

Community-Word Project, Inc.

Financial Statements

Years Ended June 30, 2023 and 2022

Community-Word Project, Inc.

Financial Statements

Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Community-Word Project, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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 ("GAAS"). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 Organization'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 Organization'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.

Sax LLP

Parsippany, New Jersey
December 5, 2023

Community-Word Project, Inc.

Statements of Financial Position

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 340,109	\$ 650,911
Accounts receivable, net	495,253	210,563
Contributions receivable, net	75,000	145,708
Investments	461,617	443,894
Total current assets	<u>1,371,979</u>	<u>1,451,076</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>32,696</u>	<u>54,398</u>
OTHER ASSETS		
Net operating lease - right-of-use ("ROU") asset	138,976	-
Security deposits	18,016	18,016
Total other assets	<u>156,992</u>	<u>18,016</u>
TOTAL ASSETS	<u>\$ 1,561,667</u>	<u>\$ 1,523,490</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 67,548	\$ 64,721
Operating lease obligation, current portion	54,195	-
Total current liabilities	<u>121,743</u>	<u>64,721</u>
LONG-TERM LIABILITIES		
Operating lease obligation, net of current portion	95,639	-
NET ASSETS		
Without donor restrictions	1,246,285	1,301,769
With donor restrictions	98,000	157,000
Total net assets	<u>1,344,285</u>	<u>1,458,769</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,561,667</u>	<u>\$ 1,523,490</u>

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 168,680	\$ -	\$ 168,680
Contributions	995,939	115,000	1,110,939
Program fees	370,941	-	370,941
Special events, net	128,304	-	128,304
Net assets released from restrictions	174,000	(174,000)	-
Total support and revenue	<u>1,837,864</u>	<u>(59,000)</u>	<u>1,778,864</u>
FUNCTIONAL EXPENSES			
Program service expenses	1,427,059	-	1,427,059
General and administrative	257,950	-	257,950
Fundraising and development	219,778	-	219,778
Total functional expenses	<u>1,904,787</u>	<u>-</u>	<u>1,904,787</u>
OTHER INCOME AND EXPENSES			
Unrealized gain	11,439	-	11,439
CHANGE IN NET ASSETS	(55,484)	(59,000)	(114,484)
NET ASSETS, <i>beginning of year</i>	<u>1,301,769</u>	<u>157,000</u>	<u>1,458,769</u>
NET ASSETS, <i>end of year</i>	<u><u>\$ 1,246,285</u></u>	<u><u>\$ 98,000</u></u>	<u><u>\$ 1,344,285</u></u>

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 167,850	\$ -	\$ 167,850
Contributions	1,015,531	315,000	1,330,531
Program fees	424,601	-	424,601
Special events, net	79,166	-	79,166
Net assets released from restrictions	180,500	(180,500)	-
Total support and revenue	<u>1,867,648</u>	<u>134,500</u>	<u>2,002,148</u>
FUNCTIONAL EXPENSES			
Program service expenses	1,274,970	-	1,274,970
General and administrative	212,207	-	212,207
Fundraising and development	254,073	-	254,073
Total functional expenses	<u>1,741,250</u>	<u>-</u>	<u>1,741,250</u>
OTHER INCOME AND EXPENSES			
Unrealized loss	<u>(31,373)</u>	<u>-</u>	<u>(31,373)</u>
CHANGE IN NET ASSETS	95,025	134,500	229,525
NET ASSETS, <i>beginning of year</i>	<u>1,206,744</u>	<u>22,500</u>	<u>1,229,244</u>
NET ASSETS, <i>end of year</i>	<u>\$ 1,301,769</u>	<u>\$ 157,000</u>	<u>\$ 1,458,769</u>

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

	<u>Program Service Expenses</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,009,672	\$ 141,446	\$ 137,030	\$ 1,288,148
Payroll taxes and employee benefits	203,890	21,936	17,939	243,765
Conference and meetings	6,347	3,975	114	10,436
Rent	63,667	6,444	28,443	98,554
Insurance	4,144	2,845	4,110	11,099
Professional fees	22,036	61,229	5,296	88,561
Project supplies	41,572	560	40,422	82,554
Other supplies	1,323	5,003	33	6,359
Bank and other fees	10,392	3,828	1,839	16,059
Telephone and communication	13,389	3,767	1,179	18,335
Dues and subscriptions	20,861	2,471	1,813	25,145
Depreciation expense	19,507	2,086	1,718	23,311
Miscellaneous	10,259	2,360	775	13,394
Total functional expenses	<u>1,427,059</u>	<u>257,950</u>	<u>240,711</u>	<u>1,925,720</u>
Less cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(20,933)</u>	<u>(20,933)</u>
Total functional expenses	<u>\$ 1,427,059</u>	<u>\$ 257,950</u>	<u>\$ 219,778</u>	<u>\$ 1,904,787</u>

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program Service Expenses</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 847,519	\$ 155,819	\$ 210,509	\$ 1,213,847
Payroll taxes and employee benefits	198,128	10,105	16,122	224,355
Conference and meetings	1,605	974	-	2,579
Rent	54,391	2,326	4,699	61,416
Insurance	4,239	2,398	345	6,982
Professional fees	60,528	23,589	13,029	97,146
Project supplies	43,455	266	18,914	62,635
Other supplies	316	1,078	26	1,420
Bank and other fees	7,383	2,781	600	10,764
Telephone and communication	16,357	701	1,331	18,389
Dues and subscriptions	20,226	1,153	2,352	23,731
Bad debt expense	-	7,500	-	7,500
Depreciation expense	14,929	639	1,215	16,783
Miscellaneous	5,894	2,878	259	9,031
Total functional expenses	<u>1,274,970</u>	<u>212,207</u>	<u>269,401</u>	<u>1,756,578</u>
Less cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(15,328)</u>	<u>(15,328)</u>
Total functional expenses	<u>\$ 1,274,970</u>	<u>\$ 212,207</u>	<u>\$ 254,073</u>	<u>\$ 1,741,250</u>

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Statements of Cash Flows

	Years Ended June 30,	
	2023	2022
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ (114,484)	\$ 229,525
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Deferred rent - straight line adjustment	-	(6,474)
Depreciation and amortization	23,311	16,783
Net operating lease - ROU asset amortization	(138,976)	-
Bad debt expense	-	7,500
Forgiveness of PPP loan payable	-	(220,887)
(Increase) decrease in assets		
Accounts and contributions receivable	(213,982)	(131,145)
Prepaid expenses	-	4,954
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	2,827	16,623
Operating lease obligation reduction	149,834	-
	(291,470)	(83,121)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Re-invested interest	(17,723)	(176,923)
Purchase of equipment	(1,609)	(59,500)
	(19,332)	(236,423)
Net decrease in cash and cash equivalents	(310,802)	(319,544)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	650,911	970,455
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 340,109	\$ 650,911

See accompanying Notes to Financial Statements.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

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 the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*, 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 and Cash Equivalents

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, 2023 and 2022

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 and Contributions Receivable

Accounts receivable consist of grant receivables, unconditional promises to give, and program fees due to the Organization. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, estimated using present value technique. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are reached. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

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. An allowance of \$779 and \$2,479 have been reflected as of June 30, 2023 and 2022, respectively.

h. Property and Equipment

Equipment is stated at cost or fair value at the date of donation, with respect to donated items, less accumulated depreciation. Purchases of property and equipment with a cost in excess of \$2,500 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 for computer equipment and software. 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, 2023, and 2022 are \$465,365 and \$443,894, 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 FASB 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 FASB ASC Topic 958 - *Non-Profit Entities* to recognize support received that is not subject to revenue recognition under FASB ASC Topic 606.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies - Continued

j. Revenue and Support Recognition - Continued

Program fees

Program fees are recognized in accordance with FASB 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.

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 which follows guidance under FASB ASC 958. The amount paid for the value of goods and services is recognized under FASB ASC 606 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.

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 \$20,933 and \$15,328 for the years ended June 30, 2023 and 2022.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies - Continued

l. Functional Allocation of Expenses

Expenses by function have been classified as program and supporting service expenses based on direct expenditures incurred. Any expenditures not directly chargeable (indirect expenses) such as rent, professional fees, and office supplies, are allocated on the basis of time records as determined 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. Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. FASB ASC Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in FASB ASC Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted FASB ASC Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under FASB ASC Topic 840, *Leases*.

The Organization made an accounting policy election available under FASB ASC Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of FASB ASC Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public organizations to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of FASB ASC Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies - Continued

n. Leases - Continued

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of FASB ASC Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately \$188,091 on July 1, 2022. The adoption of the new lease standard did not materially impact net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

o. Pending Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The new ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit-loss estimates. The update requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. For private companies and not-for-profit organizations, the update is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

p. 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 December 5, 2023.

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.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 2 - Liquidity and Availability - Continued

	June 30,	
	2023	2022
Financial assets, at year end	\$ 1,371,979	\$ 1,451,076
Less those unavailable for general expenditures within one year, due to		
Restricted by donor with purpose restrictions for programs	98,000	157,000
Board designated investment in deferred annuity	461,365	443,894
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 812,614</u>	<u>\$ 850,182</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.

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.

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.

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 3 - Fair Value Measurement - Continued

Fair values of assets measured are summarized below:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Single modified annuity	\$ 282,931	\$ -	\$ 282,931	\$ -
Mutual funds	129,541	129,541	-	-
Exchange traded funds	49,145	49,145	-	-
Total investments	\$ 461,617	\$ 178,686	\$ 282,931	\$ -

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Single modified annuity	\$ 274,691	\$ -	\$ 274,691	\$ -
Mutual funds	124,288	124,288	-	-
Exchange traded funds	44,915	44,915	-	-
Total investments	\$ 443,894	\$ 169,203	\$ 274,691	\$ -

Note 4 - 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 5 - Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on the amounts to be collected beyond one year are computed using risk-free interest rates average 2.99% for the year ended June 30, 2022. There are no contributions receivables expected to be collected beyond one year for the year ended June 30, 2023.

Contributions are expected to be collected, as of June 30, 2023, are as follows:

	June 30,	
	2023	2022
One year or less	\$ 75,000	\$ 75,000
Long-term contribution	-	75,000
	75,000	150,000
Less discount on contributions receivable	-	4,292
Total	\$ 75,000	\$ 145,708

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 6 - Property and Equipment

Property and equipment are comprised of the following:

	June 30,	
	2023	2022
Computer equipment	\$ 23,862	\$ 22,254
Software	59,500	59,500
	<u>83,362</u>	<u>81,754</u>
Less accumulated depreciation	50,666	27,356
	<u>32,696</u>	<u>54,398</u>

Note 7 - Leases

The Organization leases real estate, including other locations, and equipment under operating lease agreements that have initial terms of five years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to five years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost and sub-lease income is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

Supplemental statement of financial position information related to leases were as follows:

Operating leases	
Operating lease ROU assets	<u>\$ 138,976</u>
Operating lease liabilities, current	\$ 54,195
Operating lease liabilities, non-current	95,639
Total operating lease liabilities	<u>\$ 149,834</u>

Supplemental statement of activities information related to leases were as follows:

Operating lease cost	<u>\$ 54,345</u>
Total lease cost	<u>\$ 54,345</u>

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 7 - Leases - Continued

Supplemental cash flow information related to leases were as follows:

Cash paid for amounts included in measurement of lease liabilities	
Operating cash outflows - payments on operating leases	\$ 61,128
ROU assets obtained in exchange for new lease obligations	
Operating leases	\$ 188,091

Average lease term and discount rate as of June 30, 2023 was as follows:

Weighted-average remaining lease term	
Operating leases	2.67
Weighted-average discount rate	
Operating leases	2.85%

The aggregate future lease payments for operating leases as of June 30, 2023 were as follows:

	Operating Leases
Future lease payments	
2024	\$ 57,822
2025	58,350
2026	39,604
Total lease payments	155,776
Less imputed interest	(5,942)
Total present value of lease liabilities	\$ 149,834

Note 8 - Net Assets with Donor Restrictions

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

	June 30,	
	2023	2022
Time restriction - Pierre and Tana Matisse Foundation	\$ 75,000	\$ 150,000
Time restriction: Academy of American Poets	5,000	-
TD Charitable Foundation	15,000	-
Evaluation Protocol Development	-	7,000
The Endeavor Foundation, Inc.	3,000	-
Total	\$ 98,000	\$ 157,000

Community-Word Project, Inc.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 8 - Net Assets with Donor Restrictions - Continued

Net assets released from restrictions were as follows:

	Years Ended June 30,	
	2023	2022
Time restriction	<u>\$ 174,000</u>	<u>\$ 180,500</u>

Note 9 - Revolving Demand Note

The Organization 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, 2023 or 2022.

Note 10 - Paycheck Protection Program (“PPP”) Loan Payable

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. The Organization received full forgiveness on PPP2 as of June 30, 2022, included in contribution revenues, and therefore has recorded the entire amount as income in the statement of activities in 2022.

Note 11 - Contributions

CWP received contributions from various resources as follows:

	Years Ended June 30,	
	2023	2022
Foundations	\$ 590,476	\$ 738,093
Individuals	282,167	209,934
Corporations/corporate foundations	238,096	159,617
PPP forgiveness	-	220,887
In-kind donations	200	2,000
Total	<u>\$ 1,110,939</u>	<u>\$ 1,330,531</u>