

PROJECT 440, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2021

**PROJECT 440, INC.
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INDEPENDENT ACCOUNTANT’S REVIEW REPORT

To the Board of Directors
Project 440, Inc.
Philadelphia, Pennsylvania

We have reviewed the accompanying financial statements of Project 440, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
December 13, 2021

PROJECT 440, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

ASSETS

Cash	\$ 227,674
	<hr/>
Total Assets	\$ 227,674
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities	
Paycheck Protection Program loan	\$ 17,030
	<hr/>
Total Liabilities	17,030
	<hr/>
Net Assets	
Without donor restrictions	210,289
With donor restrictions	355
	<hr/>
Total Net Assets	210,644
	<hr/>
Total Liabilities and Net Assets	\$ 227,674
	<hr/> <hr/>

See accompanying notes and independent accountant's review report.

PROJECT 440, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED AUGUST 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants and contributions	\$ 217,439	\$ 60,000	\$ 277,439
Program income	54,187	-	54,187
Individual contributions	58,565	-	58,565
Interest income	220	-	220
Net assets released from restrictions:			
Satisfaction of program restrictions	65,144	(65,144)	-
	<u>395,555</u>	<u>(5,144)</u>	<u>390,411</u>
Expenses			
Program services	131,975	-	131,975
Management and general	145,159	-	145,159
Fundraising	17,290	-	17,290
	<u>294,424</u>	<u>-</u>	<u>294,424</u>
Change in Net Assets	101,131	(5,144)	95,987
Net Assets, Beginning	<u>109,158</u>	<u>5,499</u>	<u>114,657</u>
Net Assets, Ending	<u>\$ 210,289</u>	<u>\$ 355</u>	<u>\$ 210,644</u>

See accompanying notes and independent accountant's review report.

PROJECT 440, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Employee wages	\$ 40,835	\$ 66,625	\$ -	\$ 107,460
Payroll taxes	3,559	5,806	-	9,365
Business development	-	-	3,493	3,493
College fair expenses	29,096	-	-	29,096
Contractors	5,159	19,025	8,062	32,246
IFS stipend	5,980	-	-	5,980
Insurance	1,949	1,729	-	3,678
Office expense	-	14,960	1,662	16,622
Participation incentive	19,102	-	-	19,102
Postage and copying	107	-	2,568	2,675
Professional fees	14,709	32,739	-	47,448
Rent	-	3,750	-	3,750
Special events	-	-	1,505	1,505
Summer camp	1,478	-	-	1,478
Teaching assistants	10,001	-	-	10,001
Travel	-	525	-	525
Total Functional Expenses	\$ 131,975	\$ 145,159	\$ 17,290	\$ 294,424

See accompanying notes and independent accountant's review report.

PROJECT 440, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 95,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Paycheck Protection Program loan forgiveness	(20,900)
Changes in:	
Prepaid expenses	15,174
Deferred revenue	(1,435)
Net Cash Provided by Operating Activities	<u>88,826</u>
Cash Flows from Financing Activities	
Proceeds from Paycheck Protection Program loan	<u>17,030</u>
Net Change in Cash	105,856
Cash, Beginning of Year	<u>121,818</u>
Cash, End of Year	<u><u>\$ 227,674</u></u>

See accompanying notes and independent accountant's review report.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Project 440, Inc. (the Organization) is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

Purpose of the Organization

The Organization was founded in 2007 by three young Savannah natives after the Savannah Symphony Orchestra disbanded. Originally known as the "Savannah Chamber Players", the founders designed enrichment services and community engagement programs with performances and workshops offered in community centers, retirement communities and public schools.

In 2010, Joseph Conyers, our Executive Director and one of the original founders, moved to Philadelphia, PA and the name "Project 440" was adopted. With a new name and mission, the Organization's focus changed from presenting community engagement concerts to teaching young musicians the importance of service through music while simultaneously teaching them the skills they need to be successful in life beyond high school. The vision for Project 440 is clear: we engage student musicians in educational programs that teach them to use music as a tool to create opportunities for themselves and to give back to their communities in the greater Philadelphia area.

Project 440 is unique. Our programs don't focus on developing musicianship. We don't teach music. Instead, our creative youth development approach uses a shared love of music from any genre and the skills inherent in being a musician as a jumping off point to strengthen identity, build community, and ultimately help young people develop competencies they need to thrive. Our core programs are: Instruments for Success (project440.org/ifs), Doing Good (project440.org/doinggood) and the College Fair for Musicians (project440.org/college-fair). Through music, every young person is provided with the opportunity and tools for individual growth and community impact. 440 = 440 Hz = the pitch "A", the same "A" used to tune the orchestra, usually by the oboe. Just like that note is the first pitch heard at every symphonic concert, so we want the young musicians we work with to be leaders in their communities through music.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Presentation

The Organization classifies its resources in accordance with activities or objective specified by grantors and contributors. For financial reporting purposes, resources are classified based on the existence or absence of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

Without donor restrictions – Net assets that are not subject donor-imposed restrictions and may be expended for any purpose in performing the Organization’s objectives.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions, including reclassification of the restricted gifts and grants for equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and Change in Net Assets.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as with donor restrictions or without donor restrictions depending on the existence of any donor restrictions. The Organization records promises to give as pledges receivable. There were no promises to give at August 31, 2021.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among certain functions.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation</u>
Employee wages	Time and effort
Payroll taxes	Time and effort
Contractors	Full time equivalent
Insurance	Time and costs
Office expense	Time and costs
Postage and copying	Time and costs
Professional fees	Full time equivalent

Tax Status

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and applicable state law.

Management evaluates the Organization's tax positions to determine if they meet the minimum thresholds for financial statement recognition of the benefits of uncertain tax positions taken or expected to be taken in filing tax returns. Recognition of tax benefits of an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. Management has evaluated the Organization's tax positions taken or expected to be taken for all open periods and has concluded that it has no uncertain tax position as of August 31, 2021. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. At August 31, 2021, the Organization's tax returns remain subject to examination for the last three years.

New Accounting Pronouncements

The Organization has adopted Financial Accounting Standards Board (FASB) ASU No. 2014-9, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. Their adoption of this standard for the year ended August 31, 2021 did not result in a change to the accounting for the Organization's revenue as the Organization did not have any exchange contracts that extended beyond one year. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which affects all entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income. The ASU is effective for fiscal years beginning after December 15, 2022, with early adopted permitted. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

In September 2020, the FASB issued ASU 2020-07 to require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets and to disclose contribution nonfinancial assets. ASU 2020-07 will expand the presentation and disclosure requirements of ASC 958-605 with no change in the recognition and measurement requirements for contributed nonfinancial assets. As part of the additional disclosure requirements, not-for-profit entities must disclose the disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities and Change in Net Assets that depicts the type of contributed nonfinancial assets. For each disaggregated category, the not-for-profit entity must provide additional qualitative and quantitative information regarding the valuation and usage of the nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact that the pronouncement may have on the financial statements.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at August 31, 2021:

Financial Assets at Year End:	
Cash	<u>\$ 227,674</u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses.

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Professional development and strategic planning	\$ 85
Payroll related expenses	<u>270</u>
Total Net Assets With Donor Restrictions	<u>\$ 355</u>

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 4: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, as follows:

Payroll related expenses	\$	14,730
College Fair		5,000
IFS Doing Good and Research		17,500
General operating expenses		20,000
Professional development and strategic planning		414
Programming expenses		2,500
YAC		5,000
Total Net Assets Released from Restrictions	<u>\$</u>	<u>65,144</u>

NOTE 5: LEASE COMMITMENTS

The Organization rents its current office space on a month to month basis. Rent expense for the year ended August 31, 2021 totaled \$3,750.

NOTE 6: RETIREMENT PLAN

The Organization has established a contributory 403(b) retirement plan for all eligible employees. Eligible employees may make contributions to the plan up to the maximum amount as defined in the Internal Revenue Code. The Organization may match 100% of the participating employee's elective contribution, but not to exceed 5% of their compensation. The Organization did not make any matching contributions for the year ended August 31, 2021.

NOTE 7: PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization obtained a Paycheck Protection Program loan totaling \$20,900. The loan accrues interest at 1% and matures in May 2022. The loan is eligible for either full or partial forgiveness. The portion of the loan that is used to cover certain qualified expenses as directed by the Small Business Administration rules under the CARES Act over the 24-week period directly following loan disbursement is eligible to be forgiven. The Organization used the proceeds for purposes consistent with the PPP and SBA and received full forgiveness of the PPP loan in May 2021. Therefore, the Organization recognized the PPP funding as Grants and Contributions revenue on the Statement of Activities and Change in Net Assets for the year ended August 31, 2021.

In May 2021, the Organization obtained a second Paycheck Protection Program loan totaling \$17,030. The loan accrues interest at 1% and matures in May 2023. The loan is eligible for either full or partial forgiveness. The portion of the loan that is used to cover certain qualified expenses as directed by the Small Business Administration rules under the CARES Act over the 24-week period directly following loan disbursement is eligible to be forgiven. The Organization intends to apply for and receive full forgiveness of the loan within the next twelve months.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 8: RISKS AND UNCERTAINTIES

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The extent of any adverse impact of the COVID-19 outbreak on the Organization’s financial statements cannot be predicted at this time.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2021, the date on which the financial statements were available to be issued.