

**NONPROFIT CONNECT**  
**FINANCIAL STATEMENTS**

**Year Ended December 31, 2023**  
**with**  
**Independent Auditors' Report**

# NONPROFIT CONNECT

## FINANCIAL STATEMENTS

December 31, 2023

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# Keller & Owens, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Nonprofit Connect**

### **Opinion**

We have audited the financial statements of **Nonprofit Connect**, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Nonprofit Connect** as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2023, **Nonprofit Connect** adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

### **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 **Nonprofit Connect**'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 **Nonprofit Connect**'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 **Nonprofit Connect**'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.

## Report on Summarized Comparative Information

We have previously audited **Nonprofit Connect**'s December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owen, LLC". The signature is written in black ink and is centered on the page.

Overland Park, Kansas  
June 24, 2024

# NONPROFIT CONNECT

## STATEMENT OF FINANCIAL POSITION

December 31, 2023

(with comparative totals as of December 31, 2022)

### ASSETS

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 212,677	\$ 996,022
Investments	2,271,908	1,301,126
Accounts Receivable, net	1,807	9,903
Prepaid Expenses	14,430	12,618
Restricted Cash for Expansion Purposes	250,000	250,000
Property and Equipment, net	192,464	224,935
Right-of-Use Asset - operating lease, net	<u>311,612</u>	<u>384,076</u>
 Total Assets	 <u>\$ 3,254,898</u>	 <u>\$ 3,178,680</u>

### LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued liabilities	\$ 56,835	\$ 62,698
Deferred revenue	183,932	190,360
Refundable advance	45,976	-
Lease liability	<u>434,992</u>	<u>533,339</u>
 Total Liabilities	 721,735	 786,397
Net Assets:		
Without donor restrictions:		
Undesignated	2,103,828	1,984,745
Board-designated for endowment	<u>89,761</u>	<u>72,324</u>
Total without donor restrictions	2,193,589	2,057,069
With donor restrictions	<u>339,574</u>	<u>335,214</u>
 Total Net Assets	 <u>2,533,163</u>	 <u>2,392,283</u>
 Total Liabilities and Net Assets	 <u>\$ 3,254,898</u>	 <u>\$ 3,178,680</u>

*See accompanying notes*

## NONPROFIT CONNECT

### STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenue:</b>				
Membership dues	\$ 353,367	\$ -	\$ 353,367	\$ 355,035
JobLink postings	247,775	-	247,775	297,405
Awards Celebration	178,650	-	178,650	163,550
Philly Awards	38,975	-	38,975	34,470
Educational programs	208,169	-	208,169	224,759
Contributions and grants	163,916	-	163,916	364,833
Investment return, net	157,032	4,360	161,392	(222,217)
Other	30,047	-	30,047	8,933
Total Support and Revenue	<u>1,377,931</u>	<u>4,360</u>	<u>1,382,291</u>	<u>1,226,768</u>
<b>Expenses:</b>				
<b>Program services:</b>				
Education	326,053	-	326,053	305,147
Events	261,939	-	261,939	209,915
Member resources	123,996	-	123,996	92,216
Total program services	<u>711,988</u>	<u>-</u>	<u>711,988</u>	<u>607,278</u>
<b>Supporting services:</b>				
Management and general	340,006	-	340,006	315,729
Fundraising	189,417	-	189,417	180,136
Total supporting services	<u>529,423</u>	<u>-</u>	<u>529,423</u>	<u>495,865</u>
Total Expenses	<u>1,241,411</u>	<u>-</u>	<u>1,241,411</u>	<u>1,103,143</u>
Change in Net Assets	136,520	4,360	140,880	123,625
Net Assets at Beginning of Year	<u>2,057,069</u>	<u>335,214</u>	<u>2,392,283</u>	<u>2,268,658</u>
Net Assets at End of Year	<u>\$ 2,193,589</u>	<u>\$ 339,574</u>	<u>\$ 2,533,163</u>	<u>\$ 2,392,283</u>

*See accompanying notes*

## NONPROFIT CONNECT

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	2023							2022
	Program Services				Management		Total	Total
	Education	Events	Member Resources	Total Program	and General	Fundraising		
Wages and taxes	\$ 162,312	\$ 105,246	\$ 81,086	\$ 348,644	\$ 168,203	\$ 132,615	\$ 649,462	\$ 532,436
Employee benefits	26,999	17,507	13,488	57,994	27,979	22,059	108,032	95,587
Professional services	15,283	37,997	-	53,280	47,363	-	100,643	140,774
Meals and catering	11,125	42,349	-	53,474	2,781	-	56,255	41,405
Speaker fees	16,549	-	-	16,549	-	-	16,549	26,026
Member services	1,174	1,174	7,894	10,242	-	7,857	18,099	25,133
Facility rent	36,848	12,283	12,283	61,414	49,130	12,283	122,827	44,641
Supplies	6,326	5,060	-	11,386	1,265	-	12,651	19,444
Bank and credit card fees	9,603	2,401	7,203	19,207	2,474	4,802	26,483	33,454
Insurance	1,687	803	435	2,925	3,907	489	7,321	7,394
Marketing and public relations	15,872	8,673	-	24,545	3,989	-	28,534	39,459
Printing and reproduction	5,426	3,875	-	9,301	3,100	3,100	15,501	14,844
Awards	3,942	9,198	-	13,140	-	-	13,140	13,230
Office expense	2,466	1,065	1,065	4,596	17,001	2,130	23,727	33,061
Depreciation	6,713	2,238	-	8,951	11,188	2,237	22,376	14,729
Miscellaneous	3,728	12,070	542	16,340	1,626	1,845	19,811	21,526
	<u>\$ 326,053</u>	<u>\$ 261,939</u>	<u>\$ 123,996</u>	<u>\$ 711,988</u>	<u>\$ 340,006</u>	<u>\$ 189,417</u>	<u>\$ 1,241,411</u>	<u>\$ 1,103,143</u>
Total Expenses	<u>\$ 326,053</u>	<u>\$ 261,939</u>	<u>\$ 123,996</u>	<u>\$ 711,988</u>	<u>\$ 340,006</u>	<u>\$ 189,417</u>	<u>\$ 1,241,411</u>	<u>\$ 1,103,143</u>

*See accompanying notes*



## NONPROFIT CONNECT

### STATEMENT OF CASH FLOWS Year Ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 140,880	\$ 123,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,376	14,729
Reduction in the carrying amount of right-of-use assets - operating leases	99,158	11,347
Interest and dividends restricted for long-term investment	(3,674)	(1,965)
Net realized and unrealized (gains) losses	(128,907)	242,381
(Increase) decrease in:		
Accounts receivable	8,096	(9,775)
Prepaid expenses	(1,812)	(3,184)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,863)	21,409
Deferred revenue	(6,428)	(1,644)
Refundable advances	45,976	-
Lease liability	(98,347)	-
Net Cash Provided by Operating Activities	71,455	396,923
Cash Flows from Investing Activities:		
Purchases of property and equipment	(16,599)	(93,405)
Purchases of investments	(1,358,109)	(144,522)
Proceeds from sales of investments	516,234	123,633
Net Cash Used by Investing Activities	(858,474)	(114,294)
Cash Flows From Financing Activities:		
Interest and dividends restricted for long-term reinvestment	3,674	1,965
Net Cash Provided by Financing Activities	3,674	1,965
Net Change in Cash, Cash Equivalents, and Restricted Cash	(783,345)	284,594
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	1,246,022	961,428
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 462,677	\$ 1,246,022

#### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for amounts included in measurement of operating lease liability	\$ 115,360	\$ 19,156
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#### NONCASH INVESTING AND FINANCING ACTIVITIES

Right-of-Use asset obtained in exchange for operating lease liability	\$ -	\$ 547,743
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*See accompanying notes*

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

**Organization – Nonprofit Connect** (the “Organization”) is a membership organization that links the nonprofit community to education, resources, and networking so organizations can more effectively achieve their missions. Founded in 1974 as the Council of Philanthropy, the Organization serves as the hub of Greater Kansas City’s nonprofit sector. The Organization is a regional association uniquely serving individuals in the management of nonprofit organizations. The Organization currently has more than 7,300 professional members from over 850 organizations representing local, regional, and national nonprofit organizations of all sizes, as well as individuals, for-profit businesses, and community funders.

The program service areas for **Nonprofit Connect** are categorized into three areas:

#### **Education**

**Educational Programs** – The Organization offers a wide variety of training programs, both in-person and online, that are designed for nonprofit professionals at all career levels, as well as board members, volunteers, and community leaders who work with the nonprofit sector. We leverage peer experts and national speakers to create affordable education on fundraising, marketing, operations, leadership, strategy, and other topics important to nonprofit management.

#### **Events**

**Annual Awards Celebration** – The Celebration is the Organization’s largest event and only fundraiser. This event honors individuals and organizations for their commitment to the Kansas City community.

**Philly Awards** – The Philly Awards recognize nonprofits and their creative partners for excellence in marketing and communications. This event is an opportunity for nonprofits to celebrate their hard work by telling the story of their mission and is held annually in the fall.

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

#### Member Resources

**Membership** – The Organization maintains a membership network of over 850 organizations that represent local, regional, and national nonprofits of all sizes, as well as businesses and funders. The Organization provides members with free and discounted training, access to nonprofit management resources, and a community of potential partners, vendors, and funders.

**JobLink** – The Organization’s job board lists close to 135 local nonprofit jobs per day. The job board is viewable by the public, and both members and nonmembers can post positions for an affordable fee. Volunteer opportunities, including Board positions, are also posted on the Organization’s website.

**Online Resources** – As a membership benefit, the Organization provides access to The Foundation Directory and GrantStation, both searchable databases of funders and grant deadlines, respectively.

**Accounts Receivable** – Accounts receivable primarily consist of amounts due for registration fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances through a provision for credit losses based on its assessment of the current status of individual accounts. The allowance as of December 31, 2023 and 2022 was \$-0- and \$2,654, respectively.

**Advertising Costs** – The Organization expenses advertising costs as they are incurred. Total advertising costs during 2023 and 2022 were \$14,675 and \$13,925, respectively.

**Basis of Accounting** – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**Cash, Cash Equivalents, and Restricted Cash** – For purposes of the statement of cash flows, cash and cash equivalents are considered to be all highly liquid investments purchased with original maturity dates of less than three months. Cash and cash equivalents in brokerage accounts, which are part of investments on the statement of financial position, or long-term purposes are excluded from this definition. Included in cash and cash equivalents are amounts restricted by a donor for long-term purposes, see Notes 2 and 3.

**Comparative Financial Information** – The financial statements are presented with certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**Concentrations of Credit Risk** – The Organization maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as it periodically evaluates the strength of the financial institutions in which it deposits funds. At December 31, 2023, the Organization had approximately \$212,000 in deposits in excess of federally-insured limits.

**Donated Services** – Donated services are reflected as contributions at their estimated fair values at date of receipt. A number of volunteers donated services to the Organization in 2023 and 2022. These services do not meet the criteria for recognition as a contribution and thus are not reflected in the accompanying financial statements.

**Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses** – The Organization allocates expense on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service, requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages and taxes, employee benefits, and professional services which are allocated on the basis of estimates of time and effort. Facility rent, insurance, office expense, and depreciation are allocated on a square footage basis.

**Income Taxes** – The Organization is a Missouri non-profit corporation and has been recognized by the IRS as exempt from Federal income taxes, except on unrelated income, under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction, and has been determined not to be a private foundation.

The Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2023, and, accordingly, no liability has been accrued.

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**Investments** – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Organization reports net investment return restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing Board.

*Net assets with donor restrictions* – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Property and Equipment** – Property and equipment are stated at cost. Expenditures for major renewals and betterments exceeding \$1,000 that extend the useful lives of assets are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computer and office equipment	5 – 7 years
Leasehold improvements	5 – 6 years
Website	3 years

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

**Revenue Recognition** – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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. There were conditional promises to give of \$45,976 and \$-0- at December 31, 2023 and 2022. Promises to give collected prior to meeting conditions are include in refundable advances in the statement of financial position.

Membership dues, which are nonrefundable, are comprised of exchange transaction elements based on the benefits received. The Organization recognizes membership dues over the membership period. Payments are required at the time of sale or start of the membership period. Amounts received in advance are deferred to the applicable period.

Awards Celebration, Philly Awards, and educational programs revenue on the accompanying statement of activities contain sponsorships. Sponsorships are comprised of an exchange element based on the benefits received, and a contribution element for the difference. As sponsorships do not include an explicit waiver of sponsors' rights to refunds if an event were not to take place, the exchange and contribution elements are both recognized when the underlying events occur. Payments are required at the time of commitment.

Awards Celebration, Philly Awards, and educational programs revenue also contain ticket and registration revenue streams and are recognized when the underlying events occur. Payment is required at time of sale.

JobLink postings revenue is recognized at the time of purchase. Payment is required at time of sale. The Organization's performance obligations span one week, equal to the amount of time the job advertisements run, creating few revenue recognition timing differences at year-end.

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**Recently Issued Accounting Pronouncements** – Effective January 1, 2023, the Organization has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an Organization’s exposure to credit risk and the measurement of credit losses. The impact of the adoption was not considered material to the financial statements.

**Subsequent Events** – Management has evaluated events and transactions that have occurred since December 31, 2023 and reflected their effects, if any, in these financial statements through June 24, 2024, the date the financial statements were available to be issued.

### 2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 212,677	\$ 996,022
Cash restricted for expansion purposes	<u>250,000</u>	<u>250,000</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 462,677</u>	<u>\$ 1,246,022</u>

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

	<u>2023</u>	<u>2022</u>
Financial assets	\$ 2,736,392	\$ 2,557,051
Less: restricted cash for expansion purposes	(250,000)	(250,000)
Less: restricted by donors based on time or purpose	<u>(89,574)</u>	<u>(85,214)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 2,396,818</u>	<u>\$ 2,221,837</u>

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. The statement of cash flows identifies the sources and uses of the Organization's cash. The donor-restricted portion of the Organization's endowment must be retained in perpetuity. However, the Board-designated portion of the endowment may be drawn upon for operational needs. The underlying investments are highly liquid, with no withdrawal restrictions.

### 4. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

*Corporate bonds* – Fair value derived based on the market interest rates for the same or similar bonds. Corporate bonds are classified within Level 2.



# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 4. FAIR VALUE MEASUREMENTS (continued)

*United States (“U.S.”) Treasury Bills* – Fair value is determined by the custodians of the securities using recently executed transactions, market price quotations, and interest spreads obtained from independent external parties, such as vendors and brokers, adjusted for any basis difference between cash and derivative instruments. The spread data used is for the same maturity as the Treasury Bill. If the spread data do not reference the issuer, then data that reference a comparable issuer are used. U.S. Treasury Bills are classified within Level 2.

The following tables set forth information about the levels within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31:

2023	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents (at cost)	\$ -	\$ -	\$ -	\$ 973,782
Mutual funds:				
Equity	741,883	-	-	741,883
Fixed income	111,291	-	-	111,291
U.S. Treasury bills	-	50,075	-	50,075
Corporate bonds:				
AAA to A- BBB to BBB-	-	105,426	-	105,426
	-	<u>289,451</u>	-	<u>289,451</u>
Total	<u>\$ 853,174</u>	<u>\$ 444,952</u>	<u>\$ -</u>	<u>\$ 2,271,908</u>
2022	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents (at cost)	\$ -	\$ -	\$ -	\$ 142,626
Mutual funds:				
Equity	679,570	-	-	679,570
Fixed income	<u>478,930</u>	-	-	<u>478,930</u>
Total	<u>\$ 1,158,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301,126</u>

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computer and office equipment	\$ 53,485	\$ 36,886
Leasehold improvements	228,842	228,842
Website	2,950	2,950
Less accumulated depreciation	<u>(92,813)</u>	<u>(43,743)</u>
Total Property and Equipment, net	<u>\$ 192,464</u>	<u>\$ 224,935</u>

### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are restricted for the following purposes or periods at December 31:

Held in perpetuity:		
General operations	\$ 89,574	\$ 85,214
Purpose restricted:		
Expansion purposes	<u>250,000</u>	<u>250,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 339,574</u>	<u>\$ 335,214</u>

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

Satisfaction of purpose restrictions:		
Diversity, equity, and inclusion programming	<u>\$ -</u>	<u>\$ 15,000</u>
Total Net Assets Released from Donor Restrictions	<u>\$ -</u>	<u>\$ 15,000</u>

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 7. ENDOWMENT

The Organization's endowment consists of a donor-restricted endowment and a Board-designated endowment, which are collectively invested. This endowment was established in conjunction with an agreement from a local foundation (the "Foundation") on February 1, 2005. The agreement includes the following key provisions:

- The Organization placed \$50,000 in an account during 2005 as a Board-designated investment.
- The Foundation matched the \$50,000 with an additional \$50,000 in the first month of 2006 as an investment to be held in perpetuity.
- The Foundation may offer annually an additional contribution, which will be funded if the Organization can match the proposed contribution amount.
- On an annual basis, 20% of the net investment return or loss is allocated to the donor-restricted endowment amount to be held in perpetuity, and the remaining 80% is allocated to the Board-designated endowment.

The Board of Directors of the Organization has interpreted the Missouri 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by 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
- The investment policies of the organization

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 7. ENDOWMENT (continued)

*Endowment Net Asset Composition by Type of Fund as of December 31, 2023:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 89,574	\$ 89,574
Board-designated endowment funds	<u>89,761</u>	<u>-</u>	<u>89,761</u>
Total Endowment Assets	<u>\$ 89,761</u>	<u>\$ 89,574</u>	<u>\$ 179,335</u>

*Endowment Net Asset Composition by Type of Fund as of December 31, 2022:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 85,214	\$ 85,214
Board-designated endowment funds	<u>72,324</u>	<u>-</u>	<u>72,324</u>
Total Endowment Assets	<u>\$ 72,234</u>	<u>\$ 85,214</u>	<u>\$ 157,538</u>

*Changes in Endowment Net Assets for the Year Ended December 31, 2023:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 72,324	\$ 85,214	\$ 157,538
Investment return, net	<u>17,437</u>	<u>4,360</u>	<u>21,797</u>
Endowment net assets, end of year	<u>\$ 89,761</u>	<u>\$ 89,574</u>	<u>\$ 179,335</u>

*Changes in Endowment Net Assets for the Year Ended December 31, 2022:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 96,336	\$ 91,217	\$ 187,553
Investment return, net	<u>(24,012)</u>	<u>(6,003)</u>	<u>(30,015)</u>
Endowment net assets, end of year	<u>\$ 72,324</u>	<u>\$ 85,214</u>	<u>\$ 157,538</u>

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 7. ENDOWMENT (continued)

The Organization's agreement with the Foundation stipulates that a distribution from the Board-designated endowment can be made at any time, provided that the fair value of the Board-designated endowment is greater than 50% of the fair value of the donor-restricted endowment amount to be held in perpetuity. The distribution rate is determined by the Board of Directors on an annual basis.

The endowment's long-term investment objective is to achieve a total annualized return (aggregate return from interest, dividends, and capital appreciation), consistent with acceptable risk levels, that will meet or exceed the sum of the endowment's spending rate, inflation, and fees. To achieve the endowment objective, the endowment assets are invested following guidance and input from the Foundation.

### 8. RETIREMENT PLAN

The Organization sponsors a SIMPLE benefit plan for the benefit of its employees, matching 100% of the first 3% of employee elective deferrals. The Organization contributed \$14,308 and \$8,024 to the plan during 2023 and 2022, respectively.

### 9. CONCENTRATIONS

For 2023, one donor comprised approximately 11% of total support and revenue. For 2022, two donors comprised approximately 30% of total support and revenue.

### 10. LEASE COMMITMENT

Effective in September 2022, the Organization entered into a new long-term non-cancellable operating lease for office space expiring October 2027 with an option to extend for an additional three-year term. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay maintenance and repairs, utility, materials, real estate taxes, and other related expenses. The Organization includes renewal options when the options are reasonably certain to be exercised.

Lease expense associated with the lease for 2023 and 2022 was \$114,099 and \$32,049, respectively.

# NONPROFIT CONNECT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### 10. LEASE COMMITMENT (continued)

The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases, to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Organization elected the option to use the risk-free rate, determined using a period comparable to the lease term, as the discount rate for the lease where the implicit rate is not readily determinable. Lastly, the Organization elected the practical expedient to not separate lease and non-lease components for the office lease.

Other operating lease information for the year ended December 31, 2023 is as follows:

Weighted-average remaining lease term (in years):	3.75
Weighted-average discount rate (as a %):	3.48

The ROU asset for the operating lease consists of the following at December 31:

	2023	2022
ROU asset	\$ 547,743	\$ 547,743
Less: lease incentive-tenant improvement allowance	(131,582)	(131,243)
Less: accumulated amortization	(104,549)	(32,424)
ROU Asset– Operating Lease, net	\$ 311,612	\$ 384,076

Future maturities of the lease liability is presented in the following table, for the fiscal years ended December 31:

Year Ending December 31:	
2024	\$ 117,906
2025	120,462
2026	123,018
2027	104,290
Total remaining cash payments	465,676
Less: present value discount	(30,684)
Total Lease Liability	\$ 434,992

# **NONPROFIT CONNECT**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

### **11. SUBSEQUENT EVENT**

On March 11, 2024, the Organization received a \$200,000 donation for general operations.