VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

KWC Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Virginia Center for Inclusive Communities

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Center for Inclusive Communities as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are require to be independent of Virginia Center for Inclusive Communities 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 these 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 Virginia Center for Inclusive Communities' 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.

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To the Board of Directors
Virginia Center for Inclusive Communities

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 Virginia Center for Inclusive Communities' 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 Virginia Center for Inclusive Communities' 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.

Kositzka, Wicks and Company

Kositzka, Wicks and Company
Glen Allen, Virginia
November 3, 2023

Virginia Center for Inclusive Communities

Statements of Financial Position

June 30,	2023	2022
Assets		
Cash and cash equivalents	$ 979,599	$ 1,197,167
Accounts receivable, net	33,421	53,498
Grants and pledges receivable, net	-	50,000
Prepaid expenses	18,588	20,095
Investments	2,456,937	2,189,974
Operating lease right-of-use asset	173,787	-
Property and equipment, net	59,716	24,647
Total assets	$ 3,722,048	$ 3,535,381
Liabilities and net assets		
Liabilities		
Accounts payable	$ 33,843	$ 17,862
Accrued expenses	44,749	46,752
Operating lease liability	179,374	-
Deferred revenue and refundable advances	62,250	40,125
Total liabilities	320,216	104,739
Net assets		
Without donor restrictions	3,233,367	3,105,422
With donor restrictions	168,465	325,220
Total net assets	3,401,832	3,430,642
Total liabilities and net assets	$ 3,722,048	$ 3,535,381

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Activities
for the year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue, support, and gains			
Program service revenue	$ 476,581	$ -	$ 476,581
Contributions and grants	355,383	65,000	420,383
Investment income, net	251,801	-	251,801
Special events	426,758	-	426,758
Less cost of direct benefits to donors	(81,945)	-	(81,945)
Net special events revenue	344,813	-	344,813
Net assets released from restriction	221,755	(221,755)	-
	1,650,333	(156,755)	1,493,578
Expenses			
Program services	1,151,389	-	1,151,389
Supporting services			
Management and general	167,909	-	167,909
Fundraising	203,090	-	203,090
	1,522,388	-	1,522,388
Change in net assets	127,945	(156,755)	(28,810)
Net assets, beginning of year	3,105,422	325,220	3,430,642
Net assets, end of year	$ 3,233,367	$ 168,465	$ 3,401,832

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Activities
for the year ended June 30, 2022

	Without donor restrictions	With Donor Restrictions	Total
Revenue, support and losses			
Program service revenue	$ 591,155	$ -	$ 591,155
Contributions and grants	470,450	246,400	716,850
SBA Paycheck Protection Program Loan forgiveness	149,500	-	149,500
Investment loss, net	(350,474)	-	(350,474)
Donated goods and services	6,785	-	6,785
Loss on disposal of fixed assets	(14)	-	(14)
Special events	422,054	-	422,054
Less cost of direct benefits to donors	(35,480)	-	(35,480)
Net special events revenue	386,574	-	386,574
Net assets released from restriction	306,250	(306,250)	-
	1,560,226	(59,850)	1,500,376
Expenses			
Program services	1,141,074	-	1,141,074
Supporting services			
Management and general	179,699	-	179,699
Fundraising	161,197	-	161,197
	1,481,970	-	1,481,970
Change in net assets	78,256	(59,850)	18,406
Net assets, beginning of year	3,027,166	385,070	3,412,236
Net assets, end of year	$ 3,105,422	$ 325,220	$ 3,430,642

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Functional Expenses
for the year ended June 30, 2023

		Supporting services		
	Program services	Management and general	Fundraising	Total
Expenses				
Board meeting	$ 2,507	$ 441	$ 520	$ 3,468
Business insurance	22,046	3,872	4,574	30,492
Costs of direct benefits to donors	-	-	81,945	81,945
Depreciation	12,296	2,160	2,551	17,007
Employee retirement plan	48,275	8,479	10,016	66,770
Equipment leasing	7,712	1,355	1,600	10,667
Facilitator fees	17,168	-	-	17,168
Facility rental	71,016	-	-	71,016
Fundraising events and awards	10,345	1,360	2,762	14,467
Health insurance and other benefits	61,292	10,766	12,716	84,774
Marketing and printing	52,858	928	3,155	56,941
Meals and travel	37,656	494	491	38,641
Miscellaneous office	18,397	2,795	4,961	26,153
Occupancy	32,407	5,692	6,723	44,822
Office supplies	9,364	647	753	10,764
Payroll taxes	46,787	8,219	9,707	64,713
Postage	1,688	297	350	2,335
Professional fees	39,658	6,966	8,228	54,852
Programs - miscellaneous	14,121	-	-	14,121
Salaries	622,092	109,274	129,065	860,431
Technology and website	19,106	3,356	3,964	26,426
Telephone	4,598	808	954	6,360
Total expenses by function	1,151,389	167,909	285,035	1,604,333
Less expenses included with revenues on the statement of activities				
Costs of direct benefits to donors	-	-	(81,945)	(81,945)
Total expenses included in the expense section on the statement of activities	$ 1,151,389	$ 167,909	$ 203,090	$ 1,522,388

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Functional Expenses
for the year ended June 30, 2022

		Supporting services		
	Program services	Management and general	Fundraising	Total
Expenses				
Board meeting	$ 2,183	399	$ 342	$ 2,924
Business insurance	19,936	3,642	3,124	26,702
Costs of direct benefits to donors	-	-	35,480	35,480
Depreciation	6,288	1,149	985	8,422
Employee retirement plan	58,180	10,629	9,117	77,926
Equipment leasing	6,802	1,243	1,066	9,111
Facilitator fees	14,990	-	-	14,990
Fundraising events and awards	10,858	1,593	3,986	16,437
Health insurance and other benefits	65,862	12,033	10,321	88,216
Marketing and printing	20,620	1,062	1,605	23,287
Meals and travel	17,449	246	246	17,941
Miscellaneous office	20,652	2,971	5,943	29,566
Occupancy	39,098	7,508	6,347	52,953
Office supplies	8,948	617	719	10,284
Payroll taxes	48,737	8,904	7,638	65,279
Postage	3,740	683	586	5,009
Professional fees	61,246	-	-	61,246
Programs - miscellaneous	34,846	-	-	34,846
Salaries	672,238	122,814	105,347	900,399
Technology and website	18,896	3,241	2,792	24,929
Telephone	3,496	656	566	4,718
Total expenses by function	1,135,065	179,390	196,210	1,510,665
Contributed goods and services				
Donated services	6,009	309	467	6,785
Total expenses by function	1,141,074	179,699	196,677	1,517,450
Less expenses included with revenues on the statement of activities				
Costs of direct benefits to donors	-	-	(35,480)	(35,480)
Total expenses included in the expense section on the statement of activities	$ 1,141,074	$ 179,699	$ 161,197	$ 1,481,970

The accompanying independent compilation report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statements of Cash Flows
for the years ended June 30,

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (28,810)	$ 18,406
Adjustments to reconcile net cash from operating activities:		
Change in operating lease asset and liability	5,587	-
Realized and unrealized (gains) losses on investments	(222,936)	434,164
Loss on disposal of fixed assets	-	14
SBA Paycheck Protction Program loan forgiveness	-	(149,500)
Depreciation	17,007	8,422
(Increase) decrease in operating assets		
Accounts receivable, net	20,077	38,239
Grants and pledges receivable, net	50,000	(40,000)
Other assets	1,507	(336)
Increase (decrease) in operating liabilities		
Accounts payable	15,981	(6,027)
Accrued expenses	(2,003)	5,853
Deferred revenue and refundable advances	22,125	(81,655)
Net cash provided by (used in) operating activities	(121,465)	227,580
Cash flows from investing activities		
Purchase of property and equipment	(52,076)	(12,515)
Proceeds from sale of investments	230,647	(57,981)
Purchase of investments	(274,674)	(460,479)
Net cash used in investing activities	(96,103)	(530,975)
Net change in cash and cash equivalents	(217,568)	(303,395)
Cash and cash equivalents, beginning of year	1,197,167	1,500,562
Cash and cash equivalents, end of year	$ 979,599	$ 1,197,167
Supplemental cash flow information		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

The accompanying independent auditor's report and notes are an integral part of the financial statements.

1. Organization

Virginia Center for Inclusive Communities (VCIC) is a nonprofit organization that works with schools, businesses, and communities to achieve success by addressing prejudices, in all forms, in order to improve academic achievement, increase workplace productivity, and enhance local trust.

Program service revenues are derived from hosting and facilitating workshops, retreats, and customized programs that raise knowledge and provide motivation and skills to attendees. Programs are primarily delivered through VCIC's four chapter locations in Richmond, on the Virginia Peninsula, in Tidewater (South Hampton Roads), and in Lynchburg, but are also delivered across the Commonwealth of Virginia.

VCIC also raises contributions and grant funding through individual donors and foundations as well as donations through award dinners and other special events.

2. Summary of significant accounting policies

Basis of accounting
The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United State of America (U.S. GAAP).

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 in two categories as described below.

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

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, however VCIC does not have donor-imposed restricted funds which are perpetual in nature.

Revenue recognition
VCIC's exchange type revenues are generated from a variety of contract types including: workshops and training, consultations, Virginia Inclusion Summit and the Workplace Inclusion Network (WIN) series. Resources received in exchange transactions are measured at their fair values and are reported as an increase in net assets without donor restrictions. Contracts with customers were evaluated using the practical expedient of a portfolio approach because each contract is with an individual person or company. Each type of contract has similar characteristics and corresponds to a revenue stream that is carried out on a consistent basis.

Performance obligations satisfied over time include workshops and trainings as well as consultation arrangements. Workshop and training revenues generally consists of planning a single or series of workshops. The revenue for these workshops is recognized based on the date of delivery of the workshop. Consultation arrangement revenues consist of both a fee for service hour or fees to conduct focus groups. The revenue for the consultations is recognized based on payment schedule which generally is multiple payments over the period of professional services. The billings for workshops and trainings and consultation arrangements may occur before, during or after delivery of services and are matched to the service period.

Performance obligations satisfied at point in time include revenue related to the WIN series and Virginia Inclusion Summit. WIN series is a series of professional development events that are provided to employees of participating organizations. This is an annual program consisting of a workshops provided to a participants over a 12 month period. The revenue for the WIN series is recognized after the date of the initial series workshop as participants are not eligible for a refund. The Virginia Inclusion Summit is an event that brings together workplace professionals, government employees and higher education administrators and students for a day of learning, sharing and connection. The revenue for the summit is recognized after the event takes place.

Support and expenses
Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. VCIC reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

Special events revenue consists of donations collected during special events and also registrations for events that are recognized at the time the event takes place. Amounts received in advance of the event are included in refundable advances. The direct benefits to donors expense comes mostly from costs incurred for in-person events. Direct benefits to donors expense increased significantly to $81,945 from $35,480 for the years ending June 30, 2023 and 2022, respectively as a result of the return of events to in-person during the year.

Donated goods and services
A substantial number of volunteers donate time to VCIC's program services and fundraising efforts. The donated services that require specialized skills, as defined by U.S. generally accepted accounting principles, are reflected in the financial statements; the remainder are not.

VCIC receives various forms of donated marketing and consulting services. These donated services are recognized when a professional with specialized skills provides services for free or at a discount. The amount of donated or contributed services is reported at the estimated fair market value of the services, or the amount of the discount. The estimated fair value of these donated service is provided by the service provider, who estimates the fair value based on the date, time and market in which the service is rendered.

There were no donated goods received for the years ended June 30, 2023 and 2022. There were no donated services for the year ended June 30, 2023, but Note 6 provides additional information on donated services for the year ended June 30, 2022.

Cash and cash equivalents
Cash and cash equivalents consists of all cash and highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts receivable
Accounts receivable are due within one year. VCIC provides an allowance for doubtful accounts for potentially uncollectible accounts based on historical bad debt experience and management's judgment. An allowance was recorded of $440 for the years ended June 30, 2023 and 2022.

Grants and pledges receivable
Grants and pledges receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023 there were no balances receivable related to grants and pledges. As of June

30, 2022, there was $50,000 in receivables related to grants and pledges all of which was collected during the year ending June 30, 2023.

Management provides for probable uncertain amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received. There was no allowance or discount deemed necessary for the years ended June 30, 2023 and 2022.

Property and equipment
Property and equipment are reported at cost. VCIC capitalizes purchases over $1,000 which have an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life. All donated property and equipment are recorded at fair market value at the date of the gift. The costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Investments
Investments are measured at fair value in the statement of financial position based on publicly available market data obtained from services independent of VCIC. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Deferred revenue and refundable advances
Deferred revenue consists of payments or deposits for workshops and special event programs that are to be held in future periods.

Compensated absences
Employees are entitled to paid vacation days in accordance with the personnel policy. These benefits accrue and may be carried over from year to year. Carryover ranges from 22-29 days depending on length of service. Included in accrued expenses are costs associated with these accrued vacation days totaling $42,541 and $46,752 as of June 30, 2023 and 2022, respectively.

Other financial assets and liabilities
Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable, grants and pledges receivable, investments and other assets. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Advertising
VCIC expenses advertising costs as they are incurred. For the years ended June 30, 2023 and 2022, marketing and printing costs of $56,941 and $26,932, respectively, were incurred.

Functional expenses
The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, business insurance, depreciation, employee retirement plan, equipment leasing, health insurance, payroll taxes, postage, rent, salaries, technology and telephone costs have been allocated among the program and supporting services benefitted based on the estimated time spent by personnel of VCIC during the year. The functional classifications are:

Program services are defined as the activities that result in services being performed for customers or beneficiaries. VCIC's programs all fall generally under the umbrella of trainings and events to improve academic achievement, increase workplace productivity and enhance local trust. As such, only one program has been reported.

Management and general are those activities that include oversight, business management, general record keeping, budgeting, financing, and all management and administration except for direct conduct of program services or fundraising activities.

Fundraising activities are those activities which involve potential donors to contribute funds, services or other assets or time. They include conducting fundraising campaigns; maintaining donor mailing lists; conducting special events, and other activities involved with soliciting contributions.

Income taxes
VCIC is exempt from federal income taxes as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. Therefore, no provision or liability for income taxes has been included in the financial statements. VCIC believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on VCIC’s results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2020 through 2023.

Use of estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk and market risk
Financial instruments that potentially expose VCIC to concentration of credit and market risk consist primarily of cash equivalents, grants and pledges receivable, and investments.

VCIC maintains its cash on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to $250,000 of cash held in each separate FDIC insured bank savings institution. From time to time, VCIC may have amounts on deposit in excess of the insured limits.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that VCIC's investments do not represent significant concentrations of market risk as the portfolio is adequately diversified among issuers.

VCIC’s programs and services are concentrated within the Commonwealth of Virginia. At June 30, 2023, two customers accounted for 40 percent of total receivables. At June 30, 2022, one donor accounted for 48 percent of total receivables. One contributor accounts for approximately 14 percent of total contribution and grant revenues for the year ended June 30, 2023. Three contributors account for approximately 22 percent of total contribution and grant revenues for the year ended June 30, 2022. There was no concentration of program revenue for the years ended June 30, 2023 and 2022.

Recently adopted accounting pronouncements
The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and

obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for private companies for annual reporting periods beginning after December 15, 2021. VCIC adopted the standard on its effective date, which for VCIC was July 1, 2022. There was no impact to VCIC's beginning net assets as a result of the adoption of this ASU because of the election of the practical expedients. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

Impact on transition
At the date of adoption, VCIC applied ASU 2016-02 using the modified retrospective approach under which all leases were valued and recognized in the financial statements as of the beginning of the period of adoption. The lease liabilities were measured at the present value of the remaining lease payments at July 1, 2022, discounted using various interest rates, the weighted average value of which is disclosed in note 10. At July 1, 2022, VCIC recorded "Operating lease right-of-use assets", "Current portion of long-term lease obligations" and "Long-term lease obligations" of $221,343, $41,008 and $180,335, respectively on its Statement of Financial Position, related to its existing operating leases. The adoption of this standard did not have a material impact VCIC's Statements of Activities. The comparative information presented for the year ended June 33, 2022 has not been restated. Refer to Note 9 for further information regarding lease periods and the weighted average discount rates used.

Upcoming accounting pronouncements
The FASB has issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 VCIC plans to adopt this standard on its effective date, July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

3. Revenue from contracts with customers

The Organization's revenue from contracts with customers is recognized based on both performance obligations satisfied at a point in time and those satisfied over-time for the year ended June 30:

	2023	2022
Performance obligations satisfied at a point in time	$ 24,340	$ 10,000
Performance obligations satisfied over-time	452,241	581,155
Total revenue from contracts with customers	$ 476,581	$ 591,155

Contract liabilities, which are included in deferred revenue and refundable advances in the statement of financial position, consisted of the following workshop series and consultations as of June 30:

	2023	2022
Beginning of year	$ 40,125	$ 101,280
Additions	62,250	40,125
Satisfactions	(40,125)	(101,280)
End of year	$ 62,250	$ 40,125

4. Investments and fair value measurements

Accounting standards require companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. A three-level hierarchy for disclosure of fair value measurements is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of 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. The three levels of the fair value hierarchy are defined below.

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. VCIC's investments are classified as Level 1 within the fair value hierarchy because they are composed of highly liquid cash equivalents, open-ended mutual funds or exchange traded funds with readily determinable fair values based on daily redemption values.

Level 2 – inputs to the valuation methodology included quoted prices for similar assets or liabilities in active market and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value measurements on a recurring basis are composed of the following investments at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
US small-cap equity	$ 175,068	$ -	$ -	$ 175,068
US mid-cap equity	263,565	-	-	263,565
US large-cap equity	1,185,594	-	-	1,185,594
Developed markets equity	236,790	-	-	236,790
Emerging markets equity	97,890	-	-	97,890
Government bond fund	498,030	-	-	498,030
	$ 2,456,937	$ -	$ -	$ 2,456,937

Fair value measurements on a recurring basis are composed of the following investments at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
US small-cap equity	$ 173,418	$ -	$ -	$ 173,418
US mid-cap equity	228,276	-	-	228,276
US large-cap equity	1,219,080	-	-	1,219,080
Developed markets equity	196,265	-	-	196,265
Emerging markets equity	89,044	-	-	89,044
Government bond fund	283,891	-	-	283,891
	$ 2,189,974	$ -	$ -	$ 2,189,974

Investment income (loss) was comprised of the following for the years ended June 30:

	2023	2022
Dividend and interest income	$ 45,918	$ 44,504
Realized and unrealized gains (losses) on investments	222,936	(376,183)
Investment management fees	(17,053)	(18,795)
	$ 251,801	$ (350,474)

5. Property and equipment

Property and equipment consisted of the following at June 30:

	2023	2022	Estimated useful life
Furniture, fixtures, and equipment	$ 56,043	$ 54,558	3 - 5 years
Leasehold improvements	54,368	3,777	5 years
Trademarks	1,200	1,200	10 years
	111,611	59,535	
Less: accumulated depreciation	(51,895)	(34,888)	
	$ 59,716	$ 24,647	

Depreciation expense for the years ending June 30, 2023 and 2022 was $17,007 and $8,422, respectively.

6. Donated goods and services

VCIC recognized the following donated goods and services for the years ended June 30:

	2023	2022
Donated services		
Marketing services for awards event	$ -	$ 3,645
Consulting services for facilities assessment and design	-	3,140
	$ -	$ 6,785

7. Paycheck Protection Program (PPP) Loan

Under the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment.

VCIC also obtained a second CARES Act Paycheck Protection Program loan in April 2021 in the amount of $149,500 as a result of the COVID-19 pandemic. VCIC complied with the necessary requirements to obtain full forgiveness on the loan in November of 2021. This has been reported as revenue in the statement of activities for the year ending June 30, 2022.

8. Employee benefit plan

VCIC sponsors a 403(b) retirement plan through TIAA. Eligible employees are those at least 18 years of age and employed on a full-time basis. Matching contributions require a minimum of 6 consecutive months of service. The first 3 percent of employee contributions are not matched while the employee contributions from 3 percent up to 12 percent are matched by VCIC in accordance with the matching contribution formula elected in the adoption agreement. Matching contributions become fully vested on the one year service anniversary of the participant. The total matching contribution and related plan costs for the years ended June 30, 2023 and 2022 were $66,770 and $77,926 respectively.

9. Lease obligations

VCIC has a long-term operating office lease which was originally set to expire June 30, 2022 but was amended on that date to extend an additional five-year term. The lease is subject to annual escalation clauses. Additionally, VCIC also has a four-year operating copy machine lease with monthly payments of $523 and a five-year operating mail meter lease with monthly payments of $219.

The amount of operating lease right-of-use assets and related lease obligations recorded within the Company's balance sheet at June 30, 2023 is as follows:

Operating leases		
Operating lease right-of-use asset	$	173,787
Current portion of long-term lease obligations		45,587
Long-term lease obligations		133,787
Total operating lease liabilities	$	179,374

Lease expense associated with the long-term operating lease is reported as occupancy in the statement of activities totaling $44,822 and other lease expenses for equipment is reported in equipment leasing in the statement of activities totaling $10,667 for the year ending June 30, 2023.

For the year ending June 30, 2023, the Company had the following cash and non-cash activities associated with leases:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	42,421
ROU assets obtained in exchange for new operating lease liabilities	$	216,115

The lease term and discount rates elected by the Company at June 30, 2023 include:

Weighted-average remaining lease term in years - operating lease	3.9
Weighted-average discount rate - operating lease	2.88%

At June 30, 2023, the future payments due under the operating lease are as follows:

2024	$ 50,034
2025	45,310
2026	46,422
2027	47,815
Total undiscounted cash flows	$ 189,581
Less: present value discount	(10,207)
Total lease liabilities	$ 179,374

10. Net assets with donor restrictions

Net assets with donor restrictions and the related releases from restrictions as of and for the year ended June 30, 2023 are summarized as follows:

	June 30, 2022	Grants and contributions	Releases	June 30, 2023
Restricted to future periods	$ 50,000	$ -	$ (50,000)	$ -
Restricted for specific activities:				
School programs	120,494	65,000	(45,497)	139,997
Community programs	100,218	-	(71,750)	28,468
Other	54,508	-	(54,508)	-
	$ 325,220	$ 65,000	$ (221,755)	$ 168,465

Net assets with donor restrictions and the related releases from restrictions as of and for the year ended June 30, 2022 are summarized as follows:

	June 30, 2021	Grants and contributions	Releases	June 30, 2022
Restricted to future periods	$ 10,000	$ 50,000	$ (10,000)	$ 50,000
Restricted for specific activities:				
School programs	224,630	110,000	(214,136)	120,494
Community programs	150,440	24,500	(74,722)	100,218
Other	-	61,900	(7,392)	54,508
	$ 385,070	$ 246,400	$ (306,250)	$ 325,220

Grants and contributions restricted to future periods had payments due of $50,000 during the year ending June 30, 2023 which were received and released from restrictions. Grants and contributions which are restricted to specific activities include but are not limited to various projects at VCIC: the Connections Institute program, Lynchburg City Schools Project Inclusion, Armstrong Project Inclusion, and the Educational Equity Initiative.

11. Liquidity and availability

VCIC strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments.

The following table reflects VCIC's financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions as of June 30:

	2023	2022
Cash and cash equivalents	$ 979,599	$ 1,197,167
Accounts receivable	33,421	53,498
Grants and pledges receivable	-	50,000
Investments	2,456,937	2,189,974
Total financial assets available within one year	3,469,957	3,490,639
Less amounts unavailable for general expenditures within one year due to restrictions by donors for specific purposes	(168,465)	(275,220)
Total financial assets available to meet general expenditures within one year:	$ 3,301,492	$ 3,215,419

12. Subsequent events

Virginia Center for Inclusive Communities assessed events occurring subsequent to June 30, 2023 through November 3, 2023 for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.