

**4WORD, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**4WORD, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Management  
4word, Inc.  
Dallas, Texas

We have audited the accompanying financial statements of 4word, Inc., which comprise the statement of financial position as of December 31, 2018, 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.

### ***Auditors' 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 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, Inc.

***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, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The 2017 financial statements of 4word, Inc. were audited by other auditors whose report dated September 15, 2018, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
October 17, 2019

**4WORD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 442,637	\$ 375,889
Grants and Pledges Receivable, Net of Allowance	-	1,500
Prepaid Expenses	50,241	35,796
Inventory	9,197	9,012
Property and Equipment, Net	10,757	15,530
Total Assets	\$ 512,832	\$ 437,727
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 20,324	\$ 33,226
Accrued Liabilities	3,682	-
Deferred Revenue	148,424	158,621
Total Liabilities	172,430	191,847
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	168,251	202,946
Operating Reserves - Board Designated	129,084	-
Total Without Donor Restrictions	297,335	202,946
With Donor Restrictions:		
Purpose Restrictions	43,067	42,934
Total With Donor Restrictions	43,067	42,934
Total Net Assets	340,402	245,880
Total Liabilities and Net Assets	\$ 512,832	\$ 437,727

See accompanying Notes to Financial Statements.

**4WORD, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Contributions and Grants	\$ 368,409	\$ 12,500	\$ 380,909	\$ 285,902	\$ 36,500	\$ 322,402
Donated Services	111,870	-	111,870	159,185	-	159,185
Mentorship	31,009	-	31,009	21,538	-	21,538
Speaking and Writing Fees and Other Revenue	691	-	691	2,181	-	2,181
Service Fees and Membership	17,618	-	17,618	42,344	-	42,344
Special Event Revenue, Net of Direct Costs of \$65,305 in 2018 and \$28,806 in 2017	236,087	-	236,087	233,296	-	233,296
Local Group Income	32,106	-	32,106	-	-	-
Other Income	4,924	-	4,924	-	-	-
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	12,367	(12,367)	-	70,956	(70,956)	-
Total Revenue and Other Support	<u>815,081</u>	<u>133</u>	<u>815,214</u>	<u>815,402</u>	<u>(34,456)</u>	<u>780,946</u>
<b>EXPENSES</b>						
Program	456,375	-	456,375	451,318	-	451,318
Management and General	121,388	-	121,388	106,054	-	106,054
Fundraising	142,929	-	142,929	203,319	-	203,319
Total Expenses	<u>720,692</u>	<u>-</u>	<u>720,692</u>	<u>760,691</u>	<u>-</u>	<u>760,691</u>
<b>CHANGE IN NET ASSETS</b>	94,389	133	94,522	54,711	(34,456)	20,255
Net Assets - Beginning of Year	<u>202,946</u>	<u>42,934</u>	<u>245,880</u>	<u>148,235</u>	<u>77,390</u>	<u>225,625</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 297,335</u></u>	<u><u>\$ 43,067</u></u>	<u><u>\$ 340,402</u></u>	<u><u>\$ 202,946</u></u>	<u><u>\$ 42,934</u></u>	<u><u>\$ 245,880</u></u>

See accompanying Notes to Financial Statements.

**4WORD, INC.**  
**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><u>\$ 456,375</u></u>	<u><u>\$ 121,388</u></u>	<u><u>\$ 142,929</u></u>	<u><u>\$ 720,692</u></u>

See accompanying Notes to Financial Statements.

**4WORD, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related Expenses	\$ 62,849	\$ 33,964	\$ 64,006	\$ 160,819
Website/Social Media	70,016	5,456	3,476	78,948
Professional Fees	50,762	46,502	53,544	150,808
Contract Services	173,155	-	51,918	225,073
Travel	19,686	600	843	21,129
Luncheon Costs	15,579	-	-	15,579
Meals	8,802	3,400	4,162	16,364
Miscellaneous	4,328	5,450	7,460	17,238
Advertising and Public Relations	144	-	2,405	2,549
Depreciation and Amortization	12,282	-	-	12,282
Supplies	2,782	1,030	9,594	13,406
Merchant Fees	5,039	9,351	-	14,390
Postage and Shipping	1,500	301	5,911	7,712
Conferences and Meetings	24,394	-	-	24,394
Special Events Costs	-	-	28,806	28,806
Total Gross Expenses	<u>451,318</u>	<u>106,054</u>	<u>232,125</u>	<u>789,497</u>
Direct Costs Netted Against Special Events				
Revenues in the Statement of Activities	<u>-</u>	<u>-</u>	<u>(28,806)</u>	<u>(28,806)</u>
Total Expenses	<u>\$ 451,318</u>	<u>\$ 106,054</u>	<u>\$ 203,319</u>	<u>\$ 760,691</u>

See accompanying Notes to Financial Statements.



**4WORD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 94,522	\$ 20,255
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,604	12,282
Loss on Sale of Fixed Asset	388	-
Changes in Operating Assets and Liabilities:		
Grants and Pledges Receivable	1,500	58,521
Prepaid Expenses	(14,445)	(25,576)
Inventory	(185)	(5,091)
Accounts Payable	(12,902)	10,941
Accrued Liabilities	3,682	-
Deferred Revenue	(10,197)	18,144
Net Cash Provided by Operating Activities	67,967	89,476
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(2,418)	(8,370)
Proceeds from Sale of Property and Equipment	1,199	-
Net Cash Used by Financing Activities	(1,219)	(8,370)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	66,748	81,106
Cash and Cash Equivalents - Beginning of Year	375,889	294,783
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 442,637	\$ 375,889

See accompanying Notes to Financial Statements.

**4WORD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 ORGANIZATION AND OPERATIONS**

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 women with local peers and mentors, and support 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 Chapter in thirteen 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 and board-designated endowment.

*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, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018 and 2017. 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, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018 and 2017 were \$7,820 and \$2,549, 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, 2018 and 2017.

**4WORD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Guidance**

In August 18, 2016, FASB issued Accounting Standard Update (ASU) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements for 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 implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**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, 2018, the level of liquidity and reserves was managed within the policy requirements.

4word, Inc.'s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 442,637	\$ 375,889
Grants and Pledges Receivable, Net	-	1,500
Less Amounts Restricted by Donors	(43,067)	(42,934)
Less Operating Reserves - Board Designated	(129,084)	-
Total	<u>\$ 270,486</u>	<u>\$ 334,455</u>

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, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Furniture and Equipment	\$ 3,117	\$ 2,863
Website	63,033	63,033
Trademark	2,350	2,350
Total	68,500	68,246
Less: Accumulated Depreciation and Amortization	(57,743)	(52,716)
Net Property and Equipment	\$ 10,757	\$ 15,530

**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, 2018 and 2017:

	2018	2017
Charter and Financial Development	\$ 13,067	\$ 15,385
Church Connect	-	2,349
Succession Planning	25,000	25,000
Corporate Mentoring Program	5,000	-
Other	-	200
Purpose Restricted Net Assets	\$ 43,067	\$ 42,934

**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, 2018 and 2017:

	2018	2017
Professional Services	\$ 1,870	\$ 49,185
Executive Director Salary	110,000	110,000
Total	\$ 111,870	\$ 159,185

**4WORD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018, the potential liability to the Organization is approximately \$32,000 for the 2019 Gala. Based on prior performance, management believes the likelihood of cancellations to be remote.

**NOTE 8 FUNCTIONALIZED EXPENSE ALLOCATION METHODOLOGY**

The Organization has costs that related 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 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 17, 2019, the date on which the financial statements were available to be issued.