

PROJECT 440, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2019

**PROJECT 440, INC.
TABLE OF CONTENTS
AUGUST 31, 2019**

	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Change in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



Robert B. Simpson, CPA, MST
Matthew F. Minge, CPA, CFE
Michael W. Simpson, CPA, CVA
Anthony J. Mitchell, CPA
Linda A. Scafiro, CPA
Cathy N. Seiler, CPA

940 West Sproul Road, Suite 101
Springfield, PA 19064

Phone: (610) 544-5900 ■ Fax: (610) 544-7455
E-mail: info@brinkersimpson.com

www.brinkersimpson.com

Robert J. Pomante, CPA
Linda R. Chicano, CPA
Frank J. Baldino, JD, CPA
Michael H. Trager, CPA, MST
David A. Price, CPA

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

Management is responsible for the accompanying financial statements of Project 440, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and change in net assets, functional expenses cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Brinker Simpson & Company, LLC

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
January 15, 2020

PROJECT 440, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS

Cash	\$ 86,465
Pledges receivable	<u>1,360</u>
Total Assets	<u><u>\$ 87,825</u></u>

LIABILITIES AND NET ASSETS

Liabilities	<u>\$ -</u>
Net Assets	
Without donor restrictions	47,730
With donor restrictions	<u>40,095</u>
Total Net Assets	<u>87,825</u>
Total Liabilities and Net Assets	<u><u>\$ 87,825</u></u>

See accompanying notes and independent accountant's compilation report.

PROJECT 440, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED AUGUST 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants and contributions	\$ 92,169	\$ 52,400	\$ 144,569
Program income	17,076	-	17,076
Individual contributions	63,939	-	63,939
Special events	3,470	-	3,470
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>49,149</u>	<u>(49,149)</u>	<u>-</u>
Total Revenue and Support	<u>225,803</u>	<u>3,251</u>	<u>229,054</u>
Expenses			
Program services	93,638	-	93,638
Management and general	111,394	-	111,394
Fundraising	<u>9,323</u>	<u>-</u>	<u>9,323</u>
Total Expenses	<u>214,355</u>	<u>-</u>	<u>214,355</u>
Change in Net Assets	11,448	3,251	14,699
Net Assets, Beginning	<u>36,282</u>	<u>36,844</u>	<u>73,126</u>
Net Assets, Ending	<u>\$ 47,730</u>	<u>\$ 40,095</u>	<u>\$ 87,825</u>

See accompanying notes and independent accountant's compilation report.

PROJECT 440, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Employee wages	\$ 28,365	\$ 47,196	\$ -	\$ 75,561
Employee benefits	-	2,178	-	2,178
Payroll taxes	2,440	4,059	-	6,499
ACOSA Summer Camp	8,299	-	-	8,299
Books	687	-	-	687
College fair expenses	5,971	-	-	5,971
Food	4,704	-	-	4,704
Participation incentive	11,623	-	-	11,623
IFS stipend	6,098	-	-	6,098
Postage and copying	82	-	1,875	1,957
Teaching assistants	10,779	-	-	10,779
Supplies	4,131	-	-	4,131
Business development	-	-	1,232	1,232
Special events	-	-	3,498	3,498
Professional fees	2,500	26,987	-	29,487
Office expense	-	24,909	2,718	27,627
Insurance	1,565	1,401	-	2,966
Rent	-	4,340	-	4,340
Travel	6,394	324	-	6,718
Total Functional Expenses	\$ 93,638	\$ 111,394	\$ 9,323	\$ 214,355

See accompanying notes and independent accountant's compilation report.

PROJECT 440, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 14,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Pledges receivable	<u>2,702</u>
Net Cash Provided by Operating Activities	<u>17,401</u>
Net Change in Cash	17,401
Cash, Beginning of Year	<u>69,064</u>
Cash, End of Year	<u><u>\$ 86,465</u></u>

See accompanying notes and independent accountant's compilation report.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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.

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.

Basis of Presentation

The Organization has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. Accordingly, net assets previously presented as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets have been reclassified as described below.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

The Organization classifies its resources in accordance with activities or objective specified by grantors. 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 Statements 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.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements 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, 2019**

**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
Employee benefits	Time and effort
Payroll taxes	Time and effort
ACOSA Summer Camp	Time and effort
Books	Time and costs
College fair expenses	Time and costs
Food	Time and costs
Participant incentive	Time and costs
IFS stipend	Full time equivalent
Postage and copying	Time and costs
Teaching assistants	Full time equivalent
Supplies	Time and costs
Business development	Full time equivalent
Special events	Time and costs
Professional fees	Full time equivalent
Office expense	Time and effort
Insurance	Time and costs
Rent	Square footage
Travel	Time and effort

Tax Status

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

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the year ended August 31, 2019.

The Organization's tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. In the year ended August 31, 2019, the Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to the beginning net assets.

On June 21, 2018, 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 Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this Update is permitted. The Organization is currently in the process of determining the impact of the new standard and has not elected to early implement the amendments.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at August 31, 2019:

Financial Assets at Year End:	
Cash	\$ 86,465
Pledges receivable	1,360
Total Financial Assets	<u>\$ 87,825</u>

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

NOTE 3: PLEDGES RECEIVABLE

As of August 31, 2019, pledges receivable are as follows:

Receivable in less than one year	\$ 1,360
Receivable thereafter	-
Total Pledges Receivable	<u>\$ 1,360</u>

PROJECT 440, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

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

25th Century Foundation	\$ 3,600
Philadelphia Foundation	7,595
Lindback Foundation	2,500
Stockton Rush Bartol Foundation	5,000
Philadelphia Music Alliance for Youth	21,400
Total Net Assets With Donor Restrictions	<u>\$ 40,095</u>

NOTE 5: NET ASSETS RELEASED FROM RESTRICTIONS

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

25th Century Foundation	\$ 6,400
Citizens for the Arts	2,000
Philadelphia Foundation	12,146
Doing Good	6,228
Instruments for Success	5,530
Student Advocate	8,400
Program Director Special Project Fee	4,000
Project the Dream Foundation	1,000
Settlement Music School	1,500
Summer 2018 School District of Philadelphia Camp	1,945
Total Net Assets Released from Restrictions	<u>\$ 49,149</u>

NOTE 6: LEASE COMMITMENTS

The Organization rents its current office space on a month to month basis. Rent expense for the year ended August 31, 2019 totaled \$4,340.

NOTE 7: 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 will match 100% of the participating employee's elective contribution, but not to exceed 5% of their compensation. The Organization made matching contributions totaling \$2,178 for the year ended August 31, 2019.

NOTE 8: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 15, 2020, the date on which the financial statements were available to be issued.