Center for Nonprofit Excellence

Financial Report
Year Ended June 30, 2023

Hantzmon Wiebel LLP
CPA and Advisory Services

Center For Nonprofit Excellence

Contents

HANTZMON WIEBEL LLP
CPA and Advisory Services

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Center for Nonprofit Excellence
Charlottesville, Virginia

Opinion

We have audited the accompanying financial statements of CENTER FOR NONPROFIT EXCELLENCE (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CENTER FOR NONPROFIT EXCELLENCE as of June 30, 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 ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of CENTER FOR NONPROFIT EXCELLENCE 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 CENTER FOR NONPROFIT EXCELLENCE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

P.O. Box 1408 | 701 E Water St, Ste 300 | Charlottesville, VA 22902 | 434.296.2156 | Fax 434.977.4629 | hwllp.cpa

To the Board of Directors
Center for Nonprofit Excellence

Report of Independent Auditors

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 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 Center for Nonprofit Excellence'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 Center for Nonprofit Excellence'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.

Hantzmon Wiebel LLP

Charlottesville, Virginia
November 13, 2023

Center for Nonprofit Excellence

Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	$ 370,975	$ 477,003
Accounts receivable	833	5,655
Contributions receivable - due within one year (Note 4)	512,582	445,582
Other receivable (Note 5)	157,182	157,182
Prepaid expenses	4,364	4,554
Other current assets	2,775	4,276
Total current assets	1,048,711	1,094,252
Other Assets		
Cash internally designated by Board as reserves	401,411	400,662
Contributions receivable - due after one year (net) (Note 4)	62,952	419,582
Beneficial interest in assets held by Community Foundations (Note 6)	45,104	41,234
Software under development (Note 7)	....	48,731
Right of use asset under operating lease (Note 11)	161,115	....
Total other assets	670,582	910,209
Property and Equipment, Net (Note 8)	101,253	380
Total Assets	$ 1,820,546	$ 2,004,841

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ 46,105	$ 55,213
Obligation under operating leases - current (Note 11)	49,619	....
Deferred revenue	39,459	56,352
Total current liabilities	135,183	111,565
Long-Term Liabilities		
Obligation under operating lease (Note 11)	111,496	....
Total long-term liabilities	111,496	....
Net Assets		
Without donor restrictions (Note 12)	807,065	963,785
With donor restrictions (Note 12)	766,802	929,491
Total net assets	1,573,867	1,893,276
Total Liabilities and Net Assets	$ 1,820,546	$ 2,004,841

(The accompanying notes are an integral part of these financial statements)

Center for Nonprofit Excellence

Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues, and Gains						
Public Support						
Individual contributions	$ 131,775	$	$ 131,775	$ 125,850	$ 4,462	$ 130,312
Corporate contributions	4,791	10,000	14,791	2,123	10,000	12,123
Foundation contributions	228,500	849,807	1,078,307	8,750	1,260,438	1,269,188
Nonprofit and governmental contributions	300	5,250	5,550	157,182	10,500	167,682
Special event (net of event costs of $114,967 and $87,408, respectively)	(16,696)	....	(16,696)	37,582	....	37,582
Net assets released from restrictions (Note 13)	1,031,421	(1,031,421)	....	599,299	(599,299)	....
Total public support	1,380,091	(166,364)	1,213,727	930,786	686,101	1,616,887
Revenues						
Membership dues	97,593	....	97,593	102,879	....	102,879
Program service fees	55,783	....	55,783	34,530	....	34,530
Resource center	6,305	....	6,305	6,178	....	6,178
Other Revenues and Gains (Losses)						
Interest and dividends	314	435	749	140	310	450
Realized and unrealized gains (losses) from beneficial interest in assets held by Community Foundations	630	3,240	3,870	(1,102)	(7,815)	(8,917)
Other income (loss)	(12)	....	(12)	539	....	539
Total revenues and gains (losses)	160,613	3,675	164,288	143,164	(7,505)	135,659
Total public support, revenues, other revenues, and gains (losses)	1,540,704	(162,689)	1,378,015	1,073,950	678,596	1,752,546
Expenses						
Program	1,102,151	....	1,102,151	708,554	....	708,554
Management and general	474,960	....	474,960	299,182	....	299,182
Fund-raising	120,313	....	120,313	101,493	....	101,493
Total expenses	1,697,424	....	1,697,424	1,109,229	....	1,109,229
Change in Net Assets	(156,720)	(162,689)	(319,409)	(35,279)	678,596	643,317
Net Assets, Beginning of Year	963,785	929,491	1,893,276	999,064	250,895	1,249,959
Net Assets, End of Year	$ 807,065	$ 766,802	$ 1,573,867	$ 963,785	$ 929,491	$ 1,893,276

(The accompanying notes are an integral part of these financial statements)

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	MEMBERSHIP SERVICES	PARTNERSHIPS & CONSULTING	EDUCATION & RESOURCES	ADVOCACY & COMMUNICATIONS	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND-RAISING	TOTAL
Salaries, benefits, and related expenses	$ 50,626	$ 309,511	$ 226,558	$ 106,107	$ 692,802	$ 312,340	$ 57,860	$ 1,063,002
Contract services	5,730	136,385	16,527	62,254	220,896	60,564	55,795	337,255
Coaching and speaker fees	1,000	59,978	19,089	....	80,067	....	....	80,067
Facility expenses	3,860	4,915	23,223	4,198	36,196	18,256	2,274	56,726
Travel	7	32,691	394	....	33,092	4,402	167	37,661
Information technology	....	....	....	1,863	1,863	32,212	....	34,075
Other expenses	1,200	4,091	3,728	2,000	11,019	2,604	175	13,798
Food	4	5,263	3,588	516	9,371	3,542	212	13,125
Professional fees	....	....	....	....	....	12,825	....	12,825
Academy scholarship	....	....	10,850	....	10,850	....	....	10,850
Printing and copying	....	4,157	....	....	4,157	2,497	3,630	10,284
Staff development	....	....	....	....	....	7,794	....	7,794
Insurance	....	....	....	....	....	5,117	....	5,117
Internet and telephone	....	....	....	....	....	4,501	....	4,501
Depreciation	....	....	....	....	....	4,119	....	4,119
Office supplies and equipment	....	....	58	....	58	2,833	....	2,891
Advertising	....	....	....	1,354	1,354	....	....	1,354
Books, subscriptions, and reference materials	....	168	162	....	330	404	....	734
Licenses and fees	....	....	85	....	85	625	....	710
Postage	....	11	....	....	11	325	200	536
Total expenses	$ 62,427	$ 557,170	$ 304,262	$ 178,292	$ 1,102,151	$ 474,960	$ 120,313	$ 1,697,424

(The accompanying notes are an integral part of this financial statement)

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	MEMBERSHIP SERVICES	PARTNERSHIPS & CONSULTING	EDUCATION & RESOURCES	ADVOCACY & COMMUNICATIONS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL
Salaries, benefits, and related expenses	$ 75,510	$ 283,583	$ 53,717	$ 47,292	$ 460,102	$ 178,981	$ 47,952	$ 687,035
Contract services	3,107	14,466	53,456	92,358	163,387	48,496	40,940	252,823
Facility expenses	7,770	6,375	20,561	3,688	38,394	9,014	5,387	52,795
Information technology	....	....	....	944	944	21,491	1,194	23,629
Coaching and speaker fees	800	7,750	10,908	....	19,458	....	2,500	21,958
Other expenses	....	3,058	10,950	2,000	16,008	2,676	92	18,776
Professional fees	....	....	....	....	....	10,651	....	10,651
Staff development	....	1,703	....	....	1,703	6,554	....	8,257
Insurance	....	....	....	....	....	5,590	....	5,590
Printing and copying	....	....	....	....	....	2,499	1,741	4,240
Books, subscriptions, and reference materials	....	36	3,432	....	3,468	502	170	4,140
Food	....	482	109	....	591	3,012	342	3,945
Travel	....	1,385	....	....	1,385	2,036	438	3,859
Office supplies and equipment	....	....	....	....	....	3,182	....	3,182
Internet and telephone	....	....	....	....	....	3,077	....	3,077
Advertising	....	....	....	2,084	2,084	19	....	2,103
Licenses and fees	93	....	....	....	93	1,199	....	1,292
Academy scholarship	....	....	937	....	937	....	....	937
Stewardship	....	....	....	....	....	....	450	450
Postage	....	....	....	....	....	16	287	303
Depreciation	....	....	....	....	....	187	....	187
Total expenses	$ 87,280	$ 318,838	$ 154,070	$ 148,366	$ 708,554	$ 299,182	$ 101,493	$ 1,109,229

(The accompanying notes are an integral part of this financial statement)

CENTER FOR NONPROFIT EXCELLENCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	($ 319,409)	$ 643,317
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,119	187
Realized and unrealized (gains) losses on beneficial interests in assets held by Community Foundations	(3,870)	8,917
Amortization of right of use assets	45,848	....
Loss on disposition of asset	12	61
Bad debt expense	3,040	750
(Increase) decrease in:		
Accounts receivable	4,822	(2,555)
Contributions receivable	286,590	(754,648)
Other receivable	....	(157,182)
Prepaid expenses and other current assets	1,691	(1,768)
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,108)	32,785
Refundable advance	....	(44,512)
Obligations under operating leases	(45,848)	....
Deferred revenue	(16,893)	(493)
Net cash provided by (used in) operating activities	(49,006)	(275,141)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for assets under development	....	(48,731)
Expenditures for property and equipment	(56,273)	....
Deposits to beneficial interest in Community Foundations	....	(14,557)
Withdrawals from beneficial interest in Community Foundations	....	1,200
Net cash provided by (used in) investing activities	(56,273)	(62,088)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(105,279)	(337,229)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	877,665	1,214,894
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 772,386	$ 877,665
CASH IS REPORTED ON THE STATEMENT OF FINANCIAL POSITION AS		
Cash and cash equivalents	$ 370,975	$ 477,003
Cash internally designated as Board reserves	401,411	400,662
	$ 772,386	$ 877,665
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Lease liabilities arising from obtaining right of use assets	$ 206,963	$ ....

(The accompanying notes are an integral part of these financial statements)

CENTER FOR NONPROFIT EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

The Center for Nonprofit Excellence (the Center), headquartered in Charlottesville, Virginia, is a champion, learning partner, and advisor for Virginia nonprofits. The Center supports its members and the broader Virginia social impact sector through training programs, leadership development, technical assistance, consulting, and sector data and convening. The Center provides these services to Virginia nonprofits and funders so they may be more efficient and effective, make better use of donor dollars, and deepen their community impact.

NOTE 2 - DESCRIPTION OF PROGRAM SERVICES AND SUPPORTING ACTIVITIES

The Center's primary program services activities are summarized below:

Partnerships & Consulting - The Center participates in various strategic partnerships and consulting engagements with foundations aimed at strategically delivering its capacity-building programs and services in select regions across Virginia. These partnerships and engagements are fully-funded by the respective partner.

Membership Services - The Center offers nonprofit organizations membership benefits that include the following:

- Discounted rates for the Center's workshops, advanced trainings, academies, and other programs.
- Exclusive access to the Center's Leadership Circles, a leadership development program of facilitated small groups made up of nonprofit professionals. These circles provide a confidential setting in which peers can discuss and solve real-time problems with real-world experience, and support each other's learning and growth.
- Free access to our Nonprofit Help Desk, providing customized technical assistance and resource requests.

Education & Resources - The Center conducts various workshops, advanced training, and longer-term academy programs. The Center also provides a wide array of publications, books, and virtual resources that strengthen nonprofits and their board, executive, and staff leadership. Based on extensive research, the Center has developed *7 Actionable Principles for a Strong Social Sector*, a framework to enable the social sector to be more effective, make better use of resources, and increase community impact. The Center also delivers various programs centered on redressing inequities within the nonprofit sector in support of equitable, thriving, and just communities throughout Virginia.

Advocacy and Communications - The Center engages in collection and reporting of nonprofit sector data to increase understanding of the sector and its needs. This work includes the facilitation, convening, and communications activities to enhance the public understanding of the Commonwealth's nonprofits. The Center also conducts advocacy campaigns and convenes local, state, and national stakeholders in support of a thriving and vibrant social sector.

The Center's supporting activities consist of the following:

General and administrative services - These services provide the functions necessary to maintain competent professional services, provide an equitable and attractive employment program and working environment, provide coordination and articulation of the Center's program services, provide for administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Center.

Fund-raising services - These services provide the structure necessary to encourage and secure financial support from individuals, foundations, corporations, and government entities.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Center adopted the standard effective July 1, 2022 and recognized and measured material leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

In evaluating contracts to determine if they qualify as a lease, the Center considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Center can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Center elected the available practical expedients to transition existing lease classification to the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Center has elected to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The Center's building lease was determined to meet the criteria for recognition under FASB ASC 842. As a result of the adoption of the new lease accounting guidance, the Center recognized on July 1, 2022 a lease liability and a right of use asset of $206,963, which represents the present value of the expected remaining building lease payments of $219,694, discounted using the Center's risk-free rate of 2.87%. There was no adjustment to net assets as a result of adopting FASB ASC 842. The most significant impact was the recognition of the ROU asset and lease liability for operating leases.

Basis of Accounting and Financial Reporting

The financial statements of the Center have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP). The Center's financial statements present information regarding the Center's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The two classes are differentiated by donor restrictions.

Net Assets without Donor Restrictions - Net assets without donor restrictions are assets that are not subject to donor-imposed restrictions and are available for use in general operations or may be designated by the Center's Board of Directors for specific purposes.

Net Assets with Donor Restrictions - Net assets subject to donor restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Center pursuant to those stipulations. Net assets with donor restrictions also include amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled or when the stipulated time has elapsed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts during the reporting period. Actual results may differ from those estimates.

Revenue Recognition

Contributions are indicated as net assets without donor restrictions and net assets with donor restrictions depending on the nature of restrictions. When a donor-stipulated time restriction ends or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Unconditional promises to give are recognized as revenue in the year the promise is made and are recorded at fair value, which is the estimated present value of expected future cash flows. Conditional pledges are recognized as revenue when the conditions are substantially met.

Special event revenue consists of sponsorships and other contributions for the Center's annual fundraising event, Philanthropy Day. Contribution revenue related to Philanthropy Day is recognized upon completion of the event.

The Center's revenue transactions that fall within the scope of ASC 606, *Revenue from Contracts with Customers,* are reported under the Revenues caption on the statement of activities. Membership dues are considered to be an exchange transaction based on the membership benefits provided to the Center's members. Accordingly, membership dues are recognized over the membership period. Program service fees are recognized when the specified services are provided. Program service fees arise from performing services on certain contracts, consulting, educational trainings, and academies offered by the Center.

For each of the Center's contracts, the timing of revenue recognition, customer billings, and cash collections may result in a net contract asset or liability at the end of each reporting period. Contract assets consist of unbilled receivables, and contract liabilities consist of advance payments from customers and billings in excess of revenue recognized. The Center had no contract assets of as of June 30, 2023, 2022, and 2021. The Center had contract liabilities of $39,459, $56,352, and $56,845 as of June 30, 2023, 2022 and 2021, respectively. The contract liabilities are reported as deferred revenue on the statement of financial position.

Cash and Cash Equivalents

The Center considers all short term, highly-liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of bank deposits and amounts invested in certificates of deposit with no permanently imposed donor restrictions. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC), generally up to $250,000 per financial institution.

Board-Designated Operating Reserve

The Board of Directors has established an operating reserve with the objective of setting aside funds to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balance totaled $401,411 and $400,662 at June 30, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due from membership subscriptions, consulting services, and educational and training programs. The Center determines an allowance for uncollectible accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Receivables greater than 90 days past due totaled $83 and $175 as of June 30, 2023 and 2022, respectively. The Center does not believe an allowance for uncollectible accounts was necessary at June 30, 2023 and 2022.

Bad debt expense was $3,040 and $750 for the years ended June 30, 2023 and 2022, respectively.

The Center's accounts receivable balance amounted to $833, $5,655, and $3,850 as of June 30, 2023, 2022, and 2021, respectively.

Contributions Receivable

The Center records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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 assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. As of June 30, 2023, the discount rate applied to contributions receivable ranged from 3% to 4.87%. The Center determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management has determined that an allowance for uncollectible contributions receivable is not deemed necessary at June 30, 2023 and 2022.

Conditional contributions receivable that depend on the occurrence of a specified future and uncertain event that bind the promisor are not recorded until the specified condition is substantially met. The Center did not have any conditional contributions receivable at June 30, 2023 or 2022.

Property and Equipment

The Center capitalizes purchases as property and equipment if the cost of the asset is above $9,000 and the asset is expected to be used for at least one year. Property and equipment are recorded at cost and depreciated using accelerated methods over the estimated useful lives of the assets. Computer software is carried at cost, reported as property and equipment, and amortized using the straight-line method over the estimated useful lives of the assets. Internal and external costs related to the development of computer software are capitalized and costs incurred after the software is developed (post-implementation) are expensed as incurred in accordance with U. S. generally accepted accounting principles. Amortization of computer software is reported as depreciation. Items donated to the Center are reported at their estimated fair market value at the date of receipt.

A summary of the useful lives within the major asset groups of property and equipment is outlined below:

Leasehold improvements	5 years
Furniture, fixtures, and equipment	5 - 7 years
Computer software	7 years

Deferred Revenue

Fees and payments received in advance are deferred to the applicable period in which the Center's performance obligations are met. The Center recognizes membership revenue over a rolling twelve-month period resulting in a deferral of unearned income. In addition, fees received in advance for workshops and other trainings are deferred until the period when earned.

Income Taxes

The Center is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes as an organization described in Internal Revenue Code Section 501(c)(3). The Center is required to file an annual Form 990 (Return of Organization Exempt from Income Tax) with the IRS. The Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Center has determined that no unrelated business income was received for the years ended June 30, 2023 and 2022.

The Center has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Center.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. Occupancy-related expenses have been allocated based on the usage and square footage of the office space utilized. All other allocated expenses, including salaries and wages, benefits, and payroll taxes, are allocated according to estimated time spent on activities. Other expenses are directly attributable to a specific activity and therefore do not require allocation.

Subsequent Events

Management has evaluated subsequent events through November 13, 2023, which is the date the financial statements were available to be issued.

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following unconditional promises to give at June 30:

	2023	2022
Contributions receivable before allowance for unamortized discount	$587,582	$883,164
Less: Unamortized discount	(12,048)	(18,000)
Pledges receivable, net	$575,534	$865,164
Amounts due in:		
One year or less	$512,582	$445,582
Two years	75,000	437,582
	587,582	883,164
Less: Unamortized discount	(12,048)	(18,000)
Pledges receivable, net	$575,534	$865,164

NOTE 5 - OTHER RECEIVABLE

Under provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Center was eligible for a refundable Employee Retention Credit (ERC) subject to certain criteria. The Center recognized an ERC of $157,182 for the year ended June 30, 2022, which is reported on the statement of activities under the caption “nonprofit and governmental contributions.” Amounts due under the ERC are reported in the “other receivable” caption on the statement of financial position and amounted to $157,182 at June 30, 2023 and 2022. In July of 2023, the Center received $50,371 of the $157,182 outstanding receivable. Management expects to receive the remaining proceeds of $106,811.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Center is the beneficiary under a Designated Agency Fund Agreement with the Charlottesville Area Community Foundation (CACF). The fund is held and invested by CACF for the benefit of the Center. CACF has the ultimate authority and control over the fund assets. Distributions from the fund are generally limited to investment income and are subject to the approval of CACF’s Governing Body. Distributions in excess of the fund’s cumulative earnings are permitted in certain situations and require approval of three fourths of CACF’s Governing Body. The fund is assessed investment and administrative fees in accordance with the agreement.

During the year ended June 30, 2022, the Center established an Agency Fund with the Community Foundation of the Central Blue Ridge (CFCBR).The Center established the fund to function as a Board-designated endowment fund. (See **NOTE 9 - BOARD-DESIGNATED ENDOWMENT**.) The fund is held and invested by CFCBR for the benefit of the Center. CFCBR has the ultimate authority and control over the fund assets. Distributions from the fund are calculated based on CFCBR’s spending policy. The Center may request distributions from the fund’s principal balance, but any such requests are subject to the approval of CFCBR’s Governing Body.

The Center’s beneficial interest in assets held by Community Foundations are recorded at fair value in the statement of financial position and consisted of the following at June 30:

	2023	2022
CACF fund assets	$ 35,441	$ 32,174
CFCBR fund assets	9,663	9,060
	$ 45,104	$ 41,234

NOTE 7 - SOFTWARE UNDER DEVELOPMENT

During the year ended June 30, 2022, the Center incurred software implementation costs of $48,731 that met the criteria for capitalization in accordance with accounting standards. The software was not in service as of June 30, 2022 and is therefore reflected in the statement of financial position as software under development. During the year ended June 30, 2023, the Center completed the software implementation with additional capitalized costs of $56,273. The software was placed into service on April 1, 2023.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2023	2022
Software	$105,004	$ ....
Furniture, fixtures, and equipment	9,398	10,487
Leasehold improvements	5,572	5,572
	119,974	16,059
Less: Accumulated depreciation	(18,721)	(15,679)
	$101,253	$ 380

NOTE 9 - BOARD-DESIGNATED ENDOWMENT

In June 2022, the Center's Board approved the creation of a Board-designated endowment fund with an initial principal contribution of $10,000. In December of 2022, the funds were transferred to CFCBR for investment management purposes. (See **NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS**.)

The Board-designated endowment fund was established with the objective of setting funds aside for funding programs and general operations of the Center. The Center's primary investment objective is to maximize the return on invested assets while minimizing risks and expenses. The Center's spending rate for the Board-designated endowment fund is subject to the CFCBR's annual spending rate calculation as outlined in the Agency Fund agreement.

Changes in the Center's Board-designated endowment net assets for the year ended June 30, 2023 are as follows:

	WITHOUT DONOR RESTRICTIONS
Endowment net assets, beginning of year	$ 9,060
Net gain on investments	603
Contributions	....
Appropriation of endowment assets for expenditure	....
Endowment net assets, end of year	$ 9,663

Changes in the Center's Board-designated endowment net assets for the year ended June 30, 2022 are as follows:

	WITHOUT DONOR RESTRICTIONS
Endowment net assets, beginning of year	$ ....
Net loss on investments	(940)
Contributions	10,000
Appropriation of endowment assets for expenditure	....
Endowment net assets, end of year	$ 9,060

There were no donor-restricted endowment funds for the years ended June 30, 2023 and 2022.

NOTE 10 - LINE OF CREDIT

The Center maintains a $100,000 line of credit with a maturity date of January 26, 2024. As of June 30, 2023, the line bore interest at the interest rate of 9.25% and is not collateralized. The Center had no borrowings under the line of credit as of June 30, 2023 and 2022.

NOTE 11 - LEASE OBLIGATION

On November 2, 2022, the Center renewed its building lease agreement. The term of this lease is one year, beginning January 1, 2023 and ending December 31, 2023, with the option to renew annually thereafter. The monthly rent due under the agreement is subject to a 5% increase for each successive one-year renewal term. The Center includes in the determination of the right-of-use asset and lease liability any renewal options that are reasonably certain to be exercised. The total lease cost under the building lease agreement amounted to $49,883 for the year ended June 30, 2023.

The weighted-average remaining lease terms and risk-free rate are as follows:

Weighted-average remaining lease term	3.6 years
Weighted-average risk-free rate	2.87%

The following is a schedule by year of future minimum payments required under the leases, together with their total present value as of June 30, 2023:

YEAR ENDING JUNE 30,	
2024	$ 53,596
2025	56,127
2026	58,783
2027	....
Total minimum payments	168,506
Less: Amount representing interest	7,391
Present value of minimum lease payments	161,115
Less: current portion	49,619
Non-current portion	$111,496

For the year ended June 30, 2022, and prior to the adoption of the new lease standard (ASC 842), the Center maintained a building lease agreement. Total rent expense was approximately $47,000 for the year ended June 30 2022. The noncancellable future minimum lease payments from July 1, 2022 to December 31, 2022 totaled approximately $25,000.

NOTE 12 - NET ASSETS

A breakdown of net assets without donor restrictions at June 30 is as follows:

	2023	2022
Undesignated	$395,991	$554,063
Designated by the Board:		
Cash reserves	401,411	400,662
Board-designated endowment	9,663	9,060
Total designated by the Board	411,074	409,722
Total net assets without donor restrictions	$807,065	$963,785

A breakdown of net assets with donor restrictions at June 30 is as follows:

	2023	2022
Restricted for:		
Nonprofit capacity-building programs and services	$731,360	$897,317
Leadership development	35,442	32,174
Total net assets with donor restrictions	$766,802	$929,491

NOTE 13 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 as follows:

	2023	2022
Nonprofit capacity-building programs and services	$ 662,481	$ 526,375
Walton Family Foundation Grant	237,589	....
Salesforce Software Grant	80,000	....
Time restrictions satisfied	....	25,000
Black Empowerment Coalition Grant	....	12,550
Other support	20,408	12,078
Board Development Academy	18,500	7,500
Diversity, equity, and inclusion programs	12,443	15,796
	$1,031,421	$ 599,299

NOTE 14 - RETIREMENT PLAN

The Center sponsors a tax-deferred retirement plan qualified under Internal Revenue Code Section 403(b) covering full-time employees. Employer contributions totaled $26,698 and $18,440 for the years ended June 30, 2023 and 2022, respectively.

The Center also sponsors an elective 457(b) plan for the benefit of certain members of management.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments while striving to maximize the investment of its available funds.

The Center manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

The following table reflects the Center’s financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, when assets are held for others, when the donor restricts the funds for long-term purposes, or when the governing board has set aside the funds for a specific contingency reserve. Any Board designations could be drawn upon if the Board approves that action. The Center considers general expenditures to be all expenditures related to its ongoing activities of supporting its members and the broader Virginia social impact sector through training programs, leadership development, technical assistance, consulting, and resource sharing. Accordingly, donor restricted funds that benefit current programs and ongoing operations are considered available for general expenditure.

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center maintains a $100,000 line of credit that can be used as an additional source of liquidity.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 370,975	$ 477,003
Cash internally designated by Board as reserves	401,411	400,662
Accounts receivable	833	5,655
Other receivable	157,182	157,182
Beneficial interests in assets held by Community Foundations	45,104	41,234
Contributions receivable	575,534	865,164
Financial assets, at year end	1,551,039	1,946,900
Less: those unavailable for general expenditure within one year, due to:		
Cash internally designated by Board as reserves	(401,411)	(400,662)
Contributions receivable due after one year	(62,952)	(419,582)
Financial assets available to meet cash needs for general expenditures within one year	$1,086,676	$1,126,656

Note 16 - Fair Value Measurement

Generally accepted accounting principles establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories based on the inputs used in valuation:

Level 1 - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 - Fair values are based on inputs other than quoted prices that are either 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 were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The fair values of the Center's financial assets measured on a recurring basis at June 30, 2023 are as follows:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Beneficial interests in assets held by Community Foundations	$	$	$ 45,104	$ 45,104
Total financial assets at fair value	$	$	$ 45,104	$ 45,104

A reconciliation of the change in Level 3 assets for the year ended June 30, 2023 is as follows:

	Beneficial Interests in Assets held by Community Foundations
Balance, beginning of year	$ 41,234
Contributions	....
Distributions	....
Net investment gain	3,870
Balance, end of year	$ 45,104

The fair values of the Center's financial assets measured on a recurring basis at June 30, 2022 are as follows:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Beneficial interests in assets held by Community Foundations	$	$	$ 41,234	$ 41,234
Total financial assets at fair value	$	$	$ 41,234	$ 41,234

A reconciliation of the change in Level 3 assets for the year ended June 30, 2022 is as follows:

	Beneficial Interests in Assets held by Community Foundations
Balance, beginning of year	$ 36,794
Contributions	14,557
Distributions	(1,200)
Net investment depreciation	(8,917)
Balance, end of year	$ 41,234

Note 17 - Related Party Transactions

The Center obtains consulting services from a Board member at a discounted rate. Amounts paid to the related party totaled $17,850 and $27,500 for the years ended June 30, 2023 and 2022, respectively.

Note 18 - Concentrations

Three donors account for approximately 50% of total contributions for the year ended June 30, 2023. Two donors accounted for approximately 69% of total contributions for the year ended June 30, 2022.

Two donors accounted for 100% of net contributions receivable as of June 30, 2023. One donor accounted for approximately 99% of net contributions receivable as of June 30, 2022.

Note 19 - Contingencies

Paycheck Protection Program

On April 23, 2020, the Center received loan proceeds in the amount of $99,600 pursuant to the Paycheck Protection Program (PPP), a program implemented by the U. S. Small Business Administration (SBA) under the CARES Act. The program provided for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses of the entity. The loan principal and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. On December 29, 2020, the Center received notice that the loan was forgiven in full. On February 1, 2022, the Center received a second PPP loan in the amount of $138,939. On September 30, 2022, the Center received notice that the second PPP loan was forgiven in full.

The Paycheck Protection Program loans and forgiveness of those loans are subject to audit by the SBA for six years after the date the loan is forgiven or repaid in full. The possible disallowance by the SBA of any item charged to the program cannot be determined until such time when an audit occurs. Therefore, no provision for any potential disallowances that may result from such audit has been made in the Center's financial statements. Management is of the opinion that disallowances, if any, will not be material to the Center's financial statements.

Employee Retention Credit

Laws and regulations concerning government programs, including the Employee Retention Credit, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Center's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Center. (See **Note 5 - Other Receivable**.)

Note 20 - Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes and to conform to the presentation in the current-year financial statements.