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# The Civic Federation

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**Financial Report**  
**September 30, 2023**

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## Independent Auditor's Report

To the Board of Directors  
The Civic Federation

### **Opinion**

We have audited the financial statements of The Civic Federation (the "Federation"), which comprise the statement of financial position as of September 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as of September 30, 2023 and 2022 and the changes in its net assets, functional expenses, and 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Federation and to meet our 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.

### **Emphasis of Matter**

As described in Note 3 to the financial statements, the Federation adopted Accounting Standards Codification (ASC) 842, *Leases*, as of October 1, 2022 using the modified retrospective adoption method applied to the beginning of the year of adoption. Our opinion is not modified with respect to this matter.

### **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 the Federation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS 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.

To the Board of Directors  
The Civic Federation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 the Federation'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 the Federation'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Plante & Moran, PLLC*

February 7, 2024

Statement of Financial Position

September 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash	\$ 831,749	\$ 868,531
Investments	3,486,435	3,303,906
Accounts receivable	75,415	153,521
Prepaid expenses and other assets	54,195	64,538
Right-of-use operating lease assets	291,799	-
Leasehold improvements and equipment - Net	163,508	132,118
Total assets	<b>\$ 4,903,101</b>	<b>\$ 4,522,614</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 15,453	\$ 19,052
Accrued wages	3,297	61,807
Accrued vacation	18,761	30,126
Deferred rent	-	220,664
Lease liabilities - Operating	458,788	-
Total liabilities	496,299	331,649
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	860,367	812,059
Board designated	3,486,435	3,303,906
With donor restrictions	60,000	75,000
Total net assets	4,406,802	4,190,965
Total liabilities and net assets	<b>\$ 4,903,101</b>	<b>\$ 4,522,614</b>

## Statement of Activities and Changes in Net Assets

Years Ended September 30, 2023 and 2022  
(with comparative totals for 2022)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Membership dues	\$ 481,331	\$ -	\$ 481,331	\$ 595,412	\$ -	\$ 595,412
Contributions	50,350	-	50,350	53,002	-	53,002
In-kind donations	5,286	-	5,286	-	-	-
Grants	125,000	60,000	185,000	124,200	75,000	199,200
Miscellaneous income	1,807	-	1,807	8	-	8
Special events	1,214,835	-	1,214,835	972,150	-	972,150
Net assets released from restrictions	75,000	(75,000)	-	278,243	(278,243)	-
Total revenue	1,953,609	(15,000)	1,938,609	2,023,015	(203,243)	1,819,772
<b>Expenses</b>						
Program services	872,828	-	872,828	930,832	-	930,832
Support services:						
Management and general	853,028	-	853,028	714,275	-	714,275
Fundraising	448,798	-	448,798	453,748	-	453,748
Total expenses	2,174,654	-	2,174,654	2,098,855	-	2,098,855
<b>Decrease in Net Assets - Before other items</b>	(221,045)	(15,000)	(236,045)	(75,840)	(203,243)	(279,083)
<b>Other Items</b>						
Realized gain on investments	13,245	-	13,245	106,762	-	106,762
Dividend and interest income	68,042	-	68,042	95,461	-	95,461
Change in unrealized gain (loss) on investments	370,595	-	370,595	(684,376)	-	(684,376)
Total other items	451,882	-	451,882	(482,153)	-	(482,153)
<b>Increase (Decrease) in Net Assets</b>	230,837	(15,000)	215,837	(557,993)	(203,243)	(761,236)
<b>Net Assets - Beginning of year</b>	4,115,965	75,000	4,190,965	4,673,958	278,243	4,952,201
<b>Net Assets - End of year</b>	<u>\$ 4,346,802</u>	<u>\$ 60,000</u>	<u>\$ 4,406,802</u>	<u>\$ 4,115,965</u>	<u>\$ 75,000</u>	<u>\$ 4,190,965</u>

## Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 560,754	\$ 130,322	\$ 441,020	\$ 1,132,096
Employee insurance benefits	53,125	9,134	50,675	112,934
Retirement plan contribution	21,336	5,764	20,518	47,618
Payroll taxes	39,762	9,284	31,246	80,292
Payroll services	-	-	7,850	7,850
<b>Total salaries and related expenses</b>	<b>674,977</b>	<b>154,504</b>	<b>551,309</b>	<b>1,380,790</b>
Management fee	-	75,000	-	75,000
Audiovisual	-	89,148	-	89,148
Award expense	-	4,605	967	5,572
Photography	115	2,024	-	2,139
Postage and shipping	-	156	565	721
Printing and publications	-	3,384	4,273	7,657
Travel and transportation	4,877	576	411	5,864
Supplies	40	6,266	4,772	11,078
Miscellaneous	-	995	2,410	3,405
Bad debt expense	-	850	343	1,193
Bank fees	-	-	9,615	9,615
Depreciation	21,222	3,636	14,344	39,202
Dues and subscriptions	10,451	844	3,863	15,158
Equipment	4,048	1,020	4,120	9,188
Consulting fees	35,898	-	11,314	47,212
Accounting fees	-	-	34,643	34,643
Insurance	-	-	8,502	8,502
Occupational licenses and fees	7,416	58	924	8,398
Meals	307	77,046	9,581	86,934
Meetings	318	97	7,230	7,645
Occupancy	77,477	16,080	52,626	146,183
Provisional labor	-	4,730	116,044	120,774
Information technology	24,676	3,042	7,876	35,594
Utilities	11,006	4,737	7,296	23,039
<b>Total special event and operating expenses</b>	<b>197,851</b>	<b>294,294</b>	<b>301,719</b>	<b>793,864</b>
<b>Total functional expenses</b>	<b>\$ 872,828</b>	<b>\$ 448,798</b>	<b>\$ 853,028</b>	<b>\$ 2,174,654</b>

## Statement of Functional Expenses

Year Ended September 30, 2022

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 618,541	\$ 157,813	\$ 455,648	\$ 1,232,002
Employee insurance benefits	71,439	15,336	56,912	143,687
Retirement plan contribution	12,390	3,596	9,568	25,554
Payroll taxes	44,183	11,160	20,747	76,090
Payroll services	-	-	6,128	6,128
<b>Total salaries and related expenses</b>	<b>746,553</b>	<b>187,905</b>	<b>549,003</b>	<b>1,483,461</b>
Management fee	-	70,000	-	70,000
Audiovisual	-	81,522	-	81,522
Award expense	-	3,931	1,431	5,362
Photography	-	1,840	900	2,740
Postage and shipping	-	83	50	133
Printing and publications	-	69	527	596
Travel and transportation	4,691	791	899	6,381
Supplies	-	4,513	5,000	9,513
Miscellaneous	561	789	1,117	2,467
Bad debt expense	-	750	5,500	6,250
Bank fees	-	-	10,423	10,423
Depreciation	19,366	4,849	10,315	34,530
Dues and subscriptions	18,272	2,123	3,981	24,376
Equipment	5,116	1,233	3,934	10,283
Consulting fees	32,752	-	11,684	44,436
Accounting fees	-	-	30,190	30,190
Insurance	-	-	9,304	9,304
Occupational licenses and fees	2,429	58	215	2,702
Meals	1,713	61,956	4,166	67,835
Meetings	2,097	35	1,880	4,012
Occupancy	69,698	17,712	54,501	141,911
	-	4,697	-	4,697
Information technology	17,270	3,158	4,307	24,735
Utilities	10,314	5,734	4,948	20,996
<b>Total special event and operating expenses</b>	<b>184,279</b>	<b>265,843</b>	<b>165,272</b>	<b>615,394</b>
<b>Total functional expenses</b>	<b>\$ 930,832</b>	<b>\$ 453,748</b>	<b>\$ 714,275</b>	<b>\$ 2,098,855</b>



## Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 215,837	\$ (761,236)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	39,202	34,530
Bad debt expense	1,193	6,250
Net change in realized and unrealized investment (gains) losses	(383,840)	577,614
Change in operating lease	73,338	-
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	76,913	260,205
Prepaid expenses and other assets	10,343	(5,969)
Accrued and other liabilities	(73,474)	(96,243)
Deferred rent	(127,013)	(50,856)
Net cash used in operating activities	(167,501)	(35,705)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(3,098,814)	(1,189,555)
Proceeds from sales of investments	3,300,125	1,251,487
Purchase of leasehold improvements and equipment	(70,592)	-
Net cash provided by investing activities	130,719	61,932
<b>Net Change in Cash</b>	(36,782)	26,227
<b>Cash - Beginning of year</b>	868,531	842,304
<b>Cash - End of year</b>	\$ 831,749	\$ 868,531

September 30, 2023 and 2022

### Note 1 - Nature of Business

The Civic Federation (the "Federation") was founded in 1894 with a mission to provide a citizen agency for promoting efficiency and economy in the organization and management of public business, guarding against wasteful expenditure of public funds and excessive taxes, and furnishing the public with accurate information concerning governmental revenue and expenditures.

### Note 2 - Significant Accounting Policies

#### ***Basis of Presentation***

The financial statements of the Federation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

#### ***Concentration of Credit Risk***

The Federation maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Federation believes it has not experienced any losses in such accounts.

#### ***Investments***

Investments are recorded at fair value. Interest and dividends and unrealized and realized gains and losses are included in the statement of activities and changes in net assets as increases or decreases in net assets. Gains and losses resulting from the sale of investments are reported in the statement of activities and changes in net assets as of the trade date. Interest and dividend income are recorded on the accrual basis.

Investment securities are classified based on the Federation's intent with respect to holding securities.

#### ***Accounts Receivable***

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

#### ***Grants Receivable***

The Federation's grants receivable are composed of grants for use in the Federation's activities. Grants receivable are expected to be collected within three years. Grants receivable as of September 30, 2023 and 2022 were \$750 and \$0, respectively. Management considers all grants receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

#### ***Trustee Pledges Receivable***

Unconditional promises to give in the future are reported as revenue and measured at fair value. These contributions are reported as an increase in net assets with donor restrictions. There are no trustee pledges receivable as of September 30, 2023 and 2022.

#### ***Investments***

The Federation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and materially affect the amounts reported in the financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

***Leases***

The Federation has an operating lease for office space. The Federation recognizes expense for operating leases on a straight-line basis over the lease term. The Federation made a policy election not to separate lease and nonlease components for office space. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Federation elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for office space.

***Leasehold Improvements and Equipment***

Leasehold improvements and equipment are stated at cost. Donated assets are recorded at their fair values as of the dates of the gifts. The Federation's policy is to capitalize all fixed assets with a cost greater than \$1,500 and to depreciate the cost over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the terms of the leases or their useful lives, if shorter. Expenditures for maintenance and repairs are generally charged to operating expenses.

When leasehold improvements and equipment are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets.

***Classification of Net Assets***

Net assets of the Federation are classified based on the presence or absence of donor-imposed restrictions limiting the Federation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions: Net assets that are not restricted by donors or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Federation.

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 Federation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Board-designated Net Assets***

Board-designated net assets are net assets without donor restrictions designated by the board primarily for particular functions or activities. These designations are based on board actions, which can be altered or revoked at a future time by the board.

***Revenue***

The Federation raises revenue through fundraising events, members' dues, grants, contributions, and investment income. Members' dues, grants, and special event revenue are recorded following the guidance for contribution revenue. Revenue from grants and contributions is recognized in the period the commitment for support is obtained. Membership dues and special event revenue are recognized in the period of commitment. Sponsorships received prior to the event are recorded as contributions with donor restrictions, as there is no significant exchange component that comes with sponsorship.

**Note 2 - Significant Accounting Policies (Continued)**

Unconditional promises to give cash and other assets to the Federation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

***Functional Allocation of Expenses***

Costs of providing program and support services have been reported on a functional basis in the statement of functional expenses. Costs are charged to program services and support services on an actual basis when available. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Expenses deemed to be indirect, such as professional services, insurance, and supplies, are considered to be management and general unless used specifically by a program. Expenses related to occupancy, such as utilities and depreciation, are allocated based on square footage occupied by each function. Other indirect costs are allocated primarily based on estimates of time and effort of personnel. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

***Tax Status***

The Federation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

***Upcoming Accounting Pronouncement***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Federation's accounts receivable and held-to-maturity debt securities, by requiring the Federation to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Federation's year ending September 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition with an adjustment to opening net assets in the period of initial application. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted for fiscal years beginning after December 15, 2018. The Federation believes the adoption of the new standard will have no significant effect on its financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

*Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including February 7, 2024, which is the date the financial statements were available to be issued.

**Note 3 - Adoption of New Accounting Pronouncement**

As of October 1, 2022, the Federation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The Federation elected to adopt the ASU using the modified retrospective method as of October 1, 2022 and applied the following practical expedients:

- The Federation did not reassess if expired or existing contracts are or contain a lease.
- The Federation did not reassess the lease classification for expired or existing leases.
- The Federation did not reassess initial direct costs for any existing leases.
- The Federation used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.
- The Federation did not reassess whether any existing or expired land easements that were not previously classified as leases are or contain a lease.

As a result of the adoption of the ASU, the Federation recorded a right-of-use asset of \$382,242 and a lease liability of \$602,906 as of October 1, 2022 for existing operating leases. As part of the recognition of the right-of-use asset and lease liability, deferred rent of \$220,664 was derecognized, reducing the right-of-use asset. There was no impact on beginning of year net assets as a result of adopting the new ASU.

**Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Federation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Federation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**Note 4 - Fair Value Measurements (Continued)**

The following tables present information about the Federation’s assets measured at fair value on a recurring basis at September 30, 2023 and 2022 and the valuation techniques used by the Federation to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at September 30, 2023
<b>Assets</b>			
U.S. government and agency securities	\$ -	\$ 965,916	\$ 965,916
Money market fund	293,886	-	293,886
Stock - Mutual funds	2,226,633	-	2,226,633
Total assets	<u>\$ 2,520,519</u>	<u>\$ 965,916</u>	<u>\$ 3,486,435</u>

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at September 30, 2022
<b>Assets</b>			
U.S. government and agency securities	\$ -	\$ 901,615	\$ 901,615
Money market fund	62,335	-	62,335
Bond mutual funds	291,097	-	291,097
Stock market funds	2,048,859	-	2,048,859
Total assets	<u>\$ 2,402,291</u>	<u>\$ 901,615</u>	<u>\$ 3,303,906</u>

**Note 5 - Leasehold Improvements and Equipment**

Leasehold improvements and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Furniture and fixtures	\$ 31,762	\$ 31,762	3-5
Computer equipment and software	242,918	172,326	3-5
Leasehold improvements	366,340	366,340	11
Total cost	641,020	570,428	
Less accumulated depreciation	477,512	438,310	
Net leasehold improvements and equipment	<u>\$ 163,508</u>	<u>\$ 132,118</u>	

Depreciation expense for 2023 and 2022 was \$39,202 and \$34,530, respectively.

**Note 6 - Leases**

The Federation is obligated under operating leases for office space, expiring in July 2026. The right-of-use asset and related lease liability have been calculated using a discount rate of 4.25 percent. The leases require the Federation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$146,345 for 2023 and 2022.

In connection with the operating lease for office space, the Federation was granted lease incentives, including rent abatement. Lease incentives are treated as a reduction of the right-of-use asset and are recognized as a reduction in lease expense on a straight-line basis over the term of the lease.

Future minimum annual commitments under these operating leases are as follows:

Years Ending September 30	Amount
2024	\$ 169,784
2025	172,602
2026	<u>145,597</u>
Total	487,983
Less amount representing interest	<u>29,195</u>
Long-term obligations under leases	<u>\$ 458,788</u>

Expenses recognized under these leases for the year ended September 30, 2023 consist of the following:

Lease cost - Operating lease cost	\$ 113,292
Other information:	
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ 166,967
Right-of-use assets obtained in exchange for new operating lease liabilities	-
Weighted-average remaining lease term (years) - Operating leases	2.8
Weighted-average discount rate - Operating leases	4.3 %

**Note 7 - Retirement Plans**

The Federation maintains a qualified simplified employee pension (SEP) plan that covers substantially all employees. Under the plan, the Federation may provide for discretionary contributions in each calendar year, at the discretion of the executive committee, to the individual retirement accounts or individual retirement annuity of the employees. Retirement plan contribution expenses amounted to \$0 for the years ended September 30, 2023 and 2022. The executive committee has ceased funding the SEP plan.

Effective April 1, 2022, the Federation began offering a 401(k) plan to substantially all employees over 21 years of age that have attained 12 months of service. Participants may contribute an annual amount not to exceed the limits imposed by Section 401(k) of the Internal Revenue Code. This plan was implemented to replace the Federation's SEP plan. Expenses for the 401(k) plan amounted to \$50,744 and \$26,863 during the years ended September 30, 2023 and 2022, respectively.

**Note 8 - Net Assets**

Amounts placed in investment accounts are designated by the board of directors as a long-term reserve fund. Earnings on such investments are available for current operations.

Net assets with donor restrictions represent grants and pledges received for projects that the Federation will be involved with during fiscal years related to the Federation's purpose. Net assets with donor restrictions consisted of the following as of September 30, 2023 and 2022:

	2023	2022
Subject to the passage of time:		
Motorola Solutions Foundation Grant	\$ 60,000	\$ 60,000
Other time-restricted contributions	-	15,000
	<u>\$ 60,000</u>	<u>\$ 75,000</u>
Total	<u>\$ 60,000</u>	<u>\$ 75,000</u>

**Note 9 - Liquidity and Availability of Resources**

The following reflects the Federation's financial assets as of September 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2023	2022
Cash	\$ 831,749	\$ 868,531
Receivables	75,415	153,521
Short-term investments	<u>3,486,435</u>	<u>3,303,906</u>
Financial assets - At year end	4,393,599	4,325,958
Donor-imposed restrictions	<u>60,000</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,333,599</u>	<u>\$ 4,325,958</u>

The Federation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Federation aims to maintain sufficient liquidity, including cash and short-term investments, on hand to meet six months of normal operating expenses. As part of its liquidity management, the Federation invests cash in various short-term investments, including short-term treasury instruments.

The Federation also realizes there could be unanticipated liquidity needs.