

**PROJECT 440, INC.**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

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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, 2020, 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.

A handwritten signature in black ink that reads 'Brinker Simpson &amp; Company, L.L.C.' in a cursive script.

Brinker Simpson & Company, LLC  
Springfield, Pennsylvania  
December 28, 2020

**PROJECT 440, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2020**

**ASSETS**

|                     |                                 |
|---------------------|---------------------------------|
| Cash                | \$ 121,818                      |
| Prepaid expenses    | <u>15,174</u>                   |
| <b>Total Assets</b> | <b><u><u>\$ 136,992</u></u></b> |

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

|   |              |
|---|--------------|
| Current portion of Paycheck Protection Program loan | \$ 8,026     |
| Deferred revenue                                    | <u>1,435</u> |
| <b>Total Current Liabilities</b>                    | <b>9,461</b> |

**Long-Term Liabilities**

|  |                      |
|--|----------------------|
| Paycheck Protection Program loan, net of current portion | <u>12,874</u>        |
| <b>Total Liabilities</b>                                 | <b><u>22,335</u></b> |

**Net Assets**

|                            |                       |
|----------------------------|-----------------------|
| Without donor restrictions | 109,158               |
| With donor restrictions    | <u>5,499</u>          |
| <b>Total Net Assets</b>    | <b><u>114,657</u></b> |

|   |                                 |
|---|---------------------------------|
| <b>Total Liabilities and Net Assets</b> | <b><u><u>\$ 136,992</u></u></b> |
|---|---------------------------------|

See accompanying notes and independent accountant's review report.

**PROJECT 440, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2020**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|--|---------------------------------------|------------------------------------|-------------------|
| <b>Revenue and Support</b>             |                                       |                                    |                   |
| Grants and contributions               | \$ 159,502                            | \$ 61,000                          | \$ 220,502        |
| Program income                         | 8,678                                 | -                                  | 8,678             |
| Individual contributions               | 46,440                                | -                                  | 46,440            |
| Net assets released from restrictions: |                                       |                                    |                   |
| Satisfaction of program restrictions   | 95,596                                | (95,596)                           | -                 |
|  | <u>310,216</u>                        | <u>(34,596)</u>                    | <u>275,620</u>    |
| <b>Total Revenue and Support</b>       |                                       |                                    |                   |
| <b>Expenses</b>                        |                                       |                                    |                   |
| Program services                       | 109,257                               | -                                  | 109,257           |
| Management and general                 | 113,025                               | -                                  | 113,025           |
| Fundraising                            | 26,506                                | -                                  | 26,506            |
|  | <u>248,788</u>                        | <u>-</u>                           | <u>248,788</u>    |
| <b>Total Expenses</b>                  |                                       |                                    |                   |
| <b>Change in Net Assets</b>            | 61,428                                | (34,596)                           | 26,832            |
| <b>Net Assets, Beginning</b>           | <u>47,730</u>                         | <u>40,095</u>                      | <u>87,825</u>     |
| <b>Net Assets, Ending</b>              | <u>\$ 109,158</u>                     | <u>\$ 5,499</u>                    | <u>\$ 114,657</u> |

See accompanying notes and independent accountant's review report.

**PROJECT 440, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2020**

|                                  | Program<br>Services | Supporting Services       |                  | Total             |
|----------------------------------|---------------------|---------------------------|------------------|-------------------|
|                                  |                     | Management<br>and General | Fundraising      |                   |
| Employee wages                   | \$ 23,332           | \$ 32,308                 | \$ -             | \$ 55,640         |
| Employee benefits                | -                   | 92                        | -                | 92                |
| Payroll taxes                    | 1,757               | 2,922                     | -                | 4,679             |
| Books                            | 6,334               | -                         | -                | 6,334             |
| Business development             | -                   | -                         | 4,474            | 4,474             |
| College fair expenses            | 5,144               | -                         | -                | 5,144             |
| Contractors                      | 11,262              | 40,691                    | 17,540           | 69,493            |
| Food                             | 4,368               | -                         | -                | 4,368             |
| IFS stipend                      | 5,924               | -                         | -                | 5,924             |
| Insurance                        | 931                 | 833                       | -                | 1,764             |
| Office expense                   | -                   | 12,992                    | 1,418            | 14,410            |
| Participation incentive          | 15,153              | -                         | -                | 15,153            |
| Postage and copying              | 103                 | -                         | 2,366            | 2,469             |
| Professional fees                | 6,193               | 13,766                    | -                | 19,959            |
| Rent                             | -                   | 4,419                     | -                | 4,419             |
| Special events                   | -                   | -                         | 709              | 709               |
| Summer Camp                      | 9,510               | -                         | -                | 9,510             |
| Supplies                         | 866                 | -                         | -                | 866               |
| Teaching assistants              | 18,380              | -                         | -                | 18,380            |
| Travel                           | -                   | 5,001                     | -                | 5,001             |
| <b>Total Functional Expenses</b> | <b>\$ 109,257</b>   | <b>\$ 113,025</b>         | <b>\$ 26,506</b> | <b>\$ 248,788</b> |

See accompanying notes and independent accountant's review report.

**PROJECT 440, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2020**

**Cash Flows from Operating Activities**

|   |               |
|---|---------------|
| Change in net assets  | \$ 26,832     |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |               |
| Changes in:   |               |
| Pledges receivable  | 1,360         |
| Prepaid expenses  | (15,174)      |
| Deferred revenue  | 1,435         |
| <b>Net Cash Provided by Operating Activities</b>  | <u>14,453</u> |

**Cash Flows from Investing Activities**

|  |               |
|--|---------------|
| Proceeds from Paycheck Protection Program Loan | <u>20,900</u> |
|--|---------------|

**Net Change in Cash** 35,353

**Cash, Beginning of Year** 86,465

**Cash, End of Year** \$ 121,818

See accompanying notes and independent accountant's review report.

**PROJECT 440, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**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](http://project440.org/ifs)), Doing Good ([project440.org/doinggood](http://project440.org/doinggood)) and the College Fair for Musicians ([project440.org/college-fair](http://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, 2020**

**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. 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 for the year ended August 31, 2020.

**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, 2020**

**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.

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, 2020.

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

**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition, recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the provisions of ASC 606.

**PROJECT 440, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

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

**New Accounting Pronouncements**

During the year ended August 31, 2020, the Organization adopted 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 adoption of this standard did not have a material impact on the financial statements and had no impact on the Organization's operations.

**NOTE 2: AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at August 31, 2020:

Financial Assets at Year End:

|      |            |
|------|------------|
| Cash | \$ 121,818 |
|------|------------|

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 | \$ 499          |
| IFS and Doing Good                              | 2,500           |
| Programming                                     | 2,500           |
| Total Net Assets With Donor Restrictions        | <u>\$ 5,499</u> |

**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:

|   |                  |
|---|------------------|
| ACOSA   | \$ 3,600         |
| General operating expenses                      | 37,000           |
| IFS and Doing Good                              | 12,500           |
| Instruments for Success                         | 6,000            |
| Internal Capacity Building                      | 7,595            |
| Payroll related expenses                        | 9,400            |
| Professional development and strategic planning | 19,501           |
| Total Net Assets Released from Restrictions     | <u>\$ 95,596</u> |

**PROJECT 440, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**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, 2020 totaled \$4,419.

**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 will match 100% of the participating employee's elective contribution, but not to exceed 5% of their compensation. The Organization made matching contributions totaling \$92 for the year ended August 31, 2020.

**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 intends to apply for and receive full forgiveness of the loan.

Paycheck Protection Program loan consists of the following at August 31:

|   |           |
|---|-----------|
| Paycheck Protection Program loan, \$20,900, dated May 12, 2020,<br>subject to forgiveness over a 24-week period, maturing May 2022. | \$ 20,900 |
| Less: Current portion   | 8,026     |
|   | \$ 12,874 |

Scheduled future minimum payments as of August 31, 2020 are as follows:

| For the Year Ending August 31, | Amount    |
|--------------------------------|-----------|
| 2021                           | \$ 8,026  |
| 2022                           | 12,874    |
|                                | \$ 20,900 |

**NOTE 8: RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. These actions have expanded significantly in the past several weeks and are expected to continue to expand. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization cannot be reasonably estimated at this time.

**PROJECT 440, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**NOTE 9: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 28, 2020, the date on which the financial statements were available to be issued.

As stated in Note 8, Risks and Uncertainties, the financial impact of the COVID-19 pandemic on the Organization cannot be reasonably estimated at this time.