Community-Word Project, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019

Community-Word Project, Inc.

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C O N T E N T S

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. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019 and 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 audits 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, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Sax LLP

New York, New York
October 27, 2020

Community-Word Project, Inc.

Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 604,288	$ 114,925
Accounts receivable, current net of allowance of $ 2,479 in 2020 and $6,506 in 2019	278,779	381,615
Investments	260,858	250,000
Prepaid expense and other assets	4,954	-
TOTAL CURRENT ASSETS	1,148,879	746,540
PROPERTY AND EQUIPMENT, NET	4,111	6,172
NON CURRENT ASSETS		
Accounts receivable, long term	-	50,000
Security deposit	18,016	18,016
TOTAL NON CURRENT ASSETS	18,016	68,016
TOTAL ASSETS	**$ 1,171,006**	**$ 820,728**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 55,631	58,224
TOTAL CURRENT LIABILITIES	55,631	58,224
NON CURRENT LIABILITIES		
Deferred rent-straight line adjustment	4,880	4,832
Paycheck protection program loan payable	220,887	-
TOTAL NON CURRENT LIABILITIES	225,767	4,832
NET ASSETS		
Without donor restrictions	746,054	597,672
With donor restrictions	143,554	160,000
Total net assets	889,608	757,672
TOTAL LIABILITIES AND NET ASSETS	**$ 1,171,006**	**$ 820,728**

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	1,509,260	(16,446)	1,492,814
FUNCTIONAL EXPENSES			
Program service expenses	957,857	-	957,857
General and administrative	137,405	-	137,405
Fundraising and development	265,616	-	265,616
Total functional expenses	1,360,878	-	1,360,878
INCREASE (DECREASE) IN NET ASSETS	148,382	(16,446)	131,936
NET ASSETS, *beginning of year*	597,672	160,000	757,672
NET ASSETS, *end of year*	**$ 746,054**	**$ 143,554**	**$ 889,608**

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Activities - Continued

	Year Ended June 30, 2019		
	Without Donor Unrestrictions	With Donor Restrictions	Total
REVENUES			
Government grants	$ 189,305	$ -	$ 189,305
Contributions	1,086,091	182,500	1,268,591
Program fees	349,376	-	349,376
Special events, net of direct donor benefit expenses of $52,840	67,880	-	67,880
Net assets released from restrictions	257,500	(257,500)	-
Total support and revenue	1,950,152	(75,000)	1,875,152
FUNCTIONAL EXPENSES			
Program service expenses	1,140,499	-	1,140,499
General and administrative	134,682	-	134,682
Fundraising and development	309,137	-	309,137
Total functional expenses	1,584,318	-	1,584,318
INCREASE (DECREASE) IN NET ASSETS	365,834	(75,000)	290,834
NET ASSETS, *beginning of year*	231,838	235,000	466,838
NET ASSETS, *end of year*	**$ 597,672**	**$ 160,000**	**$ 757,672**

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	$ 892,483
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	55,470
Insurance	3,517	2,655	429	6,601
Professional fees	57,193	23,811	69,875	150,879
Project supplies	-	90	7,281	7,371
Other supplies	9,620	939	1,173	11,732
Bank and other fees	5,348	1,667	652	7,667
Other program expenses	11,082	-	-	11,082
Other fundraising expenses	9,744	-	-	9,744
Miscellaneous	33,243	1,673	3,574	38,490
	$ 957,857	**$ 137,405**	**$ 265,616**	**$ 1,360,878**

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Functional Expenses - Continued

	Year Ended June 30, 2019			
	Program Services Expenses	**General and Administrative**	**Fundraising and Development**	**Total**
Salaries	$ 736,967	$ 81,571	$ 197,563	$ 1,016,101
Payroll taxes and employee benefits	152,812	7,641	30,562	191,015
Conference and meetings	7,765	310	1,241	9,316
Rent	45,860	2,181	8,725	56,766
Insurance	5,362	268	1,072	6,702
Professional fees	70,733	39,564	48,179	158,476
Project supplies	11,348	-	-	11,348
Other supplies	4,000	200	800	5,000
Bank and other fees	14,052	703	2,810	17,565
Bad debt expense	5,400	270	1,080	6,750
Other program expenses	46,685	-	-	46,685
Other fundraising expenses	-	-	9,200	9,200
Miscellaneous	39,515	1,974	7,905	49,394
	$ 1,140,499	**$ 134,682**	**$ 309,137**	**$ 1,584,318**

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statements of Cash Flows

	Years Ended June 30, 2020	2019
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Increase in net assets	$ 131,936	$ 290,834
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities		
Deferred rent - straight line adjustment	48	1,642
Depreciation and amortization	2,061	3,404
Bad debt expense	-	6,750
Changes in operating assets and liabilities		
Accounts receivable	152,836	(108,706)
Prepaid expenses	(4,954)	11,919
Accounts payable and accrued expenses	(2,593)	38,372
	279,334	**244,215**
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Re-invested interest	(10,858)	-
Purchase of investment	-	(250,000)
Purchase of equipment	-	(3,495)
	(10,858)	**(253,495)**
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Advance of paycheck protection program loan payable	220,887	-
	220,887	**-**
Net increase (decrease) in cash and cash equivalents	**489,363**	**(9,280)**
CASH AND CASH EQUIVALENTS, *beginning of year*	114,925	124,205
CASH AND CASH EQUIVALENTS, *end of year*	**$ 604,288**	**$ 114,925**

See accompanying Notes to Financial Statements.

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 it's 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 ASU No. 2016-14, net assets, revenues, gains and losses are presented based in 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 consist of net assets that is 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 consist 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.

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 Receivables

Accounts receivable consists 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 is $250,000 of board designated net assets which has been restricted for general use at the discretion of the board.

j. 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.

Note 1 - Summary of Significant Accounting Policies - Continued

j. Contributions - Continued

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.

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.

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.

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.

Note 1 - Summary of Significant Accounting Policies - Continued

n. Recent Accounting Pronouncements - Continued

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, 2021, with early adoption permitted. CWP is still evaluating the potential effect of this new guidance.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time.

This standard will be effective for annual reporting periods beginning after December 15, 2019, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially apply ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. CWP has not yet selected a transition method and is still evaluating the effect of this new guidance.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU No. 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The standard was adoped for the fiscal year ended June 30, 2020. There was no impact on the recognition of contributions and grants for the fiscal year ended June 30, 2020.

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 October 27, 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.

Financial assets, at year end	$ 1,143,925
Less: those unavailable for general expenditures within one year, due to	
Restricted by donor with purpose restrictions for programs	143,554
Board designated investment in deferred annuity	260,858
Financial assets available to meet cash needs for general expenditures within one year	$ 739,513

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 as 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.

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, 2020			
	Total	Level 1	Level 2	Level 3
Single modified annuity	$ 260,858	$ -	$ 260,858	$ -
Total investments	$ 260,858	$ -	$ 260,858	$ -

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Single modified annuity	$ 250,000	$ -	$ 250,000	$ -
Total investments	$ 250,000	$ -	$ 250,000	$ -

Note 4 - Net Assets with Donor Restrictions

Net Assets with Donor Restrictions as of June 30, are restricted for the following purposes:

	June 30,	
	2020	2019
Time restriction: Pierre and Tana Matisse Foundation	$ 50,000	$ 100,000
Time restriction: NYSCA	33,554	40,000
TAP program	60,000	15,000
Office renovations	-	5,000
	$ 143,554	$ 160,000

Net assets released from restrictions were as follows:

	Years Ended June 30,	
	2020	2019
Time restriction	$ 111,408	$ 257,500

Note 5 - Contributions

CWP received contributions from various resources are as follows:

	Years Ended June 30, 2020	Years Ended June 30, 2019
Foundations	$ 492,174	$ 434,838
Individuals	189,997	662,455
Corporations/Corporate Foundations	176,194	171,298
	$ 858,365	$ 1,268,591

The Organization received a one-time special gift of $500,000 during fiscal year 2019.

Note 6 - Equipment

Property and equipment are comprised of the following:

	June 30, 2020	June 30, 2019
Computer equipment	$ 27,709	$ 27,709
Less accumulated depreciation	23,598	21,537
Equipment, net	$ 4,111	$ 6,172

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 percent and is payable on demand. There was no outstanding balance as of June 30, 2020 or 2019.

CWP has a $150,000 uncollateralized revolving demand note with TD Bank. The note carries an interest rate of prime plus .74 percent and is payable on demand. There was no outstanding balance as of June 30, 2020 or 2019.

Note 8 - Paycheck Protection Program ("PPP") Loan

On May 1, 2020, the Organization entered into a promissory note evidencing an unsecured loan in the amount of $220,887 (the "Loan") made to the Organization under the Paycheck Protection Program ("PPP"). The PPP was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration (the "SBA"). The Loan to the Agency is being made through TD Bank, N.A. (the "Lender").

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any covered payments of mortgage interest, rent, and utilities. In the event the PPP Loan, or any portion thereof, is forgiven pursuant to the PPP, the amount forgiven is applied to outstanding principal and interest.

Note 8 - Paycheck Protection Program ("PPP") Loan - Continued

The Organization intends to use all proceeds from the PPP Loan to maintain payroll, make lease and utility payments.

Interest on the loan accrues at 1.00% beginning the date the loan proceeds were received by the Organization. In the event the loan is not forgiven, principal payments are not required to be made until a recommendation is made by the Bank to the SBA to not forgive all or portion of the loan. If the loan were not to be forgiven, then the Organization would have two years from that date to repay the loan. The Organization does have the ability to ask to the bank for an extension of loan maturity to five years if needed consistent with the terms of Paycheck Protection Program Flexibility Act.

Note 9 - 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.

Note 10 - 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, 2020 are payable as follows:

Years ending June 30,		
2021	$	56,114
2022		57,798
2023		9,680
	$	123,592

Note 11 - 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. The Organization's programs were either suspended or gradually transferred onto virtual platforms. The Organization did receive emergency grants which provided some relief from the coronavirus. However, as COVID-19 is still impacting many regions of the country, there is still uncertainty regarding the future impact on the Organization's programming and finances.