Journey Center for Safety and Healing

YEARS ENDED JUNE 30, 2022 AND 2021

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JOURNEY CENTER FOR SAFETY AND HEALING

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

Board of Directors
Journey Center for Safety and Healing
Cleveland, Ohio

Opinion
We have audited the accompanying financial statements of Journey Center for Safety and Healing (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Journey Center for Safety and Healing as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Journey Center for Safety and Healing 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 Journey Center for Safety and Healing's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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 Journey Center for Safety and Healing'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 Journey Center for Safety and Healing'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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of Journey Center for Safety and Healing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Journey Center for Safety and Healing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Journey Center for Safety and Healing's internal control over financial reporting and compliance.

HW & Co

Cleveland, Ohio
October 24, 2022

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	$ 987,023	$ 1,894,761
Receivables:		
Grants	224,331	399,251
Contributions and other	26,508	23,590
Employee retention tax credit	1,359,322	-
Prepaid expenses and other	97,124	79,732
Total current assets	2,694,308	2,397,334
Property and equipment:		
Land	5,540	5,540
Building and improvements	1,950,973	1,950,973
Equipment	225,251	211,729
Furniture and fixtures	113,463	113,463
	2,295,227	2,281,705
Less accumulated depreciation	1,818,542	1,661,846
	476,685	619,859
Other assets:		
Investments	433,524	527,301
	$ 3,604,517	**$ 3,544,494**

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable	$ 18,767	$ 97,211
Accrued expenses	129,758	157,310
Deferred revenue	94,081	395,056
PPP note payable	-	566,000
Total current liabilities	242,606	1,215,577
Net assets:		
Without donor restrictions	3,201,828	2,051,450
With donor restrictions	160,083	277,467
	3,361,911	2,328,917
	$ 3,604,517	**$ 3,544,494**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF ACTIVITIES AND NET ASSETS

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government grants:			
Federal	$ 1,499,744	$ -	$ 1,499,744
State	82,004	-	82,004
Local	560,474	-	560,474
Employee retention tax credit	1,359,322	-	1,359,322
Contributions	521,868	927,927	1,449,795
Fees for services	38,738	-	38,738
Special events, net	15,938	-	15,938
Donated goods and services	134,741	-	134,741
Investment loss	(90,452)	-	(90,452)
Other	7,513	-	7,513
Total revenue and support	4,129,890	927,927	5,057,817
Net assets released from restrictions	1,045,311	(1,045,311)	-
	5,175,201	(117,384)	5,057,817
Expenses:			
Program services:			
Community services	1,879,833	-	1,879,833
Shelter services	1,388,207	-	1,388,207
	3,268,040	-	3,268,040
Supportive services:			
Fundraising	478,948	-	478,948
General and administrative	843,835	-	843,835
	1,322,783	-	1,322,783
Total expenses	4,590,823	-	4,590,823
Changes in net assets from operations	584,378	(117,384)	466,994
Other changes:			
Gain on forgiveness of PPP note payable	566,000	-	566,000
Change in net assets	1,150,378	(117,384)	1,032,994
Net assets, beginning	2,051,450	277,467	2,328,917
Net assets, ending	**$ 3,201,828**	**$ 160,083**	**$ 3,361,911**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF ACTIVITIES AND NET ASSETS

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government grants:			
Federal	$ 1,965,925	$ -	$ 1,965,925
State	69,672	-	69,672
Local	569,629	-	569,629
Contributions	529,572	1,405,862	1,935,434
Fees for services	30,255	-	30,255
Special events, net	6,532	-	6,532
Donated goods and services	230,471	-	230,471
Investment income	93,745	-	93,745
Other	135,891	-	135,891
Total revenue and support	3,631,692	1,405,862	5,037,554
Net assets released from restrictions	1,319,019	(1,319,019)	-
	4,950,711	86,843	5,037,554
Expenses:			
Program services:			
Community services	2,255,189	-	2,255,189
Shelter services	1,422,479	-	1,422,479
	3,677,668	-	3,677,668
Supportive services:			
Fundraising	410,955	-	410,955
General and administrative	636,183	-	636,183
	1,047,138	-	1,047,138
Total expenses	4,724,806	-	4,724,806
Changes in net assets from operations	225,905	86,843	312,748
Other changes:			
Contribution of net assets to Canopy (Note 13)	53,912	98,512	152,424
Change in net assets	171,993	(11,669)	160,324
Net assets, beginning	1,879,457	289,136	2,168,593
Net assets, ending	**$ 2,051,450**	**$ 277,467**	**$ 2,328,917**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services			Supportive Services			
	Community Services	Shelter Services	Total	Fundraising	General and Administrative	Total	Total
Personnel expenses	$ 1,375,040	$ 934,241	$ 2,309,281	$ 372,322	$ 486,732	$ 859,054	$ 3,168,335
Occupancy	126,742	81,107	207,849	22,160	24,862	47,022	254,871
Donated goods and services	80,050	54,205	134,255	486	-	486	134,741
Professional fees	60,789	31,498	92,287	11,720	19,722	31,442	123,729
Contractors and grant partners	10,159	-	10,159	-	71,782	71,782	81,941
Depreciation	83,246	69,244	152,490	2,103	2,103	4,206	156,696
Travel	7,987	3,468	11,455	543	1,268	1,811	13,266
Printing and postage	3,618	1,084	4,702	432	475	907	5,609
Food and house supplies	298	63,612	63,910	-	-	-	63,910
Insurance	8,630	19,822	28,452	2,021	2,349	4,370	32,822
Maintenance and repairs	27,334	36,531	63,865	6,486	10,518	17,004	80,869
Client assistance	14,200	62,730	76,930	-	150	150	77,080
Meetings, conferences, dues and subscriptions	13,882	1,101	14,983	1,643	4,857	6,500	21,483
Program supplies	50,523	23,932	74,455	49	-	49	74,504
Supplies	14,568	3,033	17,601	514	7,551	8,065	25,666
Bank and service fees	2,744	2,017	4,761	3,011	970	3,981	8,742
Miscellaneous	23	582	605	55,458	6,598	62,056	62,661
Employee retention tax credit fee	-	-	-	-	203,898	203,898	203,898
Total	**$ 1,879,833**	**$ 1,388,207**	**$ 3,268,040**	**$ 478,948**	**$ 843,835**	**$ 1,322,783**	**$ 4,590,823**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services			Supportive Services			
	Community Services	Shelter Services	Total	Fundraising	General and Administrative	Total	Total
Personnel expenses	$ 1,528,382	$ 846,945	$ 2,375,327	$ 302,699	$ 475,655	$ 778,354	$ 3,153,681
Occupancy	164,542	74,556	239,098	22,401	24,991	47,392	286,490
Donated goods and services	111,694	61,895	173,589	22,121	34,761	56,882	230,471
Professional fees	78,922	38,821	117,743	25,741	19,530	45,271	163,014
Contractors and grant partners	81,080	22,400	103,480	15,510	28,810	44,320	147,800
Depreciation	78,185	76,079	154,264	-	19,830	19,830	174,094
Travel	1,168	1,500	2,668	-	1,541	1,541	4,209
Printing and postage	20,103	10,222	30,325	5,283	1,427	6,710	37,035
Food and house supplies	-	54,111	54,111	-	-	-	54,111
Insurance	10,547	19,661	30,208	-	443	443	30,651
Maintenance and repairs	42,152	31,242	73,394	6,184	14,764	20,948	94,342
Client assistance	56,788	150,021	206,809	-	-	-	206,809
Meetings, conferences, dues and subscriptions	18,328	2,252	20,580	3,093	5,428	8,521	29,101
Program supplies	52,870	28,124	80,994	2,740	5,311	8,051	89,045
Supplies	7,938	3,075	11,013	951	2,916	3,867	14,880
Bank and service fees	2,143	1,187	3,330	4,232	667	4,899	8,229
Miscellaneous	347	388	735	-	109	109	844
Total	**$ 2,255,189**	**$ 1,422,479**	**$ 3,677,668**	**$ 410,955**	**$ 636,183**	**$ 1,047,138**	**$ 4,724,806**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 1,032,994	$ 160,324
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized losses (gains) on investments	124,916	(77,266)
Gain on forgiveness of PPP note payable	(566,000)	-
Depreciation	156,696	174,094
Contribution of net assets to Canopy (Note 13)	-	152,424
Decrease (increase) in operating assets:		
Grants receivable	174,920	(116,743)
Contribution and other receivables	(2,918)	(8,973)
Employee retention tax credit receivable	(1,359,322)	-
Prepaid expenses and other	(17,392)	(39,429)
Increase (decrease) in operating liabilities:		
Accounts payable	(78,444)	(5,258)
Accrued expenses	(27,552)	9,865
Deferred revenue	(300,975)	(477)
Net cash provided by (used in) operating activities	(863,077)	248,561
Cash flows from investing activities:		
Capital expenditures	(13,522)	-
Restricted cash transfer to Canopy (Note 13)	-	(98,512)
Proceeds from sale of investments	94,838	17,247
Purchases of investments	(125,977)	(40,974)
Net cash used in investing activities	(44,661)	(122,239)
Increase (decrease) in cash and cash equivalents	(907,738)	126,322
Cash and cash equivalents, beginning	1,894,761	1,768,439
Cash and cash equivalents, ending	**$ 987,023**	**$ 1,894,761**

See notes to financial statements.

1. Description of organization and summary of significant accounting policies:

Description of organization:

Journey Center for Safety and Healing's (the "Organization") primary purpose is preventing, responding to and advocating for victims of child abuse and domestic violence, including teen dating violence, human trafficking and stalking. The mission is to provide services that foster safety and healing for those affected by child abuse and domestic violence; and prevents abuse through education, advocacy, and systemic change. The Organization reaches more than 15,000 individuals across Cuyahoga County annually. Services include a 24/7 Helpline, Emergency Shelter, Justice System Advocacy, Trauma Therapy, Supervised Visitation, Prevention and Community Engagement, including the Latina DV Project, community outreach, education, and professional training.

The Organization opened Canopy Child Advocacy Center ("Canopy") during November 2018. Canopy follows a national model "child advocacy center" intervention that reduced trauma to children and families impacted by child abuse and improves service delivery through interagency collaboration. This is done by providing a single location for children and their families to receive a wide array of services for short and long-term healing and by enhancing prosecutions. Effective January 1, 2021, Canopy became its own organization under Section 501(c)(3), the details of the transaction are outlined in Note 13.

The Organization received approximately 69% in 2022 and 52% in 2021 of its funding from government grants and received approximately 29% in 2022 and 38% in 2021 of its funding from donations from foundations and individuals. The Organization received approximately 2% in 2022 and 10% in 2021 of its funding from other sources.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents:

Cash consists of unrestricted cash on hand, checking and money market accounts. The Organization maintains cash balances at a single bank, which are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time, the Organization's cash balances may exceed Federal insured limits. The Organization does not expect to incur any losses resulting from cash held at financial institutions.

1. Description of organization and summary of significant accounting policies (continued):

Revenue recognition:

The Organization generates revenue from contributions, government grants, and fees for service. Revenue is reported at the amount that reflects consideration to which the Organization expects to be entitled in exchange for providing the goods or services. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the goods and services provided by the Organization. The Organization recognizes revenue in the statements of activities and contract assets in the statements of financial position only when goods and services have been sold and delivered or have been provided. Since the Organization has performed its obligations under the contracts, it has unconditional rights to the consideration recorded as contract assets and therefore, classifies those billed amounts as accounts receivable. There were no contract assets at June 30, 2022 and 2021.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make further payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, the Organization has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets with donor restrictions will include the donor-restricted contributions for which the purpose restrictions were met in the same reporting period as the revenue is recognized.

Disaggregation of revenue:

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, method of reimbursement, and timing of when revenue is recognized. The following is a summary of the composition of revenue from governmental agencies by payor for the years ended June 30, 2022 and 2021:

	2022	2021
Department of Justice	51%	58%
State and Local Agencies	30	25
Department of Housing and Urban Development	16	12
Other Federal Agencies	3	5
	100%	100%

1. Description of organization and summary of significant accounting policies (continued):

Grants receivable:

The Organization receives grants from Federal, state, and local government sources under a variety of programs. Amounts received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Grant revenue under these types of programs is reported as an increase in net assets without donor restrictions in the reporting period in which the terms and conditions specified in the grant agreement are satisfied. Grants receivable are recorded at amounts expected to be collected. An allowance for uncollectible grants receivable is recorded based upon a consideration of the likelihood that accounts will not be collected in full. Organization management is of the opinion that an allowance for uncollectible grants is not deemed necessary at June 30, 2022 and 2021.

Contributions and contributions receivable:

The Organization considers all contributions to be without donor restrictions unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value as contributions receivable. Unconditional promises to give due in subsequent years are discounted at an appropriate discount rate commensurate with the risks involved. All promises to give are due in less than one year at June 30, 2022 and 2021. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Organization management is of the opinion that an allowance for uncollectible promises to give is not deemed necessary at June 30, 2022 and 2021.

Property and equipment:

Property and equipment purchased by the Organization is carried at cost. Donated items are carried at fair market value as of the date of donation. The Organization's policy requires items greater than $3,500 with a useful life greater than one year to be capitalized.

Depreciation is calculated on the straight-line method over the estimated useful life of the respective assets, which are as follows:

Building and improvements	10 – 20 years
Equipment	3 – 5 years
Furniture and fixtures	5 years

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Realized and unrealized investment gains and losses are included in investment income on the statements of activities and net assets.

1. Description of organization and summary of significant accounting policies (continued):

Deferred revenue:

Deferred revenue consists of cash received for grants that have not yet been expended as of year-end.

Net assets without donor restrictions:

Net assets without donor restrictions include net assets available for use in general operations and are not subject to donor restrictions.

Net assets with donor restrictions:

Net assets with donor restrictions are 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 the resources be maintained in perpetuity. Net assets with donor restrictions by donor-imposed restriction is provided in Note 5.

Donated services:

Donated services are recognized as contributions in accordance with U.S. GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives various donated services each year. Amounts have been recognized in the accompanying statements of activities and net assets for these donated services.

Donated goods:

Donated goods are items received by the Organization from donors for use by clients. The items are recorded at fair value based on estimated retail prices.

Tax-exempt status:

The Organization received a favorable determination letter from the Internal Revenue Service stating that it is exempt from taxation on income related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for Federal income tax has been made in the financial statements.

1. Description of organization and summary of significant accounting policies (continued):

Functional expenses:

Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include personnel expenses, professional fees, supplies, and printing and postage are allocated based on program full time equivalents. Occupancy expenses and maintenance and repairs are allocated based on relative square footage. The remaining expenses, which are not directly identifiable by program or support service are allocated on the best estimates of management.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This ASU affects all entities that enter into a lease, with some specified scope exceptions. This ASU requires lessees to recognize assets and liabilities on the statement of financial position for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. This ASU amends current guidance that requires only capital leases to be recognized on the lessee's statement of financial position. The ASU will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. During June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) *Effective Dates for Certain Entities* to defer the implementation dates of the previously issued ASUs. Therefore, the Organization required to adopt and implement the ASU for leases for fiscal years beginning after December 31, 2021 (year end June 30, 2023), however early application is permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Not for Profit Entities* (Topic 958): Presentation and Disclosures by Not for Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to increase transparency about contributed nonfinancial assets, including how the assets are used and valued. This ASU is effective for fiscal years beginning after June 15, 2021 (year end June 30, 2023). Early adoption of this ASU is permitted and retrospective application is required.

The Organization is currently evaluating the impact theses ASUs will have on its financial statements and will adopt the provisions of these ASUs upon the effective dates.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2022, the date the Organization's financial statements were available to be issued.

2. Investments:

The following is a summary of investments at June 30, 2022 and 2021:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 10,344	$ 10,344	$ 2,857	$ 2,857
Mutual funds and exchange traded products	398,910	468,719	501,941	426,547
Pool investment	24,270	20,394	22,503	20,394
	$ 433,524	$ 499,457	$ 527,301	$ 449,798

The Organization, directly and through the Cleveland Foundation Investment Pool, invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could have a material effect on the Organization's statements of financial position, activities and net assets, and cash flows.

The following is a summary of investment income (loss) for the years ended June 30, 2022 and 2021.

	2022	2021
Interest and dividend income	$ 34,464	$ 16,479
Net realized and unrealized gain (loss)	(124,916)	77,266
	$ (90,452)	$ 93,745

3. Fair value:

U.S. GAAP establishes a framework for measuring fair value for certain assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

- Level 1 – Valuations based on quoted market prices in active markets.
- Level 2 – Inputs, other than quoted prices in active markets that are observable, directly or indirectly.
- Level 3 – Unobservable inputs for which there is little or no market data.

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

3. Fair value (continued):

The fair value of cash and cash equivalents is based on its face value, which approximates fair value. The fair value of mutual funds and exchange traded products is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

There have been no changes in the methodologies used at June 30, 2022 and 2021.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value at June 30, 2022.

	Level 1	Level 2	Total
Investments:			
Cash and cash equivalents	$ 10,344	$ -	$ 10,344
Mutual funds and exchange traded products	-	398,910	398,910
	$ 10,344	$ 398,910	409,254
Investments reported at net asset value:			
Alternative investments			24,270
			$ 433,524

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value at June 30, 2021.

	Level 1	Level 2	Total
Investments:			
Cash and cash equivalents	$ 2,857	$ -	$ 2,857
Mutual funds and exchange traded products	-	501,941	501,941
	$ 2,857	$ 501,941	504,798
Investments reported at net asset value:			
Alternative investments			22,503
			$ 527,301

3. Fair value (continued):

In accordance with Subtopic 820-10, certain investments are measured at the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

4. Line of credit:

The Organization has a secured line of credit that provides for borrowings up to $300,000 at Prime Rate plus .34%. The line is collateralized by one of the Organization's facilities. There were no borrowings at June 30, 2022 or 2021. The interest rate on the line of credit was 5.84% at June 30, 2022 and 3.59% at June 30, 2021.

5. Net assets with donor restrictions:

Net assets with donor restrictions are 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, whether the donor stipulates that resources be maintained in perpetuity.

Net assets with donor-imposed restrictions are restricted for the following purposes or periods at June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Capital projects	$ 18,393	$ 18,393
Programs subsidies	130,385	247,769
	148,778	266,162
Subject to the passage of time:		
Funds held in perpetuity with income expendable	11,305	11,305
	$ 160,083	$ 277,467

Net assets released from net assets with donor restrictions are as follows:

	2022	2021
Satisfaction of purpose restrictions:		
Programs	$1,045,311	$1,319,019

6. Commitments and contingencies:

The Organization has an operating lease to lease space in two Payne Avenue buildings. The initial term of the lease is for five years and expired July 31, 2019. The initial lease includes two five-year renewal options. During the initial term of the lease, rent is payable in equal monthly payments of $12,416. The lease has been extended until July 31, 2024 with rent payable in equal monthly payments of $13,286. The Organization also leases multiple copiers.

The future minimum operating lease payments at June 30, 2022 are as follows:

2023	$ 177,382
2024	177,382
2025	17,774
	$ 372,538

During 2021, the Organization entered into a sublease agreement with an unaffiliated entity, to lease one of the Payne Avenue buildings. Sublease income, included in rental expense amounted to $32,532 for the year ended June 30, 2022 and $16,266 for the year ended June 30, 2021. Future sublease income to be received under the lease is as follows:

Year ending June 30,	
2023	$ 32,532
2024	32,532
	$ 65,064

Net rent expense for all operating leases totaled $126,898 in 2022 and $159,009 in 2021.

The Organization operates in an environment subject to extensive Federal and state laws, rules, and regulations, including payment for services, conduct of operations, and facility and professional licensure. Changes in law or regulatory interpretations could reduce the Organization’s revenue on a going-forward basis.

7. Retirement plan:

The Organization maintains a tax deferred annuity plan (the "Plan") under Section 403(b) of the Code. The Plan is funded for all eligible employees exclusively through the purchase of annuity contracts from an insurance company. The Plan currently allows for the Organization to make discretionary contributions to the Plan equal to 1% of an employee's compensation after completion of one year of continuous service. In addition, the Plan allows for a discretionary matching contribution of 100% of an employee's contribution up to 1%.

The Organization’s policy is to fund the cost of the Plan annually. No contributions were made to the Plan for the years ended June 30, 2022 and 2021.

8. Board designated funds:

Board designated funds totaling $24,270 at June 30, 2022 and $22,503 at June 30, 2021, are held at The Cleveland Foundation.

9. Statements of cash flows:

No cash was paid for interest during 2022 and 2021.

Supplemental disclosure of noncash investing activities:

During the year ended June 30, 2021, the Organization contributed $53,912 of furniture and equipment to an unaffiliated organization, net of accumulated depreciation.

10. Liquidity and availability:

The Organization's financial assets available within one year of the statements of financial position as of June 30, 2022 and 2021 for general expenditures are as follows:

	2022	2021
Cash and cash equivalents	$ 987,023	$ 1,894,761
Grants, contributions, and employee Retention tax credit receivable	1,610,161	422,841
	2,597,184	2,317,602
Less: restricted contributions	(160,083)	(277,467)
	$ 2,437,101	$ 2,040,135

As part of the Organization'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. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of $300,000, which it could draw upon. Additionally, the Organization has investments, totaling $433,524 at June 30, 2022 and $527,301 at June 30, 2021 that can be drawn upon for unanticipated cash requirements.

11. Employee retention credit:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an employee retention credit (ERC) which is a refundable tax credit against certain employment taxes. Eligible employers were required to meet certain gross receipts reduction or were subject to fully or partially suspended operations (as defined) due to orders from an appropriate governmental authority during any calendar quarter in 2020 and through September 30, 2021. The calculation of the credit is determined based on qualifying wages (as defined) paid beginning March 13, 2020 through September 30, 2021. Subsequent to the issuance of the 2020 and 2021 financial statements, the Organization determined that it met the criteria of the ERC. Management believes that the recovery of amounts previously paid and expensed as employees' qualifying wages should be recognized when the claim is probable which is in accordance with FASB ASC 450 *(Contingencies)*. Therefore, the Organization has recorded employee retention credits receivable of $267,766 for the year ended June 30, 2020 in the statement of financial position at June 30, 2022, with the related revenue included in employee retention credits income in the statement of activities. Also, the Organization has recorded employee retention credits receivable of $748,558 for the year ended June 30, 2021 in the statement of financial position at June 30, 2022, with the related revenue included in employee retention credits income in the statement of activities.

Additionally, the Organization determined that it met the criteria of the ERC for year end June 30, 2022 and recorded these amounts in accordance with FASB ASC 958 (*Contributions).* Therefore, the Organization has recorded an employee retention credits receivable of $342,998 in the statement of financial position at June 30, 2022, with the related revenue included in employee retention credit income in the statement of activities and net assets. The Organization has included the qualifying wages and credits on the IRS Form 941-Xs *Adjusted Employer's Quarterly Federal Tax Return* and filed all respective quarters in 2022.

Management believes that the Organization does qualify for these refundable credits, however, there can be no assurance that they will receive the refundable credits when they expect to receive them or in the amounts recorded in these financial statements. Additionally, IRS Form 941-Xs are subject to IRS examination. In the opinion of management, they have determined that no allowance for uncollectible amounts are necessary for these receivables at June 30, 2022. If the amounts that are recorded as receivables are not received in their entirety, the impact to the financial statements could be material to the Organization's financial statements, operations and cash flows.

The Organization engaged and contracted with an unrelated third party tax credit specialty company to assist them in qualifying and calculating the employee retention credits.

12. COVID-19:

The COVID-19 pandemic has created economic uncertainties, which has contributed to the significant volatility for businesses. Consequently, there is and will continue to be uncertainty and risk with respect to the Organization and its financial results that may have continuing adverse consequences for an extended period of time. On March 27, 2020, the CARES Act was signed into law. As a result, the Organization received funds from the SBA PPP forgivable loan program during the year ended June 30, 2021.

12. COVID-19 (continued):

The Organization applied for the PPP note payable and was provided $566,000 of funds under this program which was presented as PPP note payable at June 30, 2021 on the statements of financial position. These funds are provided in the form of a loan that can be forgiven by the SBA when used for payroll costs, interest on mortgages, rent, and utilities. Any funds not forgiven by the SBA will become a note payable and payments of principal and interest will begin after all or a portion of the loan is approved for forgiveness by the SBA. Any loan amount not forgiven will accrue interest at 1%. No collateral was required to obtain this loan. The Organization expects the entire loan amount to be forgiven however is presenting it as a note payable until they receive the loan forgiveness approval from the SBA. During the year ended June 30, 2022, the Organization applied for and received forgiveness of the PPP note payable, the gain on forgiveness of the note payable is recorded in the statement of activities and net assets.

13. Contribution of net assets to Canopy:

The Organization transferred the following assets to Canopy effective January 1, 2021:

Furniture and equipment, net	$ 53,912
Assets with donor restrictions	98,512
	$ 152,424

Additionally, Federal funding received for Canopy was also transferred to Canopy, effective January 1, 2021. Certain other awards received by the Organization are administered on behalf of Canopy during 2021.