

Project Onward



Financial Statements

For the Year Ended
May 31, 2022



Project Onward
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Illinois NFP Audit & Tax, LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Project Onward
Chicago, Illinois

Opinion on the Financial Statements

We have audited the accompanying financial statements of Project Onward, which comprise the statements of financial position as of May 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and 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.

Basis for Opinion on the Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project Onward and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Onward' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Project Onward's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Onward's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

IL NFP Audit & Tax, LLP

Chicago, Illinois

February 27, 2023

Project Onward
Statement of Financial Position
May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash	\$ 238,821	\$ 0	\$ 238,821
Accounts Receivable	0	100,000	100,000
Prepaid Expenses	1,250	0	1,250
Total Current Assets	240,071	100,000	340,071
Total Fixed Assets, Net	746	0	746
Total Assets	\$ 240,817	\$ 100,000	\$ 340,817
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 5,952	\$ 0	\$ 5,952
Accrued Payroll	7,752	0	7,752
Accrued Expenses	548	0	548
Total Current Liabilities	14,252	0	14,252
Total Liabilities	14,252	0	14,252
Total Net Assets	226,565	100,000	326,565
Total Liabilities and Net Assets	\$ 240,817	\$ 100,000	\$ 340,817

Project Onward
Statement of Activities
For the Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Contributions	\$ 115,835	\$ 100,000	\$ 215,835
Program Services	170,526	0	170,526
Other Grants	132,500	0	132,500
Government Grants	83,800	0	83,800
Net Assets Released from Restrictions:			
Satisfaction of Other Purpose Restrictions	0	0	0
Expiration of Time Restrictions	40,000	(40,000)	0
Total Revenue, Support and Gains	542,661	60,000	602,661
Functional Expenses			
Program Services	431,248	0	431,248
Management and General	72,057	0	72,057
Fundraising	37,623	0	37,623
Total Functional Expenses	540,928	0	540,928
Change in Net Assets	1,733	60,000	61,733
Net Assets,			
Beginning of Year	224,832	40,000	264,832
End of Year	\$ 226,565	\$ 100,000	\$ 326,565

Project Onward
Statement of Functional Expenses
For the Year Ended May 31, 2022

	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Personnel				
Salaries	\$ 185,179	\$ 30,863	\$ 21,367	\$ 237,409
Payroll Taxes	14,203	2,367	1,639	18,209
Employee Benefits	15,314	2,552	1,767	19,633
Total Personnel	<u>214,696</u>	<u>35,782</u>	<u>24,773</u>	<u>275,251</u>
Art Supplies	31,170	0	324	31,494
Artist Commissions	81,230	0	0	81,230
Bank and Credit Card Fees	2,209	388	0	2,597
Depreciation	0	746	0	746
Dues and Subscriptions	0	3,369	0	3,369
Exhibition	17,949	0	0	17,949
Insurance	0	5,721	0	5,721
Internet	2,000	333	231	2,564
Marketing	0	0	4,202	4,202
Occupancy	66,565	11,094	7,681	85,340
Office	0	188	0	188
Professional Development	1,580	0	0	1,580
Professional Fees	312	5,478	36	5,826
Repairs and Maintenance	1,880	313	217	2,410
Sales Taxes	0	8,415	0	8,415
Shipping and Postage	3,275	0	0	3,275
Travel	7,001	0	0	7,001
Utilities	1,381	230	159	1,770
Total Functional Expenses	<u><u>\$ 431,248</u></u>	<u><u>\$ 72,057</u></u>	<u><u>\$ 37,623</u></u>	<u><u>\$ 540,928</u></u>

Project Onward
Statement of Cash Flows
For the Year Ended May 31, 2022

Cash Flows from Operating Activities

Received from Supporters and Other Sources	\$ 405,829
Paid to Vendors	(543,218)
Interest Paid	0
Income Taxes Paid	0

Net Cash Used in Operating Activities (137,389)

Cash Flows from Investing Activities

Proceeds from the Sale of Investments	147,000
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Net Cash Provided by Investing Activities 147,000

Cash Flows from Financing Activities

Payments on Note Payable	(40,500)
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Net Cash Used in Financing Activities (40,500)

Net Decrease in Cash (30,889)

Cash,

Beginning of Year	269,710
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End of Year	\$ 238,821
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Non-Cash Investing Activities

In-Kind Donated Securities	\$ 147,000
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Total Non-Cash Investing Activities \$ 147,000

Project Onward
Statement of Cash Flows (Continued)
For the Year Ended May 31, 2022

**Reconciliation of Change in Net Assets to Net Cash
Used in Operating Activities**

Change in Net Assets	\$ 61,733
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	746
Donated Securities	(147,000)
Changes in Certain Assets and Liabilities:	
Grants Receivable	(89,833)
Accounts Receivables	40,000
Prepaid Expenses	1,626
Accounts Payable	(6,950)
Accrued Payroll	2,282
Accrued Expenses	7
Total Adjustments	(199,122)
Net Cash Used in Operating Activities	\$ (137,389)

Project Onward
Notes to the Financial Statements
For the Year Ended May 31, 2022

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Activities

Project Onward (the “Organization”) is a not-for-profit corporation incorporated in 2004. The Organization’s mission is to support 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.

Basis of Accounting

The Organization’s accounts are maintained on the accrual basis of accounting. 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 not designated any amounts from net assets without donor restrictions as of May 31, 2022.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed 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 revenue 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.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Receivables and Allowance for Doubtful Accounts

The Organization records receivables that are expected to be collected within one year at net realizable value. Generally accepted accounting principles prescribe receivables expected to be collected in more than one year to be initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset; in subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Fixed Assets

The Organization records fixed asset additions over \$1,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended May 31, 2022.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Interfund Balance

In an effort to increase transparency and to simplify its financial statements, the Organization presents its statement of financial position on a fund basis, which comprises of the following funds: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

As of May 31, 2022, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

Revenue Recognition - Grants and Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets or if they are designated as support for future periods. When a donor 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. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net assets restricted for the acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization when the restrictions are released. Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

Revenue Recognition - Program Fees

Program revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for corresponding services. Revenue is recognized as the underlying performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Revenue Recognition - Disaggregation of Revenue

The following table disaggregates the Organization's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the year ended May 31, 2022:

Revenue Recognized at a Point in Time	
Program Revenue	\$ 170,526
Revenue Recognized at a Point in Time	<u>\$ 170,526</u>
Revenue Recognized over Time	
None	<u>\$ 0</u>
Revenue Recognized over Time	<u>\$ 0</u>

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements do not include a provision for income taxes. The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income.

The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates functional expenses mainly on the basis of estimates of time and effort.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

Advertising costs

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. The Organization had no direct-response advertising during the year ended May 31, 2022.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit, when applicable, with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. As of May 31, 2022, the Organization held \$0 in deposits above federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable donors highly supportive of the Organization's mission. When applicable, although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 2 - Receivables

At May 31, 2022, receivables consist of the following:

Collectible in Fiscal Year 2023	\$	100,000
Less: Discount to Net Present Value		0
Less: Allowance for Doubtful Accounts		0
		0
Receivables, Net	\$	100,000

Note 3 - Fixed Assets

At May 31, 2022, fixed assets consist of the following:

Computer Equipment	\$	3,029
Furniture and Fixtures		1,189
		4,218
Total Cost		4,218
Less: Accumulated Depreciation		(3,472)
		(3,472)
Fixed Assets, Net	\$	746

Depreciation expense amounts to \$746 for the year ended May 31, 2022.

Note 4 - Loan Forgiveness

On March 9, 2021, the Organization was approved for a loan in the aggregate amount of \$40,500, pursuant to the Paycheck Protection Program. The PPP loan, which was in the form of a note payable dated March 9, 2021, had an original maturity date March 9, 2026, and bore interest at a rate of 1.00% per annum, payable monthly commencing on January 9, 2022.

During the year ended May 31, 2022, the Organization satisfied \$40,500 of the requirements for loan forgiveness, and the amount was forgiven by the Small Business Administration. Revenue recognized from loan forgiveness amounts to \$40,500 for the year ended May 31, 2022. The amount is recorded within grants revenue on the statement of activities.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 5 - In-Kind Donations

Donated investments are recorded at fair value at the date of donation. The Organization received donated investments of \$147,000 during the year ended May 31, 2022. Donations of investments are recorded within contributions revenue on the statement of activities.

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. For the year ended May 31, 2022, the Organization did not receive any donated services that met the recognition criteria prescribed by generally accepted accounting principles.

Donated goods are recorded at fair value on the date of donation. The Organization did not receive any donated goods during the year ended May 31, 2022. Donated goods are recorded within contributions revenue on the statement of activities and art supplies on the statement of functional expenses.

Donated space is recorded at its estimated fair value on the date of donation. No donated space was received by the Organization during the year ended May 31, 2022.

Note 6 - Net Asset Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at May 31, 2022:

Subject to Expenditure for Specific Purpose:	
Ceramics Arts Program	\$ 100,000
Total Subject to Expenditure for Specific Purpose	<u>100,000</u>
Subject to Passage of Time:	
None	<u>0</u>
Total Subject to Passage of Time	<u>0</u>
Total Net Assets with Restrictions	<u><u>\$ 100,000</u></u>

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 6 - Net Asset Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by the occurrence of the passage of time or other events specified by donors during the year ended May 31, 2022:

Purpose Restrictions Accomplished:	
None	\$ 0
Total Purpose Restrictions Accomplished	0
Time Restrictions Expired:	
Support for the Year Ended May 31, 2022	40,000
Total Time Restrictions Expired	40,000
Total Restrictions Released	\$ 40,000

Note 7 - Lease Commitments

The Organization leases its office and program space under a 5-year lease through December 2026. The lease calls for initial monthly rent payments of \$6,265 with nominal annual increases in rent thereafter. The Organization signed a second lease in August 2022 for additional program space under a 3-year lease through August 2025. A deferred rent liability is not recorded on the financial statements as a corresponding liability is insignificant.

Rent expense for the year ended May 31, 2022 amounts to \$85,340. Future minimum rent payments are as follows:

For the Year Ended May 31, 2023	91,520
2024	97,346
2025	100,271
2026	86,445
2027	49,357
	\$ 333,419

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 8 - Liquidity

At May 31, 2022, the Organization has \$338,821 of financial assets, excluding non-spendable financial assets, available for general expenditures within one year of the balance sheet date. Of this amount, \$100,000 of financial assets are subject to donor timing or purpose restrictions, excluding general operation restrictions, expiring within one year. No other contractual restrictions exist that make current financial assets unavailable for general expenditure within one year of the balance sheet date.

As of May 31, 2022, the Organization does not expect that its liquidity will deteriorate. Financial assets available within one year of the balance sheet for general expenditures comprise of the following:

Financial Assets Available for General Expenditure:

Cash	\$ 238,821
Accounts Receivable	100,000
Total Financial Assets Available for General Expenditure	<u>338,821</u>
Less: Assets Subject to Donor Timing or Purpose Restrictions Excluding General Operation Restrictions	<u>(100,000)</u>
Total Financial Assets Available to Meet Cash Needs for General Use Within One Year	<u><u>\$ 238,821</u></u>

Note 9 - Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statement of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending May 31, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Organization's statement of financial position.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2022

Note 10 - Subsequent Events

The date to which events occurring after May 31, 2022, the date of the most recent balance sheet, have been evaluated for a possible adjustment to the financial statements or disclosure is February 27, 2023, which is the date on which the financial statements were available to be issued.