# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

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## FINANCIAL STATEMENTS

**for the year ended June 30, 2023**

# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

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Langdon & Company LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Carolina Center for Nonprofit Organizations, Inc.

### *Opinion*

We have audited the accompanying financial statements of North Carolina Center for Nonprofits (the 'Center'), which comprise the statement of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Center for Nonprofits as of June 30, 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. 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 North Carolina Center for Nonprofits and to meet our other 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.

### *Correction of Error*

As described in Note 11 to the financial statements, an adjustment was made to prior year other assets and payroll and related liabilities. Our opinion is not modified with respect to this matter.

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, the Organization adopted ASU 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to that 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 North Carolina Center for Nonprofits'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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***Auditor's Responsibility 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 North Carolina Center for Nonprofits'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 North Carolina Center for Nonprofits'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 the Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
December 5, 2023

## NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

### STATEMENT OF FINANCIAL POSITION
**as of June 30, 2023**
**with comparative totals as of June 30, 2022**

### ASSETS

| | 2023 | 2022 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 1,048,740 | $ 811,075 |
| Certificates of deposit | 542,345 | 879,383 |
| Contributions receivable | 32,048 | 20,335 |
| Grants receivable | 142,838 | 350,962 |
| Prepaid expenses | 15,406 | 31,808 |
| Other assets | 125,817 | 85,522 |
| Total current assets | 1,907,194 | 2,179,085 |
| Fixed assets: | | |
| Furniture and office equipment | 29,725 | 29,725 |
| Computers, software, and website | 123,775 | 134,861 |
| Work in process - website | 82,500 | 33,000 |
| | 236,000 | 197,586 |
| Less accumulated depreciation | 140,824 | 150,934 |
| Net property and equipment | 95,176 | 46,652 |
| Other assets: | | |
| Grants receivable in one to five years | - | 97,097 |
| Beneficial interest in assets held by the NC Community Foundation | 233,511 | 217,443 |
| Operating right-of-use assets (Note 8) | 37,461 | - |
| Total other assets | 270,972 | 314,540 |
| Total assets | $ 2,273,342 | $ 2,540,277 |

### LIABILITIES AND NET ASSETS

| | 2023 | 2022 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 23,771 | $ 53,021 |
| Accrued payroll and related expenses | 143,027 | 101,843 |
| Deferred membership revenue | 241,309 | 247,409 |
| Deferred corporate revenue | 3,000 | 3,000 |
| Deferred conference and other revenue | 7,918 | 11,145 |
| Current maturities of obligation under financing lease (Note 8) | 5,388 | 4,851 |
| Current portion of operating lease liabilities (Note 8) | 22,110 | - |
| Total current liabilities | 446,523 | 421,269 |
| Noncurrent liabilities: | | |
| Obligation under financing lease (Note 8), less current portion | - | 5,388 |
| Operating lease liabilities (Note 8), less current portion | 15,351 | - |
| Total noncurrent liabilities | 15,351 | 5,388 |
| Total liabilities | 461,874 | 426,657 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 1,312,894 | 1,342,360 |
| Board designated - operating contingency fund | 50,563 | 49,920 |
| | 1,363,457 | 1,392,280 |
| With donor restrictions: | | |
| Purpose restricted | 114,500 | 303,897 |
| Time restricted | 100,000 | 200,000 |
| Perpetual in nature | 231,850 | 231,650 |
| Accumulated gains (losses) on endowment | 1,661 | (14,207) |
| | 448,011 | 721,340 |
| Total net assets | 1,811,468 | 2,113,620 |
| Total liabilities and net assets | $ 2,273,342 | $ 2,540,277 |

*The accompanying notes are an integral part of the financial statements.*

# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

## STATEMENT OF ACTIVITIES
**for the year ended June 30, 2023**
**with comparative totals for 2022**

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Public support and revenue: | | | | |
| Foundation grants | $ 363,203 | $ 6,175 | $ 369,378 | $ 887,797 |
| Corporate grants and support | 13,850 | 101,713 | 115,563 | 129,800 |
| Contributions: | | | | |
| Cash | 23,497 | - | 23,497 | 24,150 |
| In-kind | 45,582 | - | 45,582 | 45,582 |
| Membership dues | 441,613 | - | 441,613 | 425,728 |
| Fees for services: | | | | |
| Registrations and exhibit fees | 161,582 | - | 161,582 | 103,120 |
| Royalties and job boards advertising | 137,428 | - | 137,428 | 128,003 |
| Center Managed Solutions contract | 195,949 | - | 195,949 | - |
| Other | 18,206 | - | 18,206 | 14,451 |
| Employer Retention Credit (Note 9) | 60,724 | - | 60,724 | - |
| Gain on extinguishment of debt (Paycheck Protection Program loan - Note 1) | - | - | - | 148,100 |
| Investment income (loss), net | 19,913 | 15,868 | 35,781 | (32,717) |
| | 1,481,547 | 123,756 | 1,605,303 | 1,874,014 |
| Net assets released from restrictions | 397,085 | (397,085) | - | - |
| Total public support and revenue | 1,878,632 | (273,329) | 1,605,303 | 1,874,014 |
| Expenses: | | | | |
| Program services | 1,513,164 | - | 1,513,164 | 1,247,310 |
| Support services: | | | | |
| Administration and board leadership | 248,352 | - | 248,352 | 213,959 |
| Resource development | 145,939 | - | 145,939 | 110,870 |
| Total support services | 394,291 | - | 394,291 | 324,829 |
| Total expenses | 1,907,455 | - | 1,907,455 | 1,572,139 |
| Change in net assets | (28,823) | (273,329) | (302,152) | 301,875 |
| Net assets at beginning of year | 1,392,280 | 721,340 | 2,113,620 | 1,811,745 |
| Net assets at end of year | $ 1,363,457 | $ 448,011 | $ 1,811,468 | $ 2,113,620 |

*The accompanying notes are an integral part of the financial statements.*

**NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**
**for the year ended June 30, 2023**
**with comparative totals for 2022**

| | 2023 | | | | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | Supporting Services | | | | |
| | Champion the sector | Cultivate connections | Innovate learning | Strive to model best practices | Value our members | Total program services | Administration and board leadership | Resource development | Total support services | Grand Total | Grand Total |
| Salaries and wages | $ 174,877 | $ 95,889 | $ 315,484 | $ 79,105 | $ 214,549 | $ 879,904 | $ 159,361 | $ 118,988 | $ 278,349 | $ 1,158,253 | $ 1,061,715 |
| Payroll taxes and employee benefits | 33,459 | 19,543 | 63,072 | 17,608 | 41,148 | 174,830 | 40,208 | 21,238 | 61,446 | 236,276 | 207,296 |
| Awards to nonprofits | - | - | 85,000 | - | - | 85,000 | - | - | - | 85,000 | - |
| Consultants | 60,221 | 3,331 | 62,609 | - | 2,400 | 128,561 | 7,800 | - | 7,800 | 136,361 | 120,858 |
| Depreciation | 927 | 537 | 1,709 | 428 | 1,161 | 4,762 | 947 | 48 | 995 | 5,757 | 5,065 |
| Equipment, furniture, and software | 909 | 526 | 1,675 | 419 | 1,137 | 4,666 | 928 | 47 | 975 | 5,641 | 4,683 |
| Insurance, licenses, permits, and bank fees | 1,475 | 3,460 | 4,477 | 585 | 8,306 | 18,303 | 9,974 | 292 | 10,266 | 28,569 | 18,938 |
| Legal and accounting | 4,573 | 2,650 | 8,429 | 2,110 | 5,724 | 23,486 | 4,671 | 236 | 4,907 | 28,393 | 23,372 |
| Mailing | - | - | 366 | - | - | 366 | 2,755 | - | 2,755 | 3,121 | 2,627 |
| Meeting expenses | 813 | 1,669 | 80,381 | - | - | 82,863 | 4,284 | - | 4,284 | 87,147 | 13,800 |
| Nonprofit resources, subscriptions, and dues | 6,890 | 2,555 | 5,315 | 1,239 | 3,359 | 19,358 | 3,618 | 138 | 3,756 | 23,114 | 17,505 |
| Office rent and occupancy | 3,657 | 2,119 | 6,741 | 1,688 | 4,577 | 18,782 | 4,000 | 189 | 4,189 | 22,971 | 22,680 |
| Printing and production | 217 | 1,067 | 4,130 | 100 | 802 | 6,316 | 222 | 11 | 233 | 6,549 | 1,997 |
| Supplies and materials | 1,029 | 392 | 5,174 | 312 | 1,665 | 8,572 | 750 | 35 | 785 | 9,357 | 5,483 |
| Telecommunications and technology | 7,533 | 4,151 | 16,584 | 3,413 | 9,257 | 40,938 | 6,936 | 4,717 | 11,653 | 52,591 | 53,477 |
| Travel and lodging | 4,500 | 6,057 | 2,965 | - | - | 13,522 | 379 | - | 379 | 13,901 | 9,086 |
| Staff and board development | 62 | 2,574 | 299 | - | - | 2,935 | 1,519 | - | 1,519 | 4,454 | 3,557 |
| | $ 301,142 | $ 146,520 | $ 664,410 | $ 107,007 | $ 294,085 | $ 1,513,164 | $ 248,352 | $ 145,939 | $ 394,291 | $ 1,907,455 | $ 1,572,139 |

*The accompanying notes are an integral part of the financial statements.*

# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

## STATEMENT OF CASH FLOWS

**for the year ended June 30, 2023**
**with comparative totals for 2022**

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from contributors and grantors | $ 801,747 | $ 762,450 |
| Cash received from program services | 1,006,174 | 850,871 |
| Cash paid to employees and suppliers | (1,867,226) | (1,492,700) |
| Interest and dividends received | 19,713 | 5,039 |
| Interest paid | (849) | (1,332) |
| Net cash (used in) provided by operating activities | (40,441) | 124,328 |
| Cash flows from investing activities: | | |
| Purchases of certificates of deposit | - | (108,374) |
| Redemption of certificates of deposit | 337,038 | - |
| Purchases of fixed assets | (54,281) | (38,598) |
| Net cash provided by (used in) investing activities | 282,757 | (146,972) |
| Cash flows from financing activities: | | |
| Long-term contribution restricted for endowment | 200 | 100 |
| Repayment of obligations under finance lease | (4,851) | (4,368) |
| Net cash used in financing activities | (4,651) | (4,268) |
| Net increase (decrease) in cash and cash equivalents | 237,665 | (26,912) |
| Cash and cash equivalents at beginning of year | 811,075 | 837,987 |
| Cash and cash equivalents at end of year | $ 1,048,740 | $ 811,075 |
| Noncash financing activities, PPP loan forgiveness | $ - | $ 148,100 |

*The accompanying notes are an integral part of the financial statements.*

# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

North Carolina Center for Nonprofit Organizations, Inc. (the "Center"), incorporated in 1990, is a 501(c)(3), nonprofit, nonstock corporation. The purpose of the Center is to improve charitable services to the citizens of North Carolina by strengthening the leadership and management capacities of charitable, tax-exempt organization in the state. The Center is directed by a seventeen-member Board of Directors, which includes the President of the Center as a non-voting member. The Center is primarily supported by contributions and private grants, member dues, and fees for conferences, workshops, and seminars. The Center focuses its work on the following programs and initiatives:

*Champion the sector* – Advocate with state and federal legislators and executive branch officials on public policy issues that affect all or most 501(c)(3) nonprofits in North Carolina; provide tools for charitable nonprofits to be strong and effective advocates for their own missions; conduct research on North Carolina's nonprofit sector; and work with government officials to help nonprofits build stronger communities throughout North Carolina.

*Cultivate connections* – Increase the brand of North Carolina's nonprofit sector and encourage the growth of and collaboration with regional nonprofit capacity builders; deepen partnerships with statewide organizations; engage, support, and encourage leadership development for the next generation of leaders and for those in communities of color; cultivate relationships with stakeholders; and grow earned revenue in the areas of advertising, NC Nonprofit Careers, publications, and business affinity partnerships.

*Innovate learning* – Provide professional development opportunities for the nonprofit sector; identify and expand relevant programming initiatives; and deliver best practices information and on-demand training through the annual conference, webinars, workshops, and other resources. Centered Managed Solutions is a program that goes beyond the usual transactional programs and services by offering a progressive engagement model, beginning with an organizational assessment and building on an advisor/coaching relationship that empowers the executive and its team to prioritize a plan of action with recommendations towards achieving greater nonprofit capacity and long-term sustainability.

*Strive to model best practices* – Utilize various technology platforms to deliver and expand programs and services; improve communications and marketing to connect and educate all stakeholders; and improve operational efficiency by evaluating organizational development and the business model.

*Value our members* – Promote a more inclusive and responsive organizational culture for nonprofits; develop mutually beneficial relationships with member nonprofits; create in-demand back-office partnerships that save members money; engage retired nonprofit executives to mentor and give back to the sector; and develop a consultant referral program for nonprofit members.

**Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenue is recognized when earned and expenses are recognized when incurred.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers cash in the bank, all cash held on hand, and all highly liquid short-term investments with an original maturity of three months or less to be cash and cash equivalents. The Center maintains its cash accounts with financial institutions, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts.

### Paycheck Protection Program ("PPP")

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020, have been initially recorded as debt. Interest will be recorded at the stated interest rate of 1%. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven, and the Center was legally released in September of 2021 as the primary obligor and the Center recognized as a gain on extinguishment of debt of $148,100 in the accompanying statement of activities for the year ended June 30, 2022.

### Fixed Assets

Fixed assets are recorded at cost at the date of acquisition or at the approximate fair market value at date of donation in the case of gifts. Fixed assets with an expected useful life greater than one year and an initial cost of $1,000 or more are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Fixed assets are depreciated using the straight-line method, over the following useful lives:

| | |
|---|---|
| Furniture and office equipment | 3-5 years |
| Computers, software, and website | 3 years |

### Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. 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 requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

For transition, the Center has elected to adopt the package of practical expedients, which includes not to reassess: 1) whether any expired or existing contracts are or contain leases available in the year of adoption, 2) the lease classification for any expired or existing lease, 3) initial direct costs on any existing leases, as well as the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Center's ROU assets.

The Center determines if an arrangement is a lease at inception. Operating leases are included in Operating right-of-use assets and Operating lease liabilities in the statement of financial position. Finance right-of-use assets are included in Furniture and office equipment and Finance lease liabilities in the statement of financial position.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

Right-of-use asset represents the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Center will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Center has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Center has elected to use the risk-free discount rate determined using a period comparable with that of the lease term for the computing of the present value of all lease liabilities. In addition, the Center has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

### Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 10, the governing board has designated, from net assets without donor restrictions, certain amounts for an operating contingency fund.

*Net Assets With Donor Restrictions* – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Revenue Recognition and Receivables

*Contributions and Grants*

Contributions and grants are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence and/or nature of any donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restrictions ends or a purpose restriction is accomplished, 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.

Contributions and grants receivable consists of unconditional promises to give and are stated at unpaid balances, less an allowance for doubtful accounts. All are expected to be collected; thus, management has determined that no allowance for doubtful accounts is necessary at June 30, 2023 or 2022.

# NORTH CAROLINA CENTER FOR NONPROFIT ORGANIZATIONS, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue Recognition and Receivables** ***(Continued)***

*Contributions and Grants (Continued)*

As of June 30, 2023, approximately 95% of contributions receivable was due from one contributor and approximately 70% of grants receivable was due from one grantor. As of June 30, 2022, approximately 49% percent of contributions receivable was due from one contributor and all of grants receivable was due from two grantors.

*Donated Goods and Services*

The Center received the following donated assets and services for the year ended June 30:

| | 2023 | 2022 |
|---|---|---|
| IT services | $ 45,582 | $45,582 |

There are no restrictions for contributed nonfinancial assets.

Donated goods and services are utilized in the Center's programs and supporting services and are valued through the fair market value provided by the donor. The Center recognizes the fair value of contributed services received if such services a) create or enhance a nonfinancial asset or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Center receives services from a large number of volunteers who give significant amounts of their time to the Center's programs, but which do not meet the criteria for financial statement recognition.

Donations of marketable securities are monetized promptly upon receipt.

*Fees for Services*

The Center accounts for exchange revenue in accordance with Financial Accounting Standards Board Codification Topic 606: *Revenue from Contracts with Customers.*

Fees for services revenue includes revenue for royalties, advertising, Center Managed Solutions ("CMS") consulting services and registration and exhibit fees for conferences, seminars and workshops.

The Center recognizes revenue from seminars and workshops when the performance obligations of providing the services are met (i.e., the seminars and workshops are presented). Additionally, revenue from registration and exhibit fees for conferences is recognized when the conferences are held. Revenue from royalties and job boards advertising is recognized during the service year to which they relate. Revenue from CMS consulting services is recognized as performance obligations are met.

*Membership Dues*

Membership dues are considered an exchange transaction based on the value of benefits provided. The Center recognizes membership due revenue over the membership period when performance obligations are met for related benefits.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue Recognition and Receivables *(Continued)*

*Deferred Revenue*

Deferred membership revenue consists of fees collected for annual membership dues, which will be recognized as revenue during the membership year. Deferred corporate revenue reflects the value of benefits, such as exhibit booths, advertisements, and conference registrations available to corporate sustainers, which will be recognized as revenue during the service year. Deferred conference and other revenue consists of fees collected in advance of the annual conference.

### 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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 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 expense by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenditures not directly attributable to specific programs or support services are allocated to program or supporting services by the Center's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit. Expenses other than consultants, mailing, meeting expenses, travel and lodging, and staff and board development, are allocated based on percentage of staff time.

### Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. Income derived from advertising in the Nonprofit Connections publication, exhibits at conference, and business finder advertising on the Center's website are considered unrelated business income activities. Income taxes for such unrelated business income totaled $2,555 and $591 for 2023 and 2022, respectively.

The Center evaluates any uncertain tax positions. Accordingly, the Center's policy is to record a liability for any tax position taken that is beneficial to the Center, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2023 and 2022.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### Reclassifications

Certain items in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Change in net assets of the Center previously reported for 2022 was not affected by these reclassifications.

## 2. LIQUIDITY AND AVAILABILITY

The Center receives a significant amount of support from restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due and to be good stewards of funds available for investment. The Center invests cash in excess of daily requirements in money market accounts and certificates of deposit. In accordance with the Center's internal policies, the board designates a portion of earnings to an operating contingency fund, which was $50,563 and $49,920 as of June 30, 2023 and 2022, respectively. This fund may be drawn upon in the event of an immediate liquidity need if the governing board approves the action.

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or board-designations within one year of the statement of financial position date.

| | 2023 | 2022 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 1,048,740 | $ 811,075 |
| Certificates of deposit | 542,345 | 879,383 |
| Contributions receivable | 32,048 | 20,335 |
| Grants receivable | 142,838 | 350,962 |
| | 1,765,971 | 2,061,755 |
| Less amounts not available to be used within one year, due to: | | |
| Donor-restricted for purpose | 114,500 | 303,897 |
| Board-designated operating reserve | 50,563 | 49,920 |
| | 165,063 | 353,817 |
| Financial assets available to meet general obligations within one year | $ 1,600,908 | $ 1,707,938 |

## 3. INVESTMENTS

**NC Community Foundation Endowment Fund:**

The Endowment is stated at fair value and consists primarily of mutual funds. Fair value at June 30, 2023 and 2022 is $233,511 and $217,443, respectively.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Interest and dividends - without restrictions | $ 19,913 | $ 5,139 |
| Interest and dividends - with restrictions | 4,723 | 3,732 |
| Net gains (losses) - with restrictions | 11,145 | (41,588) |
| | $ 35,781 | $ (32,717) |

## 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Restricted in perpetuity, Endowment: | $ 231,850 | $ 231,650 |
| Accumulated gains (losses) on Endowment | 1,661 | (14,207) |
| Restricted for time | 100,000 | 200,000 |
| Restricted for purpose: | | |
| Advocacy Toolkit & EDI Trainings & Modules | 100,000 | 244,097 |
| Nonprofit Management Institute and Resource Hub/EDI roundtables | 10,000 | 10,000 |
| Conference | 4,500 | 49,800 |
| Total restricted for purpose | 114,500 | 303,897 |
| Total net assets with donor restrictions | $ 448,011 | $ 721,340 |

## 4. NET ASSETS WITH DONOR RESTRICTIONS *(Continued)*

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 specified by the donors as follows for the year ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Subject to passage of time | $ 100,000 | $ 100,000 |
| Subject to expenditure for specified purpose: | | |
| Capacity Building | - | 300,000 |
| Advocacy Toolkit & EDI Trainings & Modules | 144,097 | - |
| Conference | 87,650 | 85,350 |
| Nonprofit Management Institute and Resource Hub/EDI roundtables | 35,000 | 20,000 |
| Legal Compliance | - | 2,000 |
| Other | - | 10,000 |
| Executive Leadership Cohort | 30,338 | - |
| Resourceful Communities | - | 3,800 |
| NPMI scholarships | - | 1,200 |
| | $ 397,085 | $ 522,350 |

## 5. FAIR VALUE MEASUREMENTS

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets and liabilities other than quoted prices included in level 1. The Center considers its investments held at North Carolina Community Foundation to be level 2 because they are invested in various portfolios managed by the Foundation and not individually held by the Center. Level 3 inputs are unobservable, and apply only when there is little or no market activity for the asset or liability. There have been no changes in valuation techniques and related inputs during the current year.

The Center recognizes transfers of assets into and out of levels as of the date an event or changes in circumstance causes the transfer. There were no significant transfers between levels in the years ended June 30, 2023 and 2022.

**5. FAIR VALUE MEASUREMENTS** ***(Continued)***

Fair values for assets measured on a recurring basis are as follows:

| **June 30, 2023** | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
|---|---|---|---|---|
| Beneficial Interest in endowment held by NC Community Foundation | $ 233,511 | $ - | $ 233,511 | $ - |

| **June 30, 2022** | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
|---|---|---|---|---|
| Beneficial Interest in endowment held by NC Community Foundation | $ 217,443 | $ - | $ 217,443 | $ - |

**6. ENDOWMENT**

The Center's endowment is one fund with related earnings considered net assets without donor restriction to be used for general operations. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2021, the Center transferred the endowment to North Carolina Community Foundation (the "Foundation"). The Center entered an agency fund agreement with the Foundation, and the endowment, including all investment income, capital gains and subsequent contributions, are the Foundation's property. The fund is held and invested by the Foundation for the Center's benefit and is reported at fair value in the statement of financial position as a beneficial interest in assets held by the Foundation, with distributions and changes in fair value recognized in the statement of activities.

*Interpretation of Relevant Law*: The Board of Directors of the Center has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the Act) 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 Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, unless the donor explicitly states that these gifts are not to be restricted in perpetuity, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

## 6. ENDOWMENT *(Continued)*

In accordance with the Act, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the Center's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The overall, long-term investment goal of the Foundation is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation plus any spending and administrative fee, thus protecting the purchasing power of the assets. The Foundation recognizes that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets also provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs.

*Spending Policy.* Under North Carolina Community Foundation's spending policy, a percentage of the fund is available for distribution to the Center. Funds available to distribute are currently calculated on a calendar year basis based on 5% times the average of the previous 12 quarter-ending balances by fund. However, no part of any distribution may disturb the endowment principal.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required by donors or the Act (underwater endowments). While the Center has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required by law, the Center's internal policy has been to preserve the corpus of their endowments. At June 30, 2022, funds with an original value of $231,650 and a fair value of $217,443 and a deficiency of $14,207 were reported in net assets with donor restrictions.

Endowment net asset composition as of June 30, 2023 and 2022 is as follows:

| | With Donor Restrictions |
|---|---|
| **June 30, 2023** | |
| NC Community Foundation endowment fund | $ 231,850 |
| Accumulated investment gains | 1,661 |
| | $ 233,511 |
| **June 30, 2022** | |
| NC Community Foundation endowment fund | $ 231,650 |
| Accumulated investment losses | (14,207) |
| | $ 217,443 |

## 6. ENDOWMENT *(Continued)*

Changes in endowment net assets as of June 30, 2023 and 2022 are as follows:

| | With Donor Restrictions |
|---|---|
| Endowment net assets, June 30, 2021 | $ 255,199 |
| Contributions | 100 |
| Investment return, net | 6,198 |
| Change in fair value of beneficial interest assets | (41,588) |
| Amounts appropriated for expenditure | (2,466) |
| Endowment net assets, June 30, 2022 | $ 217,443 |
| Contributions | 200 |
| Investment return, net | 4,723 |
| Change in fair value of beneficial interest assets | 11,145 |
| Endowment net assets, June 30, 2023 | $ 233,511 |

## 7. RETIREMENT PLAN

The Center maintains a 401(k) plan for employees, which was revised during 2022 to become a multiple employer plan ("MEP") as a Center member benefit and a money-saving partner. Additionally, the Center established a 403(b) MEP as well such that no matter what type of plan a Center member has, they can participate. In order to offer these plans, the Center had to meet certain requirements from the Department of Labor. As such, the Center's bylaws were revised in September 2022 to allow the Center's members to vote to elect the Center's board of directors and on bylaw changes and other matters. These changes were necessary in order for the Center to offer the multiple employer retirement plans.

Eligible employees of the Center may elect to defer a percentage of their gross salary to the plan with the Center contributing 4% of compensation after one year of employment. Additionally, the Center can make discretionary matching contributions of up to 4% of each employee's compensation. Center contributions vest immediately. Total employer contributions for the years ended June 30, 2023 and 2022 were $82,121 and $72,149, respectively.

The third-party administration of the MEP plans is from an organization that employs a board member of the Center.

The Center also sponsors an Internal Revenue Code Section 457(b) defined contribution retirement plan covering a key managerial employee who met eligibility requirements regarding service and age. There were no contributions to the plan by the Center for the years ended June 30, 2023 and 2022. The fair value of the contributions to the plan for the year ended June 30, 2023 and 2022 were $125,517 and $85,222, respectively.

## 8. LEASES

The Center leases office space under a non-cancelable operating lease agreement expiring on February 28, 2025. The lease does not contain any renewal options. Lease expenses relating to operating leases for the year ended June 30, 2022 was $29,691.

## 8. LEASES *(Continued)*

The Center also leases equipment under a finance lease agreement expiring in 2024. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the related lease term or the estimated productive life.

The equipment and related accumulated amortization as of June 30 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Equipment | 22,082 | 22,082 |
| Less accumulated amortization | (16,642) | (12,688) |
| | $ 5,440 | $ 9,394 |

Additional information about the Center's leases is as follows at June 30, 2023:

| | |
|---|---|
| **Lease Cost** | |
| Operating lease cost, included in office rent and occupancy | $ 7,785 |
| Finance lease cost: | |
| Amotization of financing right-of-use assets, included in depreciation expense | $ 4,851 |
| Interest on lease liabilities, included in equipment, furniture, and software expense | $ 849 |
| **Other Information** | |
| Cash paid for amounts included in measuring lease liabilities: | |
| Operating cash flows from operating leases | $ 7,785 |
| Operating cash flows from financing leases | $ 849 |
| Financing cash flows from financing leases | $ 4,851 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ 44,595 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | $ 9,854 |
| Weighted average remaining lease term - operating lease | 1.6 years |
| Weighted average remaining lease term - financing lease | 1.0 years |
| Weighted average discount rate - operating leases | 4.89% |
| Weighted average discount rate - financing leases | 10.53% |

Future minimum lease payments under non-cancelable lease agreements is as follows:

| Year ending June 30, | Operating | Finance |
|---|---|---|
| 2024 | $ 23,356 | $ 5,700 |
| 2025 | 15,570 | - |
| Total lease payments | $ 38,926 | $ 5,700 |
| Less interest | 1,465 | 312 |
| Present value of lease liabilities | $ 37,461 | $ 5,388 |

## 9. EMPLOYER RETENTION CREDIT

The Center applied for the Employer Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages. This program was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). Laws and regulations concerning government programs, including the ERC are complex and subject to varying interpretations. The Center received $60,724 during the year ended June 30, 2023, which is recognized as Employer Retention Credit revenue in the accompanying statement of activities.

## 10. GOVERNING BOARD DESIGNATIONS

The Center's governing board has designated, from net assets without donor restrictions, $50,563 and $49,920 for a contingency fund to cover short-term or unanticipated funding needs, as of June 30, 2023 and 2022, respectively.

## 11. CORRECTION OF ERROR

In 2022, an understatement of other assets and accounts payable and other liabilities was discovered related to capturing the 457b plan assets and liabilities. The effect of the correction was to increase both other assets and accounts payable and other liabilities by $85,222 as of June 30, 2022. This correction had no effect on total net assets at June 30, 2022, or total change in net assets for the year then ended.

## 12. SUBSEQUENT EVENTS

Subsequent to year end, the Center received grants in the amounts of $50,000, $50,000, and $25,000 from the John Rex Endowment, the Camber Foundation, and Truist, respectively.

Management has evaluated subsequent events through December 5, 2023, the date which the financial statements are available for issue.