



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Cincinnati Works, Inc.

Financial Statements

December 31, 2023 and 2022

With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8-16

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, 2023 and 2022, 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, 2023 and 2022, 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 5, 2024

Cincinnati Works, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 1,167,815	685,362
Investments	2,509,857	2,167,133
Accounts receivable	240,157	651,284
Contributions receivable, net	1,610,284	1,120,474
Prepaid expenses and other assets	31,799	31,742
Furniture and equipment, net	102,639	144,844
Operating right-of-use assets	<u>675,649</u>	<u>898,076</u>
Total assets	\$ <u>6,338,200</u>	<u>5,698,915</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 4,983	29,693
Accrued expenses	51,158	49,767
Lease liabilities	<u>694,829</u>	<u>910,676</u>
Total liabilities	<u>750,970</u>	<u>990,136</u>
Net assets:		
Without donor restrictions	2,340,604	2,367,344
With donor restrictions	<u>3,246,626</u>	<u>2,341,435</u>
Total net assets	<u>5,587,230</u>	<u>4,708,779</u>
Total liabilities and net assets	\$ <u><u>6,338,200</u></u>	<u><u>5,698,915</u></u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statements of Activities
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Contributions and grants	\$ 1,391,505	1,452,645
Investment return, net	356,190	(399,509)
Contributed goods and services	158,157	134,569
Employer fees	888,175	855,893
Other income	48,153	39,711
Net assets released from restrictions	<u>1,821,724</u>	<u>1,946,050</u>
Total revenues and other support	<u>4,663,904</u>	<u>4,029,359</u>
Expenses:		
Workforce development	2,115,520	2,039,187
Workforce connection	922,944	1,149,439
Transportation	<u>-</u>	<u>37,015</u>
Total program services	<u>3,038,464</u>	<u>3,225,641</u>
Management and general	1,121,050	1,156,008
Fundraising	<u>531,130</u>	<u>422,764</u>
Total support services	<u>1,652,180</u>	<u>1,578,772</u>
Total expenses	<u>4,690,644</u>	<u>4,804,413</u>
Change in net assets without donor restrictions	<u>(26,740)</u>	<u>(775,054)</u>
Changes in net assets with donor restrictions		
Revenues and other support:		
Other contributions and grants	2,726,915	2,104,840
Net assets released from restrictions	<u>(1,821,724)</u>	<u>(1,946,050)</u>
Change in net assets with donor restrictions	<u>905,191</u>	<u>158,790</u>
Change in net assets	878,451	(616,264)
Net assets, beginning of year	<u>4,708,779</u>	<u>5,325,043</u>
Net assets, end of year	\$ <u>5,587,230</u>	<u>4,708,779</u>

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program</u>					
	<u>Workforce Development</u>	<u>Workforce Connection</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, wages and benefits	\$ 1,755,184	804,849	2,560,033	806,064	304,119	3,670,216
Occupancy and utilities	164,617	33,840	198,457	165,458	27,378	391,293
Equipment and supplies	42,318	18,617	60,935	12,798	12,892	86,625
Professional services	49,809	23,239	73,048	94,198	63,732	230,978
Direct job seeker and advancement	79,428	13,936	93,364	-	-	93,364
Marketing	8,956	6,347	15,303	340	82,416	98,059
Bad debt expense	-	-	-	-	11,339	11,339
Other	<u>15,208</u>	<u>22,116</u>	<u>37,324</u>	<u>42,192</u>	<u>29,254</u>	<u>108,770</u>
	<u>\$ 2,115,520</u>	<u>922,944</u>	<u>3,038,464</u>	<u>1,121,050</u>	<u>531,130</u>	<u>4,690,644</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	<u>16,013</u>	<u>23,383</u>	<u>14,627</u>	<u>54,023</u>	<u>48,573</u>	<u>4,712</u>	<u>107,308</u>
	<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.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 878,451	(616,264)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Discount on contributions receivable	2,808	8,676
Depreciation	87,092	90,410
Contributed property	(31,300)	-
Amortization of operating right-of-use assets	222,427	219,530
Change in operating lease liabilities	(215,847)	(206,930)
Net realized and unrealized (gain) loss on investments	(294,454)	400,069
Loss (gain) on disposal of fixed assets	3,210	(6,076)
Bad debt expense	11,339	15,000
Changes in assets and liabilities:		
Accounts receivable	411,127	(142,910)
Contributions receivable	(503,957)	(218,247)
Prepaid expenses and other assets	(57)	20,384
Accounts payable	(24,710)	13,774
Accrued expenses	<u>1,391</u>	<u>10,626</u>
Net cash provided (used) by operating activities	<u>547,520</u>	<u>(411,958)</u>
Cash flows from investing activities:		
Purchases of investments	(2,249,670)	(1,845,992)
Sales and maturities of investments	2,201,400	1,657,999
Purchases of furniture and equipment	(16,797)	(30,194)
Proceeds from sale of fixed assets	<u>-</u>	<u>34,520</u>
Net cash used by investing activities	<u>(65,067)</u>	<u>(183,667)</u>
Net change in cash and cash equivalents	482,453	(595,625)
Cash and cash equivalents at beginning of year	<u>685,362</u>	<u>1,280,987</u>
Cash and cash equivalents at end of year	\$ <u><u>1,167,815</u></u>	<u><u>685,362</u></u>
Supplemental cash flow disclosures of non-cash activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ <u>-</u>	<u>1,117,606</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:

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.

Adoption of new accounting standard

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, on January 1, 2023. Topic 326 modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. Allowance for credit losses is not material to the financial statements.

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 2023 or 2022.

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, 2023 and 2022, 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, 2022 was \$508,374.

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 \$646,000 and \$128,000 on December 31, 2023 and 2022, respectively.

Accounts receivable

Accounts receivable are stated at the original invoiced amount less an allowance for credit losses. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for credit losses, 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, 2023 and 2022.

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 2023, three donors accounted for 47% of total contribution revenue and two donors accounted for 49% of total contributions receivable. During 2022, two donors accounted for 32% of total contribution revenue and four donors accounted for 72% 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 5, 2024, 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>2023</u>	<u>2022</u>
Due within one year	\$ 1,284,277	863,326
Due in one to five years	<u>339,667</u>	<u>268,000</u>
	1,623,944	1,131,326
Less unamortized discount at 4.23% and 4.41%	<u>13,660</u>	<u>10,852</u>
	\$ <u>1,610,284</u>	<u>1,120,474</u>

4. FURNITURE AND EQUIPMENT:

Furniture and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture	\$ 160,777	144,911
Software	168,383	188,145
Equipment	<u>113,621</u>	<u>120,426</u>
	442,781	453,482
Less accumulated depreciation	<u>340,142</u>	<u>308,638</u>
Furniture and equipment, net	\$ <u>102,639</u>	<u>144,844</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2023</u>	<u>2022</u>
Subject to the passage of time	\$ 354,333	194,500
Subject to expenditures for specific purpose:		
Workforce Development	1,081,916	707,372
Workforce Connection	150,625	300,625
Other	<u>624,286</u>	<u>103,472</u>
	2,211,160	1,305,969
Investment held in perpetuity	<u>1,035,466</u>	<u>1,035,466</u>
Total net assets with donor restrictions	\$ <u>3,246,626</u>	<u>2,341,435</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>2023</u>	<u>2022</u>
Time restriction expired	\$ 351,167	185,750
Satisfaction of purpose restrictions:		
Workforce Development	1,248,201	1,222,678
Workforce Connection	150,000	373,549
Transportation	-	3,903
Other	<u>72,356</u>	<u>160,170</u>
	<u>1,821,724</u>	<u>1,760,300</u>
Total net assets released from donor restrictions	\$ <u>1,821,724</u>	<u>1,946,050</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, 2023 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	\$ 83,112	83,112	-	-
Fixed income funds	682,399	682,399	-	-
Equity funds:				
Large cap global and domestic	1,502,160	1,502,160	-	-
Small and mid-cap domestic	86,166	86,166	-	-
Developing international	<u>156,020</u>	<u>156,020</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,509,857</u>	<u>2,509,857</u>	<u>-</u>	<u>-</u>

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>

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. During 2023, the Organization made the first draw from the endowment of \$18,914.

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

	<u>2023</u>	<u>2022</u>
Endowment assets at beginning of year	\$ 935,630	1,108,614
Net investment return	150,659	(172,984)
Appropriation of endowment assets for expenditure	<u>(18,914)</u>	<u>-</u>
Endowment assets at end of year	\$ <u>1,067,375</u>	<u>935,630</u>

Endowment assets that are permanently restricted at December 31, 2023 and 2022 are \$1,035,466. As of December 31, 2022, the Organization's permanent endowment was in a deficit position of \$99,836.

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 2023 and 2022 totaled \$233,293. The Organization's weighted average remaining lease term at December 31, 2023 is 2.97 years.

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

2024	\$ 233,153
2025	236,806
2026	<u>236,880</u>
	708,839
Present value discount	<u>(14,010)</u>
Total lease liabilities	\$ <u>694,829</u>

During 2023 and 2022, a former board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling \$4,214 and \$7,795, 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 2023 and 2022, employer contributions totaled \$134,054 and \$148,115, 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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,167,815	685,362
Investments	2,509,857	2,167,133
Accounts receivable	240,157	651,284
Contributions receivable, current	<u>1,284,277</u>	<u>863,326</u>
Financial assets available at year-end	<u>5,202,106</u>	<u>4,367,105</u>
Less those unavailable for general expenditures within one year due to:		
Contributions receivable with purpose restrictions	513,000	250,000
Donor restricted endowment	1,035,466	1,035,466
Cash with donor restrictions	<u>653,518</u>	<u>229,722</u>
	<u>2,201,984</u>	<u>1,515,188</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,000,122</u>	<u>2,851,917</u>

11. CONDITIONAL CONTRIBUTIONS:

As of December 31, 2023, the Organization has an outstanding balance of approximately \$22,000 related to cost reimbursement grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2023 as the conditions have not been satisfied.

12. 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 2023 and 2022. Management believes that the services provided are at arms'-length. During 2023 and 2022, the Organization paid \$13,750 and \$74,375 for these services, respectively.

