FINANCIAL STATEMENTS

A BETTER CHANCE, INC.

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

A BETTER CHANCE, INC.

CONTENTS

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
A Better Chance, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of A Better Chance, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the change 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. 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 the Organization 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.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Report on Prior Year Comparative Statements

The financial statements of the Organization as of and for the year ended December 31, 2022, were audited by other auditors, whose report dated November 9, 2023, expressed an unmodified opinion on those statements.

Other Matter - Prior Period Restatement

As discussed in Note 13 to the financial statements, the Organization restated its beginning net assets as of December 31, 2022, to properly report net assets with donor restrictions. As part of our audit of the 2023 financial statements, we also audited the adjustment that was applied to restate the 2022 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the 2022 financial statements of the Organization other than with respect to the adjustment described in Note 13 and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Gelman Rosenberg & Freedman

June 20, 2024

A BETTER CHANCE, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 1,400,094	$ 1,595,724
Investments	10,206,211	9,371,278
Accounts receivable	87,825	56,350
Pledges receivable, net	1,976,426	2,990,127
Beneficial interest in perpetual trust	1,046,285	957,758
Prepaid expenses and other assets	180,580	208,359
Property and equipment, net	79,987	91,174
Right-of-use assets, net	1,762,368	2,082,282
TOTAL ASSETS	**$ 16,739,776**	**$ 17,353,052**

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable and accrued liabilities	$ 230,321	$ 250,769
Lines of credit	3,431,726	2,959,337
Deferred revenue	137,114	126,932
Operating lease liabilities	1,945,743	2,249,990
Total liabilities	5,744,904	5,587,028
NET ASSETS (DEFICIT)		
Without donor restrictions	(3,399,020)	(2,516,976)
With donor restrictions	14,393,892	14,283,000
Total net assets (deficit)	10,994,872	11,766,024
TOTAL LIABILITIES AND NET ASSETS	**$ 16,739,776**	**$ 17,353,052**

A BETTER CHANCE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Special events, net of direct benefits to donors	$ 358,216	$ 1,433,500	$ 1,791,716
Contributions and grants	475,072	851,217	1,326,289
Contributed nonfinancial assets	388,244	-	388,244
School membership dues	236,450	-	236,450
Registration fees and other revenue	32,364	-	32,364
Net assets released from donor restrictions	3,412,167	(3,412,167)	-
Total support and revenue	4,902,513	(1,127,450)	3,775,063
EXPENSES			
Program Services	3,744,845	-	3,744,845
Supporting Services:			
Management and general	659,877	-	659,877
Fundraising	1,379,637	-	1,379,637
Total supporting services	2,039,514	-	2,039,514
Total expenses	5,784,359	-	5,784,359
Changes in net assets before other items	(881,846)	(1,127,450)	(2,009,296)
OTHER ITEMS			
Change in value of beneficial interest in perpetual trust	-	88,527	88,527
Net investment return	(198)	1,149,815	1,149,617
Changes in net assets	(882,044)	110,892	(771,152)
Net assets (deficit) at beginning of year	(2,516,976)	14,283,000	11,766,024
NET ASSETS (DEFICIT) AT END OF YEAR	**$ (3,399,020)**	**$ 14,393,892**	**$ 10,994,872**

See accompanying notes to financial statements.

A BETTER CHANCE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Special events, net of direct benefits to donors	$ 470,182	$ 942,400	$ 1,412,582
Contributions and grants	676,206	2,515,168	3,191,374
Contributed nonfinancial assets	367,870	-	367,870
School membership dues	233,900	-	233,900
Registration fees and other revenue	11,862	-	11,862
Net assets released from donor restrictions	2,556,961	(2,556,961)	-
Total support and revenue	4,316,981	900,607	5,217,588
EXPENSES			
Program Services	3,350,070	-	3,350,070
Supporting Services:			
Management and general	501,956	-	501,956
Fundraising	1,361,245	-	1,361,245
Total supporting services	1,863,201	-	1,863,201
Total expenses	5,213,271	-	5,213,271
Changes in net assets before other items	(896,290)	900,607	4,317
OTHER ITEMS			
Change in value of beneficial interest in perpetual trust	-	(256,374)	(256,374)
Net investment return	3,425	(1,346,633)	(1,343,208)
Changes in net assets	(892,865)	(702,400)	(1,595,265)
Net assets (deficit) at beginning of year	(1,624,111)	14,985,400	13,361,289
NET ASSETS (DEFICIT) AT END OF YEAR, AS RESTATED	**$ (2,516,976)**	**$ 14,283,000**	**$ 11,766,024**

See accompanying notes to financial statements.

A BETTER CHANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	$ 1,939,715	$ 318,800	$ 420,372	$ 739,172	$ 2,678,887
Payroll taxes and benefits	526,432	54,833	119,731	174,564	700,996
Professional fees	124,695	90,985	224,892	315,877	440,572
Printing and publications	808	-	328,631	328,631	329,439
Subscriptions and dues	201,005	28,542	51,145	79,687	280,692
Equipment rental	178,897	30,177	45,705	75,882	254,779
Occupancy	169,011	20,614	41,670	62,284	231,295
Interest expense	137,219	36,280	35,044	71,324	208,543
Awards and financial assistance	177,553	739	981	1,720	179,273
Direct benefits to donors	-	-	164,650	164,650	164,650
Testing and programming	125,326	-	-	-	125,326
Travel and meetings	67,715	10,907	10,920	21,827	89,542
Staff training and development	13,225	35,266	3,561	38,827	52,052
Insurance	38,396	4,113	9,527	13,640	52,036
Other	14,847	11,459	20,108	31,567	46,414
Uncollectible pledges	-	-	35,368	35,368	35,368
Recruiting	245	5,130	22,710	27,840	28,085
Telephone/telecommunications	9,329	6,849	2,096	8,945	18,274
Depreciation and amortization	11,649	1,392	2,976	4,368	16,017
Office supplies	8,730	2,520	2,566	5,086	13,816
Postage and shipping	48	1,271	1,634	2,905	2,953
Sub-total	3,744,845	659,877	1,544,287	2,204,164	5,949,009
Less direct benefits to donors	-	-	(164,650)	(164,650)	(164,650)
TOTAL	**$ 3,744,845**	**$ 659,877**	**$ 1,379,637**	**$ 2,039,514**	**$ 5,784,359**

A BETTER CHANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	$ 1,701,542	$ 245,377	$ 464,461	$ 709,838	$ 2,411,380
Payroll taxes and benefits	438,146	54,773	110,323	165,096	603,242
Professional fees	160,636	63,210	474,949	538,159	698,795
Printing and publications	444	108	6,803	6,911	7,355
Subscriptions and dues	153,395	20,083	31,182	51,265	204,660
Equipment rental	216,170	25,375	39,574	64,949	281,119
Occupancy	224,204	21,240	51,532	72,772	296,976
Interest expense	57,897	12,843	16,034	28,877	86,774
Awards and financial assistance	112,871	37	806	843	113,714
Direct benefits to donors	-	-	107,938	107,938	107,938
Testing and programming	112,263	-	-	-	112,263
Travel and meetings	62,782	11,786	3,635	15,421	78,203
Staff training and development	14,156	15,271	4,481	19,752	33,908
Insurance	18,856	2,678	5,719	8,397	27,253
Other	19,198	8,799	25,835	34,634	53,832
Uncollectible pledges	-	-	94,774	94,774	94,774
Recruiting	27,290	6,707	17,136	23,843	51,133
Telephone/telecommunications	7,026	6,794	2,847	9,641	16,667
Depreciation and amortization	9,291	2,822	2,728	5,550	14,841
Office supplies	12,184	3,619	3,586	7,205	19,389
Postage and shipping	1,719	434	4,840	5,274	6,993
Sub-total	3,350,070	501,956	1,469,183	1,971,139	5,321,209
Less direct benefits to donors	-	-	(107,938)	(107,938)	(107,938)
TOTAL	**$ 3,350,070**	**$ 501,956**	**$ 1,361,245**	**$ 1,863,201**	**$ 5,213,271**

A BETTER CHANCE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (771,152)	$ (1,595,265)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Realized and unrealized (gain) loss on investments	(953,941)	1,488,353
Change in discount on long-term pledges	(102,217)	79,795
Change in allowance for uncollectible pledges	58,732	38,450
Change in value of beneficial interest in perpetual trust	(88,527)	256,374
Depreciation and amortization of property and equipment	16,017	14,841
Amortization of right-of-use assets, net	319,914	313,369
(Increase) decrease in:		
Accounts receivable	(31,475)	(21,025)
Pledges receivable	1,057,186	(1,108,601)
Prepaid expenses and other assets	27,779	(59,176)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(20,448)	53,813
Deferred revenue	10,182	(199,949)
Operating lease liabilities	(304,247)	(208,615)
Net cash used by operating activities	(782,197)	(947,636)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	390,850	2,253,722
Purchases of investments	(271,842)	(2,277,476)
Purchases of property and equipment	(4,830)	(25,007)
Net cash provided (used) by investing activities	114,178	(48,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	602,500	552,500
Payments on lines of credit	(130,111)	(117,250)
Net cash provided by financing activities	472,389	435,250
Net decrease in cash and cash equivalents	(195,630)	(561,147)
Cash and cash equivalents at beginning of year	1,595,724	2,156,871
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,400,094**	**$ 1,595,724**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 208,543**	**$ 86,774**
Donated Securities	**$ 194,509**	**$ 29,144**
Right-of-Use Assets - Non Cash Transaction	**$ -**	**$ 2,395,651**
Operating Lease Liabilities - Non Cash Transaction	**$ -**	**$ 2,445,891**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

A Better Chance, Inc. (the Organization) was formed as a nonprofit corporation in accordance with the laws of the Commonwealth of Massachusetts in 1963. The Organization is the preeminent resource for identifying, recruiting and developing leaders among underrepresented young people of color throughout the United States.

The Organization believes it is the oldest and only national organization of its kind changing the life trajectory for academically talented youth of color via access to rigorous and prestigious educational opportunities for students in grades 6-12. The Organization's mission is to increase substantially the number of well-educated young people of color who are capable of assuming positions of responsibility and leadership in American society. The Organization carries out this mission through its signature College Preparatory Schools Program (“CPSP”), which recruited, referred and placed approximately 271 new students in 2023 and supports approximately 1,900 scholars at 200 member schools in 27 states. The Organization has been opening the doors to greater educational opportunities since its formation in 1963.

Program Services -

The Organization provides talented students of color with outstanding educational opportunities to enable them to fulfill their potential. Since its founding in 1963, the Organization has produced more than 18,000 alumni who have gone on to successful careers in business, medicine, education, politics, and the arts. These young people have not only improved their own lives but have improved the lives of others through their contributions to society and their communities. With a modest budget, the Organization helps leverage over $10 million in student financial aid provided by a national network of approximately 200 member schools. The Organization’s alumni, with successful careers in business, medicine, education, politics and the arts, are the living product of the Organization’s impact and program success.

The students served by the Organization are approximately 72% African-American, 13% Hispanic/Latino, 7% Asian-American, and 8% who describe themselves as multi-racial. In addition, 64% of incoming scholars for the school year 2023-2024 were from households making less than the U.S. Department of Housing and Urban Development (“HUD”) household median income for their area. For these young people, the Organization offers an educational opportunity they would not otherwise have.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions -** Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as support without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 201613, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization implemented the ASU on January 1, 2023, using a modified retrospective approach. However, the adoption of the new standard had no significant effect on the Organization's financial statements.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets. Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Organization’s policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to school membership dues. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, there was no allowance for credit losses at December 31, 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Pledges receivable -

Pledges receivable include unconditional promises to give that are expected to be collected in future years. Pledges receivable are recorded at their fair value, which is measured as the net present value of their future cash flows. The discount on long-term pledges receivable is determined using the risk-adjusted interest rates applicable to the years in which the promises to give were received. The discount rates used to determine net present value were 4.69% and 4.0% as of December 31, 2023 and 2022, respectively. Amortization of the discount is recorded in contributions.

The Organization reviews pledges receivable on a periodic basis. Each receivable balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to loss on uncollectible pledges and an allowance is recorded. The allowance is also based on a percentage of gross pledges receivables ranging from 5% to 10%. The allowance for uncollectible pledges totaled $104,273 and $163,005 as of December 31, 2023 and 2022, respectively.

Beneficial interest in perpetual trust -

The Organization is the beneficiary of a perpetual trust held by a third-party trustee. The fair value of the Organization's beneficial interest in the trust is equal to the fair market value of the assets in the trust attributable to the Organization's interest. The assets consist primarily of equities, fixed income, and short-term investments. The change in value of the Organization's interest in the trust is included in net assets with donor restrictions.

Property and equipment -

Property and equipment purchases in excess of $2,500 are capitalized and stated at cost. Property and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled $16,017 and $14,841 for the years ended December 31, 2023 and 2022, respectively.

Income taxes -

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (IRC), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not considered a private foundation.

Support from contributions -

Support includes net special events, contributions and grants, and contributed nonfinancial assets. Support is recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreements to determine if the funding streams follow the contribution rules or if they should be recorded as an exchange transactions depending upon whether a transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Support from contributions (continued) -

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Organization had no refundable advances as of December 31, 2023 and 2022.

In addition, the Organization may obtain funding source agreements related to conditional contributions, which will be received in future years. However, the Organization had no conditional contributions to be received in futures years as of December 31, 2023 and 2022.

Revenue from contracts with customers -

The Organization's school membership dues and registration fees are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Organization has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Organization's contracts with customers generally have initial terms of one year or less. The beginning balance of accounts receivable totaled $35,325 as of January 1, 2022, and the beginning balance of deferred revenue totaled $326,881 as of January 1, 2022.

Revenue from school membership dues includes benefits that are a series of distinct obligations in accordance with the agreements signed by members. The Organization's performance obligations take place in the fall during the referral season which ends in December. Therefore, school membership dues revenue is recognized in full during the calendar year.

Revenue from registration fees is recognized over the period of time when the related events are held.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed pubic relations and advisory services, vouchers to waive testing fees, and supplies. Contributed nonfinancial assets are recorded at the fair value that would have been incurred by the Organization to pay for them. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the financial statements in conformity 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 and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, payroll taxes and benefits, occupancy, depreciation and amortization, professional services, office expenses, interest, and insurance were allocated based on estimated time and effort.

Direct benefits to donors -

The Statements of Functional Expenses include the costs of direct benefits to donors, which are deducted from special events in the Statements of Activities and Changes in Net Assets.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Reclassifications -

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Other than the prior period restatement, which is described in Note 13, the reclassifications had no effect on the previously reported net assets and changes in net assets.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market fund is an open-end fund that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.

- *Common Stocks* - Valued at the closing price reported on the active market in which the individual equity securities are traded.

- *Corporate Bonds and U.S. Government Obligations* - Valued at the closing price reported in the active market in which the individual fixed income securities are traded. U.S. Government Obligations include mortgage-backed securities, which are valued based on current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023:

	Level 1	Level 2	Level 3	Total December 31, 2023
Money market funds	$ 256,171	$ -	$ -	$ 256,171
Common stocks	1,807,444	-	-	1,807,444
Corporate bonds	389,705	-	-	389,705
U.S. Government obligations	554,394	378,580	-	932,974
Mutual funds	6,819,917	-	-	6,819,917
TOTAL INVESTMENTS	**$ 9,827,631**	**$ 378,580**	**$ -**	**$ 10,206,211**

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total December 31, 2022
Money market funds	$ 182,697	$ -	$ -	$ 182,697
Common stocks	2,071,753	-	-	2,071,753
Corporate bonds	318,198	-	-	318,198
U.S. Government obligations	595,557	351,433	-	946,990
Mutual funds	5,851,640	-	-	5,851,640
TOTAL INVESTMENTS	**$ 9,019,845**	**$ 351,433**	**$ -**	**$ 9,371,278**

Net investment return consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 268,041	$ 216,312
Realized and unrealized gain (loss) on investments	953,941	(1,488,353)
Investment fees	(72,365)	(71,167)
NET INVESTMENT RETURN	**$ 1,149,617**	**$ (1,343,208)**

3. PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows as of December 31, 2023 and 2022:

	2023	2022
Amounts due in less than one year	$ 1,244,450	$ 1,610,600
Amounts due in one to five years	841,000	1,649,500
Pledges receivable	2,085,450	3,260,100
Less discount to net present value	(4,751)	(106,968)
Less allowance for uncollectible pledges	(104,273)	(163,005)
PLEDGES RECEIVABLE, NET	**$ 1,976,426**	**$ 2,990,127**

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Equipment	$ 86,056	$ 82,210
Computer equipment and software	30,253	94,899
Leasehold improvements	21,759	20,774
Total property and equipment	138,068	197,883
Less accumulated depreciation and amortization	(58,081)	(106,709)
PROPERTY AND EQUIPMENT, NET	**$ 79,987**	**$ 91,174**

5. LINES OF CREDIT

The Organization has a revolving line of credit of $600,000 with a bank, which matures November 30, 2024. The line bears interest at the prime rate of 8.5% and 3.25% as of December 31, 2023 and 2022, respectively. The line of credit is payable on demand and borrowings are secured by $600,000 in money market funds, which are included in cash and cash equivalents. The balance due on the line of credit totaled $232,203 and $247,302 as of December 31, 2023 and 2022, respectively.

The Organization has another line of credit of with the financial institution that holds its investment portfolio. The line of credit does not have an expiration date and is secured by the Organization's investments, which are segregated and consist of equity and fixed income securities. The maximum amount of credit is equal to 70% of the fair value of the Organization's investments less the outstanding line of credit balance, the open letter of credit related to the office lease and accrued finance charges. The line of credit bears a variable interest rate equal to the Bloomberg Short-Term Bank Yield Index (“BSBY”) rate plus 1.50%, resulting in a rate of 6.94% and 5.82% as of December 31, 2023 and 2022, respectively. The loan is payable on demand and is secured by pledged collateral with a fair value of $10,057,352 and $9,215,748 as of December 31, 2023 and 2022, respectively. The balance due on the line of credit totaled $3,199,523 and $2,712,035 as of December 31, 2023 and 2022, respectively.

6. NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

The Organization's net assets (deficit) without donor restrictions includes a board designated endowment fund. Net assets (deficit) without donor restrictions consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Board designated endowment fund	$ 148,858	$ 145,058
Undesignated net assets (deficit)	(3,397,878)	(2,662,034)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	**$ (3,249,020)**	**$ (2,516,976)**

The Organization has reported a deficit in net assets without donor restrictions for several years. Taken in conjunction with the balances due on the lines of credit (see Note 5), the deficit indicates the temporary use of net assets with donor restrictions for activities without donor restrictions.

Management and the Board of Directors are acutely aware of the necessity to diversify fundraising sources and revenue streams, placing a primary focus on bolstering operating support. Recognizing the risks associated with relying solely on restricted funding for operational needs, the Organization is committed to navigating these challenges by implementing a comprehensive strategy related to increasing support without donor restrictions that includes several distinct tactics. By proactively pursuing this strategy, the Organization endeavors to build a more resilient and sustainable financial foundation, ensuring its ability to fulfill its mission in the future.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Purpose restricted funds	$ 1,209,269	$ 949,310
Time restricted funds	2,080,986	3,153,419
Endowment principal to be held in perpetuity:		
College Preparatory Schools Program	7,797,500	7,797,500
For a Better Life Foundation Fund - Scholarship for Schools	1,200,000	1,200,000
Diana Ross Scholarships	57,456	57,456
Safety Net Program	50,000	50,000
Subtotal endowment principal to be held in perpetuity	9,104,956	9,104,956
Endowment earnings available for appropriation	952,396	117,557
Beneficial interest in perpetual trust	1,046,285	957,758
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 14,393,892**	**$ 14,283,000**

7. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions consisted of the following during the years ended December 31, 2023 and 2022:

	2023	2022
Purpose restrictions accomplished	$ 878,291	$ 415,865
Expiration of time restrictions	2,218,900	2,020,225
Endowment fund appropriations	314,976	120,871
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 3,412,167**	**$ 2,556,961**

8. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date consisted of the following as of December 31, 2023 and 2022:

Cash and cash equivalents	$ 1,400,094	$ 1,595,724
Investments	10,206,211	9,371,278
Accounts receivable	87,825	56,350
Pledges receivable, net	1,976,426	2,990,127
Subtotal financial assets	13,670,556	14,013,479
Less net assets with donor restrictions	(14,393,892)	(14,283,000)
Plus long-term pledges receivable, net of discount	836,249	1,542,532
Less Board designated net assets	(148,858)	(145,058)
FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURE WITHIN ONE YEAR	**$ (35,945)**	**$ 1,127,953**

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Organization has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need. In addition, the Organization has two line of credit agreements (as further discussed in Note 5) which allows for additional access to resources. In addition, the Organization obtained the donor's consent in a prior year to reclassify funds from the investment endowment for the operating needs of the Organization. In the future, similar discussions could occur.

9. CONTRIBUTED NONFINANCIAL ASSETS

The Organization was the beneficiary of certain contributed nonfinancial assets which allowed the Organization to provide greater resources toward its program services. Except for the vouchers to waive testing fees which were donor-restricted, no donor-imposed restrictions were associated with the contributed nonfinancial assets. None of the contributed nonfinancial assets were monetized through sale. Contributed nonfinancial assets consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Public relations and advisory services	$ 313,750	$ 300,000
Vouchers to waive testing fees	69,261	66,370
Supplies	5,233	1,500
TOTAL	**$ 388,244**	**$ 367,870**

Expenses related to contributed nonfinancial assets were included in the following functional areas for the years ended December 31, 2023 and 2022:

	2023	2022
Fundraising	$ 313,750	$ 300,000
Programs	74,494	67,870
TOTAL	**$ 388,244**	**$ 367,870**

10. LEASE COMMITMENTS

The Organization has an operating lease for office space in New York, New York that expires in June 2031. The office lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The Organization has obtained a letter of credit through its investment manager in lieu of a cash security deposit in the amount of $84,484 as of December 31, 2023.

The Organization also leases equipment under a long-term non-cancelable operating lease that expires in March 2026. The equipment lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease.

Effective January 1, 2022, the Organization adopted ASU 2019-01, *Leases* (Topic 842). The Organization does not separate lease and non-lease components by class of underlying asset and applies this policy to all relevant asset classes. As a result, the Organization recorded right-of-use assets totaling $2,395,651 and operating lease liabilities totaling $2,445,891 as of January 1, 2022. These implementation date amounts were determined by calculating the present value of all future rentals using a risk-free rate of 4.0% as the discount rate for both leases. The Organization has also elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases and has not recognized the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Lease cost for all operating leases totaled $231,295 and $362,291 during the years ended December 31, 2023 and 2022, respectively. Cash paid for all operating leases totaled $387,406 and $271,209 during the years ended December 31, 2023 and 2022, respectively. Lease cost is included in occupancy in the accompanying Statements of Functional Expenses.

10. LEASE COMMITMENTS (Continued)

The weighted-average remaining lease term for the operating leases is 5.6 and 7.14 years as of December 31, 2023 and 2022, respectively. The weighted-average discount rate for the operating leases is 4% as of December 31, 2023 and 2022.

The following is a schedule of the future minimum lease payments due under the operating leases, net of imputed interest, as of December 31, 2023:

Year Ending December 31,	
2024	$ 409,429
2025	423,869
2026	281,087
2027	234,479
2028	239,755
Thereafter	622,538
Subtotal	2,211,157
Less imputed interest	(265,414)
OPERATING LEASE LIABILITIES	**$ 1,945,743**

11. RETIREMENT PLANS

The Organization participates in a multi-employer 401(k) plan (the Plan). All employees other than those classified as temporary employees are eligible to participate in the salary deferral contribution and the safe harbor portion of the Plan upon their date of hire. The Organization's safe harbor non-elective contribution equals 3% of each eligible participant's compensation. Employees other than those classified as temporary employees are eligible to participate in the non-safe harbor non-elective portion of the Plan after a six month period of continuous service. The non-safe harbor portion of the Plan allows the Organization to make a contribution of an additional 3% of each eligible participant's eligible compensation, plus an additional 50% of an eligible participant's elective deferrals up to 5% of each eligible participant's compensation. The Organization's safe harbor and non-safe harbor contributions to the Plan are 100% vested. The Organization's contributions to the Plan consisted entirely of safe harbor contributions totaling $75,983 and $67,629 for the years ended December 31, 2023 and 2022, respectively.

The Organization also sponsored a 403(b) defined contribution retirement plan for employer contributions and a companion 403(b) tax deferred annuity plan for employee deferrals. However, both of these plans were frozen as of December 31, 2011. The Organization no longer provides employer contributions to the 403(b) defined contribution plan.

12. ENDOWMENT FUNDS

The Organization's endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

12. ENDOWMENT FUNDS (Continued)

Interpretation of relevant law -

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the Commonwealth of Massachusetts as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Organization.

Return Objectives and Risk Parameters -

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor specified period(s) as well as Board designated funds.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The objective of the endowment spending policy is to provide a steady, growing income stream to support the Organization’s programs while providing sufficient reinvestment to protect the endowment from inflation. Endowment spending is set at 5% of the three-year moving average of the market value of the endowment funds at the end of each year and an allocation of interest and dividends generated by the fund.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of December 31, 2023 and 2022.

12. ENDOWMENT FUNDS (Continued)

Endowment funds consisted of the following as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions: Available for Appropriation	With Donor Restrictions: Held in Perpetuity	Total
Board designated funds	$ 148,858	$ -	$ -	$ 148,858
Donor restricted funds	-	952,396	9,104,956	10,057,352
ENDOWMENT FUNDS	**$ 148,858**	**$ 952,396**	**$ 9,104,956**	**$ 10,206,210**

Changes in endowment funds consisted of the following as of and for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions: Available for Appropriation	With Donor Restrictions: Held in Perpetuity	Total
Endowment funds, beginning of year	$ 145,058	$ 117,557	$ 9,104,956	$ 9,367,571
Net investment return	3,800	1,149,815	-	1,153,615
Appropriations	-	(314,976)	-	(314,976)
ENDOWMENT FUNDS, END OF YEAR	**$ 148,858**	**$ 952,396**	**$ 9,104,956**	**$ 10,206,210**

Endowment funds consisted of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions: Available for Appropriation	With Donor Restrictions: Held in Perpetuity	Total
Board designated funds	$ 145,058	$ -	$ -	$ 145,058
Donor restricted funds	-	117,557	9,104,956	9,222,513
ENDOWMENT FUNDS	**$ 145,058**	**$ 117,557**	**$ 9,104,956**	**$ 9,367,571**

Changes in endowment funds consisted of the following as of and for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions: Available for Appropriation	With Donor Restrictions: Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 145,860	$ 1,585,061	$ 9,104,956	$ 10,835,877
Net investment return	(802)	(1,346,633)	-	(1,347,435)
Appropriations	-	(120,871)	-	(120,871)
ENDOWMENT FUNDS, END OF YEAR	**$ 145,058**	**$ 117,557**	**$ 9,104,956**	**$ 9,367,571**

13. PRIOR PERIOD RESTATEMENT

The Organization's 2022 financial statements understated net assets with donor restrictions by $850,000 and overstated net assets without donor restrictions by the same amount.

The following provides a reconciliation of net assets as previously reported to net assets as restated as of December 31, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net assets as of December 31, 2022, as previously reported	$ (1,666,976)	$ 13,433,000	$ 11,766,024
Restatement	(850,000)	850,000	-
NET ASSETS AS OF DECEMBER 31, 2022, AS RESTATED	**$ (2,516,976)**	**$ 14,283,000**	**$ 11,766,024**

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 20, 2024, the date the financial statements were issued.