

Community-Word Project, Inc.

Financial Statements

Years Ended June 30, 2021 and 2020

Community-Word Project, Inc.

Financial Statements

Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Community-Word Project, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Community-Word Project, Inc., a non-profit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community-Word Project, Inc. as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Sax LLP

Parsippany, NJ
November 16, 2021

Community-Word Project, Inc.

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 970,455	\$ 604,288
Accounts receivable, current		
net of allowance of \$2,479 in 2021 and \$2,479 in 2020	232,626	278,779
Investments	266,971	260,858
Prepaid expenses and other assets	4,954	4,954
Total current assets	<u>1,475,006</u>	<u>1,148,879</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>11,681</u>	<u>4,111</u>
SECURITY DEPOSITS	<u>18,016</u>	<u>18,016</u>
TOTAL ASSETS	<u>\$ 1,504,703</u>	<u>\$ 1,171,006</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 48,098	\$ 55,631
Total current liabilities	<u>48,098</u>	<u>55,631</u>
LONG-TERM LIABILITIES		
Deferred rent	6,474	4,880
Loan payable - Paycheck Protection Program ("PPP")	220,887	220,887
Total long-term liabilities	<u>227,361</u>	<u>225,767</u>
NET ASSETS		
Without donor restrictions	1,206,744	746,054
With donor restrictions	22,500	143,554
Total net assets	<u>1,229,244</u>	<u>889,608</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,504,703</u>	<u>\$ 1,171,006</u>

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government grants	\$ 236,612	\$ -	\$ 236,612
Contributions	1,304,639	22,500	1,327,139
Program fees	209,603	-	209,603
Special events	97,459	-	97,459
Net assets released from restrictions	143,554	(143,554)	-
Total support and revenue	<u>1,991,867</u>	<u>(121,054)</u>	<u>1,870,813</u>
FUNCTIONAL EXPENSES			
Program service expenses	1,104,846	-	1,104,846
General and administrative	131,394	-	131,394
Fundraising and development	294,937	-	294,937
Total functional expenses	<u>1,531,177</u>	<u>-</u>	<u>1,531,177</u>
INCREASE (DECREASE) IN NET ASSETS	460,690	(121,054)	339,636
NET ASSETS, <i>beginning of year</i>	<u>746,054</u>	<u>143,554</u>	<u>889,608</u>
NET ASSETS, <i>end of year</i>	<u><u>\$ 1,206,744</u></u>	<u><u>\$ 22,500</u></u>	<u><u>\$ 1,229,244</u></u>

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government grants	\$ 260,082	\$ -	\$ 260,082
Contributions	763,403	94,962	858,365
Program fees	274,849	-	274,849
Special events	99,518	-	99,518
Net assets released from restrictions	111,408	(111,408)	-
Total support and revenue	<u>1,509,260</u>	<u>(16,446)</u>	<u>1,492,814</u>
FUNCTIONAL EXPENSES			
Program service expenses	957,857	-	957,857
General and administrative	137,405	-	137,405
Fundraising and development	<u>265,616</u>	<u>-</u>	<u>265,616</u>
Total functional expenses	<u>1,360,878</u>	<u>-</u>	<u>1,360,878</u>
INCREASE (DECREASE) IN NET ASSETS	148,382	(16,446)	131,936
NET ASSETS, <i>beginning of year</i>	<u>597,672</u>	<u>160,000</u>	<u>757,672</u>
NET ASSETS, <i>end of year</i>	<u><u>\$ 746,054</u></u>	<u><u>\$ 143,554</u></u>	<u><u>\$ 889,608</u></u>

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services Expenses	General and Administrative	Fundraising and Development	Total
Salaries	\$ 731,418	\$ 73,709	\$ 225,973	\$ 1,031,100
Payroll taxes and employee benefits	189,331	8,567	16,277	214,175
Conference and meetings	719	2,139	237	3,095
Rent	55,170	2,496	4,743	62,409
Insurance	4,028	2,473	346	6,847
Professional fees	51,492	36,130	38,809	126,431
Project supplies	26,674	-	4,454	31,128
Other supplies	1,587	72	136	1,795
Bank and other fees	8,173	865	703	9,741
Telephone and communication	13,986	633	1,202	15,821
Dues and subscriptions	9,302	405	987	10,694
Bad debt expense	-	3,200	-	3,200
Depreciation expense	3,688	167	317	4,172
Miscellaneous	9,278	538	753	10,569
	\$ 1,104,846	\$ 131,394	\$ 294,937	\$ 1,531,177

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services Expenses	General and Administrative	Fundraising and Development	Total
Salaries	\$ 642,127	\$ 90,070	\$ 160,287	\$ 892,484
Payroll taxes and employee benefits	136,694	10,836	16,670	164,200
Conference and meetings	3,607	1,316	236	5,159
Rent	45,683	4,350	5,438	55,471
Insurance	3,517	2,655	429	6,601
Professional fees	57,193	23,811	69,875	150,879
Project supplies	20,826	90	7,281	28,197
Other supplies	9,620	939	1,173	11,732
Bank and other fees	5,348	1,667	652	7,667
Depreciation expense	1,690	165	206	2,061
Miscellaneous	31,552	1,506	3,369	36,427
	<u>\$ 957,857</u>	<u>\$ 137,405</u>	<u>\$ 265,616</u>	<u>\$ 1,360,878</u>

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Increase in net assets	\$ 339,636	\$ 131,936
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities		
Deferred rent - straight line adjustment	1,594	48
Depreciation and amortization	4,172	2,061
Bad debt expense	3,200	-
Forgiveness of PPP loan payable	(220,887)	-
(Increase) decrease in assets		
Accounts receivable	42,953	152,836
Prepaid expenses	-	(4,954)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(7,533)	(2,593)
	<u>163,135</u>	<u>279,334</u>
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Re-invested interest	(6,113)	(10,858)
Purchase of equipment	(11,742)	-
	<u>(17,855)</u>	<u>(10,858)</u>
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Proceeds from PPP loan payable	220,887	220,887
	<u>220,887</u>	<u>220,887</u>
Net increase in cash, cash equivalents, and restricted cash	366,167	489,363
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, <i>beginning of year</i>	604,288	114,925
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, <i>end of year</i>	<u>\$ 970,455</u>	<u>\$ 604,288</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 370</u>

See Accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

a. Nature of Business

Community-Word Project, Inc. ("CWP" or the "Organization") is located in New York, NY and was founded in July 1997 as a fiscal conduit and became its own 501(c)(3) in July of 2000, to promote the use of creative writing and arts methods to develop and expand literacy, communication, and technological skills of at-risk youth, as well as to foster their self-esteem and leadership skills.

b. Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

c. Net Asset Presentation

In accordance with Accounting Standards Update ("ASU") No. 2016-14, net assets, revenues, gains and losses are presented based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CWP and the changes therein are classified and reported as follows:

1. Without donor restrictions - This class consists of net assets that are not restricted by donor-imposed stipulations and available for use in general operations, including net assets that have been designated by management or the Board of Trustees for expenditure on specific purposes or projects.
2. With donor restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by CWP is limited by donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that are met by the passage of time or can be fulfilled and removed by actions of CWP. Other donor-imposed stipulations are perpetual in nature, where the assets must 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 has been fulfilled, or both.

d. Cash, Cash Equivalents, and Restricted Cash

The Organization considers all short-term, highly liquid investments with maturities of three months or less to be cash equivalents.

e. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted prices in active markets (national securities exchanges) for identical assets, with gains and losses included in the statements of activities.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

e. Investments - Continued

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (loss) includes the Organization's gains and losses of investments bought and sold as well as held during the year.

f. Accounts Receivable

Accounts receivable consist of grant receivables, unconditional promises to give, and program fees due to the Organization.

g. Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts.

h. Equipment

Equipment is stated at cost or fair value at date of donation, with respect to donated items, less accumulated depreciation. Purchases of property and equipment with a cost in excess of \$1,000 and an estimated useful life exceeding two years are capitalized. Depreciation is calculated using the straight-line method based upon an estimated life of five years. Gains and losses resulting from the retirement of fixed assets are included within unrestricted net assets in the statements of activities.

i. Board Designated Net Assets

Included in net assets without donor restriction as of June 30, 2021 and 2020 are \$266,971 and \$260,858, respectively, of board designated net assets which have been designated for general use at the discretion of the board.

j. Revenue and Support Recognition

The Organization derives its revenue and other support from grants and program service fees. Additionally, the Organization receives support from fundraising activities, such as special events and contributions. Under Accounting Standards Codification ("ASC") Topic 606, revenue is recognized when performance obligations to a customer are satisfied and revenue is earned. The Organization also applies the guidance under Topic 958 *Non-Profit Entities* to recognize support received that is not subject to revenue recognition under ASC Topic 606.

Program fees

Program fees are recognized in accordance with ASC Topic 606, whereas the Organization has contracts with schools to provide approved services (performance obligations) to students. The Organization recognizes revenue in the period in which obligations to provide services are satisfied. As services are provided to consumers, CWP recognizes revenue, resulting in revenue recognized over time.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

j. Revenue and Support Recognition - Continued

Fundraising

Fundraising revenue is comprised of payments received from third parties (individuals, corporations, and foundations) to support and/or attend fundraising events. The amount paid by individuals, corporations, and foundations that is above the value of goods or services received is considered a contribution. Fundraising revenue follows guidance under ASC 958 and is recognized at the time the fundraising event occurs.

Contributions

Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. It is CWP's policy to report as unrestricted support contributions with donor-imposed restrictions when these restrictions are met in the same year that the contributions are received.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, CWP reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and will typically need to be purchased if not provided by donation (see Note 9).

k. Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of costs of direct benefits to donors. The costs of direct benefits to donors were \$0 for both the years ended June 30, 2021 and 2020.

l. Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting service classifications based on direct expenditures incurred. Any expenditures not directly chargeable (indirect expenses) are allocated on the basis of time records and on estimates made by the Organization's management.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

m. Income Taxes

CWP is exempt from federal and state income taxes under the Internal Revenue Code, Section 501(c)(3). Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

CWP recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that CWP has no uncertain tax positions that would require financial statement recognition or disclosure.

n. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* (Topic 842), which sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. CWP is still evaluating the potential effect of this new guidance.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to provide additional disclosures on the contributed nonfinancial assets with the intent to improve transparency in the reporting of contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021.

o. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is November 16, 2021.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 2 - Liquidity and Availability

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include funds restricted for program use and amounts that are perpetually restricted in nature.

	June 30,	
	2021	2020
Financial assets, at year end	\$ 1,470,052	\$ 1,143,925
Less those unavailable for general expenditures within one year, due to		
Restricted by donor with purpose restrictions for programs	22,500	143,554
Board designated investment in deferred annuity	266,971	260,858
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,180,581</u>	<u>\$ 739,513</u>

The Organization's practice is to manage financial assets to be available for its general expenditures, liabilities, and other obligations. In the event of unanticipated liquidity need, the Organization could also draw upon its available uncollateralized revolving demand note with TD Bank (see Note 7).

Note 3 - Fair Value Measurement

CWP reports its fair value measurements using a fair value hierarchy defined by U.S. GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under U.S. GAAP are:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 3 - Fair Value Measurement - Continued

The following is a description of the valuation methodologies used for assets measured at fair value:

Single modified annuity: The Organization invested in an annuity whereby it can earn between 1.6% to 3.0% interest for the next five years. The Organization at any time can liquidate the annuity subject to penalty.

Fair values of assets measured are summarized below:

June 30, 2021				
	Total	Level 1	Level 2	Level 3
Single modified annuity	\$ 266,971	\$ -	\$ 266,971	\$ -
Total investments	<u>\$ 266,971</u>	<u>\$ -</u>	<u>\$ 266,971</u>	<u>\$ -</u>
June 30, 2020				
	Total	Level 1	Level 2	Level 3
Single modified annuity	\$ 260,858	\$ -	\$ 260,858	\$ -
Total investments	<u>\$ 260,858</u>	<u>\$ -</u>	<u>\$ 260,858</u>	<u>\$ -</u>

Note 4 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, are restricted for the following purposes:

	June 30,	
	2021	2020
Time restriction: Pierre and Tana Matisse Foundation	-	\$ 50,000
Time restriction: NYSCA	-	33,554
TAP program	-	60,000
Evaluation Protocol Development	20,000	-
Collaborative Arts Residency and TAP	2,500	-
	<u>\$ 22,500</u>	<u>\$ 143,554</u>

Net assets released from restrictions were as follows:

	Years Ended June 30,	
	2021	2020
Time restriction	<u>\$ 143,554</u>	<u>\$ 111,408</u>

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 5 - Contributions

CWP received contributions from various resources are as follows:

	Years Ended June 30,	
	2021	2020
Foundations	\$ 727,728	\$ 492,174
Individuals	214,124	189,997
Corporations/Corporate foundations	385,287	176,194
	<u>\$ 1,327,139</u>	<u>\$ 858,365</u>

Note 6 - Equipment

Property and equipment are comprised of the following:

	June 30,	
	2021	2020
Computer equipment	\$ 39,451	\$ 27,709
Less accumulated depreciation	27,770	23,598
Equipment, net	<u>\$ 11,681</u>	<u>\$ 4,111</u>

Note 7 - Revolving Demand Note

CWP has a \$35,000 uncollateralized revolving demand note with HSBC Bank. The note carries an interest rate of prime plus 1.75% and is payable on demand. There was no outstanding balance as of June 30, 2021 or 2020.

CWP has a \$150,000 uncollateralized revolving demand note with TD Bank. The note carries an interest rate of prime plus .74% and is payable on demand. There was no outstanding balance as of June 30, 2021 or 2020.

Note 8 - Paycheck Protection Program ("PPP") Loans Payable

On May 1, 2020, the Organization was granted a loan from TD Bank, N.A. in the aggregate amount of \$220,887, pursuant to the PPP first draw (the "PPP1") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted March 27, 2020.

On February 24, 2021, the Organization was granted a loan from TD Bank, N.A. in the aggregate amount of \$220,887, pursuant to the PPP second draw (the "PPP2") under Section 311 of the Economic Aid to Hard-Hi Small Businesses Act (the "Economic Aid Act") which was signed into law on December 27, 2020 and is part of the original CARES Act, which was enacted March 27, 2020.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 8 - Paycheck Protection Program ("PPP") Loans Payable - Continued

The loans are in the form of notes dated May 1, 2020 and February 24, 2021 issued by the borrower and mature on May 1, 2022 and February 24, 2026, respectively, and bear interest at a rate of 1% per annum. Pursuant to the CARES Act and the subsequent update under the PPP Flexibility Act of 2020 ("Flexibility Act"), the Organization has a period of ten months after the end of the loan forgiveness covered period to apply for forgiveness. In accordance with the Flexibility Act, the Organization elected the 24-week loan forgiveness covered period which begins on the date the lender disbursed the PPP funds. Payments of principal and interest on the loan are deferred during the ten-month period.

Funds from the loans may only be used for qualified expenses which include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Consolidated Appropriations Act of 2021, signed into law on December 27, 2020, expanded those eligible costs to include covered operation expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures. In accordance with the CARES Act and the PPP, if the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on terminations of full-time employees or decrease in salaries during the covered period. Section 311 of the Economic Aid Act authorizes the U.S. Small Business Administration ("SBA") to guarantee PPP2 loans under generally the same terms and conditions available under the PPP1.

The AICPA in conjunction with the FASB issued a Technical Question and Answer ("TQA") in order to clarify how to account for loans received from the PPP. In accordance with the TQA, the Organization may account for the PPP loans under ASC 470 - *Debt* or, if the Organization expects the PPP loan to be forgiven, may account for the loans under IAS 20 - *Accounting for Government Grants and Disclosure of Government Assistance*. As of June 30, 2021, the Organization received full forgiveness on the PPP1 loan and has therefore recorded the entire amount as other income in the statement of income for the period ended June 30, 2021. In addition, although the Organization anticipates forgiveness of the entire amount of the PPP2 loan, no assurance can be provided that the Organization will obtain forgiveness in whole or in part. Therefore, the Organization elected to account for the PPP2 loan as debt as of June 30, 2021.

Note 9 - Donated Services

	Years Ended June 30,	
	2021	2020
Donated goods and services	\$ 14,763	\$ -

Note 10 - Concentration of Credit Risk

Financial instruments that potentially subject CWP to significant concentrations of credit risk consist of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

Note 11 - Rental Commitments

CWP leases office space in New York City. Pursuant to an operating lease that was renewed on July 28, 2017 for five years maturing on August 31, 2022, the lease contains scheduled rent increases of 3% annually.

Future minimum payments under the operating lease agreement, including escalation increases, at June 30, 2021 are payable as follows:

Years ending June 30,	
2022	\$ 57,798
2023	9,680
	<hr/>
	\$ 67,478
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Note 12 - Risk and Uncertainty

The Organization's continuing operations have been affected by the recent and ongoing outbreak of the coronavirus ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and the actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including New York City, where the Organization operates and where the virus hit early and extremely hard in 2020. The Organization's programs are either suspended or transferred onto virtual platforms. The Organization did receive emergency grants which provided some relief from the coronavirus. However, as COVID-19 and its virus variants are still impacting many regions of the country, there is still uncertainty regarding the future impact on the Organization's programming and finances.