



**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021**

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## 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 the Volunteer English Program in Chester County, Pennsylvania (a non-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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  
December 20, 2022

## VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

### STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<b>ASSETS</b>		
	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 217,699	\$ 322,907
Unconditional promises to give	15,000	12,250
Employee Retention Credit receivable	79,710	-
Prepaid expenses	2,217	1,507
<b>TOTAL CURRENT ASSETS</b>	314,626	336,664
Employee Retention Credit receivable	-	22,243
Investments	49,786	27,969
Property and equipment, net	3,910	8,309
Rental security deposit	869	869
Deposits held in unemployment savings account	14,739	13,526
<b>TOTAL ASSETS</b>	<b>\$ 383,930</b>	<b>\$ 409,580</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and credit card liabilities	\$ 4,595	\$ 14,439
Accrued expenses	3,630	3,765
Accrued payroll	8,792	7,501
<b>TOTAL CURRENT LIABILITIES</b>	17,017	25,705
Student equipment deposits	60	-
Reserve for unemployment claims	14,739	13,526
<b>TOTAL LIABILITIES</b>	31,816	39,231
<b>NET ASSETS</b>		
Without donor restrictions		
Unrestricted	297,595	311,153
Board designated	20,835	22,209
Total without donor restrictions	318,430	333,362
With donor restrictions	33,684	36,987
<b>TOTAL NET ASSETS</b>	<b>352,114</b>	<b>370,349</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 383,930</b>	<b>\$ 409,580</b>

See Independent Accountant's 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
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>			
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)	-
<b>TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS</b>	354,748	(3,303)	351,445
<b>OPERATING EXPENSES</b>			
Program services	231,814	-	231,814
Management and general	72,228	-	72,228
Fundraising	65,638	-	65,638
<b>TOTAL EXPENSES</b>	369,680	-	369,680
<b>CHANGE IN NET ASSETS</b>	(14,932)	(3,303)	(18,235)
<b>NET ASSETS - BEGINNING OF YEAR</b>	333,362	36,987	370,349
<b>NET ASSETS -END OF YEAR</b>	\$ 318,430	\$ 33,684	\$ 352,114

See Independent Accountant's Review Report and Notes to Financial Statements

## VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

### STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>			
Contributions	\$ 65,195	\$ 1,050	\$ 66,245
Grants	148,250	12,250	160,500
In-kind contributions	30,049	-	30,049
Net investment income	3,874	3,148	7,022
Special events (net of direct costs \$13,888)	10,957	1,048	12,005
Miscellaneous income	2,702	-	2,702
Paycheck Protection Program grant	31,905		31,905
Employee Retention Credit	22,243		22,243
Net assets released from restrictions	58,500	(58,500)	-
<b>TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS</b>	373,675	(41,004)	332,671
<b>OPERATING EXPENSES</b>			
Program services	191,965	-	191,965
Management and general	71,836	-	71,836
Fundraising	66,441	-	66,441
<b>TOTAL EXPENSES</b>	330,242	-	330,242
<b>CHANGE IN NET ASSETS</b>	43,433	(41,004)	2,429
<b>NET ASSETS - BEGINNING OF YEAR</b>	289,929	77,991	367,920
<b>NET ASSETS -END OF YEAR</b>	\$ 333,362	\$ 36,987	\$ 370,349

See Independent Accountant's Review Report and Notes to Financial Statements

## 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>
<b>COMPENSATION RELATED</b>				
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
<b>TOTAL COMPENSATION RELATED</b>	<b>164,346</b>	<b>28,092</b>	<b>46,042</b>	<b>238,480</b>
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	4,166	130	56	4,352
Occupancy	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	2,705	6,760	509	9,974
Program expenses	420	-	-	420
Service charges	-	698	-	698
Telephone	1,915	305	555	2,775
Training	720	-	-	720
<b>TOTAL EXPENSES</b>	<b>\$ 231,814</b>	<b>\$ 72,228</b>	<b>\$ 65,638</b>	<b>\$ 369,680</b>

## VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
<b>COMPENSATION RELATED</b>				
Salaries	\$ 113,335	\$ 31,409	\$ 34,700	\$ 179,444
Payroll taxes	9,715	2,692	2,975	15,382
Worker's compensation insurance	1,361	276	489	2,126
<b>TOTAL COMPENSATION RELATED</b>	<b>124,411</b>	<b>34,377</b>	<b>38,164</b>	<b>196,952</b>
Accounting	-	25,011	-	25,011
Books	1,716	-	-	1,716
Community engagement	-	85	-	85
Depreciation	3,373	685	1,212	5,270
Dues and subscriptions	468	95	1,013	1,576
Insurance	1,201	244	432	1,877
IT hosting and support	12,509	2,074	6,244	20,827
IT security and communications	6,881	1,398	2,473	10,752
Marketing	2,466	-	1,254	3,720
Miscellaneous	460	1	41	502
Occupancy	20,113	4,085	7,228	31,426
Office supplies	3,305	613	978	4,896
Postage and delivery	1,183	14	1,424	2,621
Printing and reproduction	-	-	3,476	3,476
Professional development	341	786	94	1,221
Professional fees	3,185	810	531	4,526
Program expenses	5,929	618	1,093	7,640
Service charges	-	499	327	826
Telephone	1,272	258	457	1,987
Training	3,152	183	-	3,335
<b>TOTAL EXPENSES</b>	<b>\$ 191,965</b>	<b>\$ 71,836</b>	<b>\$ 66,441</b>	<b>\$ 330,242</b>



## VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (18,235)	\$ 2,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,399	5,270
Net realized and unrealized (gain) loss on investments	5,022	(5,571)
Donations of marketable securities	(30,804)	-
Paycheck Protection Program grant	-	(31,905)
(Increase) decrease in operating assets:		
Unconditional promises to give	(2,750)	28,250
Prepaid expenses	(710)	91
Employee Retention Credit	(57,467)	(22,243)
Deposit held in unemployment savings account	(1,213)	(1,013)
Increase (decrease) in operating liabilities:		
Accounts payable	(9,844)	11,222
Accrued expenses	(135)	(1,166)
Accrued payroll	1,291	1,250
Student equipment deposits	60	-
Reserve for unemployment claims	1,213	1,013
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(109,173)</b>	<b>(12,373)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(3,997)
Purchase of investments	(572)	(450)
Proceeds from sale of investments	4,537	202
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>3,965</b>	<b>(4,245)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(105,208)</b>	<b>(16,618)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>322,907</b>	<b>339,525</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 217,699</b>	<b>\$ 322,907</b>

See Independent Accountant's Review Report and Notes to Financial Statements

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****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, 2022 AND 2021****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, 2022 AND 2021

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

#### Promises to Give

Unconditional promises to give 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 the estimated amount to be ultimately realized. 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, 2022 and 2021, 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 statement of financial position. Purchases are recorded on the trade date. Realized gains and losses are determined on the basis of specific-lot identification. Unrealized gains and losses are included in the change in net assets in the statement 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. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. 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

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING  
POLICIES (Cont'd)**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).

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 received 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 statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied (see Note 17).

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Total advertising costs for the years ended June 30, 2022 and 2021 were \$2,483 and \$3,720, respectively.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement 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

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

Allocation of Functional Expenses (Cont'd)

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2021 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 from July 1, 2022 through December 20, 2022, 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, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and equivalents	\$ 217,699	\$ 322,907
Promises to give payments available for operations	15,000	12,250
Donor restricted financial assets	<u>(4,795)</u>	<u>(8,737)</u>
Total financial assets available within one year	<u>\$ 227,904</u>	<u>\$ 326,420</u>

At June 30, 2022 and 2021, the Organization has \$227,904 and \$326,420, 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

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Cont'd)**

unanticipated liquidity needs, the Organization has investments of \$25,302 available to support operations.

**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, 2022 and 2021 were \$1,380 and \$2,544, respectively.

**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Gross amounts due in less than one year	\$ <u>15,000</u>	\$ <u>12,250</u>

**NOTE 5 – EMPLOYEE RETENTION CREDIT**

During the year ended June 30, 2021, the Organization applied for a \$22,243 credit under the Employee Retention Credit, a refundable credit against certain payroll taxes established by the CARES Act. The amount was not expected to be received within one year and was therefore not considered a current asset at June 30, 2021. The credit was approved and the funds were received during the year ended June 30, 2022.

During the year ended June 30, 2022, the Organization applied for an additional \$79,710 credit under the Employee Retention Credit established by the CARES Act. The credit was approved and the funds were received shortly after year-end.

**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

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

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.

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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, 2022 AND 2021

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

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond mutual funds	\$ 3,003	\$ -	\$ -	\$ 3,003
Equity mutual funds	9,966	-	-	9,966
Beneficial interest in perpetual trust	-	-	15,000	15,000
	<u>\$ 12,969</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 27,969</u>

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

	<u>2022</u>	<u>2021</u>
BALANCE AT BEGINNING OF YEAR	\$ 15,000	\$ 12,054
Investment income (loss)	(1,899)	3,148
Management fees	(212)	(202)
BALANCE AT END OF YEAR	<u>\$ 12,889</u>	<u>\$ 15,000</u>

**NOTE 7 – INVESTMENTS**

Investments consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Bond mutual funds	\$ 6,640	\$ 3,003
Equity mutual funds	16,163	9,966
ETFs	4,150	-
Equities	5,331	-
Bonds	4,613	-
Beneficial interest in perpetual trust	<u>12,889</u>	<u>15,000</u>
Total	<u>\$ 49,786</u>	<u>\$ 27,969</u>

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**NOTE 7 – INVESTMENTS (Cont’d)**

**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, 2022 and 2021 is \$644 and \$750, 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, 2022 and 2021.

The following summarizes investment income for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>WITHOUT DONOR RESTRICTIONS</b>		
Interest and dividends	\$ 926	\$ 1,393
Net unrealized gain (loss)	<u>(2,752)</u>	<u>2,682</u>
	<u>\$ (1,826)</u>	<u>\$ 4,075</u>
<b>WITH DONOR RESTRICTIONS</b>		
Interest and dividends	\$ 371	\$ 260
Net realized gain	1,039	385
Net unrealized gain (loss)	(3,309)	2,504
Management fees	<u>(212)</u>	<u>(202)</u>
	<u>\$ (2,111)</u>	<u>\$ 2,947</u>

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Computers and equipment	\$ 34,253	\$ 34,253
Accumulated depreciation	<u>(30,343)</u>	<u>(25,944)</u>
	<u>\$ 3,910</u>	<u>\$ 8,309</u>

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**NOTE 8 – PROPERTY AND EQUIPMENT (Cont'd)**

Depreciation expense for the years ended June 30, 2022 and 2021 was \$4,399 and \$5,270, respectively.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restricted contributions	\$ 15,000	\$ 12,250
Restricted for technology upgrades	4,402	6,386
Restricted for instructional materials	-	2,250
Restricted for student grants	1,251	1,101
Restricted for staff support & well-being	142	-
Investment in perpetuity	<u>12,889</u>	<u>15,000</u>
Total	<u>\$ 33,684</u>	<u>\$ 36,987</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:

	<u>2022</u>	<u>2021</u>
Time restricted contributions	\$ 12,250	\$ 50,500
Restricted for technology upgrades	1,984	-
Restricted for legal assistance	-	5,000
Restricted for instructional materials	2,250	-
Restricted for data administrator position	-	3,000
Investment in perpetuity	<u>-</u>	<u>-</u>
Total	<u>\$ 16,484</u>	<u>\$ 58,502</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, 2022 and 2021.

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**NOTE 10 – RESERVE FUNDS OPERATING/CAPITAL RESERVE FUND  
(Cont'd)**

*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, 2022 and 2021 is \$10,610 and \$11,984, respectively.

**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 statement of activities for the years ending June 30, 2022 and 2021.

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, 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, 2022 AND 2021

**NOTE 11 – REVENUE RECOGNITION (Cont'd)**

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2021, is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Special Events	<u>\$ 25,893</u>	<u>\$ -</u>	<u>\$ 25,893</u>

**NOTE 12 – MAJOR CONTRIBUTORS**

The Organization received contributions from one donor totaling \$50,000 during the year ended June 30, 2021. These donations represented 15% of the Organization's revenue for the year ended June 30, 2021. There were no major donors for the year ended June 30, 2022.

**NOTE 13 – PAYCHECK PROTECTION PROGRAM**

The Organization was approved for a \$31,905 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and fully guaranteed by the Federal government.

During the year ended June 30, 2021, the loan was forgiven by the SBA and has been reported on the Statement of Activities as Paycheck Protection Program grant.

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**NOTE 14 – DONATED ASSETS AND SERVICES**

During the years ended June 30, 2022 and 2021, the Organization received the following non-cash donations of materials and services that have been reflected in the financial statements.

	2022			
	Program	General	Fundraising	Total
IT hosting and support	\$ 6,378	\$ 1,017	\$ 1,849	\$ 9,244
IT security and communications	7,022	1,120	2,035	10,177
Miscellaneous	-	-	300	300
Professional services	3,825	-	-	3,825
	<u>\$ 17,225</u>	<u>\$ 2,137</u>	<u>\$ 4,184</u>	<u>\$ 23,546</u>
	2021			
	Program	General	Fundraising	Total
IT hosting and support	\$ 7,841	\$ 1,592	\$ 2,818	\$ 12,251
IT security and communications	6,881	1,398	2,473	10,752
Professional services	22	-	-	22
Program expenses	5,314	617	1,093	7,024
	<u>\$ 20,058</u>	<u>\$ 3,607</u>	<u>\$ 6,384</u>	<u>\$ 30,049</u>

Donated materials and services of \$385 are included as revenue and expense in special events on the Statement of Activities for the year ending June 30, 2021.

**NOTE 15 – 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 \$2,328 and \$1,186 for the years ended June 30, 2022 and 2021, respectively.

## VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

#### NOTE 16 – LEASE COMMITMENT

In 2016, the Organization entered into an agreement to lease office equipment under an operating lease. The agreement required monthly payments of \$129 that expired in July 2021. During the year ended June 30, 2022, the Organization entered into a new 60-month lease agreement for office equipment that expires July 2026 and requires monthly of \$225. Lease expense for office equipment for the years ended June 30, 2022 and 2021 was \$1,254 and \$1,548, respectively.

During the year ended June 30, 2019, the Organization entered into a new lease agreement with the current landlord for continued used 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, 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. For the years ended June 30, 2022 and 2021, rent expense was \$27,239 and \$31,426, respectively.

Future minimum lease payments for all operating leases are as follows:

<u>Year ended June 30,</u>	
2023	\$ 31,600
2024	32,226
2025	27,740
2026	<u>1,575</u>
	<u>\$ 93,141</u>

#### NOTE 17 – 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 10,212 volunteer hours, valued at \$27.98 per hour, for total donated tutoring services of \$285,732 for the year ending June 30, 2022. 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, 2021, volunteer hours were estimated at 8,974 hours and valued at \$26.67 per hour, for a total of \$239,346. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

**VOLUNTEER ENGLISH PROGRAM IN CHESTER COUNTY, PENNSYLVANIA****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 18 – COVID-19 IMPACT**

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) that has since spread to countries throughout the world, including the United States. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 19, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every “non-life sustaining” business through June 26, 2020. In the interest of safety for employees and clients served, the Organization implemented procedures to operate virtually and in person as deemed necessary following applicable guidelines. As restrictions have been lifted, the Organization has been able to return to normal operations. Future impact will be determined based upon local and national requirements as the impact of the virus continues to change.