



LADDER UP

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2023 and 2022



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LADDER UP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ladder Up

Report on the Audit of the Financial Statements

Opinion

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

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

Emphasis of Matter

As discussed in Note 2 of the financial statements, Ladder Up adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ladder Up and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Ladder Up's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Ladder Up'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 Ladder Up'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of Ladder Up'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 Ladder Up'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 Ladder Up's internal control over financial reporting and compliance.

Sikich LLP

Naperville, Illinois
April 29, 2024

FINANCIAL STATEMENTS

LADDER UP

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 301,546	\$ 190,859
Government agency grants receivable	346,711	680,627
Prepaid expenses	24,990	23,078
Investments	3,695,275	2,628,310
Operating lease right-of-use asset	18,215	-
Property and equipment, less accumulated depreciation	275,070	291,807
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,661,807	\$ 3,814,681
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 94,045	\$ 104,232
Operating lease liability	18,555	-
Loan payable	8,151	19,019
	<hr/>	<hr/>
Total liabilities	120,751	123,251
	<hr/>	<hr/>
NET ASSETS		
Without donor restrictions		
Board-designated	3,695,275	2,628,310
Undesignated	780,781	1,033,120
	<hr/>	<hr/>
Total net assets without donor restrictions	4,476,056	3,661,430
	<hr/>	<hr/>
With donor restrictions	65,000	30,000
	<hr/>	<hr/>
Total net assets	4,541,056	3,691,430
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 4,661,807	\$ 3,814,681
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

LADDER UP

STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 711,824	\$ 65,000	\$ 776,824
In-kind donations, including pro bono services	1,175,290	-	1,175,290
Government agency grants	1,798,277	-	1,798,277
Special events	237,335	-	237,335
Investment return, net of expenses	393,867	-	393,867
Other	16,104	-	16,104
Net assets released from restrictions	30,000	(30,000)	-
Total revenues and other support	<u>4,362,697</u>	<u>35,000</u>	<u>4,397,697</u>
EXPENSES			
Program expenses			
Tax services	2,522,429	-	2,522,429
Tax clinic	395,148	-	395,148
Financial capability	69,901	-	69,901
Total program expenses	<u>2,987,478</u>	<u>-</u>	<u>2,987,478</u>
Support services			
Management and general	281,379	-	281,379
Fundraising	279,214	-	279,214
Total support services	<u>560,593</u>	<u>-</u>	<u>560,593</u>
Total expenses	<u>3,548,071</u>	<u>-</u>	<u>3,548,071</u>
CHANGE IN NET ASSETS	814,626	35,000	849,626
NET ASSETS, BEGINNING OF YEAR	<u>3,661,430</u>	<u>30,000</u>	<u>3,691,430</u>
NET ASSETS, END OF YEAR	<u>\$ 4,476,056</u>	<u>\$ 65,000</u>	<u>\$ 4,541,056</u>

(This statement is continued on the following page.)

LADDER UP

STATEMENTS OF ACTIVITIES (Continued)

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 582,243	\$ 30,000	\$ 612,243
In-kind donations, including pro bono services	1,078,667	-	1,078,667
Government agency grants	1,824,567	-	1,824,567
Special events	272,159	-	272,159
Investment return, net of expenses	(386,729)	-	(386,729)
Other	138,086	-	138,086
Net assets released from restrictions	42,500	(42,500)	-
Total revenues and other support	3,551,493	(12,500)	3,538,993
EXPENSES			
Program expenses			
Tax services	2,523,974	-	2,523,974
Tax clinic	280,779	-	280,779
Financial capability	91,439	-	91,439
Total program expenses	2,896,192	-	2,896,192
Support services			
Management and general	297,461	-	297,461
Fundraising	286,872	-	286,872
Total support services	584,333	-	584,333
Total expenses	3,480,525	-	3,480,525
CHANGE IN NET ASSETS	70,968	(12,500)	58,468
NET ASSETS, BEGINNING OF YEAR	3,590,462	42,500	3,632,962
NET ASSETS, END OF YEAR	\$ 3,661,430	\$ 30,000	\$ 3,691,430

See accompanying notes to financial statements.

LADDER UP

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Tax Services	Tax Clinic	Financial Capability	Total	Management and General	Fundraising	Total Expenses
Personnel	\$ 1,043,945	\$ 182,614	\$ 49,863	\$ 1,276,422	\$ 171,751	\$ 153,875	\$ 1,602,048
Occupancy	369,282	36,692	10,792	416,766	26,406	30,199	473,371
Professional services, including pro bono	835,179	158,281	4,518	997,978	59,405	8,539	1,065,922
Supplies and printing	176,636	9,380	667	186,683	5,861	27,215	219,759
Travel	12,982	722	167	13,871	722	875	15,468
Depreciation	83,774	6,027	3,878	93,679	4,520	4,520	102,719
Fees and miscellaneous	631	1,432	16	2,079	12,714	53,991	68,784
TOTAL FUNCTIONAL EXPENSES	\$ 2,522,429	\$ 395,148	\$ 69,901	\$ 2,987,478	\$ 281,379	\$ 279,214	\$ 3,548,071

(This statement is continued on the following page.)

LADDER UP

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2022

	Tax Services	Tax Clinic	Financial Capability	Total	Management and General	Fundraising	Total Expenses
Personnel	\$ 926,419	\$ 149,191	\$ 56,392	\$ 1,132,002	\$ 235,079	\$ 168,306	\$ 1,535,387
Occupancy	369,651	34,844	9,971	414,466	27,187	28,588	470,241
Professional services, including pro bono	883,885	83,544	19,626	987,055	8,341	11,134	1,006,530
Supplies and printing	188,039	7,002	1,756	196,797	11,275	26,789	234,861
Travel	10,674	-	-	10,674	121	197	10,992
Depreciation	136,544	5,517	3,671	145,732	4,137	4,137	154,006
Fees and miscellaneous	8,762	681	23	9,466	11,321	47,721	68,508
TOTAL FUNCTIONAL EXPENSES	\$ 2,523,974	\$ 280,779	\$ 91,439	\$ 2,896,192	\$ 297,461	\$ 286,872	\$ 3,480,525

See accompanying notes to financial statements.

LADDER UP

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 849,626	\$ 58,468
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	102,719	154,006
Noncash operating lease expense	340	-
Gain on sale of investments	(5,672)	(6,907)
Unrealized (gain) loss on investments	(343,037)	432,110
Increase (decrease) in		
Government agency grants receivable	333,916	(90,400)
Prepaid expenses	(1,912)	(8,105)
(Increase) decrease in		
Accounts payable	-	(24,180)
Accrued expenses	(10,187)	15,617
Refundable grant advance	-	(136,110)
Net cash provided by operating activities	<u>925,793</u>	<u>394,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(85,982)	(131,526)
Purchases of investments	(738,672)	(378,494)
Sales and maturities of investments	20,416	247,529
Net cash used by investing activities	<u>(804,238)</u>	<u>(262,491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loan payable	(10,868)	(10,867)
Net cash used by financing activities	<u>(10,868)</u>	<u>(10,867)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,687	121,141
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>190,859</u>	<u>69,718</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 301,546</u>	<u>\$ 190,859</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Noncash forgiveness of debt	\$ -	\$ 136,110
Interest paid	\$ -	\$ -
Right-of-use assets exchanged for lease liabilities	\$ 39,518	\$ -

See accompanying notes to financial statements.

LADDER UP

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. NATURE OF BUSINESS

Ladder Up (the Organization) is an Illinois not-for-profit organization incorporated on February 20, 1996, to help provide the working poor with the financial resources and opportunity needed to climb up the economic ladder. By leveraging a volunteer corps comprising over 1,000 members (unaudited), many recruited from the Chicago and State of Illinois area's top companies and universities, the Organization offers free tax preparation, financial aid, and financial education services to tens of thousands of families and individuals each year (unaudited). With a small staff and through its application of volunteer time and talent, the Organization helps its clients access the economic benefits they need to climb up and out of poverty.

Tax Services: Operating one of the largest Volunteer Income Tax Assistance (VITA) programs in the country, the Organization provides low-income families with free, high quality tax preparation and an alternative to paid tax preparers.

Tax Clinic: The Organization provides free professional legal representation to low-income taxpayers facing an Internal Revenue Service (IRS) controversy. Through its year-round tax clinic, the Organization also offers education and outreach on the earned income tax credit (EITC), taxpayer rights and responsibilities, innocent spouse claims, worker classification, and collection alternatives.

Financial Capability: The Organization provides year-round financial education workshops, coordinates a tax-time savings campaign, helps students and families access financial aid for postsecondary education, and offers one-on-one financial coaching to help clients set financial goals, create a spending plan, access safe and affordable financial products, and review and correct credit reports and improve credit scores.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred, and certain measurement and matching criteria are met. Financial statement presentation follows accounting principles generally accepted in the United States of America (USGAAP).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated reserve.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At June 30, 2023 and 2022, the Organization's cash accounts did not exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Cash held as part of board-designated reserve is not considered cash and cash equivalents and is included in investments in the statements of financial position.

Government Agency Grants Receivable

Government agency grants receivable are recorded net of an allowance for uncollectible accounts at the amount expected to be collected and are expected to be collected within one year. The allowance for doubtful accounts is established based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless. Recoveries of any written off amounts would be recorded when received. No provision for doubtful accounts has been recorded at June 30, 2023 and 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair value are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal expenses. Investment returns that are initially classified as with donor restrictions for which the restrictions are met in the same period that the return is recognized are classified as increases in net assets without donor restrictions.

Property and Equipment

Property and equipment in excess of \$1,000 are recorded at cost when purchased or at fair value at the date of donation. Maintenance, repairs, and minor improvements are expensed as incurred.

The Organization reports gifts of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is determined using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Equipment	3-5
Furniture and fixtures	5-7
Computer software	3
Leasehold improvements	Lesser of length of the lease (including renewal periods that are reasonably assured) or ten years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Organization determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Organization has the right to control the asset.

Right-of-use (ROU) 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. Operating ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide the lessors' implicit rate, the Organization uses the risk-free U.S. Treasury rate at the commencement date in determining the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Leases with an initial term of 12 months or less are not recorded on the statements of financial position, and lease expense under short-term leases is recognized on a straight-line basis over the lease term.

As a practical expedient, the Organization has elected to include both lease and non-lease components for all classes of underlying assets in the calculation of operating lease ROU assets and liabilities.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Revenue and Support

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when promised, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Restricted contributions that are initially classified as conditional and for which the restriction is met in the same period that the revenue is recognized are classified as increases in net assets without donor restrictions.

Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Contributions without donor-imposed restrictions are reported as increases in net assets without donor restrictions. Contributions for which the restriction is met in the same period that the revenue is recognized are classified as increases in net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Government agency grants are conditioned upon the incurrence of allowable qualifying expenses, and revenue is recognized when the conditions are met. As of June 30, 2023 and 2022, the Organization had approximately \$299,000 and \$723,000, respectively, of conditional contributions that have not been recorded as qualifying expenses have not yet been incurred.

Special events revenue is recorded at the time of the event.

Donated Services and Assets

The Organization receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. The Organization also receives the use of donated facilities for its program operations and supporting services. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Income Taxes

The Organization is a not-for profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Organization is not classified as a private foundation. The Organization's 2021, 2020, and 2019 tax years are open and subject to examinations by the taxing authorities.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on the employee's service area of work which is based on actual hours worked. Occupancy, supplies and printing, and fees and miscellaneous expense are allocated pro-rata based on total salaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts and requires additional disclosures about leasing arrangements.

The Organization adopted the new standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022, (the beginning of the period of adoption), with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, an operating lease liability of \$39,518, which represents the present value of the remaining operating lease payments of \$40,500, discounted using a risk-free rate corresponding to the lease term, and an operating lease ROU asset of \$39,518.

The standard did not have a material impact on the financial statements. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, to introduce the current expected credit losses methodology for estimating allowances for credit losses. The new guidance makes targeted improvements to the accounting for credit losses and applies to all financial instruments carried at amortized cost (including loans held for investment, as well as trade receivables, notes receivable, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements). In November 2018, FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments - Credit Losses*, to mitigate transition complexity by amending the effecting date for nonpublic entities fiscal to years beginning after December 15, 2022, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently assessing the impact of this new standard.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

The Organization's 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, are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 301,546	\$ 190,859
Government agency grants receivable	346,711	680,627
Investments	<u>3,695,275</u>	<u>2,628,310</u>
 Total financial assets	 4,343,532	 3,499,796
 Less amounts not available to be used for general expenditures within one year		
Due to donor-imposed restrictions	(65,000)	(30,000)
Due to Board of Directors-imposed designations	<u>(3,695,275)</u>	<u>(2,628,310)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 583,257</u>	 <u>\$ 841,486</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year end balance of reserves of net assets without donor restrictions to meet 30 to 45 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2023	2022
Equipment	\$ 1,133,610	\$ 1,055,373
Furniture and fixtures	62,423	54,678
Computer software	21,267	21,267
Leasehold improvements	259,587	259,587
	<hr/>	<hr/>
Total cost	1,476,887	1,390,905
Accumulated depreciation	(1,201,817)	(1,099,098)
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	\$ 275,070	\$ 291,807
	<hr/>	<hr/>

5. FAIR VALUE MEASUREMENTS

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2023 and 2022.

- Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds				
Equities	\$ 2,767,599	\$ -	\$ -	\$ 2,767,599
Fixed income	885,961	-	-	885,961
TOTAL ASSETS AT FAIR VALUE	<u>\$ 3,653,560</u>	<u>\$ -</u>	<u>\$ -</u>	3,653,560
Cash held in investment deposit account*				<u>41,715</u>
TOTAL INVESTMENTS				<u>\$ 3,695,275</u>

* Reported at cost

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds				
Equities	\$ 2,064,036	\$ -	\$ -	\$ 2,064,036
Fixed income	532,373	-	-	532,373
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,596,409</u>	<u>\$ -</u>	<u>\$ -</u>	2,596,409
Cash held in investment deposit account*				<u>31,901</u>
TOTAL INVESTMENTS				<u>\$ 2,628,310</u>

* Reported at cost

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

6. REFUNDABLE GRANT ADVANCE

The Organization was granted a Paycheck Protection Program (PPP) loan in the amount of \$136,110, pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 on February 8, 2021. The loan may be forgiven if used for certain qualifying expenses. Any portion not forgiven bears interest at a rate of 1% per annum, payable in monthly installments commencing June, 2022 and maturing February, 2026. The Organization received full forgiveness of the loan during the year ended June 30, 2022, and recognized \$136,100 as other revenue in the statements of activities for the year ended June 30, 2022.

The Small Business Administration reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

7. LOAN PAYABLE

Loan payable at June 30, 2023 and 2022 consists of the following:

	2023	2022
Unsecured loan payable to a bank in monthly installments of \$906, with interest waived. The note is due on March 1, 2024.	\$ 8,151	\$ 19,019

The balance of the above debt matures during the year ended June 30, 2024.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Restricted for purpose		
Tax and financial services	\$ 52,500	\$ 30,000
Tax clinic	12,500	-
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 65,000	\$ 30,000

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

9. BOARD-DESIGNATED FUND

The Board of Directors has established a board-designated reserve fund. The purpose of the fund is for investment, growth, and emergency liquidity needs. While there is no specific policy for transfers to and from the reserve, it is typically used either for large one-time expenses, such as the buildout of the new office space, or short-term cash management. Any transfer out is tracked and replenished from operating accounts when funds are available.

The change in the board-designated fund consists of the following for the years ended June 30, 2023 and 2022:

	2023	2022
BOARD-DESIGNATED FUND, BEGINNING OF YEAR	\$ 2,628,310	\$ 2,922,548
Designations	673,098	317,122
Investment return	393,867	(386,729)
Transfers to undesignated	-	(224,631)
BOARD-DESIGNATED FUND, END OF YEAR	<u>\$ 3,695,275</u>	<u>\$ 2,628,310</u>

10. IN-KIND CONTRIBUTIONS (INCLUDING PRO-BONO SERVICES)

During fiscal year 2023, the Organization received donated services for tax preparation, legal consultation, and other consulting services. The Organization also received contributions of the use of facilities and donated goods. The in-kind contributions were without donor restrictions and utilized in the Organization's program or supporting service as follows:

Program or Supporting Service	Donated Space	Donated Services	Donated Goods	Total
Tax services	\$ 324,998	\$ 594,875	\$ -	\$ 919,873
Tax clinic	30,751	147,110	-	177,861
Financial capability program	9,044	-	-	9,044
Management and general	21,707	-	-	21,707
Fundraising	25,325	-	21,480	46,805
TOTAL	<u>\$ 411,825</u>	<u>\$ 741,985</u>	<u>\$ 21,480</u>	<u>\$ 1,175,290</u>

For the year ended June 30, 2023, 8% of management and general expenses, and 19% of fundraising expenses, as shown in the statements of activities, relate to the in-kind contributions detailed above.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

10. IN-KIND CONTRIBUTIONS (INCLUDING PRO-BONO SERVICES)
(Continued)

During fiscal year 2022, the Organization received donated services for tax preparation, legal consultation, and other consulting services. The Organization also received contributions of the use of facilities and donated goods. The in-kind contributions were without donor restrictions and utilized in the Organization’s program or supporting service as follows:

Program or Supporting Service	Donated Space	Donated Services	Donated Goods	Total
Tax services	\$ 346,192	\$ 554,524	\$ -	\$ 900,716
Tax clinic	30,751	72,390	-	103,141
Financial capability program	9,045	-	-	9,045
Management and general	21,707	-	-	21,707
Fundraising	25,325	-	18,733	44,058
TOTAL	\$ 433,020	\$ 626,914	\$ 18,733	\$ 1,078,667

For the year ended June 30, 2022, 7% of management and general expenses, and 15% of fundraising expenses, as shown in the statements of activities, relate to the in-kind contributions detailed above.

Donated services recognized comprise professional services from tax professionals advising on various tax matters. Donated services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar tax services.

The Organization receives use of donated space at various tax preparation sites in addition to its main office location. In valuing the donated spaces, which are located in the greater Chicago area, the Organization estimates the fair value on the basis of recent comparable rental prices in greater Chicago area’s real estate market.

Donated goods are reported at their estimated fair value based on quoted or published prices for similar items, if utilized, or the actual cash proceeds received on their disposition, if auctioned.

11. RETIREMENT PLANS

The Organization has a 401(k) plan (the Plan) covering substantially all of its employees, providing they meet certain requirements. Under the Plan, the Organization matches \$0.65 for every \$1 contributed by the employee on up to 2% of the employee’s salary (meaning the matching contributions will not exceed 1.3% of the employee’s salary). Additionally, the Organization contributes 3% of employee’s salary, regardless of employee’s deferral activity, as a safe harbor contribution, and 3.5% of employee’s salary as profit sharing. The Organization made contributions of \$45,347 and \$37,460 to the Plan for the years ended June 30, 2023 and 2022, respectively.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

12. CONCENTRATION

For the year ended June 30, 2023, funding from each of the City of Chicago, Illinois Department of Human Services, and IRS amounted to approximately 55% of total funding received, excluding in-kind donations. The amount of revenue from these funders amounted to \$1,762,949. Receivables from these funders as of June 30, 2023 amounted to \$640,243.

For the year ended June 30, 2022, funding from each of the City of Chicago, Illinois Department of Human Services, and IRS amounted to approximately 73% of total funding received, excluding in-kind donations. The amount of revenue from these funders amounted to \$1,796,684. Receivables from these funders as of June 30, 2022 amounted to \$640,243.

13. LEASES

The Organization has a lease for storage space ending April 30, 2024. The monthly payments range from \$1,800 to \$1,875 over the lease term.

The components of lease expense for the year ended June 30, 2023 are as follows:

Operating lease cost	<u>\$ 22,182</u>
TOTAL LEASE COST	<u>\$ 22,182</u>

The following tables summarize supplemental cash flow information at June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u><u>\$ 21,750</u></u>
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Other information related to operating leases was as follows:

Weighted-average remaining lease term (years)	0.8
Weighted-average discount rate	2.79%

Future minimum lease payments under noncancellable leases as of June 30, 2023 are as follows:

	<u>Operating Leases</u>
2024	\$ 18,750
Less interest	<u>(195)</u>
PRESENT VALUE OF LEASE LIABILITIES	<u>\$ 18,555</u>

Rent expense under noncancelable operating leases for the year ended June 30, 2022 was \$21,618.

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 29, 2024, the date the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.