CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Cincinnati Works, Inc.

Financial Statements

December 31, 2021 and 2020

With Independent Auditors' Report

TABLE OF CONTENTS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

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, 2021 and 2020, 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, 2021 and 2020, 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 audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 1, 2022

Cincinnati Works, Inc.
Statements of Financial Position
December 31, 2021 and 2020

		2021	2020
Assets:			
Cash and cash equivalents	$	1,280,987	1,467,454
Investments		2,379,209	1,051,488
Accounts receivable		508,374	186,832
Contributions receivable, net		925,903	1,231,624
Prepaid expenses and other assets		52,126	32,387
Furniture and equipment, net		233,504	270,923
Total assets	$	5,380,103	4,240,708
Liabilities and net assets			
Liabilities:			
Accounts payable	$	15,919	23,083
Accrued expenses		39,141	63,708
Total liabilities		55,060	86,791
Net assets:			
Without donor restrictions		3,142,398	2,136,287
With donor restrictions		2,182,645	2,017,630
Total net assets		5,325,043	4,153,917
Total liabilities and net assets	$	5,380,103	4,240,708

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statements of Activities
Years Ended December 31, 2021 and 2020

		2021	2020
Changes in net assets without donor restrictions			
Revenues, gains and other support:			
Contributions and grants	$	1,383,838	849,709
Investment return, net		144,449	128,884
Contributed goods and services		135,120	107,516
Employer fees		603,921	473,678
Other income		1,014,458	665,175
Net assets released from restrictions		2,348,161	2,294,908
Total revenues and other support		5,629,947	4,519,870
Expenses:			
Workforce development		2,102,370	2,053,589
Workforce connection		947,058	716,805
Transportation		152,912	176,851
The Network		-	16,844
Total program services		3,202,340	2,964,089
Management and general		949,868	870,685
Fundraising		471,628	373,616
Total support services		1,421,496	1,244,301
Total expenses		4,623,836	4,208,390
Change in net assets without donor restrictions		1,006,111	311,480
Changes in net assets with donor restrictions			
Revenues and other support:			
Other contributions and grants		2,513,176	2,097,342
Net assets released from restrictions		(2,348,161)	(2,294,908)
Change in net assets with donor restrictions		165,015	(197,566)
Change in net assets		1,171,126	113,914
Net assets, beginning of year		4,153,917	4,040,003
Net assets, end of year	$	5,325,043	4,153,917

See accompanying notes to the financial statements.

	Program						
	Workforce Development	Workforce Connection	Transportation	Total	Management and General	Fundraising	Total Expenses
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
	$ 2,102,370	947,058	152,912	3,202,340	949,868	471,628	4,623,836

See accompanying notes to the financial statements.

		Program							
		Workforce Development	Workforce Connection	Transportation	The Network	Total	Management and General	Fundraising	Total Expenses
Salaries, wages and benefits	$	1,714,683	622,141	127,162	15,328	2,479,314	597,736	252,562	3,329,612
Occupancy and utilities		139,532	41,806	8,862	785	190,985	115,567	20,967	327,519
Equipment and supplies		41,112	13,272	28	199	54,611	11,483	5,570	71,664
Professional services		65,697	13,872	-	267	79,836	104,920	48,932	233,688
Direct job seeker and advancement		73,300	136	300	-	73,736	-	-	73,736
Marketing		6,807	5,509	-	-	12,316	21	42,578	54,915
Other		12,458	20,069	40,499	265	73,291	40,958	3,007	117,256
	$	2,053,589	716,805	176,851	16,844	2,964,089	870,685	373,616	4,208,390

Cincinnati Works, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 1,171,126	113,914
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Discount on contributions receivable	1,635	(8,014)
Depreciation	98,498	78,168
Net realized and unrealized gain on investments	(100,367)	(103,639)
Bad debt expense	34,000	-
Changes in assets and liabilities:		
Accounts receivable	(355,542)	(157,051)
Contributions receivable	304,086	312,030
Prepaid expenses and other assets	(19,739)	14,102
Accounts payable	(7,164)	(475)
Accrued expenses	(24,567)	37,990
Net cash provided by operating activities	1,101,966	287,025
Cash flows from investing activities:		
Purchases of furniture and equipment	(61,079)	(83,731)
Purchases of investments	(4,368,948)	(167,485)
Sales and maturities of investments	3,141,594	149,102
Net cash used by investing activities	(1,288,433)	(102,114)
Net change in cash and cash equivalents	(186,467)	184,911
Cash and cash equivalents at beginning of year	1,467,454	1,282,543
Cash and cash equivalents at end of year	$ 1,280,987	1,467,454

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 provides fee-based transportation services to assist its members to reach employer partner locations that lie beyond traditional bus lines.

The Network provided consulting, training, and a forum for other communities working on eliminating poverty throughout the United States. This program was discontinued in 2020.

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.

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 2021 or 2020.

Contributions of services are recognized as revenue at their estimated fair value only when the services received require specialized skills possessed by the individuals providing the service and their service would typically need to be purchased if not donated. Recorded contributed services are primarily related to counseling services and are recorded in salaries and wages.

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.

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 ensured 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 $1,231,000 and $887,000 on December 31, 2021 and 2020, 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, 2021 and 2020.

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 2021, three donors accounted for 54% of total contribution revenue and four donors accounted for 73% of total contributions receivable. During 2020, two donors accounted for 36% of total contribution revenue and two donors accounted for 50% 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 consider events through March 1, 2022, 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:

	2021	2020
Due within one year	$ 730,580	1,045,415
Due in one to five years	197,499	186,750
	928,079	1,232,165
Less unamortized discount at 0.97% and .17%	2,176	541
	$ 925,903	1,231,624

4. FURNITURE AND EQUIPMENT:

Furniture and equipment consist of the following at December 31:

	2021	2020
Furniture	$ 142,684	128,990
Software	190,339	190,339
Equipment	165,890	133,989
	498,913	453,318
Less accumulated depreciation	265,409	182,395
Furniture and equipment, net	$ 233,504	270,923

5. NET ASSETS WITH DONOR RESTRICTIONS:

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

	2021	2020
Subject to the passage of time	$ 371,250	786,500
Subject to expenditures for specific purpose:		
Workforce Development	742,023	819,210
Workforce Connection	-	249,915
Transportation	3,903	40,000
The Network	-	83,396
Other	30,003	9,234
	1,147,179	1,988,255
Investment held in perpetuity	1,035,466	29,375
Total net assets with donor restrictions	$ 2,182,645	2,017,630

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:

	2021	2020
Time restriction expired	$ 647,750	779,000
Satisfaction of purpose restrictions:		
Workforce Development	1,170,813	1,100,696
Workforce Connection	249,915	295,136
Transportation	36,097	-
The Network	83,396	16,604
Other	160,190	103,472
	1,700,411	1,515,908
Total net assets released from donor restrictions	$ 2,348,161	2,294,908

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, 2021 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	Total	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	124,320	124,320	-	-
	$ 2,379,209	2,379,209	-	-

The following table presents the Organization's assets at December 31, 2020 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	Total	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	$ 35,181	35,181	-	-
Fixed income funds	324,696	324,696	-	-
Equity funds:				
Large cap global and domestic	385,238	385,238	-	-
Small and mid-cap domestic	45,408	45,408	-	-
Developing international	153,025	153,025	-	-
Emerging markets	67,099	67,099	-	-
Real estate funds	40,841	40,841	-	-
	$ 1,051,488	1,051,488	-	-

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, fiscal year end in question. The Organization will begin drawing funds from the endowment in 2022.

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

	2021	2020
Endowment assets at beginning of year	$ 72,941	65,637
Net investment return	29,582	7,304
Contributions	1,006,091	-
Endowment assets at end of year	$ 1,108,614	72,941

Endowment assets that are permanently restricted at December 31, 2021 and 2020 are $1,035,466 and $29,375, respectively.

8. OFFICE LEASE:

The Organization leases office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Rent expense for 2021 and 2020 totaled $205,240 and $186,156, respectively.

Future minimum lease payments as of December 31, 2021 are as follows:

2022	$ 211,260
2023	217,280
2024	223,720
2025	230,160
2026	236,880
	$ 1,119,300

During 2021 and 2020, a former board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling $8,734 and $8,367, 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 2021 and 2020, employer contributions totaled $143,510 and $230,448, 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:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 1,280,987	1,467,454
Investments	2,379,209	1,051,488
Accounts receivable	508,374	186,832
Contributions receivable, current	730,580	1,045,415
Financial assets available at year-end	4,899,150	3,751,189
Less those unavailable for general expenditures within one year due to:		
Contributions receivable with purpose restrictions	-	159,915
Donor restricted endowment	1,035,466	29,375
Cash with donor restrictions	255,661	583,654
	1,291,127	772,944
Financial assets available to meet cash needs for general expenditures within one year	$ 3,608,023	2,978,245

11. RISKS AND UNCERTAINTIES:

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has caused business disruption through closings of offices and significant fluctuations in stock market indices. The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the pandemic.

12. 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.

13. CONDITIONAL CONTRIBUTIONS:

As of December 31, 2021, the Organization has an outstanding balance of approximately $331,000 related to cost reimbursement grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2021 as the conditions have not been satisfied.

14. 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. Management believes that the services provided are at arms'-length. During 2021, the Organization paid $10,000 for these services.

15. UPCOMING PRONOUNCEMENTS:

In February 2016, the FASB issued 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 will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2022.

In September 2020, the FASB Issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets.* The standard requires separate disclosure of non-financial contributed assets on the statement of activities and enhanced disclosures including the Organization's policy for valuation and monetization of contributed non-financial assets, any donor-restrictions attached to the assets. This standard will be effective for the Organization's year ending December 31, 2022.

Management is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

cshco.com