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FINANCIAL REPORT

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RESPECTABILITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

RESPECTABILITY

FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
RespectAbility
Fredericksburg, Virginia

Opinion

We have audited the accompanying financial statements of RespectAbility (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 RespectAbility 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 Audits of the Financial Statements section of our report. We are required to be independent of RespectAbility 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 RespectAbility'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 Audits 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 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.

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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 RespectAbility'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 RespectAbility'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.

Thompson Greenspon

Fairfax, Virginia
May 25, 2023

RESPECTABILITY

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 3,325,384	$ 3,972,842
Grants and contributions receivable, net	1,095,932	1,366,774
Accounts receivable, net	46,864	-
Property and equipment, net	17,900	19,449
Prepaid expenses and deposits	6,200	9,819
Total Assets	$ 4,492,280	$ 5,368,884
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 41,271	$ 29,297
Deferred revenue - conditional grants	125,200	150,000
Deferred revenue - contract revenue	175,333	100,000
Total Liabilities	341,804	279,297
Net Assets		
Without donor restrictions		
Undesignated	1,841,047	1,461,192
Board-designated	386,888	336,988
	2,227,935	1,798,180
With donor restrictions	1,922,541	3,291,407
Total Net Assets	4,150,476	5,089,587
Total Liabilities and Net Assets	$ 4,492,280	$ 5,368,884

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

RESPECTABILITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Grants and contributions	$ 407,050	$ 1,260,990	$ 1,668,040	$ 812,103	$ 2,450,067	$ 3,262,170
Contract revenue	630,347	-	630,347	352,386	-	352,386
Speaker fee income	49,175	-	49,175	44,993	-	44,993
Donated services	45,306	-	45,306	-	-	-
Interest income	36,456	-	36,456	3,429	-	3,429
Miscellaneous revenue	2,985	-	2,985	5,940	-	5,940
Net assets released from restrictions	2,629,856	(2,629,856)	-	1,697,769	(1,697,769)	-
Total Revenue and Support	3,801,175	(1,368,866)	2,432,309	2,916,620	752,298	3,668,918
Expenses and Losses						
Programs						
Policy and Practices	275,758	-	275,758	188,345	-	188,345
Entertainment and News Media	809,458	-	809,458	409,327	-	409,327
Faith Inclusion	230,549	-	230,549	123,221	-	123,221
Leadership (Fellows)	609,772	-	609,772	296,511	-	296,511
Community Outreach	83,237	-	83,237	65,776	-	65,776
	2,008,774	-	2,008,774	1,083,180	-	1,083,180
Management and general	1,026,198	-	1,026,198	644,552	-	644,552
Fundraising	336,448	-	336,448	276,062	-	276,062
Total Expenses	3,371,420	-	3,371,420	2,003,794	-	2,003,794
Loss on disposal of property and equipment	-	-	-	1,052	-	1,052
Total Expenses and Losses	3,371,420	-	3,371,420	2,004,846	-	2,004,846
Change in Net Assets	429,755	(1,368,866)	(939,111)	911,774	752,298	1,664,072
Net Assets, beginning of year	1,798,180	3,291,407	5,089,587	886,406	2,539,109	3,425,515
Net Assets, end of year	$ 2,227,935	$ 1,922,541	$ 4,150,476	$ 1,798,180	$ 3,291,407	$ 5,089,587

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

RESPECTABILITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs								
	Policy and Practices	Entertainment and News Media	Faith Inclusion	Leadership (Fellows)	Community Outreach	Total	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	$ 233,659	$ 503,883	$ 149,325	$ 549,360	$ 70,537	$ 1,506,764	$ 532,462	$ 305,603	$ 2,344,829
Fees for services									
Legal	-	-	-	-	-	-	51,831	-	51,831
Accounting	-	-	-	-	-	-	40,275	-	40,275
Fellows	-	1,000	-	451	-	1,451	-	-	1,451
Business and charitable registrations	-	-	-	-	-	-	9,864	-	9,864
Outside contract services	1,875	68,237	22,594	23,358	-	116,064	233,405	4,965	354,434
Professional fees	100	16,482	1,850	8,300	-	26,732	700	-	27,432
Special programming	-	140,716	38,095	-	10,025	188,836	20,094	-	208,930
Advertising, promotion, and media communications	-	5,988	-	448	-	6,436	7,676	-	14,112
Office expenses	3,346	533	500	1,731	-	6,110	10,944	1,610	18,664
Postage, printing and copying	-	67	21	-	-	88	2,541	2,388	5,017
Information technology, websites and webinars	-	144	-	-	-	144	-	-	144
Short term lease expense	1,392	3,003	890	3,274	420	8,979	3,173	1,821	13,973
Telephone/teleconferences	2,414	5,205	1,543	5,675	729	15,566	5,500	3,157	24,223
Professional development	516	3,446	607	1,602	-	6,171	10,122	1,962	18,255
Travel, lodging and meals	14,496	40,192	8,081	3,562	-	66,331	55,866	4,739	126,936
Conferences, conventions and meetings	5,152	354	-	-	-	5,506	-	1,000	6,506
Insurance - general	1,928	4,158	1,232	4,533	582	12,433	4,394	2,522	19,349
Depreciation	1,078	2,324	689	2,534	325	6,950	2,455	1,410	10,815
Dues and subscriptions	7,754	9,308	3,813	127	-	21,002	10,808	2,591	34,401
Bad debt expense	-	-	-	-	-	-	19,420	-	19,420
Other	2,048	4,418	1,309	4,817	619	13,211	4,668	2,680	20,559
	$ 275,758	$ 809,458	$ 230,549	$ 609,772	$ 83,237	$ 2,008,774	$ 1,026,198	$ 336,448	$ 3,371,420

The Notes to Financial Statements are an integral part of this statement.

RESPECTABILITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Programs								
	Policy and Practices	Entertainment and News Media	Faith Inclusion	Leadership (Fellows)	Community Outreach	Total	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	$ 174,554	$ 280,570	$ 82,459	$ 242,557	$ 45,964	$ 826,104	$ 364,398	$ 203,133	$ 1,393,635
Fees for services									
Accounting	-	-	-	-	-	-	18,250	-	18,250
Fellows	-	-	1,480	20,400	-	21,880	2,500	-	24,380
Business and charitable registrations	-	-	-	-	-	-	4,359	-	4,359
Outside contract services	524	75,399	20,275	15,784	3,950	115,932	104,906	57,074	277,912
Professional fees	88	7,918	1,800	100	10,328	20,234	89	-	20,323
Special programming	-	-	-	-	-	-	16,500	-	16,500
Advertising, promotion, and media communications	-	12,411	1,000	3,016	-	16,427	10,065	-	26,492
Office expenses	241	472	2,535	137	-	3,385	11,698	440	15,523
Postage, printing and copying	-	-	-	-	-	-	3,328	1,907	5,235
Information technology, websites and webinars	1,032	727	-	-	250	2,009	4,576	-	6,585
Short term lease expense	2,067	3,322	976	2,872	544	9,781	4,314	2,405	16,500
Telephone/teleconferences	2,549	4,097	1,204	3,542	671	12,063	5,323	2,966	20,352
Travel, lodging and meals	1,066	7,398	2,850	-	1,732	13,046	67,682	19	80,747
Conferences, conventions and meetings	-	-	-	406	1,129	1,535	1,300	180	3,015
Insurance - general	3,447	5,540	1,628	4,789	908	16,312	7,195	4,011	27,518
Depreciation	762	1,225	360	1,059	201	3,607	1,590	887	6,084
Dues and subscriptions	1,647	9,656	6,480	99	-	17,882	4,948	2,612	25,442
Other	368	592	174	1,750	99	2,983	11,531	428	14,942
	$ 188,345	$ 409,327	$ 123,221	$ 296,511	$ 65,776	$ 1,083,180	$ 644,552	$ 276,062	$ 2,003,794

The Notes to Financial Statements are an integral part of this statement.

RESPECTABILITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (939,111)	$ 1,664,072
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Change in discount on grants and contributions	(16,450)	19,935
Depreciation	10,815	6,084
Loss on disposal of property and equipment	-	1,052
(Increase) Decrease in		
Accounts receivable, net	(46,864)	-
Grants and contributions receivable	287,292	458,217
Prepaid expenses and deposits	3,619	-
Increase (Decrease) in		
Accounts payable and accrued expenses	11,974	8,693
Deferred revenue - conditional grants	(24,800)	150,000
Deferred revenue - contract revenue	75,333	79,323
Net Cash (Used) Provided by Operating Activities	(638,192)	2,387,376
Cash Flows from Investing Activities		
Payments for the purchase of property	(9,266)	(20,535)
Net Cash Used by Investing Activities	(9,266)	(20,535)
Net (Decrease) Increase in Cash and Cash Equivalents	(647,458)	2,366,841
Cash and Cash Equivalents, beginning of year	3,972,842	1,606,001
Cash and Cash Equivalents, end of year	$ 3,325,384	$ 3,972,842

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

1. ORGANIZATION

RespectAbility (the Organization) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization under Section 509(a)(1) of the IRC and Subsection 170(b)(1)(A)(vi). The Organization's mission is to fight stigmas and advance opportunities so that people with disabilities can fully participate in all aspects of the community. Led by a diverse group of people with disabilities since 2013, RespectAbility advocates for and with people with all types of disabilities for better access, inclusion, education and employment outcomes.

The following programs are included in the statements of activities and change in net assets:

Policy and Practices – Promotes best practices in education, employment, entrepreneurship, civic engagement, and access.

Entertainment and News Media – Increases diverse and authentic representation of disabled people in media so people with disabilities are seen for what they can do, instead of what they cannot.

Faith Inclusion – Ensures the inclusion of people with disabilities in faith-based communities.

Leadership (Fellows) – Enables diverse people with disabilities to participate fully in decision-making.

Community Outreach – The Organization's National Employment Program consists of Communities of Practice for LA local stakeholders to work collaboratively on improving education and employment rates for people with disabilities. The Organization meets and partners with local leaders. Before entering a community, the Organization compiles compelling and credible data on the number of working-age people with disabilities, employment participation rates, high school graduation rates, and racial disparities among people with disabilities. The Organization identifies how many job training programs exist in the community and if any of them are placing and retaining people with disabilities in competitive employment. The Organization identifies the employers and educates them about the value to a company's bottom line of employing qualified, conscientious workers with disabilities. The Organization also addresses barriers to employment for qualified people with disabilities: accessibility, reasonable accommodations, mentoring, and transportation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Revenue Recognition

The Organization recognizes all unconditional grants and contributions in the period in which the commitment to give is made. Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Revenue Recognition (continued)

Revenue recognized on grants and contributions that have been committed to the Organization, but have not been received, are reflected as part of grants and contributions receivable, net in the accompanying statements of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contributions revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Any amounts received in advance of meeting conditions are included in deferred revenue – conditional grants on the statements of financial position.

The Organization recognizes revenue from exchange transactions in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. ASC Topic 606 provides a five-step model for recognizing revenue:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue

The Organization recognizes contract revenue from professional services performed over time, throughout the contract period, as performance obligations are met. Speaker fees are recognized as revenue when the speaking engagement is held at a point in time. Cash received in advance of the performance obligations being met is recorded as deferred revenue – contract revenue. Contract revenue receivable balances are recorded in accounts receivable, net.

As of December 31, 2022 and 2021, accounts receivable of $46,864 and $-0- was related to contract revenue, respectively. As of December 31, 2022 and 2021, deferred revenue of $175,333 and $100,000 was related to contract revenue, respectively. As of January 1, 2021, accounts receivable and deferred revenue were $-0- and $20,677, respectively.

Interest and miscellaneous income are recognized in the period earned.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are stated at their estimated net realizable value. Grants and contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions revenue in the statements of activities and changes in net assets. Grants and contributions receivable that are past due are individually analyzed for collectability. The Organization considers all grants and contributions receivable to be fully collectible and, accordingly, no allowance for uncollectible grants and contributions has been recorded for the years ended December 31, 2022 and 2021.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Accounts Receivable

Accounts receivable consist of amounts due to the Organization from contract revenue. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization uses the allowance method for uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Organization considers all accounts receivable to be fully collectible and, accordingly, no allowance for uncollectible accounts receivable has been recorded for the years ended December 31, 2022 and 2021.

Property and Equipment

Property and equipment in excess of $1,500 are capitalized and stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Depreciation and amortization are provided over the estimated useful lives of the related assets, generally three to five years. Repairs and maintenance costs are expensed as incurred.

Paycheck Protection Program Loans

In 2021, the Organization received $186,940, under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding under Financial Accounting Standards Board (FASB) ASC Topic 958-606 as a conditional contribution in the financial statements. As of December 31, 2021, the Organization's management believes the Organization has met the substantial requirements for full forgiveness of the loan and, as such, has recorded contributions revenue totaling $186,940 during the year ended December 31, 2021. The PPP loan was forgiven on October 27, 2021.

Net Assets

Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization, management, and the Board of Directors. Board-designated operating reserve funds are classified as net assets without donor restrictions.

<u>Net assets with donor restrictions</u> – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

In-Kind Donations

The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received.

During the year ended December 31, 2022, the Organization received donated legal services. All donated services received are without donor restrictions. Legal services are used in management and general supporting services and valued at their commensurate rate charged for their services to others. During the year ended December 31, 2021, the Organization did not receive any material donated services.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk include cash deposits with financial institutions. The Organization's cash management policies limit its exposure to a concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may exceed the FDIC insurable limit of $250,000 at times throughout the year until an appropriate transfer of funds can be made to another commercial bank. The Organization has not experienced any losses from such accounts and management does not consider this to be a significant risk.

Tax Exempt Status

The Organization is exempt from Federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the IRC and is classified by the Internal Revenue Service as other than a private foundation. For the years ended December 31, 2022 and 2021, there was no provision for income taxes required since the Organization had no taxable income from unrelated business activities.

Accounting for Uncertain Tax Positions

The Organization complies with the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes,* which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended December 31, 2022 and 2021, no unrecognized tax provision or benefit exists in the accompanying financial statements.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain expenses have been allocated proportionately among the programs and supporting services to which they relate.

Expenses within the following categories that are not directly allocated are allocated based on the following:

Expenses	Method of Allocation
Salaries, payroll taxes and benefits	Time and effort
Short term lease expense	Time and effort
Telephone/teleconferences	Time and effort
Insurance - general	Time and effort
Depreciation	Time and effort
Other	Time and effort

Adoption of New Accounting Standards

ASU 2020-07

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard is effective for annual reporting periods beginning after June 15, 2021. The standard requires separate presentation of contributions of nonfinancial assets (including in-kind contributions) on the statement of activities and changes in net assets, as well as additional disclosures related to how they are valued and used. The Organization adopted the standard on a retrospective basis for the year ended December 31, 2022. Accordingly, the separate presentation and additional disclosures have also been presented for the year ended December 31, 2021. There was no change in the recognition or measurement of the nonfinancial assets for either year.

ASU 2016-02

On January 1, 2022, the Organization adopted the requirements of ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (ASC Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Organization was required to measure and recognize leases that existed at January 1, 2022 using a modified retrospective approach. For leases existing at the effective date, the Organization elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost.

During the year ended December 31, 2022, the Organization did not have any lease agreements with terms greater than 12 months, and therefore did not record any ROU assets or lease liabilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Lease Accounting Policy

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating leases are included in operating lease ROU assets, and operating lease liabilities in the financial statements. Finance leases are included in property and equipment and finance lease liabilities in the financial statements, as applicable.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

The Organization uses the rate implicit in the lease if it is readily determinable. Topic 842 includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities when the rate implicit in the lease is not determinable. The Organization elected to utilize the risk-free rate for the measurement of liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated any short-term leases or variable lease payments is included in short term lease expense in the statements of functional expenses, as applicable.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset associated with finance leases, which is included in property and equipment, is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term.

To the extent a lease arrangement includes both lease and non-lease components, the Organization has elected to account for the components as a single lease component.

Reclassifications

Certain items in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 financial statement presentation. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 25, 2023, which is the date on which the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditure were as follows at December 31:

	2022	2021
Cash and cash equivalents	$ 3,325,384	$ 3,972,842
Accounts receivable, net	46,864	-
Grants and contributions receivable, net	1,095,932	1,366,774
Financial assets, at year end	4,468,180	5,339,616
Less amounts not available to be used within one year		
Net assets with donor restrictions	1,922,541	3,291,407
Board-designated operating reserve	386,888	336,988
Less net assets with restrictions to be met in less than one year	(1,752,541)	(1,613,992)
	556,888	2,014,403
Financial assets available to meet cash needs for general expenditures within one year	$ 3,911,292	$ 3,325,213

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and grants and contributions receivable. The Organization also maintains a Board-designated operating reserve as another source of liquidity.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization’s grants and contributions receivable were due to be received as follows as of December 31:

	2022	2021
Due in less than one year	$ 874,236	$ 669,792
Due in one to five years	226,661	718,397
Total grants and contributions receivable	1,100,897	1,388,189
Less: discount to net present value	(4,965)	(21,415)
Grants and contributions receivable, net	$ 1,095,932	$ 1,366,774

The Organization uses the risk-free rate adjusted for the Organization’s risk-adjustment in determining present value of multi-year pledges. The risk-free rate is the year end treasury bill rates for similar term investments and ranged from 0.86 percent to 1.62 percent depending on the length of the multi-year pledge and date received. All amounts are deemed to be fully collectible. Accordingly, no allowance for uncollectible receivables has been provided.

5. **PROPERTY AND EQUIPMENT**

The Organization's property and equipment consisted of the following as of December 31:

	2022	2021
Furniture and equipment	$ 38,034	$ 28,768
Less: accumulated depreciation	(20,134)	(9,319)
Property and equipment, net	$ 17,900	$ 19,449

During the year ended December 31, 2022, the Organization did not have any disposals of fixed assets. During the year ended December 31, 2021, the Organization disposed of property and equipment with a cost of $5,516 and accumulated depreciation of $4,464, resulting in a loss on disposal of property and equipment of $1,052. Depreciation expense totaled $10,815 and $6,084 for the years ended December 31, 2022 and 2021, respectively.

6. **CONDITIONAL GRANTS**

The Organization has been awarded several conditional grants. These grants are contingent upon the Organization's achievement of certain goals and deliverables mutually agreed to between the Organization and the donors. The table below shows the change in conditional grants during the years ended December 31:

	2022	2021
Beginning conditional grant balance	$ 170,000	$ -
New conditional grants	204,990	356,940
Conditions satisfied	(249,790)	(186,940)
Ending conditional grant balance	$ 125,200	$ 170,000

As of December 31, the conditional grants and related conditions are as follows:

	2022	2021
Conditions		
Specific output	$ 125,200	$ 150,000
Specific costs	-	20,000
Ending conditional grant balance	$ 125,200	$ 170,000

As of December 31, 2022 and 2021, funds received from the donors in advance of conditions being met totaled $125,200 and $150,000, respectively. These amounts are recorded as deferred revenue – conditional grants on the statements of financial position and will subsequently be recognized as grant revenue when conditions are met.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in deferred revenue, from exchange transactions, for the years ended December 31:

	2022	2021
Deferred contract revenue, beginning of year	$ 100,000	$ 20,677
Revenue recognized that was included in deferred revenue at the beginning of the year	(100,000)	(20,677)
Increase in deferred revenue due to cash received during the year	175,333	100,000
Deferred contract revenue, end of year	$ 175,333	$ 100,000

8. BOARD-DESIGNATED OPERATING RESERVE

The operating reserve funds had the following activities for the years ended December 31:

	2022	2021
Balance, beginning of year	$ 336,988	$ 100,000
Contributions	150,000	236,988
Appropriations	(100,100)	-
Balance, end of year	$ 386,888	$ 336,988

The Organization's operating reserve consists of funds internally designated by the Board of Directors and management. As required by U.S. generally accepted accounting principles (GAAP), funds designated by the Board of Directors and management are classified and reported based on the existence or absence of donor-imposed restrictions. The operating reserve is designed to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The operating reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The operating reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Since 2020 and each following year until changed by the Board of Directors of the Organization, the goal is to place at least $100,000 by December 31 each year into the operating reserve.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were composed of the following as of December 31:

	2022	2021
Purpose-Restricted		
Leadership (Fellows) program	$ 452,618	$ 741,659
Faith Inclusion program	161,923	324,923
Policy and Practices program	-	176,027
Community Outreach Program	-	75,000
Technology upgrades	-	5,465
Time-Restricted		
For use in future periods	1,308,000	1,968,333
Total Net Assets with Donor Restrictions	$ 1,922,541	$ 3,291,407

9. **NET ASSETS WITH DONOR RESTRICTIONS** (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time for the years ended December 31:

	2022	2021
Purpose-Restricted		
Leadership (Fellows) program	$ 609,772	$ 296,511
Entertainment and News Media program	384,710	395,000
Faith Inclusion program	230,549	123,211
Policy and Practices program	176,027	188,345
Community Outreach Program	75,000	-
Survey	20,000	-
Technology upgrades	5,465	20,535
Time-Restricted		
For use in future periods	1,128,333	674,167
Total Net Assets with Donor Restrictions	$ 2,629,856	$ 1,697,769

10. **RETIREMENT PLAN**

Effective for 2020, the Organization approved a matching program of employee retirement contributions up to $1,000 per full-time employee (30 hours or more per week). During the years ended December 31, 2022 and 2021, the Organization increased the matching benefit to $3,000 and $2,000 per full-time employee, respectively. The Organization's contributions and matching amounts are vested after three years of employment. The retirement expense for the years ended December 31, 2022 and 2021 was $46,338 and $27,058, respectively, which is comprised of employer contributions.

11. **CONCENTRATION RISK**

For the years ended December 31, 2022 and 2021, two and one donors and customers accounted for more than 10 percent of total revenue each year. Revenue from these donors and customers accounted for 37 percent and 27 percent of the Organization’s total revenue for the years ended December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, five and three donor receivable balances accounted for more than 10 percent of the total balance. Receivables from these donors accounted for 85 and 77 percent of the Organization’s total receivable balance at December 31, 2022 and 2021, respectively.

12. **LEASES**

In October 2021, the Organization entered into a one-year lease for office space in California through September 2022. Monthly rent was $1,597 during the lease. The Organization did not renew the lease during the year ended December 31, 2022, and is now operating completely remote. During the years ended December 31, 2022 and 2021, rent expense totaled $13,973 and $16,500, respectively. Future minimum lease payments as of December 31, 2021 were $14,373. As of December 31, 2022, the Organization has no operating or finance leases that have not yet commenced.