

Tech Impact

**Financial Statements and Single Audit with
Supplementary Information**

June 30, 2024 and 2023



Kreischer Miller

Contents

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

Statements of Financial Position	1
Statements of Activities	2-3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-22

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25-26
---	-------

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	27-29
--	-------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30-31
---	-------

CORRECTIVE ACTION PLAN	32
------------------------	----

Independent Auditors' Report

The Board of Directors
Tech Impact
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tech Impact, which comprise the statement of financial position as of June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Tech Impact as of June 30, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - 2023 Financial Statements Restated

The financial statements of Tech Impact for the year ended June 30, 2023, before the prior period adjustment and restatement described in Note 3, were audited by another auditor whose report dated March 26, 2024, expressed an unmodified opinion on those statements. As part of our audit of the June 30, 2024 financial statements, we also audited the adjustments described in Note 3 that were applied to adjust net assets as of July 1, 2022 and to restate the 2023 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of Tech Impact other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

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 Tech Impact's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025 on our consideration of Tech Impact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tech Impact's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tech Impact's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kreischer Miller". The signature is written in a cursive, flowing style.

Horsham, Pennsylvania
March 27, 2025

Tech Impact

Statements of Financial Position June 30, 2024 and 2023

	2024	(Restated) 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,399,626	\$ 1,311,946
Grants receivable	1,722,953	1,398,516
Accounts receivable, net allowance for credit losses of \$118,525 and \$71,576 in 2024 and 2023, respectively	1,644,924	1,189,264
Investments	3,746,316	3,215,474
Loans receivable, net of allowance for credit losses of \$59,247 and \$77,575 in 2024 and 2023, respectively	65,596	103,278
Prepaid expenses and other assets	238,459	327,896
Total current assets	8,817,874	7,546,374
Property and equipment, net	943,094	1,008,340
Goodwill, net	1,261,373	-
Right-of-use assets, operating	791,437	1,021,038
Security deposit	17,848	21,489
Total assets	\$ 11,831,626	\$ 9,597,241
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 404,640	\$ 451,349
Accrued payroll	546,872	350,358
Deferred revenue	73,038	82,755
Customer deposits	99,978	34,319
Current portion of long-term debt	264,005	-
Current portion of earnout liability	67,029	-
Current portion of operating lease liabilities	240,605	259,864
Total current liabilities	1,696,167	1,178,645
Refundable advances	1,099,639	125,633
Long-term debt, net of current portion	279,207	-
Earnout liability, net of current portion	123,406	-
Operating lease liabilities, net of current portion	682,310	922,914
Total liabilities	3,880,729	2,227,192
Net assets without donor restrictions:		
Board designated	180,000	190,000
Undesignated	5,641,300	5,824,333
	5,821,300	6,014,333
Net assets with donor restrictions	2,129,597	1,355,716
Total net assets	7,950,897	7,370,049
Total liabilities and net assets	\$ 11,831,626	\$ 9,597,241

See accompanying notes to financial statements.

Tech Impact

Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Tech services and education	\$ 10,330,568	\$ -	\$ 10,330,568
Less: Direct costs	(1,440,672)	-	(1,440,672)
Tech services and education, net	8,889,896	-	8,889,896
Grants:			
Corporations	261,140	948,933	1,210,073
Foundations	618,287	1,134,413	1,752,700
Government	2,515,041	-	2,515,041
Contributions - individual	137,265	-	137,265
Special events revenue, net of \$173,097 in cost of direct benefits to donors	216,329	-	216,329
In-kind donations	45,372	-	45,372
Net assets released from restrictions	1,309,465	(1,309,465)	-
Total revenue and support	13,992,795	773,881	14,766,676
Expenses:			
Program services	11,515,102	-	11,515,102
Supporting services			
Management and general	2,460,816	-	2,460,816
Fundraising	571,959	-	571,959
Total supporting services	3,032,775	-	3,032,775
Total expenses	14,547,877	-	14,547,877
Other income (expense):			
Net investment return	392,981	-	392,981
Interest	(30,932)	-	(30,932)
Total other income (expense)	362,049	-	362,049
Change in net assets	(193,033)	773,881	580,848
Net assets, beginning of year, as restated	6,014,333	1,355,716	7,370,049
Net assets, end of year	\$ 5,821,300	\$ 2,129,597	\$ 7,950,897

See accompanying notes to financial statements.

Tech Impact

Statement of Activities Year Ended June 30, 2023

	(Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Tech services and education	\$ 7,624,487	\$ -	\$ 7,624,487
Less: Direct costs	(1,158,020)	-	(1,158,020)
Tech services and education, net	6,466,467	-	6,466,467
Grants:			
Corporations	1,057,677	727,499	1,785,176
Foundations	922,996	610,417	1,533,413
Government	2,567,319	17,800	2,585,119
Contributions - individual	122,270	-	122,270
Special events revenue, net of \$173,130 in cost of direct benefits to donors	253,159	-	253,159
Net assets released from restrictions	688,750	(688,750)	-
Total revenue and support	12,078,638	666,966	12,745,604
Expenses:			
Program services	9,869,205	-	9,869,205
Supporting services			
Management and general	1,839,588	-	1,839,588
Fundraising	624,300	-	624,300
Total supporting services	2,463,888	-	2,463,888
Total expenses	12,333,093	-	12,333,093
Other income:			
Net investment return	266,226	-	266,226
Change in net assets	11,771	666,966	678,737
Net assets			
Beginning of year, as previously reported	5,951,172	3,622,062	9,573,234
Prior period adjustment (Note 3)	51,390	(2,933,312)	(2,881,922)
Beginning of the year, as restated	6,002,562	688,750	6,691,312
Net assets, end of year, as restated	\$ 6,014,333	\$ 1,355,716	\$ 7,370,049

See accompanying notes to financial statements.

Tech Impact

Statement of Functional Expenses Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 7,508,462	\$ 1,096,282	\$ 396,402	\$ 9,001,146
Payroll taxes and employee benefits	1,585,837	205,484	88,553	1,879,874
Amortization	-	114,670	-	114,670
Bank fees	4,667	52,961	3,290	60,918
Charitable contributions	10,513	3,118	-	13,631
Credit loss	108,209	-	-	108,209
Depreciation	28,510	88,753	-	117,263
Dues and subscriptions	11,341	16,612	559	28,512
Equipment purchases - non-capitalized	207,779	166,368	5,757	379,904
Equipment rental	5,383	1,015	-	6,398
Food and entertainment	27,706	32,014	1,741	61,461
Insurance	68,994	6,650	2,330	77,974
Internet service and website	30,380	1,336	502	32,218
Marketing/special projects	164,688	139,793	35,049	339,530
Occupancy	276,121	27,768	9,172	313,061
Office expense	201,248	3,692	1,633	206,573
Payroll processing	10,026	43,622	-	53,648
Postage	5,460	893	-	6,353
Professional fees	-	134,606	-	134,606
Printing and publications	4,912	1,678	1,188	7,778
Recruiting	17,283	5,445	-	22,728
Repairs and maintenance	1,188	31,083	-	32,271
Staff development	12,784	2,158	659	15,601
Subcontractors	1,050,780	137,126	2,535	1,190,441
Telephone	17,086	1,433	592	19,111
Travel and parking	130,711	145,887	21,844	298,442
Utilities	25,034	369	153	25,556
	11,515,102	2,460,816	571,959	14,547,877
Direct costs included with revenue and support on the statement of activities	1,440,672	-	-	1,440,672
Cost of direct benefits to donors, included with special events revenue on the statement of activities	128,942	-	44,155	173,097
	<u>\$ 13,084,716</u>	<u>\$ 2,460,816</u>	<u>\$ 616,114</u>	<u>\$ 16,161,646</u>

See accompanying notes to financial statements.

Tech Impact

Statement of Functional Expenses Year Ended June 30, 2023

	(Restated)			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 5,919,496	\$ 878,483	\$ 464,073	\$ 7,262,052
Payroll taxes and employee benefits	1,422,598	70,830	92,018	1,585,446
Bank fees	9,131	23,621	3,088	35,840
Charitable contributions	4,874	541	-	5,415
Credit loss	37,701	-	4,237	41,938
Depreciation	2,933	88,291	-	91,224
Dues and subscriptions	6,204	12,413	1,266	19,883
Equipment purchases - non-capitalized	192,917	91,899	4,237	289,053
Equipment rental	44,251	11,854	418	56,523
Food and entertainment	13,273	66,329	-	79,602
Insurance	67,047	1,795	2,833	71,675
Internet service and website	17,877	3,437	1,327	22,641
Marketing/special projects	224,061	81,835	8,963	314,859
Occupancy	320,168	51,249	17,360	388,777
Office expense	137,292	12,419	874	150,585
Payroll processing	155	104,143	-	104,298
Postage	4,683	1,349	85	6,117
Professional fees	-	52,719	-	52,719
Printing and publications	1,228	540	1,241	3,009
Recruiting	246	4,234	-	4,480
Repairs and maintenance	378	62,890	-	63,268
Staff development	7,922	551	30	8,503
Subcontractors	1,287,462	124,540	3,523	1,415,525
Telephone	48,214	5,290	2,276	55,780
Travel and parking	82,790	85,627	15,605	184,022
Utilities	16,304	2,709	846	19,859
	9,869,205	1,839,588	624,300	12,333,093
Direct costs included with revenue and support on the statement of activities	1,158,020	-	-	1,158,020
Cost of direct benefits to donors, included with special events revenue on the statement of activities	134,306	-	38,824	173,130
	<u>\$ 11,161,531</u>	<u>\$ 1,839,588</u>	<u>\$ 663,124</u>	<u>\$ 13,664,243</u>

See accompanying notes to financial statements.

Tech Impact

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	(Restated) 2023
Cash flows from operating activities:		
Change in net assets	\$ 580,848	\$ 678,737
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	117,263	91,224
Amortization of goodwill	114,670	-
Net realized and unrealized gain on investments	(324,483)	(124,572)
Change in allowance for credit losses	28,621	-
Amortization of right-of-use assets on operating leases	229,601	300,382
Changes in assets and liabilities		
(Increase) decrease in:		
Grants receivable	(324,437)	(648,162)
Accounts receivable	(83,523)	(71,061)
Loans receivable	56,010	10,081
Prepaid expenses and other assets	89,437	4,268
Security deposits	3,641	22,214
Increase (decrease) in:		
Accounts payable and accrued expenses	(86,709)	(246,635)
Accrued payroll	196,514	19,906
Refundable advances	974,006	(756,288)
Deferred revenue	(9,717)	(33,772)
Customer deposits	65,659	(45,274)
Operating lease liabilities	(259,863)	(236,198)
Net cash and cash equivalents provided by (used in) operating activities	1,367,538	(1,035,150)
Cash flows from investing activities:		
Proceeds from sale of investments	164,613	1,300,000
Purchases of investments	(370,972)	(966,636)
Purchases of property and equipment	(52,017)	(36,738)
Cash paid for acquisition	(764,694)	-
Net cash and cash equivalents provided by (used in) investing activities	(1,023,070)	296,626
Cash flows from financing activity:		
Repayments of long-term debt	(256,788)	-
Net increase (decrease) in cash and cash equivalents	87,680	(738,524)
Cash and cash equivalents, beginning of year	1,311,946	2,050,470
Cash and cash equivalents, end of year	\$ 1,399,626	\$ 1,311,946
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 30,932	\$ -

Supplemental disclosure of noncash activities:

With the acquisition of certain assets in August 2023, the Organization acquired \$800,000 in long-term debt.

Upon adopting ASC 842 on July 1, 2022, Tech Impact recognized right-of-use assets, operating, and operating lease liabilities in the amount of \$1,261,261 and \$1,386,948, respectively.

See accompanying notes to financial statements.

(1) Nature of the Organization

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 ten 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. ITWorks operates its workforce development programs in three cities (Philadelphia, PA; Wilmington, DE; and Las Vegas, NV). The Organization's CXWorks program prepares young adults and veterans for Call Center Customer Experience positions. The Organization's discontinued program, PunchCode, offered an immersive coding bootcamp teaching skills in application development that would 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.

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.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

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

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.

Board designated net assets: Net assets without donor restrictions subject to self-imposed limits by action of the Organization's Board of Directors. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

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. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no donor-imposed restrictions that were perpetual in nature at June 30, 2024 and 2023.

Revenue Recognition

The Organization applies the five-step revenue model under Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers* (Topic 606) to determine when revenue is earned and recognized. Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Revenue from tech services and education include all amounts that are billed or are billable under contracts for services performed and are recorded at expected realizable amounts. Revenue is measured as the amount of consideration the Organization expects to be entitled to receive in exchange for those services and is recognized over the term of the contract as services are delivered. The Organization does not have any significant financing components as payment is received shortly after billing. The Organization's contracts do not contain variable consideration and there are no significant costs associated with obtaining customer contracts.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

The Organization's contracts with customers for tech services and education contain a single performance obligation for the performance of managed IT support services. Control transfers to the customer over time as the customer simultaneously receives and consumes the benefits provided by the Organization. Revenue is recognized using an output method based on the monthly number of support calls or technical support services provided, hours worked on projects, or a fixed monthly subscription fee.

Upon receipt of a prepayment from a customer, the Organization recognizes a contract liability (customer deposit) in the amount of the prepayment for its performance obligation to transfer services in the future. As of July 1, 2022, the contract liability totaled \$79,593.

Grants

Revenue from grants with governmental funding agencies, as well as certain grants from corporations and foundations, is recognized when services are provided or as costs are incurred, in accordance with the terms of the grant agreements. The grant revenue is derived from cost-reimbursable contracts and grants and is conditioned upon the incurrence of allowable qualifying expenses.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions restricted by donors are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

Contributions, Continued

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows and are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

In-Kind Donations

In-kind donations consist of donated assets, donated goods, and/or donated services that create or enhance nonfinancial assets. Services that require specialized skills are recorded when provided by individuals possessing those skills that would otherwise need to be purchased. In-kind donations are recorded at their fair market value at the time of receipt and are included in the financial statements as revenue and expenses.

For the year ended June 30, 2024, in-kind donations amounted to \$45,372 and consisted of computer equipment and professional legal services. The in-kind donations were utilized in the delivery of the Organization's program services and supporting services and there were no donor-imposed restrictions associated with the donations. There were no in-kind donations received for the year ended June 30, 2023.

Special Events

Revenue earned from sponsorships or attendance at special events is recognized at the time of the event. Revenue from sponsorships is considered contribution revenue as they are generally nonreciprocal transactions. Revenue from registration fees is considered an exchange transaction for the value received. Registration fees and sponsorships received in advance of the event are recorded as deferred revenue and refundable advances, respectively, until the event is held. Expenses incurred in connection with an event that provide direct benefit to the donors are charged against the revenue earned from the event.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. Management considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(2) Summary of Significant Accounting Policies, Continued

Investments

The Organization carries investments at fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment fees. Specifically identified cost is used to determine the gain or loss for investments sold.

Accounts Receivable, Loans Receivable, and Allowance for Credit Losses

Accounts receivable are stated at the amount the Organization expects to collect. The Organization maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management evaluates its historical loss experience and applies this historical loss ratio to financial assets with similar characteristics. The Organization's historical loss ratio or its determination if risk pools may be adjusted for changes in customer, economic, market, or other circumstances. Significant past due balances and other higher risk amounts are reviewed individually for collectability based on the following customer specific factors: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of July 1, 2022, accounts receivable, net, totaled \$ 1,118,203.

The Organization provided loans to students attending its coding school program, PunchCode. The loans are expected to be repaid by the students upon graduation. Loans receivable are stated at the amount the Organization expects to collect. Given the homogeneity of the borrowers (in terms of credit risk) and the loans in the program, the Organization manages the loans on a collective basis. However, the Organization concludes that the loss estimates for loans with credit deterioration is based on borrower-specific facts and circumstances. In estimating expected credit losses, the Organization evaluates historical loss experience and applies this historical loss ratio to financial assets with similar characteristics and evaluates expected cash flow to be collected for those individual loans presenting elevated credit risk. The Organization's historical loss ratio or its determination of risk pools may be adjusted for changes in borrower, economic, market, or other circumstances. Loan balances that remain outstanding after the Organization has used reasonable collections efforts are written off through a charge to the valuation allowance.

(2) Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities. The Organization has adopted a \$3,000 capitalization policy according to which all assets below that threshold are expensed as incurred. Estimated lives for computing depreciation are on a straight-line basis are as follows:

Building & building improvements	15 - 40 years
Furniture and fixtures	3 - 7 years
Computer equipment	3 years
Leasehold improvements	Remaining term of the lease

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in connection with a business acquisition. The Organization accounts for goodwill in accordance with the provisions of FASB ASC 350, *Intangibles – Goodwill and Other*. Under ASC 350, goodwill is amortized on a straight-line basis over ten years, or less than ten years if the Organization demonstrates that a shorter useful life is more appropriate. In addition, the Organization is required to test goodwill for impairment only upon the occurrence of a triggering event and, upon adoption of the accounting alternative, the Organization must make an accounting policy election to test goodwill for impairment at either the entity level or the reporting-unit level. Management has elected to amortize goodwill over ten years and to test for impairment at the entity level. No triggering events occurred during 2024, and therefore no impairment was recognized during the year ended June 30, 2024.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefitted. Expenses are directly charged to the program activities other than those that benefit multiple functions. Salaries, related payroll taxes and benefits are allocated based on estimates of time and effort.

Marketing

Marketing is expensed as incurred.

(2) Summary of Significant Accounting Policies, Continued

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. No provision for income taxes has been reflected in the accompanying financial statements.

For the year ended June 30, 2024, the Organization did not identify any uncertain tax positions taken or expected to be taken, which would require adjustment or disclosure in the financial statements. The Organization is potentially subject to federal, state, and local examinations for years subsequent to 2020.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits with commercial banks and brokerage firms. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). At times, however, such deposits may exceed FDIC insurance limits. The Organization believes it is not exposed to any significant financial risk on cash and has not experienced any losses from these accounts.

One funding source represented 23% of the total receivables at June 30, 2024.

Leases

The Organization determines if an arrangement is a lease at inception based on various facts and circumstances.

(2) Summary of Significant Accounting Policies, Continued

Leases, Continued

Operating leases are recorded as right-of-use assets and lease liabilities in the statements of financial position. Leases with a term of 12 months or less are considered short-term leases and are accounted for as an expense in the statements of activities as rental payments are incurred. Operating lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. At the lease commencement date, the Organization recognizes operating lease assets and lease liabilities based on the present value of lease payments over the lease term. The Organization uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, the Organization uses a risk-free rate based on information available at the lease commencement date in determining the present value of lease payments. The risk-free rate is the treasury rate over a similar term of the lease. The lease term represents the non-cancellable period of the lease and may include options to extend or to early terminate the lease. These options are included in the lease term when the Organization determines that it is reasonably certain that the options will be exercised.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term and is recorded in occupancy expenses in the statements of functional expenses.

Recently Adopted Accounting Standards

On July 1, 2023, the Organization adopted FASB *Accounting Standards Update* (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326). This standard, ASC 326, replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (the CECL Model). The CECL Model requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. The primary objective of the CECL Model is to provide financial statement users with an estimate of the net amount the entity expects to collect on its financial assets by using an allowance for credit losses.

The Organization adopted ASC 326 and all related subsequent amendments thereto effective July 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. The Organization's adoption of the CECL Model did not result in a cumulative effect adjustment being recorded to opening net assets as of July 1, 2023, and did not have a material impact on the statements of activities or cash flows.

Reclassifications

Certain items in the 2023 financial statements have been reclassified to conform to the current year presentation.

Notes to Financial Statements
June 30, 2024 and 2023

(2) Summary of Significant Accounting Policies, Continued

Subsequent Events

The Organization has performed an evaluation of subsequent events through March 27, 2025, which is the date the financial statements were available to be issued.

(3) Restatement and Prior Period Adjustment

Management of the Organization has restated its previously issued financial statements for the year ended June 30, 2023 for matters related to the following previously reported items: grants receivable and grant revenues; refundable advances; right-of-use assets and operating lease liabilities; and operating lease expenses. The effects of the restatement are reflected in the Organization's financial statements and accompanying notes included herein. The cumulative effect of the prior period adjustment on the net assets as of July 1, 2022 was a decrease of \$2,881,922.

The effects of the restatement by financial statement line items are presented below:

Statement of Financial Position Data
June 30, 2023

	Previously Reported	Restatement Adjustments	Reclassification	Restated
ASSETS				
Grants receivable	\$ 3,085,451	\$ (1,686,935)	\$ -	\$ 1,398,516
Total current assets	\$ 9,233,309	\$ (1,686,935)	\$ -	\$ 7,546,374
Right-of-use assets, operating	\$ 844,174	\$ 176,864	\$ -	\$ 1,021,038
Total assets	\$ 11,107,312	\$ (1,510,071)	\$ -	\$ 9,597,241
LIABILITIES				
Refundable advances	\$ -	\$ 125,633	\$ -	\$ 125,633
Operating lease liabilities	\$ 976,196	\$ 206,582	\$ -	\$ 1,182,778
Total liabilities	\$ 1,894,977	\$ 332,215	\$ -	\$ 2,227,192
NET ASSETS				
Without donor restrictions	\$ 5,946,541	\$ 67,792	\$ -	\$ 6,014,333
With donor restrictions	\$ 3,265,794	\$ (1,910,078)	\$ -	\$ 1,355,716
Total net assets	\$ 9,212,335	\$ (1,842,286)	\$ -	\$ 7,370,049
Total liabilities and net assets	\$ 11,107,312	\$ (1,510,071)	\$ -	\$ 9,597,241

Tech Impact

Notes to Financial Statements June 30, 2024 and 2023

(3) Restatement and Prior Period Adjustment, Continued

Statement of Activities Data
Year Ended June 30, 2023

	Previously Reported	Restatement Adjustments	Reclassification	Restated
REVENUE AND SUPPORT				
Grants: Foundations	\$ 1,202,293	\$ 331,120	\$ -	\$ 1,533,413
Grants: Government	\$ 1,846,885	\$ 738,234	\$ -	\$ 2,585,119
Tech services and education	\$ 7,785,776	\$ -	\$ (161,289)	\$ 7,624,487
Special events revenue	\$ 265,000	\$ -	\$ (11,841)	\$ 253,159
Total revenue and support	\$ 11,849,380	\$ 1,069,354	\$ (173,130)	\$ 12,745,604
EXPENSES				
Program services	\$ 9,978,943	\$ 24,568	\$ (134,306)	\$ 9,869,205
Management and general	\$ 1,835,741	\$ 3,847	\$ -	\$ 1,839,588
Fundraising	\$ 661,821	\$ 1,303	\$ (38,824)	\$ 624,300
Total supporting expenses	\$ 2,497,562	\$ 5,150	\$ (38,824)	\$ 2,463,888
Total expenses	\$ 12,476,505	\$ 29,718	\$ (173,130)	\$ 12,333,093
Change in net assets	\$ (360,899)	\$ 1,039,636	\$ -	\$ 678,737

(4) Asset Purchase and Goodwill

Effective August 31, 2023, the Organization purchased certain assets of Message Agency, a firm providing digital marketing services to nonprofits, foundations, higher education, and government entities. As a result of this acquisition, the Organization expects to expand its geographical locations and enhance its product lines.

The acquisition was recorded in accordance with FASB ASC 805, *Business Combinations*. The excess of the purchase price over the fair value of the assets and liabilities acquired was recorded as goodwill. Goodwill will be amortizable over a period of 10 years. The purchase price consisted of \$764,694 of cash consideration, \$800,000 of a promissory note (Note 10), and \$190,435 of additional consideration related to an earnout calculation.

The asset purchase agreement included additional consideration which requires the Organization to pay the former owner of Message Agency additional cash in the form of deferred annual payments over a three-year period following the acquisition date. The additional consideration, or earnout payment, is determined by gross margin related to the digital services business unit, as defined in the asset purchase agreement, multiplied by 12%. No annual earnout is to be paid if gross margin is less than 20% and the calculated annual earnout cannot exceed \$80,000. The deferred annual payment period ends on August 31, 2026. Management estimated the earnout liability using historical information as well as future budgets and forecasts and determined the fair value of the earnout liability was \$190,435.

Tech Impact

Notes to Financial Statements June 30, 2024 and 2023

(4) Asset Purchase and Goodwill, Continued

Fair Value of Consideration Transferred:

Cash	\$ 764,694
Promissory note	800,000
Earnout liability	190,435
	<u>\$ 1,755,129</u>

Recognized Amounts of Identifiable

Assets Acquired:

Accounts receivable	\$ 419,086
Accounts payable	(40,000)
Goodwill	1,376,043
	<u>\$ 1,755,129</u>

Goodwill related to this asset purchase consisted of the following at June 30, 2024:

Goodwill	\$ 1,376,043
Less: accumulated amortization	(114,670)
	<u>\$ 1,261,373</u>

Amortization expense for goodwill totaled \$114,670 for the year ended June 30, 2024.

Tech Impact

Notes to Financial Statements June 30, 2024 and 2023

(5) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,399,626	\$ 1,311,946
Grants receivable	1,722,953	1,398,516
Accounts and loans receivable, net	1,710,520	1,292,542
Investments	3,746,316	3,215,474
	<u>8,579,415</u>	<u>7,218,478</u>
Less those unavailable for general expenditures within one year, due to donor or other limitations:		
Net assets with donor restrictions	(2,129,597)	(1,355,716)
Board designated net assets	<u>(180,000)</u>	<u>(190,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 6,269,818</u>	<u>\$ 5,672,762</u>

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. 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. The Organization's goal is to maintain financial assets to meet 90-180 days of operating expenses.

Tech Impact has a loan management account with a financial institution totaling \$3,200,000, which it could draw upon in the event of an unanticipated liquidity need.

(6) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(6) Fair Value Measurements, Continued

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 under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- 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.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset 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. For the year ended June 30, 2024, the application of valuation techniques applied to similar assets has been consistent. There were no significant transfers among investment levels during the year ended June 30, 2024.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

2024				
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 3,746,316	\$ 3,746,316	\$ -	\$ -
2023				
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 3,215,474	\$ 3,215,474	\$ -	\$ -

For financial liabilities measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2024 are as follows:

Fair Value Measurement at June 30, 2024				
	Total	Level 1	Level 2	Level 3
Earnout liability	\$ 190,435	\$ -	\$ -	\$ 190,435

Tech Impact

Notes to Financial Statements June 30, 2024 and 2023

(7) Net Investment Return

Net investment return is comprised of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Dividends and interest	\$ 114,928	\$ 98,712
Unrealized gains	297,614	124,572
Realized gains	26,869	92,033
Investment fees	(46,430)	(49,091)
	<u>\$ 392,981</u>	<u>\$ 266,226</u>

(8) Property and Equipment

Property and equipment consisted of the following at June 30:

	2024	2023
Land and building	\$ 892,529	\$ 892,529
Furniture and fixtures	151,368	124,351
Computer equipment	175,000	175,000
Leasehold improvement	35,360	10,360
	<u>1,254,257</u>	<u>1,202,240</u>
Accumulated depreciation	(311,163)	(193,900)
	<u>\$ 943,094</u>	<u>\$ 1,008,340</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$117,263 and \$91,224, respectively.

(9) Loan Management Account / Line of Credit

In July 2023, the Organization entered into a loan agreement under a loan management account with a financial institution, with a maximum borrowing of \$3,200,000. The loan management account is secured by the Organization's investments and bears interest at the financial institution's base rate plus 1.875%. There was no outstanding balance on the loan management account at June 30, 2024.

The Organization also had an available \$200,000 line of credit with a local financial institution, secured by the Organization's equipment and receivable. The line of credit bore interest at the bank's prime rate plus 2.00% and was closed in February 2023.

Tech Impact

Notes to Financial Statements June 30, 2024 and 2023

(10) Long-Term Debt

In connection with purchase of certain assets in August 2023 (Note 4), the Organization signed a promissory note totaling \$800,000. The promissory note bears interest at 5% and requires quarterly payments of \$71,930 from September 2023 through the August 2026 maturity date.

Interest expense for the year ended June 30, 2024 was \$30,932.

At June 30, 2024, the annual maturities of the promissory note payable are as follows:

Year Ending June 30,	Total
2025	\$ 264,005
2026	279,207
	<u>\$ 543,212</u>

(11) Board Designated Net Assets

In May 2022, the Board of Directors designated \$200,000 of the Organization's net assets without donor restrictions. For each of the years ended June 30, 2024 and 2023, \$10,000 was utilized for programmatic activities.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2024	2023
Subject to restrictions for specific purposes:		
IT Works	\$ 1,120,913	\$ 669,583
CX Works	318,750	183,750
DataLab	297,000	-
Digital services	50,000	-
Education and outreach	42,934	161,250
PunchCode	-	7,800
Subject to time restrictions:	300,000	333,333
Total net assets with donor restrictions	<u>\$ 2,129,597</u>	<u>\$ 1,355,716</u>

Tech Impact

Notes to Financial Statements

June 30, 2024 and 2023

(13) Leases

The Organization leases office space under noncancellable operating leases that expire at various times through October 2028. Operating lease costs under these leases for the years ended June 30, 2024 and 2023 were \$259,742 and \$277,742, respectively and are included in occupancy costs on the statements of functional expenses.

Other statement of financial position information related to operating leases are as follows as of June 30:

	2024	2023
Weighted-average remaining lease term	3.88 years	4.71 years
Weighted-average discount rate	2.91%	2.91%

Future minimum lease payments under noncancellable operating leases as of June 30, 2024 were as follows:

Year Ending June 30,	Amount
2025	\$ 263,536
2026	251,450
2027	235,508
2028	168,441
2029	56,516
Total future minimum lease payments	975,451
Amount representing interest	(52,536)
Total lease liabilities	922,915
Current portion	240,605
Non-current portion	\$ 682,310

(14) Retirement Plan

Effective January 1, 2023, the Organization adopted a defined contribution plan, under Section 401(k) of the IRC. Employees who attain 18 years of age are eligible to participate unless part of an excluded class of employees as defined in the plan agreement. Employer contributions to the plan are discretionary. Prior to January 1, 2023, the Organization provided eligible employees with a Simple IRA (Individual Retirement Account) where an employee's contribution was matched up to 3% of eligible compensation.

Contribution expense for the years ended June 30, 2024 and 2023 was \$129,538 and \$125,029, respectively.

SUPPLEMENTARY INFORMATION

Tech Impact

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Grantor/Pass-Through Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Program Period	Expenditures
Federal Awards:				
U.S. Department of Labor				
Pass-through the State of Delaware				
H-1B Job Training Grants	17.268	HG-35903-21-60-A-10	7/1/2021 - 1/31/2025	\$ 1,570,791
Registered Apprenticeship	17.285	C24-107	7/1/2023 - 6/30/24	60,000
U.S. Department of Treasury				
Pass-through the City of Las Vegas				
Coronavirus State and Local Fiscal Recovery Funds	21.027	22-1301.002	9/27/2022 - 6/30/2024	33,505
Pass-through the State of Delaware				
Coronavirus State and Local Fiscal Recovery Funds	21.027	18841	2/24/2022 - 12/31/2024	757,627
Coronavirus State and Local Fiscal Recovery Funds	21.027	22200	11/15/2023 - 12/31/2026	13,854
Coronavirus State and Local Fiscal Recovery Funds	21.027	21401	7/1/2023 - 12/31/2024	7,013
Coronavirus State and Local Fiscal Recovery Funds	21.027	19781	2/1/2023 - 12/31/2026	72,251
Total Assistance Listing Number 21.027				884,250
Total federal awards expended				\$ 2,515,041

See accompanying notes to schedule of expenditures of federal awards.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

(1) General Information

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activities in all federal awards programs of the Organization. All federal awards received directly from federal agencies, as well as awards passed through other governmental agencies or nonprofit organizations, are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Organization.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is the same basis of accounting used for the financial statements. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Relationship to Basic Financial Statements

Federal award expenditures are included in the statement of activities. For certain programs, the expenses reported in the financial statements may differ from the expenses reported in the schedule of expenditures of federal awards due to program expenses exceeding grant or contract budget limitations, which are not included as federal awards.

(4) De Minimis Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Tech Impact
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tech Impact, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tech Impact's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Tech Impact's internal control. Accordingly, we do not express an opinion on the effectiveness of Tech Impact's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tech Impact's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tech Impact's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on Tech Impact's response to the finding identified in our audit as described in the accompanying schedule of findings and questioned costs. Tech Impact's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tech Impact's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kreischer Miller". The signature is written in a cursive, flowing style.

Horsham, Pennsylvania
March 27, 2025

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

The Board of Directors
Tech Impact
Philadelphia, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Tech Impact's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Tech Impact's major federal programs for the year ended June 30, 2024. Tech Impact's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tech Impact complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tech Impact and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Tech Impact's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tech Impact's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tech Impact's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tech Impact's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Tech Impact's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tech Impact's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tech Impact's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Horsham, Pennsylvania
March 27, 2025

Tech Impact

Schedule of Findings and Questioned Costs Year Ended June 30, 2024

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs:

Name of Federal Program or Cluster

Federal Assistance
Listing Number(s)

HB-1 Job Training Grants
Coronavirus State and Local Fiscal Recovery Funds

17.268
21.027

Tech Impact

Schedule of Findings and Questioned Costs, Continued Year Ended June 30, 2024

I. SUMMARY OF AUDITORS' RESULTS, Continued

Dollar threshold used to distinguish between
type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

II. FINANCIAL STATEMENT FINDINGS

Finding 2024-001 Restatement and Prior Period Adjustment

Criteria: The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: The Organization recognized revenue for certain conditional grants when received rather than when the conditions were met. In addition, certain leases were not included when implementing the lease standard to recognize right-of-use assets and operating lease liabilities.

Cause: Based on its understanding of the revenue recognition principles, the Organization identified certain grants as unconditional with donor restrictions rather than conditional. For the lease accounting, the analysis failed to account for all leases.

Effect: The Organization prematurely recognized revenue for certain conditional grants, and the right-of-use assets and operating lease liabilities were understated.

Recommendation: We recommend that the Organization develop procedures that include guidance for analyzing and determining when grants and contributions may have grantor/donor conditions and/or grantor/donor restrictions. We also recommend that the Organization strengthen its policies and procedures to ensure that complete lists of assets, commitments, obligations, etc. are maintained.

View of Responsible Officials: See corrective action plan on page 32.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IV. PRIOR AUDIT FINDINGS

The prior audit's schedule of findings and questioned costs disclosed no audit findings, and no uncorrected or unresolved audit findings exist from the prior audit's summary schedule of prior audit findings.



Corrective Action Plan

Finding 2024-001 Restatement and Prior Period Adjustment

Tech Impact has revised its grant evaluation process to ensure proper classification of conditional and restricted grants and has updated its accounting practices for booking new grants correctly. Additionally, Tech Impact has implemented new software to track leases comprehensively, including lease extensions.

To address the audit findings, Tech Impact has:

1. **Grant and Contribution Recognition:**

- Developed and implemented procedures to analyze and determine when grants have donor-imposed conditions, ensuring revenue is recognized only when conditions are met.
- Specifically, for government grants, Tech Impact ensures that conditional awards, which require measurable performance objectives or cost-reimbursement requirements, are not recognized as revenue until the conditions are substantially met.
- Provided training to finance and grant management staff on updated revenue recognition policies in compliance with GAAP, with a focus on distinguishing between conditional and unconditional awards in the context of government funding.

2. **Lease Accounting:**

- Strengthened procedures for identifying and recording all lease agreements, including lease extensions and modifications.
- Fully integrated the new lease accounting software to track and manage right-of-use assets and lease liabilities accurately.

Anticipated Completion Date

Tech Impact completed these corrective actions on February 5, 2025.

Names of Contact People Responsible for Corrective Action

- Alyssa Ford, Chief Operating Officer
- Colleen Dailey, Director of Finance
- Heidi Erpelding-Welch, Chief Program Officer

Tech Impact is a 501(c)(3) nonprofit organization. Your contribution is tax-deductible to the extent allowed by law. Tax ID #74-3062511.

The official registration and financial information of Tech Impact may be obtained from the Pennsylvania Department of State by calling toll free, within Pennsylvania, 1 (800) 732-0999. Registration does not imply endorsement.