

BRANDWORKERS INTERNATIONAL, INC

FINANCIAL STATEMENTS

DECEMBER 31, 2018

BRANDWORKERS INTERNATIONAL, INC

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Brandworkers International, Inc.
New York, New York

I have audited the accompanying financial statements of Brandworkers International, Inc., which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandworkers International, Inc. as of December 31, 2018, 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.

Paul Soobramaniam, CPA, PLLC

New York, New York

October 28, 2019

BRANDWORKERS INTERNATIONAL, INC
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

Assets

Cash and cash equivalents	\$ 271,553
Grants and donations receivable	91,074
Security deposit	<u>3,048</u>
Total assets	<u><u>\$ 365,675</u></u>

Liability and Net Assets

Liability

Accounts payable and accrued expenses	\$ <u>108,199</u>
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Net Assets

Without donor restrictions	152,476
With donor restrictions	<u>105,000</u>
Total	<u>257,476</u>

Total liability and net assets	<u><u>\$ 365,675</u></u>
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See accompanying notes to financial statements.

BRANDWORKERS INTERNATIONAL, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<u>Revenue and support</u>			
Grants and contributions	\$ 46,249	410,000	456,249
LWC grants		359,557	359,557
Fundraising event - net	114,652		114,652
Others	<u>4,225</u>		<u>4,225</u>
Sub-total	<u>165,126</u>	<u>769,557</u>	<u>934,683</u>
Release from restriction:			
Satisfaction of program restriction	<u>932,424</u>	<u>(932,424)</u>	<u>-</u>
Total revenue	<u>1,097,550</u>	<u>(162,867)</u>	<u>934,683</u>
<u>Expenses</u>			
Program services	753,085		753,085
General and administration	74,978		74,978
Fundraising	<u>195,835</u>		<u>195,835</u>
Total expenses	<u>1,023,898</u>		<u>1,023,898</u>
Change in net assets	73,652	(162,867)	(89,215)
Net assets at beginning of year	<u>78,824</u>	<u>267,867</u>	<u>346,691</u>
Net assets at end of year	<u><u>152,476</u></u>	<u><u>105,000</u></u>	\$ <u><u>257,476</u></u>

See accompanying notes to financial statements.

BRANDWORKERS INTERNATIONAL, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 250,782	43,847	143,844	438,473
Payroll taxes and fringes	<u>73,068</u>	<u>7,007</u>	<u>20,019</u>	<u>100,094</u>
Total personnel	323,850	50,854	163,863	538,567
Professionals and contractors	21,289	11,167	14,193	46,649
Office supplies and expenses	7,353	1,022	2,116	10,491
Events and meetings	8,366		2,773	11,139
Occupancy	30,107	7,013	7,014	44,134
Workers relief	609			609
Program expenses - LWC	359,472			359,472
Dues, fees and subscription	150		4,588	4,738
Insurance		4,697		4,697
Postage and shipping	21	171	157	349
Printing and copying	107	54	376	537
Travel	<u>1,761</u>		<u>755</u>	<u>2,516</u>
Total expenses	<u>\$ 753,085</u>	<u>74,978</u>	<u>195,835</u>	<u>1,023,898</u>

See accompanying notes to financial statements.

BRANDWORKERS INTERNATIONAL, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities

Change in net assets	\$ <u>(89,215)</u>
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Adjustments to reconcile change in net assets to cash flows

Increase in contributions receivable	(91,074)
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Decreased in prepaid expense	2,500
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Increase in security deposit	(138)
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Increase in accounts payable and accrued expenses	<u>97,750</u>
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Total adjustments	<u>9,038</u>
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Net cash used in operating activities represents a net decrease in cash	(80,177)
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Cash and cash equivalents at beginning of year	<u>351,730</u>
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Cash and cash equivalents at end of year	\$ <u><u>271,553</u></u>
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See accompanying notes to financial statements.

BRANDWORKERS INTERNATIONAL, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 Organization

Brandworkers International, Inc. (the “Organization”) was incorporated in 2009 under Section 402 of the New York Not-For-Profit Corporation Law. It was established to assist retail, food and allied workers to assert their rights and improve the living and working conditions of workers and their families.

Funding of the Organization’s programs is provided through private and individual sources.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State code.

Note 2 Significant accounting policies
Financial Statement Presentation

Adoption of new accounting standard:

During 2018, Brandworkers International adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU modified the current guidance over several criteria, of which the following affected Brandworkers International financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions” as opposed to the previous requirement of three classes of net assets (see page 8)
- Qualitative and quantitative information relating to the management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see page 10)
- An explanation of the methods used to allocate costs among programs and supporting functions (see page 8)

The adoption of this ASU did not impact Brandworkers International net assets balance, change in net assets, or cash flows for year ended December 31, 2018.

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

BRANDWORKERS INTERNATIONAL, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 Significant accounting policies (continued)

Revenue Recognition

Revenue from unrestricted grants and contribution is recorded as without donor restrictions revenue and net assets when unconditionally pledged or received. Fundraising and special events revenue is recognized as revenue when the event occurs. Revenue from restricted grants is recorded as with donor restrictions revenue and net assets when conditionally pledged or received. Transfers are made to without donor restrictions revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed.

All other revenue is recorded when earned.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel, related costs, and expenses which are based on the basis of time and effort.

Net Assets

Net Assets Without Donor Restrictions - Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

The Organization's net assets without donor restrictions as of December 31, 2018 was \$152,476 which came mainly from private donations and contributions.

Net Assets With Donor Restrictions - Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted), and any amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment can be spent.

The Organization's net assets with donor restrictions as of December 31, 2018 was \$105,000 were grants restricted for program purposes in the following year.

Grants and Contribution

All contributions are considered to be available for unrestricted use unless specifically restricted by the grantor.

BRANDWORKERS INTERNATIONAL, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 Significant accounting policies (continued)

Cash and cash equivalents

Cash is primarily consisted of cash held in checking and saving accounts at major financial institutions. The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the property or equipment. The Organization capitalizes any asset it determines will be maintained for an extended period of time using the straight line method over five years.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, grants and contract and program fees receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments. This measurement has remained the same as in prior years.

Subsequent Events – Management has evaluated subsequent events and transactions that occurred after the statement of financial position date through October 28, 2019 the financial statement issuance date. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

Note 3 Commitment

The Organization occupies office space under operating leases expiring on a year to year basis May 2019. The lease agreement calls for future minimal rental payments of \$14,440.

BRANDWORKERS INTERNATIONAL, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 Concentration

Financial instruments that potentially subject the Organization to concentration risk consist principally of cash deposits. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at each institution. Currently, the FDIC insures accounts for up to \$250,000 per depositor. Management believes the exposure to credit risk is minimal.

Note 5 Pension plan

In 2018, the Organization has set up a defined contribution 401(k) plan for its full-time employees and makes a contribution which equals to 4% of annual salaries. For the year ending December 31, 2018, total pension cost was \$13,619 for all eligible employees.

Note 6 Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year from the statement of financial position date for general operating purposes are as follows as of December 31, 2018:

Cash and cash equivalents	\$271,553
Grants and donations receivable	<u>91,074</u>
Total	<u>\$362,627</u>

Financial assets available to meet cash needs for general expenditures within one year	\$362,627
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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7 Grants and donations receivable

At December 31, 2018, grants and donations receivable of \$91,074 were due from private and individual sources. All receivables were due within one year.

Note 8 Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

BRANDWORKERS INTERNATIONAL, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 9 Income taxes

Brandworkers International accounts for uncertainty in income taxes in accordance with *ASC topic, Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2018. However, the Organization's informational returns for 2015, 2016 and 2017 are subject to examinations by Federal and State jurisdictions.