



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

CONTENTS

Independent Accountants' Review Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Volunteer English Program in Chester County, Pennsylvania
West Chester, Pennsylvania

We have reviewed the accompanying financial statements of Volunteer English Program in Chester County, Pennsylvania (a non-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Volunteer English Program in Chester County, Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Umbreit, Wileczek & Associates, P.C.

Kennett Square, PA
November 30, 2023

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 198,771	\$ 217,699
Unconditional promises to give	25,400	15,000
Employee Retention Credit receivable	-	79,710
Prepaid expenses	2,273	2,217
TOTAL CURRENT ASSETS	226,444	314,626
Investments	54,208	49,786
Property and equipment, net	2,912	3,910
Rental security deposit	869	869
Deposits held in unemployment savings account	15,937	14,739
Operating lease right-of-use asset	50,378	-
TOTAL ASSETS	\$ 350,748	\$ 383,930
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and credit card liabilities	\$ 4,306	\$ 4,595
Accrued expenses	4,350	3,630
Accrued payroll	8,244	8,792
Operating lease liability, current portion	28,575	-
TOTAL CURRENT LIABILITIES	45,475	17,017
Student equipment deposits	60	60
Reserve for unemployment claims	15,937	14,739
Operating lease liability, net of current portion	22,329	-
TOTAL LIABILITIES	83,801	31,816
NET ASSETS		
Without donor restrictions		
Unrestricted	184,285	297,595
Board designated	22,551	20,835
Total without donor restrictions	206,836	318,430
With donor restrictions	60,111	33,684
TOTAL NET ASSETS	266,947	352,114
TOTAL LIABILITIES AND NET ASSETS	\$ 350,748	\$ 383,930

See Independent Accountants' Review Report and Notes to Financial Statements

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions	\$ 100,034	\$ 600	\$ 100,634
Grants	72,631	40,500	113,131
In-kind contributions	36,545	-	36,545
Net investment income	8,903	877	9,780
Special events (net of direct costs \$4,205)	(3,051)	-	(3,051)
Miscellaneous income	4,078	-	4,078
Net assets released from restrictions	15,550	(15,550)	-
TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS	234,690	26,427	261,117
OPERATING EXPENSES			
Program services	250,986	-	250,986
Management and general	59,220	-	59,220
Fundraising	36,078	-	36,078
TOTAL EXPENSES	346,284	-	346,284
CHANGE IN NET ASSETS	(111,594)	26,427	(85,167)
NET ASSETS - BEGINNING OF YEAR	318,430	33,684	352,114
NET ASSETS - END OF YEAR	\$ 206,836	\$ 60,111	\$ 266,947

See Independent Accountants' Review Report and Notes to Financial Statements

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions	\$ 131,481	\$ 292	\$ 131,773
Grants	95,450	15,000	110,450
In-kind contributions	23,546	-	23,546
Net investment income	(1,826)	(2,111)	(3,937)
Special events (net of direct costs \$220)	5,676	-	5,676
Miscellaneous income	3,779	-	3,779
Employee Retention Credit	80,158	-	80,158
Net assets released from restrictions	16,484	(16,484)	-
TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS	354,748	(3,303)	351,445
OPERATING EXPENSES			
Program services	231,814	-	231,814
Management and general	72,228	-	72,228
Fundraising	65,638	-	65,638
TOTAL EXPENSES	369,680	-	369,680
CHANGE IN NET ASSETS	(14,932)	(3,303)	(18,235)
NET ASSETS - BEGINNING OF YEAR	333,362	36,987	370,349
NET ASSETS - END OF YEAR	\$ 318,430	\$ 33,684	\$ 352,114

See Independent Accountants' Review Report and Notes to Financial Statements

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
COMPENSATION RELATED				
Salaries	\$ 149,712	\$ 22,444	\$ 22,033	\$ 194,189
Payroll taxes	13,099	1,964	1,928	16,991
Employee benefits	2,910	410	410	3,730
TOTAL COMPENSATION RELATED	165,721	24,818	24,371	214,910
Accounting	-	23,957	-	23,957
Books	6,083	-	-	6,083
Community engagement	1,197	39	-	1,236
Depreciation	778	110	110	998
Dues and subscriptions	704	45	910	1,659
Insurance	1,698	239	239	2,176
IT hosting and support	18,939	2,248	3,327	24,514
IT security and communications	9,781	1,379	1,379	12,539
Marketing	2,925	-	757	3,682
Miscellaneous	2,907	34	347	3,288
Lease expense	22,946	3,236	3,236	29,418
Office supplies	4,742	448	500	5,690
Postage and delivery	1,047	1	73	1,121
Printing and reproduction	234	-	-	234
Professional development	-	273	256	529
Professional fees	5,539	894	229	6,662
Program expenses	420	-	-	420
Service charges	-	1,155	-	1,155
Telephone	2,438	344	344	3,126
Training	2,887	-	-	2,887
TOTAL EXPENSES	\$ 250,986	\$ 59,220	\$ 36,078	\$ 346,284

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
COMPENSATION RELATED				
Salaries	\$ 149,099	\$ 25,513	\$ 41,748	\$ 216,360
Payroll taxes	12,730	2,178	3,564	18,472
Employee benefits	2,517	401	730	3,648
TOTAL COMPENSATION RELATED	164,346	28,092	46,042	238,480
Accounting	-	25,660	-	25,660
Books	4,573	-	-	4,573
Community engagement	2,300	2,358	-	4,658
Depreciation	3,057	476	866	4,399
Dues and subscriptions	725	41	869	1,635
Insurance	1,554	248	451	2,253
IT hosting and support	11,691	1,498	3,603	16,792
IT security and communications	7,022	1,119	2,035	10,176
Marketing	1,973	-	510	2,483
Miscellaneous	541	130	56	727
Lease expense	18,795	2,996	5,448	27,239
Office supplies	3,532	412	742	4,686
Postage and delivery	958	1	328	1,287
Printing and reproduction	1,157	-	1,874	3,031
Professional development	205	1,434	1,750	3,389
Professional fees	6,330	6,760	509	13,599
Program expenses	420	-	-	420
Service charges	-	698	-	698
Telephone	1,915	305	555	2,775
Training	720	-	-	720
TOTAL EXPENSES	\$ 231,814	\$ 72,228	\$ 65,638	\$ 369,680

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (85,167)	\$ (18,235)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	998	4,399
Net realized and unrealized (gain) loss on investments	(8,533)	5,022
Donations of marketable securities	-	(30,804)
Noncash operating lease expense	27,693	-
(Increase) decrease in operating assets:		
Unconditional promises to give	(10,400)	(2,750)
Prepaid expenses	(56)	(710)
Employee Retention Credit	79,710	(57,467)
Deposit held in unemployment savings account	(1,198)	(1,213)
Increase (decrease) in operating liabilities:		
Accounts payable	(289)	(9,844)
Accrued expenses	720	(135)
Accrued payroll	(548)	1,291
Student equipment deposits	-	60
Reserve for unemployment claims	1,198	1,213
Operating lease liability	(27,167)	-
NET CASH USED BY OPERATING ACTIVITIES	(23,039)	(109,173)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(558)	(572)
Proceeds from sale of investments	4,669	4,537
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,111	3,965
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,928)	(105,208)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	217,699	322,907
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 198,771	\$ 217,699
SUPPLEMENTAL INFORMATION		
Noncash recognition of new operating leases (ASC 842)	\$ 78,071	\$ -

See Independent Accountants' Review Report and Notes to Financial Statements

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES**Nature of Activities

The Volunteer English Program in Chester County, Pennsylvania (the "Organization") is a Pennsylvania not-for-profit organization organized in 1986. The Volunteer English Program (VEP) enhances the economic and social quality of life for immigrant families, community members, consumers, employers and employees in Chester County by providing tutoring for adults to improve their English language skills (ESL), their American cultural understanding and their participation in the communities we share. This is accomplished by offering free one-to-one and small group instruction via trained volunteer tutors.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Net Assets with Donor Restrictions (Cont'd)

restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

Revenue Recognition

Contributions, bequests, and gifts are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts. Revenue from special events and other functions is recognized as earned having applicable costs concurrently recognized. Investment income is recognized as earned.

The Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Organization's principal activity resulting in contracts with customers is special events.

The performance obligation related to special events is to provide the customer with the access to the event on a specified date. The transaction price is based on published rates. The Organization recognizes revenue from special events in the period the goods and services are provided.

Because the benefit received from special events has an original expected duration of one year or less, the Organization has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash in operating bank accounts, cash on hand and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Promises to Give

Unconditional promises to give are recorded at estimated fair market value at the date of donation and are recognized as revenues or gains in the period in which notification of such promise is received. Unconditional promises to give expected to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at the present value of estimated future cash flows using a risk-free rate of return on the date of donation. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Provision for losses on promises to give is made when considered necessary to maintain an adequate allowance to cover bad debts. Promises are charged against the allowance when the Organization determines that payments will not be received. As of June 30, 2023 and 2022, the Organization has deemed all monies collectible and therefore, no allowance for losses on promises to give is required.

Investments

As required by the Investment Topic of the FASB ASC, the Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method of depreciation over the estimated useful lives of the respective assets. Equipment purchases over \$500 are capitalized. Maintenance and repairs are charged to operations as incurred.

The estimated useful lives are as follows:

Furniture	7 years
Computers and equipment	3-5 years

Donated property and equipment are recorded as fixed assets and reflected as contributions at their estimated values as of the date of receipt.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Donated Materials and Services

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation.

Accounting standards require that only contributed services that (1) create or enforce long-lived assets or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased if not donated must be recorded. The Organization receives a significant amount of donated services from a variety of unpaid volunteers who assist in fund-raising, special projects and tutoring. The value of these services does not meet these requirements. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied (see Note 15).

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Total advertising costs for the years ended June 30, 2023 and 2022 were \$3,682 and \$2,483, respectively.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the lease payments over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recently adopted accounting standards

In the year ended June 30, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (June 30, 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES (Cont'd)**Leases (Cont'd)

recognized operating lease right-of-use assets and operating lease liabilities in its statement of financial position as of June 30, 2023.

The FASB issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Adoption of these ASUs runs concurrent with the Organization's adoption of ASU 2016-02.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Program costs include software, IT support and security, books, and training. Fundraising expenses are costs related to campaigns, development, grant writing and other fundraising efforts. Management and general expenses are costs directly related to the overall operation of the Organization, which are not associated with program or fundraising services. Certain management and general expenses, such as payroll, employee benefits and payroll taxes, are allocated to program and fundraising based on the employees' use of their time.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reclassifications

Certain reclassifications have been made to the June 30, 2022 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management Approval

The Organization has evaluated those events and transactions that occurred after the statement of financial position date of June 30, 2023 through November 30, 2023, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and equivalents	\$ 198,771	\$ 217,699
Promises to give payments available for operations	25,400	15,000
Donor restricted financial assets	<u>(12,944)</u>	<u>(4,795)</u>
Total financial assets available within one year	<u>\$ 211,227</u>	<u>\$ 227,904</u>

At June 30, 2023 and 2022, the Organization has \$211,227 and \$227,904, respectively, of financial assets, consisting of cash and promises to give available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures and obligations come due. To help manage unanticipated liquidity needs, the Organization has investments of \$27,615 available to support operations.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 3 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, cash may be temporarily held by a third-party agent that is not FDIC insured. Uninsured balances at June 30, 2023 and 2022 were \$8,352 and \$1,380, respectively.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Gross amounts due in less than one year	<u>\$ 25,400</u>	<u>\$ 15,000</u>

NOTE 5 – EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2022, the Organization applied for a \$79,710 credit under the Employee Retention Credit, a refundable credit against certain payroll taxes established by the CARES Act. The credit was approved and the funds were received during the year ended June 30, 2023.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the Fair Value Measurement Topic of the FASB ASC, assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Significant unobservable inputs for the asset or liability.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont’d)

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgement.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 6,969	\$ -	\$ -	\$ 6,969
Equity mutual funds	18,872	-	-	18,872
ETFs	5,019	-	-	5,019
Equities	6,333	-	-	6,333
Bonds	3,249	-	-	3,249
Beneficial interest in perpetual trust	-	-	13,766	13,766
	<u>\$ 40,442</u>	<u>\$ -</u>	<u>\$ 13,766</u>	<u>\$ 54,208</u>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 6,640	\$ -	\$ -	\$ 6,640
Equity mutual funds	16,163	-	-	16,163
ETFs	4,150	-	-	4,150
Equities	5,331	-	-	5,331
Bonds	4,613	-	-	4,613
Beneficial interest in perpetual trust	-	-	12,889	12,889
	<u>\$ 36,897</u>	<u>\$ -</u>	<u>\$ 12,889</u>	<u>\$ 49,786</u>

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont’d)

Changes in Level 3 fair value measurements during the year were as follows:

	2023	2022
BALANCE AT BEGINNING OF YEAR	\$ 12,889	\$ 15,000
Investment income (loss)	1,061	(1,899)
Management fees	(184)	(212)
BALANCE AT END OF YEAR	<u>\$ 13,766</u>	<u>\$ 12,889</u>

NOTE 7 – INVESTMENTS

Investments consist of the following at June 30, 2023 and 2022:

	2023	2022
Bond mutual funds	\$ 6,969	\$ 6,640
Equity mutual funds	18,872	16,163
ETFs	5,019	4,150
Equities	6,333	5,331
Bonds	3,249	4,613
Beneficial interest in perpetual trust	<u>13,766</u>	<u>12,889</u>
Total	<u>\$ 54,208</u>	<u>\$ 49,786</u>

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust consists of the Organization’s investment in a permanent designated fund managed by the Chester County Community Foundation (the “Foundation”). The Foundation has sole discretion over the ability to retain, invest and reinvest the funds and the power to commingle the endowed assets with those of other funds for investment purposes. At the end of each fiscal year, 5% of the trust’s value can be distributed and used for the purpose of supporting the nonprofit operating, program and capital needs of the Organization. The distributable amount of the trust assets at June 30, 2023 and 2022 is \$688 and \$644, respectively. The Organization makes appropriations from the trust up to the distributable amount as deemed necessary. The Organization considers the market rate of return and the amount of available funds in the trust when determining its annual spending. No appropriations have been made as of June 30, 2023 and 2022.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 7 – INVESTMENTS (Cont’d)

The following summarizes investment income for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	\$ 1,107	\$ 926
Net unrealized gain (loss)	7,796	(2,752)
Total	<u>\$ 8,903</u>	<u>\$ (1,826)</u>
	<u>2023</u>	<u>2022</u>
WITH DONOR RESTRICTIONS		
Interest and dividends	\$ 324	\$ 371
Net realized gain (loss)	(85)	1,039
Net unrealized gain (loss)	822	(3,309)
Management fees	(184)	(212)
Total	<u>\$ 877</u>	<u>\$ (2,111)</u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 34,253	\$ 34,253
Accumulated depreciation	<u>(31,341)</u>	<u>(30,343)</u>
	<u>\$ 2,912</u>	<u>\$ 3,910</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$998 and \$4,399, respectively.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Time restricted contributions	\$ 32,900	\$ 15,000
Restricted for technology upgrades	12,402	4,402
Restricted for student grants	901	1,251
Restricted for staff support & well-being	142	142
Investment in perpetuity	13,766	12,889
Total	<u>\$ 60,111</u>	<u>\$ 33,684</u>

Net assets released from donor restrictions by meeting the time restrictions or by incurring expenses satisfying the restrictions specified by donors are as follows:

	2023	2022
Time restricted contributions	\$ 15,000	\$ 12,250
Restricted for technology upgrades	-	1,984
Restricted for instructional materials	-	2,250
Restricted for student grants	550	-
Total	<u>\$ 15,550</u>	<u>\$ 16,484</u>

NOTE 10 – RESERVE FUNDS OPERATING/CAPITAL RESERVE FUND

Board Designated Sustainability Fund - In November 2019, the Board of Directors agreed to establish a reserve fund to be used for unanticipated expenses and emergencies as approved by the board. The balance assigned to the Sustainability Fund is \$10,225 for both the years ended June 30, 2023 and 2022.

Board Designated Meredith Loving Connections Fund – In 2017, the Board of Directors agreed to establish a fund in memory of Meredith Huffman, a passionate supporter of the Organization. The funds are to be used to support students in their search for meaningful employment, citizenship, or professional credentialing as a result of their commitment to learning the language and culture of English. The balance assigned to Board Designated Meredith Loving Connections Fund for the years ended June 30, 2023 and 2022 is \$12,326 and \$10,610, respectively.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 11 – REVENUE RECOGNITION

Performance Obligations

Revenue and support received for the Organization's special events are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Organization recognizes exchange revenue from its special events at the point in time to which the event relates. The performance obligation consists of providing participants with access to the event.

Exchange revenues from the Organization's special events are recognized in the statements of activities for the years ending June 30, 2023 and 2022.

The Organization does not have any significant payment terms as payment is received before, during, or shortly after the contract period or at the point in time of the transaction.

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2023, is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Special Events	<u>\$ 1,154</u>	<u>\$ -</u>	<u>\$ 1,154</u>

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2022, is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Special Events	<u>\$ 5,896</u>	<u>\$ -</u>	<u>\$ 5,896</u>

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 – DONATED ASSETS AND SERVICES

During the years ended June 30, 2023 and 2022, the Organization received the following non-cash donations of materials and services that have been reflected in the financial statements.

	2023			
	<u>Program</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Books	\$ 2,048	\$ -	\$ -	\$ 2,048
IT hosting and support	13,403	1,890	1,890	17,183
IT security and communications	9,780	1,379	1,379	12,538
Miscellaneous	1,776	-	-	1,776
Professional fees	3,000	-	-	3,000
	<u>\$ 30,007</u>	<u>\$ 3,269</u>	<u>\$ 3,269</u>	<u>\$ 36,545</u>

	2022			
	<u>Program</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
IT hosting and support	\$ 6,378	\$ 1,017	\$ 1,849	\$ 9,244
IT security and communications	7,022	1,120	2,035	10,177
Marketing	-	-	300	300
Miscellaneous	200	-	-	200
Professional fees	3,625	-	-	3,625
	<u>\$ 17,225</u>	<u>\$ 2,137</u>	<u>\$ 4,184</u>	<u>\$ 23,546</u>

Donated materials and services of \$504 and \$385 are included as revenue and expense in special events on the statements of activities for the year ending June 30, 2023 and 2022, respectively.

NOTE 13 – EMPLOYEE RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for all qualified employees. The plan allows eligible employees to contribute up to a maximum of \$11,500. The Organization matches contributions 100% up to 3% of employee contributions. Employer contributions were \$1,920 and \$2,328 for the years ended June 30, 2023 and 2022, respectively.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 14 – LEASE COMMITMENT

The Organization evaluated current contracts to determine which met the criteria of a lease. The operating lease right-of-use (ROU) assets represent the Organization’s right to use underlying assets for the lease term, and the operating lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has utilized a risk-free rate of 2.82% to discount future lease payments.

During the year ended June 30, 2019, the Organization entered into a new lease agreement with the current landlord for continued use of the current space until March 2022 as well as use of additional office space until May 2020. In June 2020, the agreement was amended to extend the expiration date for the additional space to March 2022. The lease required monthly payments for the first 10 months of \$2,817, and then the amount decreased to \$2,400 a month for the final 12 months of the lease. In March 2022, the Organization signed an amendment to the lease extending it through April 2025. Under the amendment, the Organization received a free month of rent in the year ended June 30, 2022, followed by required monthly payments of \$2,400 for 12 months, which increases to \$2,452 for the next 12 months and \$2,504 for the final 12 months of the lease term.

Lease expense for the year ending June 30, 2023 for operating leases subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was \$29,418.

Future maturities of operating lease liabilities subject to ASU No. 2016-02, *Leases (Topic 842)* are as follows:

<u>For the year ended June 30,</u>	
2024	\$ 29,578
2025	22,536
Total operating lease payments	<u>52,114</u>
Less: present value discount	(1,210)
Total operating lease obligations	<u><u>\$ 50,904</u></u>

Lease expense for the year ending June 30, 2022 for operating leases not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was \$27,239.

VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 15 – VOLUNTEER SERVICES**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, special projects and tutoring. The Organization received an estimated 12,516 volunteer hours, valued at \$29.78 per hour, for total donated tutoring services of \$372,726 for the year ending June 30, 2023. The value per hour is based on the current hourly rate commonly recognized in nonprofit organizations for non-technical volunteers. For the year ending June 30, 2022, volunteer hours were estimated at 10,212 hours and valued at \$27.98 per hour, for a total of \$285,732. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.