

4WORD, INC.

Audited Financial Statements

For the Year Ended December 31, 2017



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
4word, Inc.

We have audited the accompanying financial statements of 4word, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 organization'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 organization'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 4word, Inc. as of December 31, 2017, and 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.

Report on Summarized Comparative Information

We have previously audited 4word, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 15, 2018

4WORD, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 375,889	\$ 294,783
Grants and pledges receivable	1,500	60,021
Prepaid expenses	35,796	10,220
Inventory	9,012	3,921
Property and equipment, net	15,530	19,442
 TOTAL ASSETS	 \$ 437,727	 \$ 388,387
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 33,226	\$ 22,285
Deferred revenue	158,621	140,477
Total liabilities	191,847	162,762
Net assets:		
Unrestricted	202,946	148,235
Temporarily restricted	42,934	77,390
Total net assets	245,880	225,625
 TOTAL LIABILITIES AND NET ASSETS	 \$ 437,727	 \$ 388,387

See notes to financial statements.

4WORD, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 285,902	\$ 36,500	\$ 322,402	\$ 334,529
Donated services	159,185	-	159,185	147,250
Mentorship	21,538	-	21,538	14,197
Speaking and writing fees and other revenue (loss)	2,181	-	2,181	(146)
Service fees and membership	42,344	-	42,344	41,472
Special event revenue, net direct expenses of \$28,806 for 2017 and \$29,550 for 2016	233,296	-	233,296	135,064
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>70,956</u>	<u>(70,956)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>815,402</u>	<u>(34,456)</u>	<u>780,946</u>	<u>672,366</u>
Expenses:				
Program	451,318	-	451,318	337,343
Management and general	106,054	-	106,054	82,824
Fundraising	<u>203,319</u>	<u>-</u>	<u>203,319</u>	<u>173,526</u>
Total expenses	<u>760,691</u>	<u>-</u>	<u>760,691</u>	<u>593,693</u>
 Change in net assets	 54,711	 (34,456)	 20,255	 78,673
Net assets:				
Beginning of year	<u>148,235</u>	<u>77,390</u>	<u>225,625</u>	<u>146,952</u>
 End of year	 <u>\$ 202,946</u>	 <u>\$ 42,934</u>	 <u>\$ 245,880</u>	 <u>\$ 225,625</u>

See notes to financial statements.

4WORD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017
(With comparative totals for 2016)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries and related expenses	\$ 62,849	\$ 33,964	\$ 64,006	\$ 160,819	\$ 159,900
Website/social media	70,016	5,456	3,476	78,948	90,012
Professional fees	50,762	46,502	53,544	150,808	85,496
Contract services	173,155	-	51,918	225,073	152,090
Travel	19,686	600	843	21,129	11,917
Luncheon costs	15,579	-	-	15,579	17,353
Meals	8,802	3,400	4,162	16,364	10,499
Miscellaneous	4,328	5,450	7,460	17,238	16,671
Advertising and public relations	144	-	2,405	2,549	4,513
Depreciation and amortization	12,282	-	-	12,282	12,522
Supplies	2,782	1,030	9,594	13,406	11,796
Merchant fees	5,039	9,351	-	14,390	9,822
Postage and shipping	1,500	301	5,911	7,712	5,396
Conferences and meetings	24,394	-	-	24,394	5,706
Total expenses	<u>\$ 451,318</u>	<u>\$ 106,054</u>	<u>\$ 203,319</u>	<u>\$ 760,691</u>	<u>\$ 593,693</u>

See notes to financial statements.

4WORD, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017
(With comparative totals for 2016)

Change in net assets	\$ 20,255	\$ 78,673
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	12,282	12,522
(Increase) decrease in:		
Grants and pledges receivable	58,521	(30,021)
Prepaid expenses	(25,576)	(4,253)
Inventory	(5,091)	1,850
Increase (decrease) in:		
Accounts payable	10,941	8,963
Deferred revenue	18,144	73,283
Net cash provided by operating activities	<u>89,476</u>	<u>141,017</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(8,370)</u>	<u>(8,694)</u>
Net cash used in investing activities	<u>(8,370)</u>	<u>(8,694)</u>
Net increase in cash and cash equivalents	81,106	132,323
Cash and cash equivalents - beginning of year	<u>294,783</u>	<u>162,460</u>
Cash and cash equivalents - end of year	<u>\$ 375,889</u>	<u>\$ 294,783</u>

See notes to financial statements.

4WORD, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

4word, Inc. (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 working 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 thirteen states. Revenues are mostly from private contributions.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

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.

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. Management has concluded that any realization losses on balances outstanding at year-end would be immaterial.

4WORD, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventory

Inventory, consisting of books, is valued at the lower of cost or market.

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.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support unless the donor has restricted the donated asset to a specific purpose.

4WORD, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services, Continued

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. Donated services were for executive director leadership and other professional services and are reported in the statement of functional expenses as follows:

	2017	2016
Program		
Salaries	\$ 33,000	\$ 33,000
Professional services	43,000	24,000
Management and general		
Salaries	22,000	22,000
Professional services	6,185	750
Fundraising		
Salaries	55,000	55,000
Professional services	-	12,500
Total donated services	\$ 159,185	\$ 147,250

Expense Allocation

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.

Income Tax Status

4word, Inc. is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law; therefore, no provision for income taxes is made in the accompanying financial statements. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

4WORD, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Subsequent Events

The Organization has evaluated all subsequent events through September 15, 2018, the date the financial statements were available to be issued.

Summarized Financial Information for 2016

The financial information as of December 31, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation

2. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2017 and 2016 are unsecured and are receivable within one year.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 2,863	\$ 2,863
Website	63,032	54,662
Trademark	<u>2,350</u>	<u>2,350</u>
	68,245	59,875
Less accumulated depreciation and amortization	<u>52,715</u>	<u>40,433</u>
Property and equipment, net	<u>\$ 15,530</u>	<u>\$ 19,442</u>

4WORD, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2017 and 2016:

	2017	2016
Chapter and financial development	\$ 15,385	\$ 54,345
Church Connect	2,349	22,845
Succession planning	25,000	-
Other	200	200
Total temporarily restricted net assets	\$ 42,934	\$ 77,390

5. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a financial institution located in Texas. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance, at times, may exceed the federally insured limit. Uninsured balances approximated \$46,400 and \$44,800 at December 31, 2017 and 2016, respectively.

Approximately 58% of grants and pledges receivable at December 31, 2016 were due from one individual. Additionally, approximately 10% of revenue for 2016 was from one individual. There were no concentrations of revenue for 2017.