

ONE COLLECTIVE

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

ONE COLLECTIVE

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Independent Auditor's Report

To the Board of Directors
One Collective
Elgin, IL

Opinion

We have audited the accompanying financial statements of One Collective (a nonprofit organization), 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 One Collective 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 One Collective 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.

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 One Collective'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 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, including omissions, 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 One Collective'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 One Collective'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 One Collective 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 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.

Desmond J. Ahern, Ltd

October 20, 2023
Chicago, IL

ONE COLLECTIVE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2022)

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 4,184,685	2,894,279
Investments	455,909	453,675
Prepaid expenses and other assets	434,473	330,859
Due from affiliates	6,282	4,313
Total current assets	5,081,349	3,683,126
Other Assets		
Property and equipment, net	132,652	180,194
Finance lease right-of-use asset	44,431	-
Operating lease right-of-use asset	595,381	-
Total other assets	772,464	180,194
Total assets	\$ 5,853,813	3,863,320

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities

Accounts payable and accrued expenses	\$ 153,273	267,664
Due to affiliates	91,877	106,197
Tenant liabilities	4,204	850
Finance lease liability - current	9,294	10,544
Operating lease liability - current	91,178	-
Total current liabilities	349,826	385,255

Other Liabilities

Finance lease liability - net of current	35,563	-
Operating lease liability - net of current	518,352	-
Total other liabilities	553,915	-
Total liabilities	903,741	385,255

Net assets:

Without donor restrictions	3,463,071	2,110,335
With donor restrictions:		
Purpose restrictions	1,317,501	1,198,230
Endowment	169,500	169,500
Total with donor restrictions	1,487,001	1,367,730
Total net assets	4,950,072	3,478,065
Total liabilities and net assets	\$ 5,853,813	3,863,320

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

ONE COLLECTIVE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2022)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			2023 TOTAL	2022 TOTAL
		PURPOSE RESTRICTIONS	ENDOWMENT	TOTAL		
Support and revenue:						
Contributions	\$ 11,237,183	2,158,993	-	2,158,993	13,396,176	13,842,485
Rental and other income	49,204	9,659	-	9,659	58,863	41,704
Employee retention credit	1,755,695	-	-	-	1,755,695	-
Investment return, net	24,818	-	-	-	24,818	(47,504)
	<u>13,066,900</u>	<u>2,168,652</u>	<u>-</u>	<u>2,168,652</u>	<u>15,235,552</u>	<u>13,836,685</u>
Net assets released from restrictions -						
Satisfaction of purpose restrictions	2,049,381	(2,049,381)	-	(2,049,381)	-	-
	<u>15,116,281</u>	<u>119,271</u>	<u>-</u>	<u>119,271</u>	<u>15,235,552</u>	<u>13,836,685</u>
Expenses:						
Program activities:						
Ministry activities	9,412,219	-	-	-	9,412,219	9,381,187
Awareness and education	1,012,507	-	-	-	1,012,507	1,340,607
Training	506,087	-	-	-	506,087	404,267
	<u>10,930,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,930,813</u>	<u>11,126,061</u>
Supporting activities:						
Management and general	2,015,852	-	-	-	2,015,852	1,407,918
Fundraising	816,880	-	-	-	816,880	1,019,544
	<u>2,832,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,832,732</u>	<u>2,427,462</u>
Total expenses	<u>13,763,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,763,545</u>	<u>13,553,523</u>
Change in net assets	1,352,736	119,271	-	119,271	1,472,007	283,162
Net assets, beginning of year	<u>2,110,335</u>	<u>1,198,230</u>	<u>169,500</u>	<u>1,367,730</u>	<u>3,478,065</u>	<u>3,194,903</u>
Net assets, end of year	<u>\$ 3,463,071</u>	<u>1,317,501</u>	<u>169,500</u>	<u>1,487,001</u>	<u>4,950,072</u>	<u>3,478,065</u>

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

ONE COLLECTIVE

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2022)**

	PROGRAM ACTIVITIES			SUPPORT ACTIVITIES			2023 TOTAL	2022 TOTAL	
	MINISTRY ACTIVITIES	AWARENESS AND EDUCATION	TRAINING	TOTAL PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	FUNDRAISING			TOTAL SUPPORTING ACTIVITIES
Salaries	\$ 4,683,664	668,295	249,401	5,601,360	929,154	506,590	1,435,744	7,037,104	6,694,104
Other employee benefits	505,715	79,306	23,761	608,782	137,323	55,471	192,794	801,576	735,075
Payroll taxes	355,551	28,094	25,471	409,116	40,075	15,541	55,616	464,732	429,262
	<u>5,544,930</u>	<u>775,695</u>	<u>298,633</u>	<u>6,619,258</u>	<u>1,106,552</u>	<u>577,602</u>	<u>1,684,154</u>	<u>8,303,412</u>	<u>7,858,441</u>
Travel	495,068	56,670	97,793	649,531	49,430	48,831	98,261	747,792	844,234
Contributions to other affiliates	1,171,394	-	-	1,171,394	-	-	-	1,171,394	1,580,920
Depreciation and amortization	4,000	4,000	4,000	12,000	35,542	-	35,542	47,542	51,609
Ministry expenses	102,512	6,143	1,711	110,366	8,654	4,962	13,616	123,982	111,006
Grants	1,612,840	-	-	1,612,840	-	-	-	1,612,840	1,228,606
Interest	-	-	144	144	1,005	287	1,292	1,436	2,070
Occupancy	43,174	8,968	26,871	79,013	176,814	49,727	226,541	305,554	288,046
Office expenses	213,698	14,347	2,202	230,247	20,674	13,393	34,067	264,314	371,013
Professional development	185,510	21,173	52,339	259,022	380,995	11,346	392,341	651,363	547,043
Printing and publications	18,140	28,274	6,928	53,342	24,232	17,770	42,002	95,344	74,576
Insurance	3,089	555	5,947	9,591	53,142	294	53,436	63,027	35,801
Advertising	-	15,429	414	15,843	-	8,758	8,758	24,601	107,908
Information technology	1,079	1,486	952	3,517	5,745	1,529	7,274	10,791	19,871
Professional services	3,414	201	3,106	6,721	27,180	1,172	28,352	35,073	29,142
Bank fees	-	-	-	-	108,828	-	108,828	108,828	111,521
Miscellaneous expenses	13,371	79,566	5,047	97,984	17,059	81,209	98,268	196,252	291,716
	<u>\$ 9,412,219</u>	<u>1,012,507</u>	<u>506,087</u>	<u>10,930,813</u>	<u>2,015,852</u>	<u>816,880</u>	<u>2,832,732</u>	<u>13,763,545</u>	<u>13,553,523</u>

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

ONE COLLECTIVE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2022)

	2023	2022
Cash provided by (applied to) operating activities:		
Change in net assets	\$ 1,472,007	283,162
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	47,542	51,609
Net realized and unrealized loss (gain) on investments	(24,818)	47,504
Noncash operating lease expense	14,149	-
Changes in:		
Prepaid expenses and other assets	(103,614)	51,465
Due from affiliates	(1,969)	(492)
Accounts payable and accrued expenses	(114,391)	60,475
Due to affiliates	(14,320)	25,402
Tenant liabilities	3,354	-
	1,277,940	519,125
Cash provided by (applied to) investing activities:		
Sales of investments	22,584	-
Purchases of investments	-	(100,000)
	22,584	(100,000)
Cash applied to financing activities:		
Principal payments on finance lease	(10,118)	(17,742)
	(10,118)	(17,742)
Increase in cash and cash equivalents	1,290,406	401,383
Cash and cash equivalents, beginning of year	2,894,279	2,492,896
Cash and cash equivalents, end of year	\$ 4,184,685	2,894,279
Other cash flow information:		
Interest paid	\$ 1,436	2,070

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

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

One Collective (Organization) is a not-for-profit corporation that began operations in 1961. The Organization brings people together to help the oppressed see lives and communities transformed by the power of God. Churches, businesses and schools are among their primary partners in working alongside communities to provide access to food, freedom, and forgiveness. The Organization is passionate about delivering a Gospel that fully integrates mission and compassion. Rooted in Jesus' own ministry model, they continue the work that He started in order to meet the spiritual and physical needs of the whole person. The Organization is passionate about being a dynamic global leader fueling a movement to change the future of communities through integrated community transformation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand or in on-demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less.

Concentration of Credit Risk

The Organization maintains its cash accounts in several financial institutions. The accounts in each institution are insured up to the applicable Federal Deposit Insurance Corporation limit. The Organization periodically has deposits in certain institutions in excess of the federal insured limits. The Organization has not experienced any losses in such accounts. The Organization does not believe it is exposed to any significant risk for cash.

Investments

Investments are reported at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses, interest and dividends) is reported net of external and direct internal investment expenses and is included in the statements of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law.

Contributions Receivable

Contributions receivable are reported at their net present value and reduced by an allowance for doubtful accounts.

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions Receivable, continued

Management's evaluation of the adequacy of the allowance is based on the Organization's past collection experience, known and inherent risks of the contributors comprising the receivable balance, adverse situations that may affect the contributor's ability to pay and current economic conditions. Based on the evaluation, management determined that an allowance for doubtful accounts was not necessary at June 30, 2023.

Property and Equipment

Property and equipment purchased at a cost in excess of \$5,000 with a useful life in excess of one year are reviewed to see if they should be capitalized at cost. Donated items are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, ranging from three to thirty-three years. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Net Assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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 those resources be maintained in perpetuity, such as the Organization's endowment.

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 and reported in the statements of activities as net assets released from restrictions.

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue

Contributions and unconditional grants are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction is expired, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. In addition, donor-restricted contributions for general salary and ministry activities whose restrictions are met in the reporting period are reported as unrestricted support on the statements of activities.

The Organization receives indications of intent to support ministries that are commitments to provide monthly, quarterly or annual gifts of a specific amount. These commitments are open-ended and subject to unilateral change by donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support until the long-lived assets are acquired. Non-cash gifts are recorded at estimated fair value.

Functional Allocation of Expenses

The cost of providing the various programs and supporting activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting activities benefited.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, other employee benefits, depreciation and occupancy, which are allocated on the basis of estimates of time.

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Organization, an Illinois not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law, except for taxes pertaining to unrelated business income, if any. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the IRC.

During the years ended June 30, 2023, the Organization had no taxable unrelated business income.

The Organization has evaluated its tax positions taken for all open tax years. Currently, the 2020, 2021, and 2022 fiscal year end tax years are open and subject to examination by the Internal Revenue Service and the Illinois Department of Revenue; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

Accounting 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Going Concern Evaluation

In accordance with accounting principles generally accepted in the United States of America management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's assessment did not identify any conditions or events raising substantial doubt about the Organization's ability to continue as a going concern for the period through October 20, 2023.

Prior Year Summarized Information

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted the new leasing accounting guidance in Accounting Standards Update No. 2016-02, Leases (topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (a) a lease liability of \$702,632, which represents the present value of the remaining lease payments of \$781,727, discounted using the risk-free discount rate of 2.88%, and (b) a right-of-use asset of \$693,450.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through October 20, 2023, the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.
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ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - FAIR VALUE MEASUREMENTS, CONTINUED

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual funds: Valued at the closing price as reported on the active market on which the individual securities are traded.

Corporate and government bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

ONE COLLECTIVE

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 2 - FAIR VALUE MEASUREMENTS, CONTINUED

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management 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 at fair value as of June 30, 2023:

Assets at Fair Value as of June 30, 2023					
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:					
Mutual funds	\$	5,588	-	-	5,588
Corporate and government bonds		<u>-</u>	<u>450,321</u>	<u>-</u>	<u>450,321</u>
Total assets in the fair value hierarchy	\$	<u>5,588</u>	<u>450,321</u>	<u>-</u>	455,909
Assets measured at NAV ^(a)					<u>-</u>
Total assets at fair value				\$	<u>455,909</u>

^(a) In accordance with subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) 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 line items presented in the statements of financial position.

For the year ended June 30, 2023, there was a transfer between Levels 1 and 2 and no transfers into or out of Level 3.

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Leasehold improvements	\$	344,169
Office furniture and equipment		196,031
Computer equipment		<u>68,709</u>
		608,909
Less accumulated depreciation and amortization	(<u>476,257</u>)
	\$	<u><u>132,652</u></u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$47,542.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financials assets, at year-end:

Cash and cash equivalents	\$	4,184,685
Investments		<u>455,909</u>
Total financial assets, at year-end		4,640,594

Less:

Net assets with donor restrictions		<u>(1,487,001)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>3,153,593</u></u>

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY, CONTINUED

The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended June 30, 2023 the level of liquidity and reserves was managed within the policy requirements.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 are available for the following purposes or periods:

	<u>2023</u>
Endowment – original gift	\$ 169,500
Program and project activities	<u>1,317,501</u>
	<u>\$ 1,487,001</u>

NOTE 6 - ENDOWMENT FUNDS

The Organization’s endowment consists of assets contributed with donor restrictions requiring they be held in perpetuity and are maintained to provide income for recruiting and training new field staff, and general purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as with donor restriction net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the

ONE COLLECTIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ENDOWMENT FUNDS, CONTINUED

applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as with donor restriction net assets is classified as without donor restriction net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

The Organization's endowment net assets of \$169,500 were composed totally of donor-restricted funds at June 30, 2023, and are classified as permanently restricted and temporarily restricted in the accompanying financial statements. There were no changes in the permanently restricted endowment net assets for the Organization for the years ended June 30, 2023.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2023.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve principal to produce results that reflect an average money market fund rate while assuming a conservative level of investment risk.

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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 6 - ENDOWMENT FUNDS, CONTINUED

Strategies Employed for Achieving Objectives

To satisfy long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest). Endowment funds assets are included with the Organization's cash and cash equivalents.

Endowment net asset composition by type of fund as of June 30, 2023:

	2023			Total
	Without Restrictions	Restricted for Programs	Perpetual in Nature	
Endowment net assets, beginning of year	-	-	169,500	169,500
Investment return				
Investment income	4,771	-	-	4,771
Appropriation of endowment assets for expenditure	(4,771)	-	-	(4,771)
Endowment net assets, end of year	-	-	169,500	169,500

NOTE 7 – MANAGEMENT CONTRACTS

The Organization entered into a contract for consulting, video and production services related to a major donor event that took place in September 2023. The total of the contract is \$273,500. The first installment payment related to this contract was due July 1, 2022. Either party may request amendments or termination of the contract at any time. The Organization also entered into a contract with the hotel where the major donor event will take place. The total of this contract is \$197,758. Either party may request amendments or termination of the contract at any time.

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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASE

The Organization leases its office facility for five (5) year term under long-term, non-cancelable operating lease agreement. The lease expires on November 30, 2028. In the normal course of business, it is expected that the lease will be renewed or replaced by a lease on other properties.

The Organization has a lease agreement that commenced September 1, 2023, requiring monthly payments of \$905. Every 12 months of the five-year agreement, the monthly payment will increase by 3.95% in September. The agreement expires on November 20, 2028.

The Organization has a month-to-month lease agreement requiring monthly payments of \$1,000.

The Organization assesses whether an arrangement qualified as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position.

The leases provide for minimum annual rental payments and the Organization is also liable for its proportionate share of increases, if any. The agreements generally require the Organization to pay certain costs such as common area maintenance charges, utilities, insurance, and repairs.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30, 2023:

	<u>Operating</u>	<u>Finance</u>
Leases		
Right-of-use asset	<u>\$ 595,381</u>	<u>\$ 44,431</u>
Lease liability - net of current	\$ 518,352	\$ 35,563
Lease liability - current	<u>91,178</u>	<u>9,294</u>
Total lease liability	<u>\$ 609,530</u>	<u>\$ 44,857</u>

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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASE, CONTINUED

The following summarizes the weight average remaining lease term and discount rate as of June 30, 2023:

Weighted Average Remaining Lease Term	
Operating lease	65 Months
Finance lease	54 Months
Weighted Average Discount Rate	
Operating lease	3.63%
Finance lease	3.94%

The Organization has made the election afforded in the guidance under ASC Topic 842 which allows the use of the risk-free discount rate for these leases, which is based on the borrowing rate for the United States Federal Government for a period comparable to the lease terms.

The maturities of operating lease liabilities are as follows for the years ending June 30:

	Operating	Finance
2024	\$ 111,542	\$ 10,859
2025	113,541	10,859
2026	117,939	10,859
2027	133,530	10,859
2028	138,328	5,429
Thereafter	59,169	-
Total minimum lease payments	674,049	48,865
Less amount representing interest	(64,519)	(4,008)
Present value of lease liability	\$ 609,530	\$ 44,857

The Organization recorded \$121,827 of lease expense for the year ended June 30, 2023 in conjunction with the leases.

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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASE, CONTINUED

The following summarizes cash flow information related to the leases for the year ended June 30, 2023:

	<u>Operating</u>	<u>Finance</u>
Cash paid for amounts included in the measurement of lease liability		
Operating cash flows from lease	<u>\$ 125,135</u>	<u>\$ 771</u>
Financing cash flows from lease	<u>\$ -</u>	<u>\$ 10,118</u>
Right-of-use asset obtained in exchange for lease liability	<u>\$ 97,763</u>	<u>\$ 9,840</u>

NOTE 10 – RETIREMENT PLAN

The Organization provides a 403(b) retirement plan (Plan) for all employees of the Organization or its affiliates unless the employee is a non-resident alien with no U.S. sourced income. The Plan allows for employee salary deferral contributions subject to certain IRS limitations. Employees are fully vested immediately upon hire in all elective deferral contributions and are entitled to accumulated contributions plus investment earnings upon termination or retirement.

NOTE 11 - TRANSACTIONS WITH AFFILIATED MINISTRY ORGANIZATIONS

The Organization and affiliated organizations in the Netherlands, Canada, Costa Rica, Austria, Russia, Ukraine, the Philippines and the United Kingdom have entered into a joint ministry agreement in order to formalize a structure through which each organization can participate in agreed-upon joint ministry projects. No single organization maintains control and each organization has agreed to provide funds and other resources as may be agreed-upon to the joint ministry from time to time to enable ministry.

During 2023, the Organization received \$96,216, from affiliated organizations which is included in contribution income, and transferred \$1,171,394, to affiliated organizations which is primarily reflected as program expense for joint ministry activities. At June 30, 2023, the Organization owed \$91,877, to the affiliated organizations. At June 30, 2023, the affiliated organizations owed \$6,282, to the Organization.

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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

Note 12 – EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act under both provisions. During the year ended June 30, 2023, the Organization received \$1,755,695 related to the CARES Employee Retention credit in Other Income on the Organization’s Statement of Activities.