

THE DICTIONARY PROJECT
FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	6
Statements of cash flows	8
Notes to financial statements	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Dictionary Project
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of The Dictionary Project (a South Carolina nonprofit Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dictionary Project as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of The Dictionary Project as of December 31, 2020 were audited by other auditors whose report dated March 19, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Dictionary Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dictionary Project's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Boyum & Barescheer PLLP". The signature is written in a cursive, flowing style.

Boyum & Barescheer, PLLP
Minneapolis, Minnesota
April 12, 2022

THE DICTIONARY PROJECT
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 150,428	\$ 90,038
Contributions receivable	322,414	143,176
Contributions receivable - related party	-	300,000
Prepaid expenses	11,822	9,340
Total current assets	484,664	542,554
Non-current Assets		
Property and equipment, net	24,173	27,229
Intangible assets, net	73,933	218,420
Total non-current assets	98,106	245,649
Total assets	\$ 582,770	\$ 788,203
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 76,086	\$ 81,460
Accounts payable - related party	307,966	530,148
Accrued expenses	64,398	62,090
Deferred contributions	32,171	17,492
Total liabilities	480,621	691,190
NET ASSETS		
Without donor restrictions	102,149	97,013
Total net assets	102,149	97,013
Total liabilities and net assets	\$ 582,770	\$ 788,203

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 3,217,485	\$ -	\$ 3,217,485
Forgiveness of PPP Loan	23,187	-	23,187
Other income	1,322	-	1,322
Loss on impairment of intangible asset	(189,244)	-	(189,244)
<i>Total support and revenue</i>	3,052,750	-	3,052,750
EXPENSES			
Program services	2,909,286	-	2,909,286
Management and general	108,221	-	108,221
Fundraising	30,107	-	30,107
<i>Total expenses</i>	3,047,614	-	3,047,614
<i>Increase in net assets</i>	5,136	-	5,136
Net assets, beginning of year	97,013	-	97,013
<i>Net assets, end of year</i>	\$ 102,149	\$ -	\$ 102,149

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,796,279	\$ -	\$ 1,796,279
Other income	6,329	-	6,329
Loss on impairment of intangible asset	(100,454)	-	(100,454)
<i>Total support and revenue</i>	1,702,154	-	1,702,154
EXPENSES			
Program services	1,948,523	-	1,948,523
Management and general	117,450	-	117,450
Fundraising	45,157	-	45,157
<i>Total expenses</i>	2,111,130	-	2,111,130
<i>Decrease in net assets</i>	(408,976)	-	(408,976)
Net assets, beginning of year	505,989	-	505,989
<i>Net assets, end of year</i>	\$ 97,013	\$ -	\$ 97,013

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 132,267	\$ 19,295	\$ 4,046	\$ 155,608
Employee benefits	10,880	1,608	312	12,800
Payroll taxes	4,168	608	128	4,904
Total Personnel	147,315	21,511	4,486	173,312
Other Functional Expenses				
Dictionaries purchased	2,610,292	-	-	2,610,292
Computer & internet expenses	33,630	16,382	16,382	66,394
Credit card processing fees	50,068	-	-	50,068
Professional fees	8,480	36,531	443	45,454
Rent	18,000	18,000	-	36,000
Telephone	11,061	-	-	11,061
Printing and reproduction	5,162	-	3,917	9,079
Insurance	3,024	6,013	16	9,053
Depreciation expense	3,436	3,435	-	6,871
Office expenses	5,586	794	192	6,572
Travel and meetings	3,066	1,292	2,042	6,400
Delivery and freight	3,176	-	2,118	5,294
Bad debt expense	4,604	-	-	4,604
Miscellaneous	-	3,752	-	3,752
Amortization expense	2,386	511	511	3,408
Total Other Functional Expenses	2,761,971	86,710	25,621	2,874,302
<i>Total functional expenses</i>	\$ 2,909,286	\$ 108,221	\$ 30,107	\$ 3,047,614
Percent of total expenses	95%	4%	1%	100%

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 144,462	\$ 20,090	\$ 7,228	\$ 171,780
Employee benefits	13,770	2,009	421	16,200
Payroll taxes	11,122	1,547	556	13,225
Total Personnel	169,354	23,646	8,205	201,205
Other Functional Expenses				
Dictionaries purchased	1,605,500	-	-	1,605,500
Computer & internet expense	53,177	22,797	22,797	98,771
Professional fees	22,858	33,528	2,465	58,851
Credit card processing fees	37,082	-	-	37,082
Rent	18,000	18,000	-	36,000
Travel and meetings	7,027	5,394	3,221	15,642
Printing and reproduction	5,071	-	5,424	10,495
Telephone	10,412	-	-	10,412
Insurance	2,732	5,543	40	8,315
Office expenses	5,624	893	293	6,810
Depreciation expenses	2,928	2,927	-	5,855
Delivery and freight	3,302	-	2,201	5,503
Miscellaneous	-	4,211	-	4,211
Amortization expense	2,386	511	511	3,408
Bad debt expense	3,070	-	-	3,070
Total Other Functional Expenses	1,779,169	93,804	36,952	1,909,925
<i>Total functional expenses</i>	\$ 1,948,523	\$ 117,450	\$ 45,157	\$ 2,111,130
Percent of total expenses	92%	6%	2%	100%

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,136	\$ (408,976)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	4,604	3,070
Depreciation and amortization	10,278	9,263
Loss on impairment of intangible asset	189,244	100,454
Changes in assets and liabilities:		
Contributions receivable	(183,842)	137,699
Contributions receivable - related party	300,000	200,000
Prepaid expenses	(2,482)	(2,542)
Accounts payable	(5,374)	(8,678)
Accounts payable - related party	(222,182)	(90,306)
Accrued expenses	2,308	(2,183)
Deferred contributions	14,679	(412)
<i>Net cash provided (used) by operating activities</i>	112,369	(62,611)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,814)	(28,561)
Purchase of intangible assets	(48,165)	(38,582)
<i>Net cash used by investing activities</i>	(51,979)	(67,143)
<i>Net increase (decrease) in cash</i>	60,390	(129,754)
Cash and cash equivalents, beginning of year	90,038	219,792
<i>Cash and cash equivalents, end of year</i>	\$ 150,428	\$ 90,038

The Notes to Financial Statements are an integral part of these statements.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Dictionary Project (“the Organization”) was formed in May 1995 as an eleemosynary association with a mission to ensure that everyone will be able to enjoy the benefits of owning a dictionary. This program assists people in becoming good writers, better readers, creative thinkers, and resourceful learners by providing them with their own personal dictionary. Educators see third grade as the dividing line between learning to read and reading to learn. A dictionary is an essential tool for a quality education. A child cannot do his or her best work without one. Since its implementation in 1995, approximately 34.66 million individuals have received dictionaries because thousands of people saw the same need in communities all over the United States. The Organization is supported by sponsors and volunteers who fund this program and present dictionaries to the students where they live. Many sponsors are also taking the Dictionary Project beyond the United States to help improve literacy worldwide.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Accounting Standards Codification (ASC) 958*. Under *ASC 958, Financial Statements of Not-for-Profit Organizations*, The Dictionary Project is required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of time, purpose, or perpetual restrictions.

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. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents.

At times, the amounts on deposit in banks might exceed the insurance limit of the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Contributions receivable:

Contributions receivable are reported at the amount management expects to collect from outstanding balances. Based on prior years' experience and management's analysis of specific promises made, management felt that there was no need for an allowance for the years ended December 31, 2021 and 2020. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to receivables. Bad debt expense totaled \$4,604 and \$3,070 for the years ended December 31, 2021 and 2020, respectively.

Revenue recognition for contributions received and contributions made:

The Organization follows ASC 958-605, Not-For-Profit Entities – Revenue Recognition for the majority of its revenue since the Organization primarily receives contributions.

Contribution revenue:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions are recognized once they become unconditional. The Organization considers conditional donations received to have their donor specified condition satisfied upon shipment of the dictionaries by the publisher directly to the sponsor specified location. The Organization also considers its Paycheck Protection Program (“PPP”) funds as a conditional contribution and therefore recognized a contribution when all conditions were met, which management has determined to be upon forgiveness of the loan from the bank.

Contributions with donor restriction, for which the donor has stipulated a time or purpose requirement to be met, are reported as increase in net assets without restriction if the restrictions expire in the year in which the contributions are recognized. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions. Net assets for which a time or purpose restriction expires during the year are reclassified as net assets without donor restrictions. The majority of the Organization's contributions are conditional contributions with donor restrictions, where the restrictions are simultaneously released when the conditions have been met and the revenue is recognized. Therefore, there are no net assets with donor restrictions as of December 31, 2021 or 2020.

Deferred contributions:

The Organization records a liability when they have received a conditional contribution for a donor specified project that they are not able to fulfill until the following fiscal year.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Donated goods and services:

In-kind donations are recorded as contributions at their estimated fair values at the date of receipt. The Organization recognized no in-kind contributions for the years ended December 31, 2021 and 2020.

Donated services are recognized as contributions in accordance with ASC 958 – 605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided many hours in program services and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

Property and equipment:

The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Useful lives of property and equipment range from 3 to 7 years.

Intangible assets:

Intangible assets subject to amortization include website development costs, which are being amortized on a straight-line basis over 3 years. The Organization reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset.

Advertising:

Advertising costs are expensed as incurred. There were no advertising costs for the years ended December 31, 2021 and 2020.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Income taxes:

The Dictionary Project is exempt from federal and state taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and similar state statutes, and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2021 and 2020, the accompanying financial statements do not include any provision for federal or state income taxes.

The Organization's filings with the Internal Revenue Service are subject to audit. The information returns for the past three years are open to examination. Management has evaluated its tax positions and has concluded that they do not result in anything that would require either recording or disclosure in the financial statements based on the criteria set forth in Accounting Standards Codification (ASC) section 740.

Reclassifications:

Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 financial statement presentation. Such reclassifications have no effect on net assets as previously reported.

Recently Issued Accounting Pronouncements:

In February 2016, FASB issued ASU No. 2016-02 Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires entities to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2021 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

Functional allocation of expenses:

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs that are not directly identifiable with one functional area have been allocated among the program and supporting services benefited. Payroll-related costs are allocated based on estimates of how employees spend their time and other costs are allocated based on the best estimates of the Organization's management.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CONTRIBUTIONS RECEIVABLE

Total contributions receivable consist of the following:

DECEMBER 31,	2021	2020
Contributions receivable due in less than one year	\$ 322,414	\$ 143,176
Related party due in less than one year	-	300,000
<i>Total contributions receivable</i>	\$ 322,414	\$ 443,176

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

DECEMBER 31,	2021	2020
Vehicles	\$ 55,876	\$ 55,876
Computers and printers	19,500	15,686
Furniture and fixtures	2,326	2,326
Leasehold improvements	1,264	1,264
<i>Total property and equipment, at cost</i>	78,966	75,152
Less accumulated depreciation	(54,793)	(47,923)
<i>Net property and equipment</i>	\$ 24,173	\$ 27,229

Depreciation expense for the years ended December 31, 2021 and 2020 was \$6,871 and \$5,855, respectively.

NOTE 4. INTANGIBLE ASSETS

Intangible assets consisted of the following:

DECEMBER 31,	2021	2020
Website	\$ 72,796	\$ 72,796
Website in process	73,365	214,444
<i>Total intangible assets, at cost</i>	146,161	287,240
Less accumulated amortization	(72,228)	(68,820)
<i>Net intangible assets</i>	\$ 73,933	\$ 218,420

Amortization expense related to the website for the years ended December 31, 2021 and 2020 was \$3,408 and \$3,408, respectively. During the years ended December 31, 2021 and 2020, the Organization recognized impairment loss of \$189,244 and \$100,454, respectively.

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONCENTRATIONS

During the years ended December 31, 2021 and 2020, the Organization purchased \$2,600,937 (99.6%) and \$1,594,179 (99.3%) of the distributed dictionaries from two major suppliers, one of which is a for-profit corporation owned by the Executive Director referred to in Note 6. As of December 31, 2021 and 2020, \$362,164 (94.3%) and \$601,879 (98.4%) of the accounts payable balance was owed to these two major suppliers.

NOTE 6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the Organization purchased 81.0% and 84.0% of the distributed dictionaries from a for-profit corporation owned by the Executive Director. For the years ended December 31, 2021 and 2020, the Organization purchased dictionaries totaling \$2,114,210 and \$1,345,554, respectively, from the for-profit corporation. As of December 31, 2021 and 2020, \$307,966 (80.2%) and \$530,148 (86.7%) of the accounts payable balance was owed to the for-profit corporation.

The Organization leases office space from the Executive Director. The lease agreement is a one year lease and provides for monthly rental payments of \$3,000 and is renewed automatically each year unless terminated by either party. For the years ended December 31, 2021 and 2020, the Organization paid \$36,000 in annual rent.

As of December 31, 2021 and 2020, contributions receivable from the Executive Director were \$0 and \$300,000, respectively.

NOTE 7. LIQUIDITY

The Organization's working capital and cash flows have variations throughout the year attributable to the timing of sponsored dictionary donations. The majority of the Organization's cash flows are tied directly to these dictionary donations. The contributions generated by sponsored projects provide financial assets sufficient to cover the outflows required for the cost of dictionaries plus provide for other general expenses. To manage liquidity, the Organization evaluates cash on a regular basis as part of the monthly financial statement review, and estimates cash needs based on budgeted and current expenses.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

DECEMBER 31,	2021	2020
Cash and cash equivalents	\$ 150,428	\$ 90,038
Contributions receivable	322,414	143,176
Current portion of contributions receivable - related party	-	300,000
<hr/>		
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	\$ 472,842	\$ 533,214

THE DICTIONARY PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 8. SUBSEQUENT EVENTS AND UNCERTAINTY

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 12, 2022, the date the financial statements were available to be issued.

Uncertainty:

There continues to be unprecedented uncertainty surrounding the duration of the COVID-19 pandemic, its potential economic ramifications, and government actions to mitigate them. The Organization has been able to maintain operations during the pandemic although at a significantly reduced volume during 2020. Donor sponsored projects have picked back up in 2021, but not to pre-pandemic levels. The Organization obtained a Paycheck Protection Program (PPP) loan through the Small Business Administration to fund operations through the COVID-19 pandemic in the amount of \$23,187 on March 12, 2021. The Organization applied for and received approval for forgiveness on September 10, 2021.

Additionally, subsequent to December 31, 2021, uncertainty exists around supply chain issues and could have a material effect on the Organization's ability to have dictionaries printed and shipped to recipients in a timely manner.

Accordingly, while management cannot quantify the financial and other impact to the Organization as of December 31, 2021, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.