



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Cincinnati Works, Inc.

Financial Statements

December 31, 2022 and 2021

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cincinnati Works, Inc.

Opinion

We have audited the accompanying financial statements of Cincinnati Works, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Cincinnati Works, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Works, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 for 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 Cincinnati Works, Inc.'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 Cincinnati Works, Inc.'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 audits.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 7, 2023

Cincinnati Works, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 685,362	1,280,987
Investments	2,167,133	2,379,209
Accounts receivable	651,284	508,374
Contributions receivable, net	1,120,474	925,903
Prepaid expenses and other assets	31,742	52,126
Furniture and equipment, net	144,844	233,504
Operating right-of-use assets	<u>898,076</u>	<u>-</u>
Total assets	\$ <u>5,698,915</u>	<u>5,380,103</u>
 Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 29,693	15,919
Accrued expenses	49,767	39,141
Lease liabilities	<u>910,676</u>	<u>-</u>
Total liabilities	<u>990,136</u>	<u>55,060</u>
 Net assets:		
Without donor restrictions	2,367,344	3,142,398
With donor restrictions	<u>2,341,435</u>	<u>2,182,645</u>
Total net assets	<u>4,708,779</u>	<u>5,325,043</u>
Total liabilities and net assets	\$ <u>5,698,915</u>	<u>5,380,103</u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Contributions and grants	\$ 1,452,645	1,383,838
Investment return, net	(399,509)	144,449
Contributed goods and services	134,569	135,120
Employer fees	855,893	603,921
Other income	39,711	1,014,458
Net assets released from restrictions	<u>1,946,050</u>	<u>2,348,161</u>
Total revenues and other support	<u>4,029,359</u>	<u>5,629,947</u>
Expenses:		
Workforce development	2,039,187	2,102,370
Workforce connection	1,149,439	947,058
Transportation	<u>37,015</u>	<u>152,912</u>
Total program services	<u>3,225,641</u>	<u>3,202,340</u>
Management and general	1,156,008	949,868
Fundraising	<u>422,764</u>	<u>471,628</u>
Total support services	<u>1,578,772</u>	<u>1,421,496</u>
Total expenses	<u>4,804,413</u>	<u>4,623,836</u>
Change in net assets without donor restrictions	<u>(775,054)</u>	<u>1,006,111</u>
Changes in net assets with donor restrictions		
Revenues and other support:		
Other contributions and grants	2,104,840	2,513,176
Net assets released from restrictions	<u>(1,946,050)</u>	<u>(2,348,161)</u>
Change in net assets with donor restrictions	<u>158,790</u>	<u>165,015</u>
Change in net assets	(616,264)	1,171,126
Net assets, beginning of year	<u>5,325,043</u>	<u>4,153,917</u>
Net assets, end of year	\$ <u><u>4,708,779</u></u>	<u><u>5,325,043</u></u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Program</u>						
	<u>Workforce Development</u>	<u>Workforce Connection</u>	<u>Transportation</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, wages and benefits	\$ 1,669,296	982,756	19,863	2,671,915	739,340	261,350	3,672,605
Occupancy and utilities	130,195	79,125	2,525	211,845	164,133	20,249	396,227
Equipment and supplies	43,903	17,049	-	60,952	15,952	5,012	81,916
Professional services	76,413	17,307	-	93,720	187,522	78,217	359,459
Direct job seeker and advancement	95,155	21,917	-	117,072	-	-	117,072
Marketing	8,212	7,902	-	16,114	488	38,224	54,826
Bad debt expense	-	-	-	-	-	15,000	15,000
Other	16,013	23,383	14,627	54,023	48,573	4,712	107,308
	<u>\$ 2,039,187</u>	<u>1,149,439</u>	<u>37,015</u>	<u>3,225,641</u>	<u>1,156,008</u>	<u>422,764</u>	<u>4,804,413</u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program</u>						
	<u>Workforce Development</u>	<u>Workforce Connection</u>	<u>Transportation</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, wages and benefits	\$ 1,616,562	792,738	98,769	2,508,069	620,866	298,875	3,427,810
Occupancy and utilities	132,571	65,781	8,862	207,214	142,550	24,602	374,366
Equipment and supplies	37,252	16,818	-	54,070	9,754	4,771	68,595
Professional services	44,836	26,702	-	71,538	133,927	46,501	251,966
Direct job seeker and advancement	131,013	15,194	-	146,207	-	-	146,207
Marketing	128,899	18,840	-	147,739	444	59,490	207,673
Bad debt expense	-	-	-	-	-	34,000	34,000
Other	11,237	10,985	45,281	67,503	42,327	3,389	113,219
	<u>\$ 2,102,370</u>	<u>947,058</u>	<u>152,912</u>	<u>3,202,340</u>	<u>949,868</u>	<u>471,628</u>	<u>4,623,836</u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (616,264)	1,171,126
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Discount on contributions receivable	8,676	1,635
Depreciation	90,410	98,498
Amortization of operating right-of-use assets	219,530	-
Change in operating lease liabilities	(206,930)	-
Net realized and unrealized (gain) loss on investments	400,069	(100,367)
Gain on disposal of fixed assets	(6,076)	-
Bad debt expense	15,000	34,000
Changes in assets and liabilities:		
Accounts receivable	(142,910)	(355,542)
Contributions receivable	(218,247)	304,086
Prepaid expenses and other assets	20,384	(19,739)
Accounts payable	13,774	(7,164)
Accrued expenses	<u>10,626</u>	<u>(24,567)</u>
Net cash provided (used) by operating activities	<u>(411,958)</u>	<u>1,101,966</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(30,194)	(61,079)
Purchases of investments	(1,845,992)	(4,368,948)
Sales and maturities of investments	1,657,999	3,141,594
Proceeds from sale of fixed assets	<u>34,520</u>	<u>-</u>
Net cash used by investing activities	<u>(183,667)</u>	<u>(1,288,433)</u>
Net change in cash and cash equivalents	(595,625)	(186,467)
Cash and cash equivalents at beginning of year	<u>1,280,987</u>	<u>1,467,454</u>
Cash and cash equivalents at end of year	\$ <u>685,362</u>	<u>1,280,987</u>
Supplemental cash flow disclosures of non-cash activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ <u>1,117,606</u>	<u>-</u>

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS:

Cincinnati Works, Inc. (the "Organization") is a not-for-profit corporation serving the Greater Cincinnati community, whose mission is to partner with all willing and capable people living in poverty to assist them in advancing to economic self-sufficiency through employment. The Organization's revenue and other support are derived principally from contributions and grants.

The Organization serves the Greater Cincinnati community through its Workforce Development programs that provide job seekers with soft skills, access to employers, and lifetime coaching to be successful, promotable employees.

Workforce Connection is a fee-based service that assists local employers and their employees to improve employee retention through the use of on-site employment coaches that facilitate job retention services, work supports, education and training.

The Organization provided fee-based transportation services to assist its members to reach employer partner locations that lie beyond traditional bus lines. This program was discontinued in 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Adoption of new accounting standard

During 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction is relevant for the pattern of expense recognition in the statement of activities. This standard has been applied using the modified retrospective method with the effective date option for all leases existing at January 1, 2022, the date of initial application. Consequently, financial information will not be updated, and disclosures required under ASC 842 will not be provided for periods before January 1, 2022.

During 2022, the Organization adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*. The standard requires contributed nonfinancial assets be presented as a separate line item in the statements of activities, apart from contributions of cash and other financial assets, and enhanced disclosures including the Organization's policy for valuation and monetization of contributed non-financial assets and any donor-restrictions attached to the assets. This standard has been applied retrospectively.

Basis of presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization, or the passage of time. Certain net assets are subject to donor-imposed stipulations that must be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general purposes.

Revenue recognition

Contributions, including certain grants from foundations, corporations, and government agencies, are recorded in the appropriate net asset class when the promise to give is received. For grants where the receipt of payment is conditional, revenue is recognized as contractual services are performed and the eligible expenses are incurred. When a donor stipulated time or purpose restriction ends, 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. Gifts and investment income with donor-imposed restrictions for which the restriction is met in the same period are recorded as with donor restriction and then released from restriction.

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and the creditworthiness of the donor. No allowance was deemed necessary in 2022 or 2021.

The Organization records contributed social worker and information technology services. Contributed services are recognized at the estimated fair value based upon rates provided by the donor or similar services and are only recorded if they create or enhance non-financial assets or require specialized services. For the years ended December 31, 2022 and 2021, contributed services did not have donor-imposed restrictions.

The Organization's revenue from contracts with customers are included in employer fees on the statements of activities and consists of revenue earned for ongoing services provided to other organizations related to coaching and mentoring. Contracts typically have short durations and are considered to be earned over a period of time. Revenue is earned and billed when the performance obligation of the contract is completed. The Organization's accounts receivable at January 1, 2021 was \$186,832.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains cash in deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Cash in excess of federally insured limits is approximately \$128,000 and \$1,231,000 on December 31, 2022 and 2021, respectively.

Accounts receivable

Accounts receivable are stated at the original invoiced amount less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Organization believes all receivables are fully collectible at December 31, 2022 and 2021.

Investments

Investments in marketable and debt securities with readily determinable fair values are reported at their fair values in the statements of financial position. Dividends, interest income, realized gains and losses on security transactions, unrealized holding gains or losses on investments and investment expenses are included as investment return on the statements of activities.

Furniture and equipment

The Organization's policy is to capitalize furniture and equipment purchased or donated having a cost in excess of \$1,000. All items are recorded at cost less accumulated depreciation. Computer equipment, software and licenses are depreciated on a straight-line basis over a three-year period. Furniture is depreciated on a straight-line basis over a five-year period.

Income taxes

The Organization is exempt from federal income tax under Internal Revenue Code (the "Code") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the benefited programs and supporting services based on direct identification, time studies and other methods. The following functional expense categories are allocated based on monthly time studies: salaries, wages and benefits, occupancy and utilities, equipment and supplies, marketing, and other expenses.

Concentration of credit risk

Concentrations within revenue and receivables exist when an individual donor equals or exceeds 10% of total contribution revenue and receivables, respectively. During 2022, two donors accounted for 32% of total contribution revenue and four donors accounted for 72% of total contributions receivable. During 2021, three donors accounted for 54% of total contribution revenue and four donors accounted for 73% of total contributions receivable.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements considered events through March 7, 2023, the date on which the financial statements were available to be issued.

3. CONTRIBUTIONS RECEIVABLE, NET:

Contributions receivable at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 863,326	730,580
Due in one to five years	<u>268,000</u>	<u>197,499</u>
	1,131,326	928,079
Less unamortized discount at 4.41% and .97%	<u>10,852</u>	<u>2,176</u>
	<u>\$ 1,120,474</u>	<u>925,903</u>

4. FURNITURE AND EQUIPMENT:

Furniture and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture	\$ 144,911	142,684
Software	188,145	190,339
Equipment	<u>120,426</u>	<u>165,890</u>
	453,482	498,913
Less accumulated depreciation	<u>308,638</u>	<u>265,409</u>
Furniture and equipment, net	<u>\$ 144,844</u>	<u>233,504</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions exist for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time	\$ 194,500	371,250
Subject to expenditures for specific purpose:		
Workforce Development	707,372	742,023
Workforce Connection	300,625	-
Transportation	-	3,903
Other	<u>103,472</u>	<u>30,003</u>
	1,305,969	1,147,179
Investment held in perpetuity	<u>1,035,466</u>	<u>1,035,466</u>
Total net assets with donor restrictions	<u>\$ 2,341,435</u>	<u>2,182,645</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time. A summary of restrictions satisfied is as follows for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Time restriction expired	\$ 185,750	647,750
Satisfaction of purpose restrictions:		
Workforce Development	1,222,678	1,170,813
Workforce Connection	373,549	249,915
Transportation	3,903	36,097
The Network	-	83,396
Other	<u>160,170</u>	<u>160,190</u>
	<u>1,760,300</u>	<u>1,700,411</u>
Total net assets released from donor restrictions	<u>\$ 1,946,050</u>	<u>2,348,161</u>

6. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs for the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value methods and assumptions on investments consisting of cash and cash equivalents, fixed income and mutual funds are valued on Level 1 inputs.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Organization's assets at December 31, 2022 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	<u>Total</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 61,030	61,030	-	-
Fixed income funds	727,489	727,489	-	-
Equity funds:				
Large cap global and domestic	928,957	928,957	-	-
Small and mid-cap domestic	228,490	228,490	-	-
Developing international	149,829	149,829	-	-
Emerging markets	<u>71,338</u>	<u>71,338</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,167,133</u>	<u>2,167,133</u>	<u>-</u>	<u>-</u>

The following table presents the Organization's assets at December 31, 2021 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	<u>Total</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 570,239	570,239	-	-
Fixed income funds	578,997	578,997	-	-
Equity funds:				
Large cap global and domestic	712,718	712,718	-	-
Small and mid-cap domestic	172,433	172,433	-	-
Developing international	220,502	220,502	-	-
Emerging markets	<u>124,320</u>	<u>124,320</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,379,209</u>	<u>2,379,209</u>	<u>-</u>	<u>-</u>

7. ENDOWMENT FUNDS:

Financial Accounting Standards Board (FASB) guidance requires that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment consists of funds established to provide income to support operations. Its endowment includes donor-restricted funds.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization and the investment policies of the Organization.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth of principal without undue exposure to risk. The return objective shall be accomplished using a balanced strategy of equity, fixed income securities, mutual funds and cash equivalents. The performance objectives will be measured against appropriate industry benchmarks such as the MSCI ACWI Net Index, Bloomberg Barclay’s Global Aggregate Index and Bank of America 91-day Treasury Bill Index.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy to allow management the flexibility to draw a maximum of 4.5% of its endowment funds’ average fair value over the trailing 12 quarters. The formula is applied to the twelve calendar quarters ending June 30 prior to the December 31, year end in question. The Organization will begin drawing funds from the endowment in 2023.

Changes in endowment assets are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Endowment assets at beginning of year	\$ 1,108,614	72,941
Net investment return	(172,984)	29,582
Contributions	<u> -</u>	<u>1,006,091</u>
Endowment assets at end of year	\$ <u>935,630</u>	<u>1,108,614</u>

Endowment assets that are permanently restricted at December 31, 2022 and 2021 are \$1,035,466.

8. OFFICE LEASES:

The Organization leases office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Since the Organization's lease does not provide an implicit interest rate to determine the present value of lease payments, management uses the risk-free rate available at the lease commencement which was 1.37%. The Organization recognized an operating lease right-of-use asset and related lease liability of \$1,081,614 at January 1, 2022. The lease ends December 31, 2026 and provides the option to renew two three-year periods. Due to the changing needs of the community the Organization serves, it is unknown at this time if the renewal options will be exercised. The Organization has elected to implement the practical expedient of not separating lease components from nonlease components.

The Organization leases office equipment under a noncancelable operating lease which will terminate November 15, 2025. Based on an estimated discount rate of 1.37%, the Organization recognized an operating lease right-of-use asset and related lease liability of \$35,992 at January 1, 2022.

Rent expense for 2022 and 2021 totaled \$233,293 and \$205,240, respectively. The Organization's weighted average remaining lease term at December 31, 2022 is 3.97 years.

The following is a schedule of future minimum lease payments for the years ended December 31:

2023	\$ 226,713
2024	233,153
2025	238,806
2026	<u>236,880</u>
	935,552
Present value discount	<u>(24,876)</u>
Total lease liabilities	\$ <u>910,676</u>

During 2022 and 2021, a former board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling \$7,795 and \$8,734, respectively.

9. RETIREMENT PLAN:

The Organization has a defined contribution plan (the "Plan") covering substantially all employees. Under the terms of the Plan, the Organization has the discretion to make contributions to the Plan. In addition, employees may elect to participate in the salary deferral portion of the Plan. Participants vest in employer contributions at a rate of 33.3% each year and are fully vested after three years. During 2022 and 2021, employer contributions totaled \$148,115 and \$143,510, respectively.

10. LIQUIDITY:

The goal of the Organization is generally to maintain financial assets to meet at least 90 days of operating expenses. The Organization is substantially supported by contributions and grants and invests excess cash in short-term investment accounts to earn interest.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 685,362	1,280,987
Investments	2,167,133	2,379,209
Accounts receivable	651,284	508,374
Contributions receivable, current	<u>863,326</u>	<u>730,580</u>
Financial assets available at year-end	<u>4,367,105</u>	<u>4,899,150</u>
Less those unavailable for general expenditures within one year due to:		
Contributions receivable with purpose restrictions	250,000	-
Donor restricted endowment	1,035,466	1,035,466
Cash with donor restrictions	<u>229,722</u>	<u>255,661</u>
	<u>1,515,188</u>	<u>1,291,127</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,851,917</u>	<u>3,608,023</u>

11. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION CREDIT:

On May 6, 2020, in response to the outbreak of COVID-19, the Organization entered into a loan of \$565,300 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The loan bears interest at 1% and is due on May 6, 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. The loan is considered a conditional contribution in accordance with Accounting Standards Update (ASU) ASU 2018-08, which also encompasses cancellation of liabilities. During 2020, the Organization incurred qualifying expenses of \$565,300 and recognized the full amount in other income on the statement of activities. The full amount of the loan was forgiven June 11, 2021.

On February 8, 2021, the Organization entered into a second loan totaling \$565,300 under the SBA PPP. The loan bears interest at 1% and matures in February 2026. During 2021, the Organization incurred qualifying expenses of \$565,300 and recognized the full amount in other income on the statement of activities. The full amount of the loan was forgiven August 24, 2021.

Under the provisions of the Coronavirus Aid, relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization recognized employee retention credit income of approximately \$326,000 and recognized the full amount in other income on the statement of activities during the year ended December 31, 2021.

12. CONDITIONAL CONTRIBUTIONS:

As of December 31, 2022, the Organization has an outstanding balance of approximately \$362,000 related to cost reimbursement grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2022 as the conditions have not been satisfied.

13. RELATED PARTY TRANSACTIONS:

One member of the Board of Trustees is an owner of a professional service firm that provided services to the Organization during 2021 and 2022. Management believes that the services provided are at arms'-length. During 2022 and 2021, the Organization paid \$74,375 and \$10,000 for these services, respectively.

