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FINANCIAL REPORT

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RESPECTABILITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

RESPECTABILITY

FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 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 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.

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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.

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
April 30, 2024

RESPECTABILITY

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,497,942	$ 3,325,384
Certificates of deposit	1,040,952	-
Investments	335,086	-
Grants and contributions receivable, net	1,395,938	1,095,932
Accounts receivable, net	34,447	46,864
Property and equipment, net	7,032	17,900
Prepaid expenses and deposits	11,438	6,200
Total Assets	$ 4,322,835	$ 4,492,280
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 69,968	$ 41,271
Deferred revenue - conditional grants	-	125,200
Deferred revenue - contract revenue	212,667	175,333
Total Liabilities	282,635	341,804
Net Assets		
Without donor restrictions		
Undesignated	1,633,306	1,841,047
Board-designated	486,888	386,888
	2,120,194	2,227,935
With donor restrictions	1,920,006	1,922,541
Total Net Assets	4,040,200	4,150,476
Total Liabilities and Net Assets	$ 4,322,835	$ 4,492,280

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Grants and contributions	$ 427,463	$ 1,805,300	$ 2,232,763	$ 407,050	$ 1,260,990	$ 1,668,040
Contract revenue	698,248	-	698,248	630,347	-	630,347
Speaker fee income	21,849	-	21,849	49,175	-	49,175
Donated services	83,349	-	83,349	45,306	-	45,306
Employee retention credit, CARES Act	365,130	-	365,130	-	-	-
Miscellaneous revenue	4,429	-	4,429	2,985	-	2,985
Net assets released from restrictions	1,807,835	(1,807,835)	-	2,629,856	(2,629,856)	-
Total Revenue and Support	3,408,303	(2,535)	3,405,768	3,764,719	(1,368,866)	2,395,853
Expenses and Losses						
Programs						
Policy and Civic Engagement	444,061	-	444,061	275,758	-	275,758
Entertainment and News Media	688,050	-	688,050	809,458	-	809,458
Faith Inclusion and Belonging	238,513	-	238,513	230,549	-	230,549
Leadership and Workforce Development	392,650	-	392,650	609,772	-	609,772
Community Outreach	291,301	-	291,301	83,237	-	83,237
	2,054,575	-	2,054,575	2,008,774	-	2,008,774
Management and general	1,077,004	-	1,077,004	1,026,198	-	1,026,198
Fundraising	516,154	-	516,154	336,448	-	336,448
Total Expenses	3,647,733	-	3,647,733	3,371,420	-	3,371,420
Change in Net Assets From Operations	(239,430)	(2,535)	(241,965)	393,299	(1,368,866)	(975,567)
Non-Operating Income						
Interest and dividend income, net of fees	100,598	-	100,598	36,456	-	36,456
Realized and unrealized gains on investment	31,091	-	31,091	-	-	-
Total Non-Operating Income	131,689	-	131,689	36,456	-	36,456
Change in Net Assets	(107,741)	(2,535)	(110,276)	429,755	(1,368,866)	(939,111)
Net Assets, beginning of year	2,227,935	1,922,541	4,150,476	1,798,180	3,291,407	5,089,587
Net Assets, end of year	$ 2,120,194	$ 1,920,006	$ 4,040,200	$ 2,227,935	$ 1,922,541	$ 4,150,476

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

RESPECTABILITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Programs								
	Policy and Civic Engagement	Entertainment and News Media	Faith Inclusion and Belonging	Leadership and Workforce Development	Community Outreach	Total	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	$ 407,673	$ 591,375	$ 223,318	$ 338,162	$ 210,214	$ 1,770,742	$ 536,760	$ 495,526	$ 2,803,028
Advertising, promotion, and media communications	2,805	-	-	-	2,096	4,901	2,233	-	7,134
Conferences, conventions and meetings	1,301	2,230	-	485	1,299	5,315	5,152	-	10,467
Depreciation	1,581	2,293	866	1,311	815	6,866	2,081	1,921	10,868
Dues and subscriptions	2,906	9,854	748	-	1,183	14,691	21,378	2,164	38,233
Fees for services									
Legal	-	-	-	-	-	-	83,349	-	83,349
Accounting	-	-	-	-	-	-	74,605	-	74,605
Other professional services	1,904	28,047	2,291	42,864	7,716	82,822	129,150	-	211,972
Insurance - general	1,225	1,777	671	1,016	632	5,321	1,611	1,489	8,421
Office expenses	456	252	267	3	-	978	21,597	133	22,708
Other	4,677	6,739	2,563	3,837	2,385	20,201	8,536	5,638	34,375
Postage, printing and copying	234	137	-	-	-	371	5,877	3,463	9,711
Professional development	937	1,976	526	199	-	3,638	16,827	-	20,465
Special programming	118	18,112	-	-	62,007	80,237	-	-	80,237
Telephone/teleconferences	4,411	6,399	2,416	3,659	2,275	19,160	5,807	5,362	30,329
Travel, lodging and meals	13,833	18,859	4,847	1,114	679	39,332	162,041	458	201,831
	$ 444,061	$ 688,050	$ 238,513	$ 392,650	$ 291,301	$ 2,054,575	$ 1,077,004	$ 516,154	$ 3,647,733

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

RESPECTABILITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs								
	Policy and Civic Engagement	Entertainment and News Media	Faith Inclusion and Belonging	Leadership and Workforce Development	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
Advertising, promotion, and media communications	-	5,988	-	448	-	6,436	7,676	-	14,112
Conferences, conventions and meetings	5,152	354	-	-	-	5,506	-	1,000	6,506
Credit loss expense	-	-	-	-	-	-	19,420	-	19,420
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
Fees for services									
Legal	-	-	-	-	-	-	51,831	-	51,831
Accounting	-	-	-	-	-	-	40,275	-	40,275
Other professional services	1,975	85,719	24,444	32,109	-	144,247	243,969	4,965	393,181
Information technology, websites and webinars	-	144	-	-	-	144	-	-	144
Insurance - general	1,928	4,158	1,232	4,533	582	12,433	4,394	2,522	19,349
Office expenses	3,346	533	500	1,731	-	6,110	10,944	1,610	18,664
Other	2,048	4,418	1,309	4,817	619	13,211	4,668	2,680	20,559
Postage, printing and copying	-	67	21	-	-	88	2,541	2,388	5,017
Professional development	516	3,446	607	1,602	-	6,171	10,122	1,962	18,255
Short-term lease expense	1,392	3,003	890	3,274	420	8,979	3,173	1,821	13,973
Special programming	-	140,716	38,095	-	10,025	188,836	20,094	-	208,930
Telephone/teleconferences	2,414	5,205	1,543	5,675	729	15,566	5,500	3,157	24,223
Travel, lodging and meals	14,496	40,192	8,081	3,562	-	66,331	55,866	4,739	126,936
	$ 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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (110,276)	$ (939,111)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Change in discount on grants and contributions	8,388	(16,450)
Realized and unrealized gains on investments	(31,091)	-
Depreciation	10,868	10,815
(Increase) Decrease in		
Grants and contributions receivable, net	(308,394)	287,292
Accounts receivable, net	12,417	(46,864)
Prepaid expenses and deposits	(5,238)	3,619
Increase (Decrease) in		
Accounts payable and accrued expenses	28,697	11,974
Deferred revenue - conditional grants	(125,200)	(24,800)
Deferred revenue - contract revenue	37,334	75,333
Net Cash Used by Operating Activities	(482,495)	(638,192)
Cash Flows from Investing Activities		
Purchases of certificates of deposit and reinvested interest	(1,040,952)	-
Purchase of investments and reinvested dividends and interest	(321,406)	-
Sale of investment	17,411	-
Payments for the purchase of property	-	(9,266)
Net Cash Used by Investing Activities	(1,344,947)	(9,266)
Net Decrease in Cash and Cash Equivalents	(1,827,442)	(647,458)
Cash and Cash Equivalents, beginning of year	3,325,384	3,972,842
Cash and Cash Equivalents, end of year	$ 1,497,942	$ 3,325,384

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 Civic Engagement – 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 and Belonging – Ensures the inclusion of people with disabilities in faith-based communities.

Leadership and Workforce Development – 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 at the point in time when the speaking engagement is held. Cash received in advance of the performance obligations being met is recorded as deferred revenue - contract revenue (contract liabilities). Revenue earned but not received is recorded as accounts receivable, net (contract assets).

As of December 31, 2023 and 2022, accounts receivable of $34,447 and $46,864 was related to contract revenue, respectively. As of December 31, 2023 and 2022, deferred revenue of $212,667 and $175,333 was related to contract revenue, respectively. As of January 1, 2022, accounts receivable and deferred revenue – contract revenue were $-0- and $100,000, respectively.

Miscellaneous income is recognized in the period earned.

Measure of Operations

Revenue and expenses generally reflect those that arise from the Organization's activities and exclude interest and dividend income, net of fees and realized and unrealized gains.

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.

Certificates of Deposit

The Organization values certificates of deposit at original cost, plus accrued interest which approximates fair value.

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

Investments

Investments in equity and fixed income securities are reported at fair value based on quoted market prices at year end when available. Interest and dividend income, net of fees, are recorded as income when earned. Net realized and unrealized gains and losses on investments are reflected in the statements of activities and changes in net assets when earned.

Fair Value Measurement

The Organization complies with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances the disclosure requirements for fair value measurements.

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, 2023 and 2022.

Accounts Receivable

Accounts receivable consist of amounts due to the Organization from contract revenue. Accounts receivables are stated at original invoice amounts less and estimate for allowance for credit losses.

Allowance for Credit Losses

Management individually reviews all accounts receivable balances by customer and by job. Management determines whether an allowance for credit losses is necessary using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Balances are charged off against the allowance when management believes there is no possibility of recovery. Management determined that an allowance for credit losses was not necessary at December 31, 2023 and 2022.

Property and Equipment

Property and equipment in excess of $2,500 and $1,500 are capitalized and stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method, for the years ended December 31, 2023 and 2022, respectively. 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.

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

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:

Net assets without donor restrictions – 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.

Net assets with donor restrictions – 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.

Employee Retention Credit

The Organization applied the FASB ASC Topic 958-605, *Not-For-Profit Entities - Revenue Recognition,* model to accounting for employee retention credits (ERCs) and recognizes the related revenue (credits) when conditions (barriers) are substantially met.

Contributed Nonfinancial Assets

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 years ended December 31, 2023 and 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.

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.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

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

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, 2023 and 2022, 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, 2023 and 2022, 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.

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

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

Leases

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (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. Accounting Standards Update (ASU) 2016-02, *Leases (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 with any short-term leases or variable lease payments is included in short-term lease expense in the statements of functional expenses, as applicable.

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.

For the year ended December 31, 2023, the Organization does not have any lease commitments.

Reclassifications

Certain items in the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 financial statement presentation. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standards - Allowance for Credit Losses

Effective January 1, 2023, the Organization adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the ASU include accounts receivables (contract assets). The Organization adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to retained earnings was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

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

Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is April 30, 2024, 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:

	2023	2022
Cash and cash equivalents	$ 1,497,942	$ 3,325,384
Certificates of deposit	1,040,952	-
Investments	335,086	-
Grants and contributions receivable, net	1,395,938	1,095,932
Accounts receivable, net	34,447	46,864
Financial assets, at year end	4,304,365	4,468,180
Less amounts not available to be used within one year		
Net assets with donor restrictions	1,920,006	1,922,541
Board-designated operating reserve	486,888	386,888
Less net assets with restrictions to be met in less than one year	(1,319,450)	(1,752,541)
	1,087,444	556,888
Financial assets available to meet cash needs for general expenditures within one year	$ 3,216,921	$ 3,911,292

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, certificates of deposit, investments, grants and contributions receivable, net, and accounts receivable, net. 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.

4. **GRANTS AND CONTRIBUTIONS RECEIVABLE**

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 1.76 percent to 4.51 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.

4. **GRANTS AND CONTRIBUTIONS RECEIVABLE** (continued)

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

	2023	2022
Due in less than one year	$ 1,239,291	$ 874,236
Due in one to five years	170,000	226,661
Total grants and contributions receivable	1,409,291	1,100,897
Less: discount to net present value	(13,353)	(4,965)
Grants and contributions receivable, net	$ 1,395,938	$ 1,095,932

5. **PROPERTY AND EQUIPMENT**

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

	2023	2022
Furniture and equipment	$ 38,034	$ 38,034
Less: accumulated depreciation	(31,002)	(20,134)
Property and equipment, net	$ 7,032	$ 17,900

During the years ended December 31, 2023 and 2022, the Organization did not have any disposals of fixed assets. Depreciation expense totaled $10,868 and $10,815 for the years ended December 31, 2023 and 2022, respectively.

6. **INVESTMENTS**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides 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. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price).

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 under FASB ASC 820 are described below:

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

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. 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. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

6. **INVESTMENTS** (continued)

The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value.

Money market funds: Generally valued at the most recent price of the equivalent quoted price, or if there is no sale and the market is still considered active, at the last transaction price before year end, and are classified within Level 1.

Fixed income securities: Generally valued at the most recent price of the equivalent quoted price for such securities. Debt securities, which are actively traded, are classified within Level 1 of the valuation hierarchy.

Equity securities: Comprised of securities that are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year end. Such securities are classified within Level 1 of the valuation hierarchy.

Real estate funds: Generally consist of real estate investment trust and are generally valued at the most recent price of the equivalent quoted price for such securities and are classified within Level 2.

Investments consist of the following, at fair value, as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 11,271	$ -	$ -	$ 11,271
Fixed income securities	88,360	-	-	88,360
Equity securities	221,548	-	-	221,548
Real estate funds	-	13,907	-	13,907
Total investments at fair value	$ 321,179	$ 13,907	$ -	$ 335,086

For the year ended December 31, 2023, investment return consists of the following:

Interest and dividend income, net of fees	$ 6,100
Realized and unrealized gain	31,091
Investment fees	(2,105)
Totals	$ 35,086

In addition to interest on investments, the Organization also has $96,603 of interest earned on savings and certificates of deposit included in interest and dividend income, net of fees, on the statement of activities and changes in net assets for the year ended December 31, 2023. There were no investments during the year ended December 31, 2022.

7. 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:

	2023	2022
Beginning conditional grant balance	$ 125,200	$ 170,000
New conditional grants	150,000	204,990
Conditions satisfied	(200,200)	(249,790)
Ending conditional grant balance	$ 75,000	$ 125,200

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

	2023	2022
Conditions		
Specific output	$ 75,000	$ 125,200

As of December 31, 2023 and 2022, funds received from the donors in advance of conditions being met totaled $-0- and $125,200, 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.

8. BOARD-DESIGNATED OPERATING RESERVE

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

	2023	2022
Balance, beginning of year	$ 386,888	$ 336,988
Contributions	100,000	150,000
Appropriations	-	(100,100)
Balance, end of year	$ 486,888	$ 386,888

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:

	2023	2022
Purpose-Restricted		
Leadership and Workforce Development program	$ 317,431	$ 452,618
Faith Inclusion and Belonging program	37,171	161,923
Entertainment and News Media program	35,000	-
Policy and Civic Engagement program	30,000	-
Technology upgrades	29,848	-
Time-Restricted		
For use in future periods	1,470,556	1,308,000
Total Net Assets with Donor Restrictions	$ 1,920,006	$ 1,922,541

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:

	2023	2022
Purpose-Restricted		
Leadership and Workforce Development program	$ 339,236	$ 609,772
Faith Inclusion and Belonging program	200,203	230,549
Entertainment and News Media program	50,000	384,710
Technology upgrades	10,952	5,465
Policy and Civic Engagement program	-	176,027
Community Outreach Program	-	75,000
Survey	-	20,000
Time-Restricted		
For use in future periods	1,207,444	1,128,333
Total Net Assets with Donor Restrictions	$ 1,807,835	$ 2,629,856

10. RETIREMENT PLAN

The Organization approved a matching program of employee retirement contributions up to $3,000 per full-time employee (30 hours or more per week). The Organization's contributions and matching amounts are vested after three years of employment. The retirement expense for the years ended December 31, 2023 and 2022 was $60,959 and $46,338, respectively, which is comprised of employer contributions.

11. CONCENTRATION RISK

For the years ended December 31, 2023 and 2022, two donors and customers accounted for more than 10 percent of total revenue each year. Revenue from these donors and customers accounted for 39 and 37 percent of the Organization’s total revenue for the years ended December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, four and five donor receivable balances accounted for more than 10 percent of the total balance. Receivables from these donors accounted for 88 and 85 percent of the Organization’s total receivable balance at December 31, 2023 and 2022, respectively.

12. EMPLOYEE RETENTION CREDIT PROGRAM

During the year ended December 31, 2023, the Organization recognized revenue totaling $365,130 for credits toward qualified wages paid during the first, second and fourth quarters of 2020, and for the first, second and third quarters of 2021 to offset a significant decline in gross receipts through the Employee Retention Credit (ERC) program, a Federal program authorized under the CARES Act of 2020.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Organization recognized contributions related to this program during the year ended December 31, 2023, which represents the ERC program funds for which the performance barriers have been met. This is reported as its own revenue category in the statements of activities and changes in net assets. As of December 31, 2023, a receivable of $365,130 is recorded based on management's estimates. The receivable is included in grants and contributions receivable on the statements of financial position, with payment expected within one year.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization's financial position.

13. 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, 2023 and 2022, rent expense totaled $-0- and $13,973, respectively. As of December 31, 2023, the Organization has no operating or finance leases that have not yet commenced.