

TECH IMPACT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

TECH IMPACT
YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To: The Board of Directors
Tech Impact
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of **Tech Impact** (a Pennsylvania non-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 **Tech Impact** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 **Tech Impact** 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 **Tech Impact'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 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 ***Tech Impact'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 ***Tech Impact'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.



Cherry Hill, NJ
March 11, 2023

TECH IMPACT
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 2,050,470	\$ 1,762,010
Investments, at market	3,424,267	3,325,625
Grants receivable	2,750,354	240,844
Accounts receivable, net of allowance for uncollectible accounts of \$75,000 in 2022 and 2021	1,118,203	845,584
Loans receivable, net of allowance for uncollectible accounts of \$77,575 in 2022 and 2021	113,359	152,920
Prepaid expenses and other current assets	332,164	246,308
Total current assets	<u>9,788,817</u>	<u>6,573,291</u>
Property and equipment, net	<u>1,062,825</u>	<u>724,093</u>
Other asset		
Security deposit, rent	43,703	52,503
Total other asset	<u>43,703</u>	<u>52,503</u>
Total assets	<u><u>\$ 10,895,345</u></u>	<u><u>\$ 7,349,887</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 697,984	\$ 544,665
Accrued payroll	330,452	262,912
Deferred revenue - special event	116,527	126,872
Customer deposits	79,593	138,490
Deferred rent	97,555	52,036
Total current liabilities	<u>1,322,111</u>	<u>1,124,975</u>
Net assets		
Without donor restrictions		
Board designated	200,000	-
Undesignated	5,751,172	5,448,429
Total without donor restrictions	5,951,172	5,448,429
With donor restrictions	<u>3,622,062</u>	<u>776,483</u>
Total net assets	<u>9,573,234</u>	<u>6,224,912</u>
Total liabilities and net assets	<u><u>\$ 10,895,345</u></u>	<u><u>\$ 7,349,887</u></u>

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

TECH IMPACT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>REVENUE AND SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Tech services and education, gross	\$ 7,435,696	\$ -	\$ 7,435,696
Less: direct costs	(1,113,499)	-	(1,113,499)
Tech services and education, net	6,322,197	-	6,322,197
Grants			
Corporations	182,961	742,950	925,911
Foundations	379,514	991,852	1,371,366
Government	2,207,411	3,881,901	6,089,312
Contributions - individual	224,536	-	224,536
Special event income	231,401	-	231,401
In-kind income	32,000	-	32,000
Net assets released from restrictions	2,771,124	(2,771,124)	-
Total revenue and support	12,351,144	2,845,579	15,196,723
<u>EXPENSES</u>			
Program services	9,690,212	-	9,690,212
Supporting services			
Management and general	1,689,546	-	1,689,546
Fundraising	563,325	-	563,325
Total supporting services	2,252,871	-	2,252,871
Total expenses	11,943,083	-	11,943,083
Changes in net assets before nonoperating activities	408,061	2,845,579	3,253,640
<u>NONOPERATING ACTIVITIES</u>			
Investment (loss), net	(460,984)	-	(460,984)
Changes in net assets	(52,923)	2,845,579	2,792,656
Net assets, beginning of fiscal year	5,448,429	776,483	6,224,912
Net assets of acquiree (Note 4)	555,666	-	555,666
Net assets, end of fiscal year	\$ 5,951,172	\$ 3,622,062	\$ 9,573,234

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

TECH IMPACT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>REVENUE AND SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Tech services and education, gross	\$ 6,125,966	\$ -	\$ 6,125,966
Less: direct costs	<u>(1,165,881)</u>	<u>-</u>	<u>(1,165,881)</u>
Tech services and education, net	4,960,085	-	4,960,085
Grants			
Corporations	203,837	1,314,528	1,518,365
Foundations	167,509	1,560,817	1,728,326
Government	980,500	4,228,459	5,208,959
Contributions - individual	25,173	37,906	63,079
Special event income	160,650	-	160,650
In-kind income	161,803	-	161,803
Net assets released from restrictions	<u>6,973,543</u>	<u>(6,973,543)</u>	<u>-</u>
Total revenue and support	<u>13,633,100</u>	<u>168,167</u>	<u>13,801,267</u>
<u>EXPENSES</u>			
Program services	<u>9,673,123</u>	<u>-</u>	<u>9,673,123</u>
Supporting services			
Management and general	1,627,369	-	1,627,369
Fundraising	<u>524,286</u>	<u>-</u>	<u>524,286</u>
Total supporting services	<u>2,151,655</u>	<u>-</u>	<u>2,151,655</u>
Total expenses	<u>11,824,778</u>	<u>-</u>	<u>11,824,778</u>
Changes in net assets before nonoperating activities	1,808,322	168,167	1,976,489
<u>NONOPERATING ACTIVITIES</u>			
Investment income, net	<u>387,858</u>	<u>-</u>	<u>387,858</u>
Changes in net assets	2,196,180	168,167	2,364,347
Net assets, beginning of fiscal year	<u>3,252,249</u>	<u>608,316</u>	<u>3,860,565</u>
Net assets, end of fiscal year	<u>\$ 5,448,429</u>	<u>\$ 776,483</u>	<u>\$ 6,224,912</u>

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

TECH IMPACT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Payroll and benefits				
Payroll	\$ 5,266,675	\$ 781,601	\$ 412,894	\$ 6,461,170
Payroll taxes and benefits	1,239,291	61,703	80,161	1,381,155
Total payroll and benefits	6,505,966	843,304	493,055	7,842,325
Bad debt expense	22,245	-	2,500	24,745
Bank fees	6,023	15,582	2,037	23,642
Charitable contributions	98,547	2,099	-	100,646
Depreciation	1,226	36,908	-	38,134
Dues and subscriptions	7,909	15,825	1,614	25,348
Equipment purchases - non-capitalized	195,062	92,921	4,284	292,267
Equipment rental	25,377	6,798	240	32,415
Food and entertainment	41,500	22,951	13,434	77,885
In-kind expenses	32,000	-	-	32,000
Insurance	46,388	1,242	1,960	49,590
Internet service and website	12,489	2,401	927	15,817
Marketing/special projects	269,812	98,545	10,793	379,150
Office expense	154,519	13,977	984	169,480
Payroll processing	84	56,490	-	56,574
Postage	2,798	806	51	3,655
Professional fees	-	99,254	-	99,254
Printing and publications	1,034	455	1,045	2,534
Recruiting	1,613	27,713	-	29,326
Rent	297,416	46,571	15,775	359,762
Repairs and maintenance	462	76,854	-	77,316
Staff development	10,738	747	40	11,525
Subcontractors	1,877,835	181,648	5,138	2,064,621
Telephone	23,705	2,601	1,119	27,425
Travel and parking	39,901	41,268	7,521	88,690
Utilities	15,563	2,586	808	18,957
Total expenses	<u>\$ 9,690,212</u>	<u>\$ 1,689,546</u>	<u>\$ 563,325</u>	<u>\$ 11,943,083</u>

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

TECH IMPACT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Payroll and benefits				
Payroll	\$ 4,104,603	\$ 726,037	\$ 384,839	\$ 5,215,479
Payroll taxes and benefits	946,821	80,442	76,415	1,103,678
Total payroll and benefits	5,051,424	806,479	461,254	6,319,157
Bad debt expense	42,113	-	10,915	53,028
Bank fees	3,746	12,883	1,381	18,010
Charitable contributions	20,765	500	-	21,265
Depreciation	7,148	28,635	-	35,783
Dues and subscriptions	8,419	7,642	2,497	18,558
Equipment purchases - non-capitalized	136,025	112,802	2,579	251,406
Equipment rental	-	6,441	-	6,441
Food and entertainment	37,545	19,016	7,279	63,840
In-kind expenses	15,229	146,574	-	161,803
Insurance	38,379	3,901	2,258	44,538
Internet service and website	12,145	2,733	1,144	16,022
Marketing/special projects	508,031	120,011	5,726	633,768
Office expense	464,203	23,007	-	487,210
Payroll processing	1,267	33,395	-	34,662
Postage	2,221	1,788	156	4,165
Professional fees	-	41,016	-	41,016
Printing and publications	714	-	20	734
Recruiting	1,853	24,050	120	26,023
Rent	288,864	56,297	17,086	362,247
Staff development	33,820	716	50	34,586
Subcontractors	2,944,729	157,195	6,441	3,108,365
Telephone	21,500	2,236	1,320	25,056
Travel and parking	10,986	15,083	2,558	28,627
Utilities	21,997	4,969	1,502	28,468
Total expenses	<u>\$ 9,673,123</u>	<u>\$ 1,627,369</u>	<u>\$ 524,286</u>	<u>\$ 11,824,778</u>

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

TECH IMPACT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2022</u>	<u>2021</u>
Changes in net assets	\$ 2,792,656	\$ 2,364,347
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of PPP loan advance	-	(980,500)
Depreciation	38,134	35,783
Bad debt provision	-	4,575
Reinvestment of realized gains, dividends, and interest	(103,727)	(75,678)
Unrealized loss/(gain) on investments	564,103	(312,180)
Loss on sale of assets	1,693	-
Decrease (increase) in:		
Grants receivable	(2,509,510)	(2,285)
Accounts receivable	(272,619)	(165,196)
Loans receivable	39,561	(15,250)
Prepaid expenses and other current assets	(85,856)	(47,967)
Security deposits	8,800	(12,797)
Increase (decrease) in:		
Accounts payable and accrued expenses	153,319	268,759
Accrued payroll	67,540	20,938
Deferred revenue - special event	(10,345)	44,472
Customer deposits	(58,897)	65,993
Deferred rent	45,519	(63,922)
Net cash provided by operating activities	<u>670,371</u>	<u>1,129,092</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash and cash equivalents from acquiree (Note 4)	792,210	-
Proceeds from sale of investments	500,000	500,000
Purchases of investments	(1,107,534)	(1,758,878)
Purchase of land and building	(181,092)	(701,438)
Purchases of equipment	<u>(195,166)</u>	<u>(6,952)</u>
Net cash (used in) investing activities	<u>(191,582)</u>	<u>(1,967,268)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments to acquiree's loan payable	<u>(190,329)</u>	<u>-</u>
Net cash (used in) financing activities	<u>(190,329)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	288,460	(838,176)
Cash and cash equivalents, beginning of fiscal year	<u>1,762,010</u>	<u>2,600,186</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,050,470</u>	<u>\$ 1,762,010</u>

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

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. PROGRAMS AND ACTIVITIES

Tech Impact (formerly NPower Pennsylvania) (the “Organization”) is a non-profit organization formed on September 30, 2002 for the purpose of fostering, facilitating, and enhancing the use of computers, the internet and other technological and communication advances to enable other non-profit entities to enhance their activities and better achieve their purposes. The Organization unlocks the potential of technology for non-profit organizations by providing them with support, guidance, and training they so desperately need at price points they can afford. The Organization’s team of technology consultants provides affordable technology services to hundreds of organizations in the greater Philadelphia region and on a national scale. The Organization’s mission is to ensure all non-profits can use technology to better serve the community.

Initially, the Organization was an independently incorporated affiliate of the NPower Network, which was founded in Seattle in 1998 to address the lack of technology resources and training available to non-profits. Following the initial pilot in Seattle, Microsoft Corporation agreed to sponsor eleven new NPower organizations in cities with matching funds from local sponsors. Tech Impact was founded in 2002 with funds from Microsoft Corporation and a matching grant from The William Penn Foundation. Since that time, the Organization has attracted the independent support of over 100 foundations and corporations.

For over nine years, the Organization’s ITWorks workforce development program has brought tremendous benefits to the low-to-middle-income communities they serve. The 16-week ITWorks program serves vulnerable Opportunity Youth ages 18-26, who are underemployed or unemployed and have not completed a bachelor’s degree. ITWorks provides the opportunity for these young adults to gain the technical and professional skills, certifications, and work experience (via an internship) needed to secure and retain entry-level IT positions. The Organization’s CXWorks program prepares young adults and veterans for Call Center Customer Experience positions. The Organization’s newest program, PunchCode, offers an immersive coding bootcamp teaching skills in application development that will allow students to pursue careers in the growing IT sector in Las Vegas. These programs also support the Organization’s mission by providing area non-profits and corporations with a pipeline of qualified candidates for these in-demand positions. ITWorks operates its workforce development programs in three cities (Philadelphia, PA; Wilmington, DE; and Las Vegas, NV).

Collectively, the Organization’s services impact entire communities, from the Out of School Youth that live in them to the non-profit organizations that serve them. The Organization is working to create stronger communities.

The significant accounting policies followed are described below.

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The Organization has, periodically throughout the year, maintained balances in various operating and money market accounts in excess of federally insured limits.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions and Grants Receivable

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, 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. All of the Organization's expenses, including expenses relating to assets previously included among the net assets with donor restrictions class of accounts, are decreases in net assets without donor restrictions.

Accounts and Loans Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off as uncollectible.

The Organization provides loans to students attending its coding school program, PunchCode. The loans are expected to be repaid by the students upon graduation.

On a periodic basis, the Organization evaluates its accounts and loans receivable and establishes an allowance for doubtful accounts based on its history of past write-offs and current conditions.

Property and Equipment

The Organization follows the practice of capitalizing, at cost or market value where the original cost is not known, all expenditures for fixed assets in excess of \$3,000. Depreciation is computed on a straight-line basis over their useful lives.

Furniture and fixtures	5 years
Classroom and computer equipment	3-5 years
Software	3 years
Leasehold improvements	remaining term of the lease

Customer Deposits

The Organization requires a deposit for certain services provided to its customers. At the termination of the engagement, the Organization will apply the deposit against any outstanding invoices and refund the remaining balance, if any, back to the customer.

Deferred Revenue – Special Event

Revenues from the special event are recorded in the year the event occurs. Deferred revenue – special event consists of sponsorship payments and registration fees received prior to June 30 that will be earned in the next fiscal year.

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Earned revenues from tech services and education are recognized using a five-step process that requires all conditions to be met before revenue can be recognized. Management believes the standard improves the Organization's financial reporting.

Multi-year unconditional grants are recorded as revenue in their entirety in the year they are awarded. Due to the nature of these grants, significant increases and decreases in net assets may occur. These significant fluctuations can arise as grants are recognized as support in the fiscal period in which they are awarded, but the expenses incurred with such grants occur in a different fiscal period.

Allocation of Functional Expenses

The cost of providing the programs and supporting services have been presented on a functional basis in the statements of activities. For salaries, taxes, and benefits, allocations are decided on an individual basis, based on the functions of each position. These allocations may be updated on a periodic basis based on the evolving responsibilities of a position, and by nature some positions will be split across multiple functions while others will be more compartmentalized. Rent and utilities are allocated based on square footage. All other expenses are allocated on the basis of time and effort percentages unless directly incurred by one function receiving the benefit.

Contributed In-Kind Services

Donated services are recognized as contributions in accordance with ASC No. 958-605, *Accounting for Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated equipment and other materials are recorded at their fair value at the time they are donated. In addition, volunteers provide fundraising services throughout the year that are not recognized as contributions in the accompanying financial statements because the criteria for recognition has not been met.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for 2022 or 2021.

Reclassifications

The 2021 financial statements have been reclassified to conform to the 2022 presentation.

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Standard Updates Not Presently Effective

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for fiscal years beginning December 15, 2021 and later. The Organization is currently in the process of evaluating the impact of adoption of this ASU on their financial statements.

3. LIQUIDITY AND AVAILABILITY

The Organization's goal is generally to maintain financial assets to meet 90-180 days of operating expenses (approximately \$3.26 - \$6.53 million). The Organization manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and mutual funds. The Organization has a \$200,000 line of credit available to meet cash flow needs. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including grants and contributions.

	<u>2022</u>	<u>2021</u>
Total financial assets available within one year:		
Cash and cash equivalents	\$ 2,050,470	\$ 1,762,010
Investments, at market	3,424,267	3,325,625
Grants receivable	2,750,354	240,844
Accounts and loans receivable, net	<u>1,231,562</u>	<u>998,504</u>
Total financial assets	9,456,653	6,326,983
Less amounts unavailable for general expenditures within one year due to donor-imposed restrictions:		
Net assets with donor restrictions	(3,622,062)	(776,483)
Board designated net assets	(200,000)	-
Add amounts available within one year:		
Time restricted net assets at year-end to be received within one year for unrestricted purposes	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,634,591</u>	<u>\$ 5,550,500</u>

TECH IMPACT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

4. ACQUISITION

On October 6, 2021, Tech Impact acquired The Delaware Data Innovation Lab, another non-profit organization with a mission similar to its own. The following table summarizes the amounts of the assets acquired and liabilities assumed at the acquisition date. No consideration was transferred to The Delaware Data Innovation Lab as part of this acquisition.

Recognized amounts of identifiable assets acquired and liabilities assumed:

Financial assets	\$ 798,510
Furniture and equipment	20,794
Financial liabilities	<u>(263,638)</u>
 Total identifiable net assets	 <u>\$ 555,666</u>

The operating results of The Delaware Data Innovation Lab are included in the statements of activities.

5. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts and money market accounts in two financial institutions. Each institution provides Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. At various times there were balances in the banks that were over the FDIC limit. The Organization has not experienced any losses from these accounts.

6. INVESTMENTS

The valuation techniques required by FASB ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's market assumptions. These two types of inputs create the three levels of fair value hierarchy described below:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - significant unobservable inputs

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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6. INVESTMENTS (CONT'D)

Investments at June 30, 2022 and 2021 are stated at fair value and are summarized as follows:

2022			
	Cost	Market Value	Gain/(Loss)
Mutual funds	<u>\$ 3,565,056</u>	<u>\$ 3,424,267</u>	<u>\$ (140,789)</u>
2021			
	Cost	Market Value	Gain/(Loss)
Mutual funds	<u>\$ 2,902,311</u>	<u>\$ 3,325,625</u>	<u>\$ 423,314</u>

The summary of inputs used to value the Organization's investments at June 30, 2022 and 2021 is as follows:

2022				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Mutual funds	<u>\$ 3,424,267</u>	<u>\$ 3,424,267</u>	<u>\$ -</u>	<u>\$ -</u>
2021				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Mutual funds	<u>\$ 3,325,625</u>	<u>\$ 3,325,625</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income is comprised of the following at June 30, 2022 and 2021:

	2022	2021
Dividends and interest, net	\$ 84,195	\$ 49,777
Unrealized (losses)/gains	(564,103)	312,180
Realized gains	66,964	52,988
Investment fees	<u>(48,040)</u>	<u>(27,087)</u>
Total	<u>\$ (460,984)</u>	<u>\$ 387,858</u>

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7. GRANTS RECEIVABLE

Grants receivable are recorded at their estimated fair value. A present value adjustment was considered immaterial and, therefore, not recorded for the long-term portion of the grants receivable.

Grants receivable at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 1,750,354	\$ 240,844
Receivable in one to five years	1,000,000	-
Receivable in more than five years	<u>-</u>	<u>-</u>
Grants receivable at June 30	<u>\$ 2,750,354</u>	<u>\$ 240,844</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,

	<u>2022</u>	<u>2021</u>
Land and building	\$ 892,529	711,438
Furniture and fixtures	104,154	83,987
Computer equipment	223,330	48,330
Leasehold improvements	80,550	80,550
Construction in process	<u>-</u>	<u>-</u>
	1,300,563	924,305
Less: accumulated depreciation	<u>(237,738)</u>	<u>(200,212)</u>
	<u>\$ 1,062,825</u>	<u>\$ 724,093</u>

Depreciation expense was \$38,134 and \$35,783 for the years ended June 30, 2022 and 2021, respectively.

9. PPP LOAN ADVANCE

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The Organization received a loan in the amount of \$980,500 through the Paycheck Protection Program, an initiative of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress in response to COVID-19. In January 2021, the loan was forgiven in full and is included on the government grants line on the statement of activities.

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10. LINE OF CREDIT

The Organization had an available \$200,000 line of credit with a local financial institution. The line of credit was secured by the Organization's equipment and receivables and bears interest at the bank's prime rate plus 2.00%. The line of credit balance was \$0 as of June 30, 2022 and 2021. In February 2023, this line of credit was closed. See Note 16 - Subsequent Events.

11. BOARD DESIGNATED NET ASSETS

In 2022, the Organization's Board of Directors voted to create a \$200,000 Board-Designated Endowment. The funds can be used in a future period at the Board's discretion.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets have been restricted by the donor for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
IT Works	\$ 435,075	\$ 401,623
CX Works	253,675	229,299
Data Lab	2,863,867	-
Education and Outreach	-	5,000
Technology Talent Pipeline	<u>69,445</u>	<u>140,561</u>
Total	<u>\$ 3,622,062</u>	<u>\$ 776,483</u>

13. DONOR IMPOSED RESTRICTIONS

Net assets of \$2,771,124 in 2022 and \$6,973,543 in 2021 were released from donor restrictions by satisfying the restricted purposes specified by the donor.

14. OPERATING LEASE COMMITMENTS

Office Space and Deferred Rent

The Organization leases office space in Philadelphia under a long-term lease agreement expiring October 31, 2028 at a rate of \$12,798 per month, adjusted annually. The lease contains a provision for rent-free periods. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "deferred rent", which is included in the liabilities section of the accompanying statements of financial position. The Organization is also responsible for a share of the real estate taxes, common area charges, and utilities.

The Organization leases office space in Delaware under multiple leases expiring June 30, 2025 and March 31, 2026.

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14. OPERATING LEASE COMMITMENTS (CONT'D)

Office Space and Deferred Rent (Cont'd)

The Organization leases office space in Washington, D.C. under an agreement expiring August 31, 2022 with one three-year option to extend. The lease calls for payments of \$9,121 per month, with 2.50 percent increases each year and contains provisions for rent-free periods.

The Organization leases office space in Las Vegas under multiple leases expiring December 31, 2022 and August 31, 2024. Both leases contain options to renew at the end of their respective terms. One lease contains provisions for rent-free periods and rent credit incentives. The Organization is also responsible for common area maintenance charges.

Equipment

The Organization leases office equipment under multiple lease agreements. The monthly payments of \$317 and \$88 are being expensed each month.

For the years ended June 30, 2022 and 2021, rent expense amounted to \$359,762 and \$362,247 for all leases.

As of June 30, 2022, minimum future rentals payable under the operating leases are as follows:

Year ending June 30,	
2023	\$ 296,075
2024	288,493
2025	254,606
2026	178,987
Thereafter	<u>390,101</u>
Total	<u>\$ 1,408,262</u>

15. SIMPLE IRA (INDIVIDUAL RETIREMENT ACCOUNT)

The Organization has a Simple IRA (Individual Retirement Account). In general, all employees who receive at least \$5,000 in salary during any two previous years are eligible to participate. The Organization has elected to match each employee's contribution up to 3% of eligible compensation. Contribution expense for the years ended June 30, 2022 and 2021 was \$107,362 and \$88,752, respectively.

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16. SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through March 11, 2023, the date the financial statements were available to be issued.

In February 2023, the Organization closed the \$200,000 line of credit. Management is currently in the process of applying for a new line of credit.