PROJECT ONWARD

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended May 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Project Onward
Chicago, Illinois

We have audited the accompanying financial statements of Project Onward. (the Organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expense, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board under the Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Sikich LLP

Naperville, Illinois
February 10, 2020

FINANCIAL STATEMENTS

PROJECT ONWARD

STATEMENT OF FINANCIAL POSITION

May 31, 2019

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	32,989
Accounts receivable		20,000
Grants receivable		40,000
Prepaid expenses		1,547
Total current assets		94,536
PROPERTY AND EQUIPMENT		
Furniture and equipment		1,979
Less accumulated depreciation		1,547
Property and equipment, net		432
TOTAL ASSETS	$	94,968

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	6,078
Accrued expenses		4,122
Accrued wages		3,616
Deferred rent		1,437
Total liabilities		15,253
NET ASSETS		
Without donor restrictions		19,715
With donor restrictions		60,000
Total net assets		79,715
TOTAL LIABILITIES AND NET ASSETS	$	94,968

See accompanying notes to financial statements.

PROJECT ONWARD

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 124,774	$ 20,000	$ 144,774
In-kind donations	2,888	-	2,888
Program income	183,578	-	183,578
Miscellaneous revenues	128	-	128
Grants	20,435	40,000	60,435
Net assets released from restrictions	-	-	-
Total revenues, gains, and other support	331,803	60,000	391,803
EXPENSES			
Program services			
Art sales	56,065	-	56,065
Studio program	254,696	-	254,696
Management and general	52,859	-	52,859
Fundraising	36,840	-	36,840
Total expenses	400,460	-	400,460
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY	(68,657)	60,000	(8,657)
Realized gains (losses)	(915)	-	(915)
CHANGE IN NET ASSETS	(69,572)	60,000	(9,572)
NET ASSETS, BEGINNING OF YEAR	89,287	-	89,287
NET ASSETS, END OF YEAR	$ 19,715	$ 60,000	$ 79,715

See accompanying notes to financial statements.

PROJECT ONWARD

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended May 31, 2019

	Art Sales	Studio Program	Program Total	Management and General	Fundraising	Totals 2019
EXPENSES						
Artist Supplies	$ 1,552	$ 7,054	$ 8,606	$ 1,464	$ 1,020	$ 11,090
Artist Support	11,255	51,128	62,383	10,611	7,396	80,390
Depreciation	16	72	88	15	10	113
Dues & Subscriptions	89	404	493	84	58	635
Exhibition Expenses	1,460	6,631	8,091	1,376	959	10,426
Fees	172	782	954	162	113	1,229
Framing Expense	358	1,627	1,985	338	235	2,558
Insurance Expense	364	1,653	2,017	343	239	2,599
Marketing	685	3,112	3,797	646	450	4,893
Miscellaneous	878	3,989	4,867	828	577	6,272
Occupancy	11,182	50,798	61,980	10,543	7,348	79,871
Office Expense	496	2,252	2,748	467	326	3,541
Outside Services	1,159	5,264	6,423	1,092	761	8,276
Payroll Expense	20,090	91,266	111,356	18,942	13,202	143,500
Payroll Tax Expense	1,556	7,066	8,622	1,467	1,022	11,111
Printing	281	1,277	1,558	265	185	2,008
Repairs and Maintenance	105	477	582	99	69	750
Staff Training & Workshops	747	3,394	4,141	704	491	5,336
Supplies	123	561	684	116	81	881
Telecommunications	1,698	7,715	9,413	1,601	1,116	12,130
Travel	1,435	6,520	7,955	1,353	943	10,251
Utilities	210	953	1,163	198	138	1,499
Web Hosting	154	701	855	145	101	1,101
TOTAL EXPENSES	$ 56,065	$ 254,696	$ 310,761	$ 52,859	$ 36,840	$ 400,460

See accompanying notes to financial statements.

PROJECT ONWARD

STATEMENT OF CASH FLOWS

For the Year Ended May 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(9,572)
Adjustments to reconcile change in net assets		
to cash from operating activities		
Depreciation and amortization		113
Change in certain assets and liabilities		
Accounts receivable		(20,000)
Grants receivable		(40,000)
Prepaid expenses		1,169
Accounts payable		5,414
Accrued expenses		960
Accrued wages		(1,939)
Deferred rent		1,245
Net cash from operating activities		(62,610)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(62,610)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		95,599
CASH AND CASH EQUIVALENTS, END OF YEAR	$	32,989
NON-CASH OPERATING ACTIVITIES		
Donated goods	$	2,888
Donated securities		79,950
TOTAL NON-CASH OPERATING ACTIVITIES	$	82,838

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES

Project Onward (the Organization) was created in 2004 as an Illinois not-for-profit corporation. The Organization supports the professional development of artists with exceptional talents and challenges, ranging from autism to mental illness, and to provide these artists with workspace, materials, professional guidance, exhibition opportunities and access to markets to sell their work and advance their careers. The Organization provides the following programs:

Art Sales

All artwork in the Organization's gallery and studio are available for sale. These sales provide a source of income for the artists. Throughout the year, the Organization will host exhibitions promoting works created by the artists.

Studio Program

The Organization operates a studio for artists to assist in their development as artists. The studio is also open to the public, serving as a space to promote art as a tool for understanding and valuing the real and potential contributions of those with disabilities as well as hosting public programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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 the reported amounts of revenues, expenses, gains, losses, and other changes in net assets. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash balance in financial institutions, which at times may exceed federally insured limits. The amount of uninsured cash was $0 for the year ended May 31, 2019. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Receivables are considered impaired if payments are not received in accordance with contractual terms. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grants receivable. Changes in the valuation allowance have not been material to the financial statements.

The Organization has no allowance as of May 31, 2019.

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 include general net assets of the Organization and are not subject to donor-imposed restrictions. The net assets may be used at the discretion of management to support the Organization's purposes and operations.
>
> Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition

Program income is recognized over the periods to which they relate. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

Donated Materials and Services

Donated goods are recorded at fair value. For the year ended May 31, 2019, the Organization received supplies totaling $2,888. This amount is reflected in the statement of activities as in-kind donation revenue and allocated across the functional expense categories.

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Organization receives a significant amount of donated services from volunteers who assist with operations. No amounts have been recognized in the accompanying statement of activities for these volunteer services because the criteria for recognition of such volunteer efforts has not been satisfied.

Donated securities are recorded at fair value at the date of donation. The Organization received $79,950 of donated securities during the year ended May 31, 2019. This amount is shown as contributions on the statement of activities.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include conferences and meetings, director fees, insurance, occupancy, and office expenses. Conferences and meetings are allocated based on estimates of time and effort, director fees are allocated based on estimates of time and effort, insurance is allocated based on estimates of time and direct costs, occupancy is allocated based on estimates of time and direct costs, and office expenses are based on estimates of time and direct costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at historical cost. Expenditures for property and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. There is no capitalization policy. Expenditures for maintenance and repairs are charged to expense. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities without donor restrictions. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Furniture and equipment	5

Depreciation expense was $113 at May 31, 2019.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied to all periods presented.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all US GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 as amended by ASU No. 2019-10 is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earning in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two option transition methods.

3. LIQUIDITY

The following represents the Organization's financial assets available for operating expenses and capital expenditures on fixed assets within one year of the statement of financial position date at May 31:

Cash and cash equivalents	$ 32,989
Total financial assets liquid within one year	$ 32,989

Based on the information above, the Organization has resources available to meet cash flow needs in the next year.

4. OPERATING LEASES

The Organization leases its office facility under an annual operating lease expiring through December 31, 2021. The lease payments made during the fiscal year ended May 31, 2019 totaled $71,970.

Future minimum lease payments are as follows:

Year	Amount
2020	$ 69,668
2021	71,757
2022	42,581
TOTAL	$ 184,006

5. INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as other than a private foundation.

6. NET ASSETS

Net assets with donor restrictions for time and purpose are restricted for the following purposes as of May 31:

	Amount
CCT Smart Growth Grant	$ 40,000
Time restricted	20,000
	$ 60,000

7. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, nonrecognized subsequent events).

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 10, 2020, the date the financial statements were available to be issued.