Journey Center for Safety and Healing

YEARS ENDED JUNE 30, 2023 AND 2022

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JOURNEY CENTER FOR SAFETY AND HEALING

YEARS ENDED JUNE 30, 2023 AND 2022

CONTENTS

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, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Journey Center for Safety and Healing 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 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 19, 2023 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 19, 2023

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	$ 1,726,952	$ 987,023
Receivables:		
Grants	377,302	224,331
Contributions and other	66,148	26,508
Employee retention tax credit	-	1,359,322
Prepaid expenses and other	89,951	97,124
Total current assets	2,260,353	2,694,308
Property and equipment:		
Land	5,540	5,540
Building and improvements	1,956,262	1,950,973
Equipment	230,202	225,251
Furniture and fixtures	113,463	113,463
	2,305,467	2,295,227
Less accumulated depreciation	1,962,796	1,818,542
	342,671	476,685
Other assets:		
Investments	479,695	433,524
Right-of-use assets, operating leases	191,585	-
	671,280	433,524
	$ 3,274,304	**$ 3,604,517**

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities:		
Accounts payable	$ 50,625	$ 18,767
Current portion of lease liability, operating leases	173,989	-
Accrued expenses	163,333	129,758
Deferred revenue	206,849	94,081
Total current liabilities	594,796	242,606
Long-term liabilities:		
Lease liability, operating leases, net of current portion	17,596	-
Net assets:		
Without donor restrictions	2,543,553	3,201,828
With donor restrictions	118,359	160,083
	2,661,912	3,361,911
	$ 3,274,304	**$ 3,604,517**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government grants:			
Federal	$ 1,543,062	$ -	$ 1,543,062
State	77,273	-	77,273
Local	548,041	-	548,041
Contributions	438,564	1,011,011	1,449,575
Fees for services	145,048	-	145,048
Special events, net	25,630	-	25,630
In-kind contributions	144,873	-	144,873
Investment earnings	36,576	-	36,576
Interest, employee retention tax credit	122,414	-	122,414
Other	4,226	-	4,226
Total revenue and support	3,085,707	1,011,011	4,096,718
Net assets released from restrictions	1,052,735	(1,052,735)	-
	4,138,442	(41,724)	4,096,718
Expenses:			
Program services:			
Community services	1,868,021	-	1,868,021
Shelter services	1,476,242	-	1,476,242
	3,344,263	-	3,344,263
Supportive services:			
Fundraising	587,676	-	587,676
General and administrative	864,778	-	864,778
	1,452,454	-	1,452,454
Total expenses	4,796,717	-	4,796,717
Change in net assets	(658,275)	(41,724)	(699,999)
Net assets, beginning	3,201,828	160,083	3,361,911
Net assets, ending	**$ 2,543,553**	**$ 118,359**	**$ 2,661,912**

See notes to financial statements.

JOURNEY CENTER FOR SAFETY AND HEALING

STATEMENT OF ACTIVITIES AND CHANGES IN 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
In-kind contributions	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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services			Supportive Services			
	Community Services	Shelter Services	Total	Fundraising	General and Administrative	Total	Total
Personnel expenses	$ 1,372,248	$ 949,177	$ 2,321,425	$ 421,234	$ 615,510	$ 1,036,744	$ 3,358,169
Occupancy	125,652	81,288	206,940	22,832	26,374	49,206	256,146
Donated goods and services	82,923	61,426	144,349	524	-	524	144,873
Professional fees	49,559	37,381	86,940	11,385	28,122	39,507	126,447
Contractors and grant partners	13,615	250	13,865	38,400	138,003	176,403	190,268
Depreciation	71,743	62,011	133,754	-	10,501	10,501	144,255
Travel	10,891	4,658	15,549	954	2,782	3,736	19,285
Printing and postage	1,610	2,002	3,612	440	808	1,248	4,860
Food and house supplies	3,483	75,218	78,701	-	-	-	78,701
Insurance	11,643	19,038	30,681	2,383	2,724	5,107	35,788
Maintenance and repairs	51,186	37,612	88,798	8,535	16,893	25,428	114,226
Client assistance	12,260	122,099	134,359	-	-	-	134,359
Meetings, conferences, dues and subscriptions	17,712	2,879	20,591	1,270	9,558	10,828	31,419
Program supplies	39,415	17,754	57,169	-	3	3	57,172
Supplies	4,024	2,058	6,082	154	5,012	5,166	11,248
Bank and service fees	16	477	493	2,095	7,731	9,826	10,319
Miscellaneous	41	914	955	77,470	757	78,227	79,182
Total	**$ 1,868,021**	**$ 1,476,242**	**$ 3,344,263**	**$ 587,676**	**$ 864,778**	**$ 1,452,454**	**$ 4,796,717**

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (699,999)	$ 1,032,994
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized losses (gains) on investments	(26,784)	124,916
Lease expense	169,208	
Gain on forgiveness of PPP note payable		(566,000)
Depreciation	144,255	156,696
Decrease (increase) in operating assets:		
Grants receivable	(152,971)	174,920
Contribution and other receivables	(39,640)	(2,918)
Employee retention tax credit receivable	1,359,322	(1,359,322)
Prepaid expenses and other	7,173	(17,392)
Increase (decrease) in operating liabilities:		
Accounts payable	31,858	(78,444)
Accrued expenses	33,575	(27,552)
Right-of-use liabilities	(169,208)	
Deferred revenue	112,768	(300,975)
Net cash provided by (used in) operating activities	769,557	(863,077)
Cash flows from investing activities:		
Capital expenditures	(10,241)	(13,522)
Proceeds from sale of investments	25,444	94,838
Purchases of investments	(44,831)	(125,977)
Net cash used in investing activities	(29,628)	(44,661)
Increase (decrease) in cash and cash equivalents	739,929	(907,738)
Cash and cash equivalents, beginning	987,023	1,894,761
Cash and cash equivalents, ending	**$ 1,726,952**	**$ 987,023**

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 16,900 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. During 2023, a new program was started, Domestic Violence Housing First Initiative (DVHI).

The Organization received approximately 56% in 2023 and 69% in 2022 of its funding from government grants and received approximately 35% in 2023 and 29% in 2022 of its funding from donations from foundations and individuals. The Organization received approximately 9% in 2023 and 2% in 2022 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 and cash equivalents 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 changes in net assets as 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, 2023 and 2022.

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.

Contributions are not recorded as revenue until the conditions are met. Deferred revenue consists of cash received for grants that have not yet been expended as of year-end and are considered contract liabilities. Deferred revenue is $206,849 at June 30, 2023, $94,081 at June 30, 2022 and $395,056 at July 1, 2021.

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, 2023 and 2022:

	2023	2022
Department of Justice	47%	51%
State and Local Agencies	35	30
Department of Housing and Urban Development	15	16
Other Federal Agencies	3	3
	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, 2023 and 2022.

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, 2023 and 2022. 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, 2023 and 2022.

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	5 – 69 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 earnings or investment loss on the statements of activities and changes in net assets.

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

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 changes in 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, which 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.

In-kind contributions:

During the year ended June 30, 2023, in-kind contributions consisted of the following:

	Revenue Received	Valuation Technique and Inputs
Occupancy	$ 41,899	Value is estimated based on the square footage donated space using an estimated market price per square foot within the area during the year
Goods	83,672	Value is estimated based on fair market value
Labor	19,302	Value is estimated based on volunteers hours and a published volunteer rate for the state of Ohio by Independent Sector annually
	$ 144,873	

During the year ended June 30, 2022, in-kind contributions consisted of the following:

	Revenue Received	Valuation Technique and Inputs
Occupancy	$ 41,200	Value is estimated based on the square footage donated space using an estimated market price per square foot within the area during the year
Goods	82,376	Value is estimated based on fair market value
Labor	11,165	Value is estimated based on volunteers hours and a published volunteer rate for the state of Ohio by Independent Sector annually
	$ 134,741	

The related costs are allocated to the specific programs noted above, and recorded as operating support and expenses in the statements of activities and changes in net assets.

The Organization receives other donated services which do not meet the criteria for recognition in the Organization's financial statements or cannot be objectively measured. These donations, while not recognized in the financial statements, also provide valuable resources to the Organization.

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

Recently adopted accounting pronouncement:

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standard Updates ("ASU") No. 2016-02, *Leases* (Topic 842), which amends the former accounting principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. This ASU requires a lessee to recognize a right-of-use asset and a lease liability on the statement of financial position, changes presentation of expense on the statement of activities and changes in net assets and statement of cash flows and changes the disclosure requirements. In addition, after the issuance of ASU No. 2016-02, the FASB issued numerous additional ASUs to provide clarity and changes to Accounting Standards Codification ("ASC") Topic 842. The Organization adopted all ASUs included in Topic 842 effective July 1, 2022 utilizing the modified retrospective transition method. Under this method, the Organization elected not to restate comparative periods presented.

ASC 842 provides several optional practical expedients in transition. The Organization elected the package of practical expedients, which permits the Organization not to reassess under the new standard its prior conclusion about lease identification, lease classification and initial direct costs.

ASC 842 also provides a practical expedient for an entity's ongoing accounting. The Organization elected the practical expedient to not separate lease and non-lease components for all of its leases. The Organization also elected the short-term practical expedient for all leases that qualify. As a result, the Organization will not recognize right-of-use assets or liabilities for short-term leases that qualify for the short-term practical expedient, but instead will recognize the lease payments as lease expense on a straight-line basis over the lease term.

The Company's adoption of the ASC 842 resulted in the recognition of the operating lease right-of-use assets and operating lease liabilities of $ 360,793 in the statement of financial position for its existing leases based on the remaining present value of the minimum lease payments as of January 1, 2022. As a result of utilizing the modified retrospective transition method, there was no effect to the opening balance of net assets at July 1, 2022.

Leases:

The Organization makes a determination with respect to each of its remaining leases as to whether each should be accounted for as an operating or finance lease. The classification criteria is based on if the lease has a purchase option, transfer or ownership at the end of the lease and estimates of the fair value of the leased asset, minimum lease payments, effective costs of funds, economic life of the asset, and certain other terms in the lease agreements. Any leases determined by management to be inconsequential are expensed when paid.

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

Leases (continued):

The Organization, as lessee, recognizes right-of-use assets and lease obligations on the Organization's statement of financial position. As of the commencement date of a lease, a lease liability and corresponding right-of-use asset is established on the Organization's statement of financial position at the present value of future minimum lease payments. The Organization's leases recorded on the statement of financial position do not contain an implicit rate, therefore the Organization utilized its estimated incremental borrowing rate to determine the present value of the lease payments based on information available at commencement of the lease. The Organization elected the short-term lease exception policy, which permits leases with an initial term of twelve months or less to not be recorded on the statement of financial position and instead to be recognized as lease expense as incurred.

The Organization applies judgement in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. The Organization determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease term is used in determining the classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

The Organization has lease contracts that include extension and termination options. The Organization applies judgement in evaluating whether it is reasonable certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, the Organization reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

For operating leases, the Organization recognizes lease expense on a straight-line basis based on payments for minimum rent due over the life of the lease plus any variable rent payments.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 19, 2023, the date the Organization's financial statements were available to be issued.

2. Investments:

The following is a summary of investments at June 30, 2023 and 2022:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 17,286	$ 17,286	$ 10,344	$ 10,344
Mutual funds	384,472	353,714	263,928	317,855
Bonds	55,708	56,164	134,982	150,864
Pool investment	22,229	20,395	24,270	20,394
	$ 479,695	$ 447,559	$ 433,524	$ 499,457

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, 2023 and 2022.

	2023	2022
Interest and dividend income	$ 9,792	$ 34,464
Net realized and unrealized gain (loss)	26,784	(124,916)
	$ 36,576	$ (90,452)

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 bonds are 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, 2023 and 2022.

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, 2023.

	Level 1	Total
Investments:		
Cash and cash equivalents	$ 17,286	$ 17,286
Mutual funds	384,472	384,472
Bonds	55,708	55,708
	$ 457,466	457,466
Investments reported at net asset value:		
Alternative investments		22,229
		$ 479,695

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	Total
Investments:		
Cash and cash equivalents	$ 10,344	$ 10,344
Mutual funds	263,928	263,928
Bonds	134,982	134,982
	$ 409,254	409,254
Investments reported at net asset value:		
Alternative investments		24,270
		$ 433,524

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, 2023 or 2022. The interest rate on the line of credit was 8.84% at June 30, 2023 and 5.84% at June 30, 2022.

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:

	2023	2022
Subject to expenditure for specified purpose:		
Capital projects	$ 18,393	$ 18,393
Programs subsidies	88,661	130,385
	107,054	148,778
Subject to the passage of time:		
Funds held in perpetuity with income expendable	11,305	11,305
	$ 118,359	$ 160,083

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

	2023	2022
Satisfaction of purpose restrictions:		
Programs	$1,052,735	$1,045,311

6. Leases:

The Organization has a lease for 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 Organization is in the process of determining if the lease should be renewed. The Organization has determined the leases should be classified as operating leases.

6. Leases (continued):

Other information related to leases included in the statement of financial position as of June 30, 2023, is as follows:

Summary of lease related assets:

Operating lease right-of-use assets	$ 360,793
Accumulated amortization	(169,208)
Net operating right-of-use assets	$ 191,585

Future operating lease payments are as follows:

2024	$ 176,710
2025	17,606
Total minimum lease payments	194,316
Less imputed interest	2,731
Present value of future lease payments	191,585
Less current maturities of lease obligations	173,989
Operating lease obligations	$ 17,596
Weighted average remaining lease term	1.1 years
Weighted average discount rate	2.79%

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, 2023 and $32,532 for the year ended June 30, 2022. Future sublease income to be received under the lease is as follows:

Year ending June 30,	
2024	$ 32,532

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. Contributions totaling $7,589 were made to the Plan for the year ended June 30, 2023. No contributions were made to the Plan for the year ended June 30, 2022.

8. Board designated funds:

Board designated funds totaling $22,229 at June 30, 2023 and $24,270 at June 30, 2022, are held at The Cleveland Foundation.

9. Statements of cash flows:

No cash was paid for interest during 2023 and 2022.

Non-cash investing and financing activities:

On July 1, 2022, operating leases right-of-use assets increased by $360,793 with a corresponding increase in lease liabilities due to the adoption of ASC 842.

10. Liquidity and availability:

The Organization's financial assets available within one year of the statements of financial position as of June 30, 2023 and 2022 for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	$ 1,726,952	$ 987,023
Grants, contributions, and employee Retention tax credit receivable	443,450	1,610,161
	2,170,402	2,597,184
Less: restricted contributions	(118,359)	(160,083)
	$ 2,052,043	$ 2,437,101

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 $479,695 at June 30, 2023 and $433,524 at June 30, 2022 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 and changes in net assets. 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 and changes in net assets.

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 changes in 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.

During 2023, the Organization received $1,359,322 related to the ERC plus interest amounting to $122,414.

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.

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 changes in net assets.