential Treatment
- Partial Hospitalization Programs
- Intensive Outpatient Programs
- Harm Reduction Counseling
- Medication Assisted Treatment
- Peer Recovery Coaching
- Recovery Residences

Psychiatric Services

- Psychiatric Assessment and Evaluation
- Medication Management
- Acute Psychiatric Hospitalization

SIMS' Clinical team provides comprehensive case management for each client and their loved ones. This includes, but is not limited to, providing psychoeducation to help the client make educated decisions about their own behavioral healthcare, offering support to the loved ones of the clients as needed, assisting the client in navigating other complex service systems such as resources for homelessness and physical healthcare and coordinating care of each client to ensure that the client is receiving the best care for their particular set of circumstances.

THE SIMS FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. Organization - continued

In 2018, SIMS added a focus on prevention and education through its Music Venue Trainings. The core curriculum has three modules: Mental Health 101, Substance Use Recovery 101 w/ Naloxone Training (facilitated in partnership with Communities for Recovery) and SAFE Bar (facilitated in partnership with the Sexual Assault Response and Resource Team).

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which utilizes the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when cash is disbursed.

Financial Statement Presentation

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. 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. There were no net assets with donor restrictions at December 31, 2023.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, SIMS considers cash and highly liquid investments with initial maturities of three months or less to be cash equivalents.

Grants and contributions receivable

Grants and contributions receivable are recognized when the donor makes a promise to give that is unconditional and are recognized at the estimated present value of the future net cash flows. SIMS uses the allowance method to determine uncollectible grants and contributions receivable.

THE SIMS FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

2. Summary of Significant Accounting Policies - continued

The allowance is based on experience from prior years and management's analysis of the grants, and contributions promised. Accounts are charged against the allowance when management deems them to be uncollectible.

Property and Equipment

Property and equipment are recorded at cost, including the cost of significant improvements or renovations, and depreciated using the straight-line method over their estimated useful lives. Donated property and equipment are recorded at fair market value. Maintenance and repairs are charged to expense as incurred, and significant renewals and improvements of \$2,500 and greater are capitalized.

Revenue Recognition

Contributions, including unconditional pledges and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are satisfied in the same period they are received are reported as contributions without donor restrictions. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Donations of noncash assets are recorded as contributions at their estimated fair value on the date of donation. Contributed services are recognized at fair value if the services received (a) create or enhance nonfinancial assets, or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When SIMS receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized. Revenue streams that are recorded as contracts with customers include past performance event revenue.

Federal Income Taxes

SIMS is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except for unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying financial statements.

SIMS has adopted the recognition requirements for uncertain tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

2. Summary of Significant Accounting Policies - continued

that the income tax position will more likely than not be sustained upon examination by taxing authorities. SIMS has analyzed tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. SIMS believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on SIMS' financial position, changes in net assets or cash flows. Accordingly, SIMS has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023. SIMS is subject to income tax audits for the previous three years which are open. There are currently no audits for any tax periods in progress.

Functional Accounting

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of SIMS.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Significant estimates include those used in the functional allocation of expenses and depreciation of assets. Actual results could differ from those estimates.

Credit Risk

SIMS has potential credit risk primarily from cash and cash equivalents. SIMS' deposits exceeded the federal depository insurance limit by \$568,047 as of December 31, 2023.

Accounts Receivable

Accounts receivable consist of amounts due to SIMS for past performances. The allowance for credit losses is an estimate based on historical information, current conditions, and reasonable and supportable forecasts. No allowance for credit losses were considered necessary as the balance of accounts receivable was \$0 at December 31, 2023.

THE SIMS FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

2. Summary of Significant Accounting Policies - continued

Change in Not-for-Profit Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. ASU 2016-13 is effective for non-profit organizations for fiscal years beginning after December 15, 2022. Financial assets held by the SIMS that are subject to this guidance include trade accounts receivable. ASU 2016-13 has been adopted with no material effect on the financial statements or disclosures.

3. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The fair value of SIMS’ current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

THE SIMS FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

4. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date were comprised of \$811,279 in cash and cash equivalents.

SIMS' goal is to maintain financial assets to meet four months of general expenditures. As part of its liquidity plan, SIMS has a line of credit.

5. Lease Commitments

SIMS entered into a lease for office space at 3010 S. Lamar in Austin, Texas. The original lease expired in 2021. SIMS did not enter into a new contract at the end of the lease term, but continued on a month-to-month basis. The base rent of the facilities where SIMS operates has been donated and was valued based upon the fair rental value of the building use, using median rental rates in the greater Austin area. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in the expenses. The Foundation recognized \$111,413 of in-kind rental revenue and expense for the year ending December 31, 2023.

SIMS pays a pro rata share of the property's projected monthly expenses for taxes, insurance, and CAM. For the year ended December 31, 2023, these expenses totaled \$33,032.

6. Line of Credit

SIMS has a \$100,000 line of credit agreement with Horizon Bank. There were no borrowings against the line at December 31, 2023. The line bears interest at the bank's prime lending rate. The line is reviewed annually and is due on demand. The line is secured by all SIMS' assets. The line of credit matured in 2024 and was not renewed.

7. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the financial statements were available to be issued, May 28, 2025, and there were no events to be disclosed.