

4WORD

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2019 AND 2018

**4WORD
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
4word
Dallas, Texas

We have audited the accompanying financial statements of 4word, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
4word

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 4word as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
August 25, 2020

4WORD
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 542,239	\$ 442,637
Grants and Pledges Receivable, Net of Allowance	5,000	-
Prepaid Expenses	78,094	50,241
Inventory	5,553	9,197
Property and Equipment, Net	5,867	10,757
Total Assets	\$ 636,753	\$ 512,832
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 60,363	\$ 20,324
Accrued Liabilities	4,634	3,682
Deferred Revenue	259,868	148,424
Total Liabilities	324,865	172,430
NET ASSETS		
Without Donor Restrictions:		
Undesignated	194,779	168,251
Operating Reserves - Board Designated	77,972	129,084
Total Without Donor Restrictions	272,751	297,335
With Donor Restrictions:		
Purpose Restrictions	39,137	43,067
Total With Donor Restrictions	39,137	43,067
Total Net Assets	311,888	340,402
Total Liabilities and Net Assets	\$ 636,753	\$ 512,832

See accompanying Notes to Financial Statements.

**4WORD
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions and Grants	\$ 303,216	\$ 45,000	\$ 348,216	\$ 368,409	\$ 12,500	\$ 380,909
Donated Services	120,000	-	120,000	111,870	-	111,870
Mentorship	29,112	-	29,112	31,009	-	31,009
Corporate Mentorship	15,000	-	15,000	-	-	-
Speaking and Writing Fees and Other Revenue	2,345	-	2,345	691	-	691
Service Fees and Membership	27,379	-	27,379	17,618	-	17,618
Special Event Revenue, Net of Direct Costs of \$182,442 in 2019 and \$65,305 in 2018	178,813	-	178,813	236,087	-	236,087
Annual Retreat	15,649	-	15,649	-	-	-
Local Group Income	55,256	-	55,256	32,106	-	32,106
Other Income	-	-	-	4,924	-	4,924
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	48,930	(48,930)	-	12,367	(12,367)	-
Total Revenue and Other Support	<u>795,700</u>	<u>(3,930)</u>	<u>791,770</u>	<u>815,081</u>	<u>133</u>	<u>815,214</u>
EXPENSES						
Program	556,049	-	556,049	456,375	-	456,375
Management and General	141,312	-	141,312	121,388	-	121,388
Fundraising	122,923	-	122,923	142,929	-	142,929
Total Expenses	<u>820,284</u>	<u>-</u>	<u>820,284</u>	<u>720,692</u>	<u>-</u>	<u>720,692</u>
CHANGE IN NET ASSETS	(24,584)	(3,930)	(28,514)	94,389	133	94,522
Net Assets - Beginning of Year	<u>297,335</u>	<u>43,067</u>	<u>340,402</u>	<u>202,946</u>	<u>42,934</u>	<u>245,880</u>
NET ASSETS - END OF YEAR	<u>\$ 272,751</u>	<u>\$ 39,137</u>	<u>\$ 311,888</u>	<u>\$ 297,335</u>	<u>\$ 43,067</u>	<u>\$ 340,402</u>

See accompanying Notes to Financial Statements.

4WORD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses	\$ 68,172	\$ 45,621	\$ 75,784	\$ 189,577
Website/Social Media	18,358	525	875	19,758
Professional Fees	17,132	67,658	453	85,243
Contract Services	267,158	5,740	29,248	302,146
Travel	12,441	471	1,269	14,181
Luncheon Costs	3,130	-	-	3,130
Meals	2,397	1,362	1,260	5,019
Miscellaneous	1,109	10	-	1,119
Marketing	25,710	-	771	26,481
Advertising and Public Relations	-	3,625	-	3,625
Depreciation and Amortization	648	4,740	-	5,388
Supplies	562	881	331	1,774
Merchant Fees	9,053	3,238	5,652	17,943
Postage and Shipping	1,550	1,917	263	3,730
Local Group Expenses	45,200	137	-	45,337
Meetings and Conferences	4,198	580	266	5,044
Insurance	331	2,027	-	2,358
Printing and Copying	823	589	787	2,199
Gifts	1,796	69	5,964	7,829
Software	1,694	1,489	-	3,183
Taxes and licenses	-	165	-	165
Bad Debt Expense	-	200	-	200
Annual Retreat	16,227	268	-	16,495
C-Level Forum	58,360	-	-	58,360
Special Events Costs	-	-	182,442	182,442
Total Gross Expenses	<u>556,049</u>	<u>141,312</u>	<u>305,365</u>	<u>1,002,726</u>
Direct Costs Netted Against Special Events Revenues in the Statement of Activities	<u>-</u>	<u>-</u>	<u>(182,442)</u>	<u>(182,442)</u>
Total Expenses	<u>\$ 556,049</u>	<u>\$ 141,312</u>	<u>\$ 122,923</u>	<u>\$ 820,284</u>

See accompanying Notes to Financial Statements.

4WORD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses	\$ 64,176	\$ 35,274	\$ 62,194	\$ 161,644
Website/Social Media	42,435	3,375	1,013	46,823
Professional Fees	23,338	51,894	39,481	114,713
Contract Services	192,984	-	24,673	217,657
Travel	13,855	615	1,031	15,501
Luncheon Costs	6,092	-	-	6,092
Meals	14,569	1,383	2,107	18,059
Miscellaneous	619	2,112	276	3,007
Advertising and Public Relations	-	7,820	-	7,820
Depreciation and Amortization	732	4,872	-	5,604
Supplies	3,501	9,089	976	13,566
Merchant Fees	12,297	2,891	3,940	19,128
Postage and Shipping	1,911	338	1,488	3,737
Conferences and Meetings	48,955	100	700	49,755
Local Group Expenses	26,476	-	-	26,476
Membership Dues and Subscriptions	3,536	185	1,831	5,552
Insurance	-	1,422	-	1,422
Printing and Copying	710	18	1,465	2,193
Gifts	189	-	1,754	1,943
Special Events Costs	-	-	65,305	65,305
Total Gross Expenses	<u>456,375</u>	<u>121,388</u>	<u>208,234</u>	<u>785,997</u>
Direct Costs Netted Against Special Events Revenues in the Statement of Activities	<u>-</u>	<u>-</u>	<u>(65,305)</u>	<u>(65,305)</u>
Total Expenses	<u>\$ 456,375</u>	<u>\$ 121,388</u>	<u>\$ 142,929</u>	<u>\$ 720,692</u>

See accompanying Notes to Financial Statements.

**4WORD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (28,514)	\$ 94,522
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,388	5,604
Loss on Sale of Fixed Asset	-	388
Changes in Operating Assets and Liabilities:		
Grants and Pledges Receivable	(5,000)	1,500
Prepaid Expenses	(27,853)	(14,445)
Inventory	3,644	(185)
Accounts Payable	40,039	(12,902)
Accrued Liabilities	952	3,682
Deferred Revenue	111,444	(10,197)
Net Cash Provided by Operating Activities	100,100	67,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(498)	(2,418)
Proceeds from Sale of Property and Equipment	-	1,199
Net Cash Used by Financing Activities	(498)	(1,219)
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,602	66,748
Cash and Cash Equivalents - Beginning of Year	442,637	375,889
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 542,239	\$ 442,637

See accompanying Notes to Financial Statements.

4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 ORGANIZATION AND OPERATIONS

4word (the Organization) is a Texas nonprofit exempt organization aiming to narrow the gap in resources facing every woman serious about her career, relationships, and faith. With a mantra of *Work, Love, Pray*, the Organization leads today's professional women seeking balance, connects busy women with local peers and mentors, and supports their core group with various resources. Luncheon meetings are held at the local Chapter level to help with this connectivity. The Organization operates on a national level as well as through local established Chapters in sixteen states. Revenues are mostly from private contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Program Revenue

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Grants and Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Management evaluates collectability of pledges based on an assessment of the credit history with those having outstanding balances and current relationships with them. The allowance for uncollectible pledges was \$-0- as of December 31, 2019 and 2018. The grants and pledge receivable balance is expected to be collected within one year, net of the allowance.

Inventory

Inventory, consisting of books, is valued at the lower of cost or net realizable value.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

The Organization expenses costs incurred in the planning and research stage of its website development, as well as costs incurred to operate the site. Costs incurred to develop the applications and infrastructure and costs that increase the functionality of the website are capitalized.

Depreciation and Amortization

Depreciation and amortization of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which generally range from three to five years.

4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue With and Without Donor Restrictions

Contributions received are recorded with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from services and events is recognized in the period the services are performed and events occur. Deferred revenue represents amounts collected in advance for services and events occurring in the subsequent year.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses for the years ended December 31, 2019 and 2018 were \$30,106 and \$7,820, respectively.

Federal Income Tax

The Organization is a nonprofit entity exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for federal income taxes has been included in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended December 31, 2019 and 2018.

**4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Guidance

In June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning January 1, 2018. The new guidance does not require prior period results to be restated. The implementation of this standard did not result in any changes to the opening balances of the financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give as unrestricted or as restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2019, the level of liquidity and reserves was managed within the policy requirements.

4word's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 542,239	\$ 442,637
Grants and Pledges Receivable, Net	5,000	-
Less Amounts Restricted by Donors	(39,137)	(43,067)
Less Operating Reserves - Board Designated	(77,972)	(129,084)
Total	\$ 430,130	\$ 270,486

The board designates an operating reserve of 25% of net assets annually. Although 4word does not intend to spend from this board-designated operating reserve, these amounts could be made available if necessary.

**4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 3,615	\$ 3,117
Website	63,033	63,033
Trademark	<u>2,350</u>	<u>2,350</u>
Total	68,998	68,500
Less: Accumulated Depreciation and Amortization	<u>(63,131)</u>	<u>(57,743)</u>
Net Property and Equipment	<u>\$ 5,867</u>	<u>\$ 10,757</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets are restricted by donors for specific purpose or programs as well as for future periods. Net assets restricted by donors were as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Charter and Financial Development	\$ 6,632	\$ 13,067
Succession Planning	25,000	25,000
Mentor Program	<u>7,505</u>	<u>5,000</u>
Purpose Restricted Net Assets	<u>\$ 39,137</u>	<u>\$ 43,067</u>

NOTE 6 IN-KIND CONTRIBUTIONS OF GOODS AND PROFESSIONAL SERVICES

The Organization received the following contributions of goods and professional services for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Professional Services	\$ 10,000	\$ 1,870
Executive Director Salary	110,000	110,000
Special Events	<u>7,500</u>	<u>-</u>
Total	<u>\$ 127,500</u>	<u>\$ 111,870</u>

4WORD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 COMMITMENTS

The Organization has entered into hotel agreements to provide for room accommodations for its gala. These agreements contain clauses that provide for the loss of revenue to the hotel in the event of cancellation or nonperformance by the Organization. At December 31, 2019, the potential liability to the Organization is approximately \$48,000 for the 2020 Gala and \$15,000 for the 2020 C-Level Forum. Based on prior performance, management believes the likelihood of cancellations to be remote.

NOTE 8 FUNCTIONALIZED EXPENSE ALLOCATION METHODOLOGY

The Organization has costs that relate both directly to one functional category and also certain categories of expenses that are attributed to more than one program or supporting function. Costs which are directly related to a functional allocation are charged to directly without allocation to their respective functional category. Expenses which require allocation are analyzed before recorded into the accounting system, and allocated to functional categories based on the allocation base that most accurate correlates with the nature of that expense. The expenses that are primarily allocated include salaries and related expenses. These costs are primarily allocated on the basis of estimates of time and effort of personnel.

NOTE 9 RELATED PARTY TRANSACTIONS

The Organization received \$93,432 and \$63,013 in contributions from board members, employees, and other related party organizations in the years ended December 31, 2019 and 2018, respectively. Further, the Organization has received \$21,000 in sponsorships and ticket purchases from board members, employees, and other related party organizations for the 2020 gala recorded as deferred revenue as of December 31, 2019.

The Organization received donated services value at \$120,000 and \$110,000 for the years ended December 31, 2019 and 2018, respectively by board members.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including investment returns and the ability of donors to give. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Management has evaluated subsequent events through August 25, 2020, the date on which the financial statements were available to be issued.