

RACE FORWARD AND AFFILIATE

**Consolidated Financial Statements and
Supplementary Information
For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

RACE FORWARD AND AFFILIATE

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1–3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5–6
Consolidated Statements of Cash Flows	7
Consolidated Statements of Functional Expenses	8–9
Notes to Consolidated Financial Statements	10–21
SUPPLEMENTARY INFORMATION	
Consolidating Statements of Financial Position	22–23
Consolidating Statements of Activities	24–25



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Race Forward and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Race Forward and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Race Forward and Affiliate as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Race Forward and Affiliate, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Race Forward and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether these consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, amount other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mitchell Titus, LLP

September 23, 2022

RACE FORWARD AND AFFILIATE
Consolidated Statements of Financial Position
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 27,454,553	\$ 17,146,991
Investments (Note 4)	4,920,817	63,213
Contribution and grants receivable, net	6,689,936	4,536,396
Prepaid expenses	156,892	93,891
Total current assets	<u>39,222,198</u>	<u>21,840,491</u>
<i>Noncurrent assets</i>		
Contribution and grants receivable, net	1,036,856	541,993
Fixed assets, net of accumulated depreciation (Note 7)	1,201,537	1,259,510
Restricted cash	378,000	378,000
Total assets	<u><u>\$ 41,838,591</u></u>	<u><u>\$ 24,019,994</u></u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 464,238	\$ 479,207
Deferred revenue	415,874	595,400
Accrued vacation	273,787	370,715
Accrued sabbatical	143,060	199,366
Note payable, current (Note 8)	-	1,262,855
Total current liabilities	1,296,959	2,907,543
Note payable, long term (Note 8)	-	-
Total liabilities	<u>1,296,959</u>	<u>2,907,543</u>
Commitments and Contingencies		
<i>Net assets</i>		
Without donor restrictions	23,747,045	12,130,935
With donor restrictions (Note 12)	16,794,587	8,981,516
Total net assets	<u>40,541,632</u>	<u>21,112,451</u>
Total liabilities and net assets	<u><u>\$ 41,838,591</u></u>	<u><u>\$ 24,019,994</u></u>

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

RACE FORWARD AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$ 1,370,342	\$ -	\$ 1,370,342
Grants	12,112,000	15,419,619	27,531,619
Total support	13,482,342	15,419,619	28,901,961
<i>Revenue</i>			
Fees and contracts	3,944,906	-	3,944,906
Rental income	20,900	-	20,900
Sponsorships and events	1,039,029	-	1,039,029
Investment income, net (Note 4)	17,367	-	17,367
Other	9,054	-	9,054
Total revenue	5,031,256	-	5,031,256
Net assets released from restrictions (Note 12)	7,606,548	(7,606,548)	-
Total support and revenue	26,120,146	7,813,071	33,933,217
EXPENSES			
Program services	12,648,481	-	12,648,481
Management and general	2,231,048	-	2,231,048
Fundraising	900,552	-	900,552
Total expenses	15,780,081	-	15,780,081
Change in net assets before other changes	10,340,065	7,813,071	18,153,136
<i>Other changes in net assets</i>			
Forgiveness of Paycheck Protection Program loan (Note 8)	1,276,045	-	1,276,045
Change in net assets	11,616,110	7,813,071	19,429,181
Net assets, beginning of year as adjusted	12,130,935	8,981,516	21,112,451
Net assets, end of year	\$ 23,747,045	\$ 16,794,587	\$ 40,541,632

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

RACE FORWARD AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$ 7,258,352	\$ -	\$ 7,258,352
Grants	2,678,333	5,699,548	8,377,881
Total support	9,936,685	5,699,548	15,636,233
<i>Revenue</i>			
Fees and contracts	2,806,521	-	2,806,521
Rental income	24,520	-	24,520
Sponsorships and events	2,330,540	-	2,330,540
Investment income, net (Note 4)	9,435	-	9,435
Other	68,998	-	68,998
Total revenue	5,240,014	-	5,240,014
Net assets released from restrictions (Note 12)	6,537,112	(6,537,112)	-
Total support and revenue	21,713,811	(837,564)	20,876,247
EXPENSES			
Program services	9,665,456	-	9,665,456
Management and general	2,834,289	-	2,834,289
Fundraising	798,422	-	798,422
Total expenses	13,298,167	-	13,298,167
Change in net assets	8,415,644	(837,564)	7,578,080
Net assets, beginning of year as adjusted	3,715,291	9,819,080	13,534,371
Net assets, end of year	\$ 12,130,935	\$ 8,981,516	\$ 21,112,451

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

RACE FORWARD AND AFFILIATE
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,429,181	\$ 7,578,080
<i>Adjustments to reconcile change in net assets to net cash provided by operations</i>		
Depreciation	104,582	103,410
Net realized and unrealized (loss) gain	(8,977)	3,760
Forgiveness of Paycheck Protection Program loan	(1,262,855)	-
(Increase) decrease in grants and other receivables	(2,648,403)	2,818,153
(increase) decrease in prepaid expenses	(63,001)	26,054
Increase in security deposits	-	115,765
Decrease in accounts payable and accrued expenses	(14,969)	(47,394)
Decrease in deferred revenue	(179,526)	(125,888)
Decrease in deferred rent	-	(12,093)
Decrease in accrued vacation	(96,928)	(51,033)
(Decrease) increase in accrued sabbatical	(56,306)	87,069
Net cash provided by operating activities	<u>15,202,798</u>	<u>10,495,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	57,660	-
Purchases of investments	(4,905,927)	(3,436)
Purchase of property and equipment	<u>(46,609)</u>	<u>(203,669)</u>
Net cash used in investing activities	<u>(4,894,876)</u>	<u>(207,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>1,262,855</u>
Net increase in cash, cash equivalents, and restricted cash	10,307,922	11,551,633
Cash, cash equivalents, and restricted cash - beginning of year	<u>17,524,991</u>	<u>5,973,358</u>
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$ 27,832,913</u></u>	<u><u>\$ 17,524,991</u></u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 41,121</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment by issuing notes to vendors	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

RACE FORWARD AND AFFILIATEConsolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,511,341	\$ 866,822	\$ 439,259	\$ 5,817,422
Payroll taxes and benefits	1,488,179	277,607	144,890	1,910,676
	<u>5,999,520</u>	<u>1,144,429</u>	<u>584,149</u>	<u>7,728,098</u>
Sponsorships	1,273,102	-	1,500	1,274,602
Utilities	67,185	12,901	6,538	86,624
Dues and subscriptions	12,270	29,067	-	41,337
Occupancy	286,064	54,965	27,853	368,882
Office supplies and expenses	64,550	10,400	5,425	80,375
Professional fees	4,744,493	573,239	255,087	5,572,819
Postage	1,769	4,079	795	6,643
Printing	9	110	5,740	5,859
Travel, meetings, and conferences	68,653	13,611	2,931	85,195
Promotions and advertising	23,047	8,467	1,699	33,213
Bank charges	16,970	96,482	-	113,452
Insurance	50,286	9,662	4,896	64,844
Depreciation	-	104,582	-	104,582
Miscellaneous fees and taxes	40,563	169,054	3,939	213,556
Total expenses	<u>\$ 12,648,481</u>	<u>\$ 2,231,048</u>	<u>\$ 900,552</u>	<u>\$ 15,780,081</u>

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

RACE FORWARD AND AFFILIATEConsolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,908,219	\$ 1,157,827	\$ 418,756	\$ 5,484,802
Payroll taxes and benefits	1,285,744	277,885	129,940	1,693,569
	5,193,963	1,435,712	548,696	7,178,371
Sponsorships	1,100,610	-	6,000	1,106,610
Utilities	75,938	11,182	6,060	93,180
Dues and subscriptions	10,364	5,613	749	16,726
Occupancy	439,610	64,332	32,167	536,109
Office supplies and expenses	109,197	13,093	9,952	132,242
Professional fees	2,307,618	866,994	175,095	3,349,707
Postage	1,024	4,399	964	6,387
Printing	2,932	73	7,772	10,777
Travel, meetings, and conferences	297,639	18,686	4,306	320,631
Promotions and advertising	17,136	2,201	-	19,337
Bank charges	18,030	146,098	-	164,128
Board expenses	-	-	-	-
Insurance	51,512	16,182	3,769	71,463
Depreciation	-	103,410	-	103,410
Miscellaneous fees and taxes	39,883	146,314	2,892	189,089
Total expenses	\$ 9,665,456	\$ 2,834,289	\$ 798,422	\$ 13,298,167

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

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES

Race Forward, a California not-for-profit corporation, seeks to advance racial justice through research, media and practice. Race Forward's mission is to catalyze movement building for racial justice. In partnership with communities, organizations, and sectors, Race Forward builds strategies to advance racial justice in our policies, institutions, and culture.

On April 20, 2017, the Board of Directors of Race Forward passed a resolution to form a strategic affiliation with Center for Social Inclusion, Inc. (CSI), which became effective July 1, 2017. Race Forward entered into a Memo of Understanding with CSI that set the proposed conditions for this strategic affiliation. To implement the structure, Race Forward became the sole member of CSI, with the power to appoint and elect directors and all such other powers and rights provided for under New York State law. As a result of this transaction, a contribution of CSI's net asset balance at July 1, 2017 totaling \$3,293,772 was made to Race Forward. The programs developed by CSI to address racial inequities within specific issue areas and/or sectors continue under the strategic affiliation. Race Forward and CSI are collectively referred to as the "Organization" and the accompanying consolidated financial statements include the activities of CSI. All intercompany accounts have been eliminated.

CSI, a New York not-for-profit corporation, catalyzes community, government, and other institutions to dismantle structural racial inequity and create equitable outcomes for all. CSI's strategic approach centers on four interlocking strategies: (1) working with community groups and national organizations to develop policy ideas, (2) capacity building through multi-racial coalition building, convening, leadership development, and trainings, (3) developing tools for communicating about race, and (4) developing and implementing institutional change strategies to operationalize structural racial equity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net Assets

The Organization reports information regarding its financial position and activities according to the following specific net asset classes:

Without Donor Restrictions – represents all activity without donor-imposed restrictions.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Assets *(continued)*

With Donor Restrictions – represents contributions of cash and other assets with donor stipulations either that expire with the passage of time, can be fulfilled and removed by the actions of the Organization pursuant to those stipulations or must remain intact, in perpetuity, due to restrictions placed by the donor. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions with a restriction that is satisfied in the same period that it was received are recorded as net assets without donor restrictions.

Revenue Recognition

Unconditional contributions and grants, including promises to give, are recorded at fair value and recognized as revenue when received or pledged. Such contributions are recorded as with donor restrictions or without donor restrictions depending on the existence of any donor restriction.

Contributions of non-cash assets are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Revenue is recognized when the services outlined in contracts are rendered under fee for service agreements. Payments received in advance of the completion of the earning process are reported as deferred revenue.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions and Grants Receivable

The Organization considers all contributions and grants receivable to be fully collectible at December 31, 2021 and 2020. Accordingly, no allowance for doubtful accounts was deemed necessary as of December 31, 2021 and 2020. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions and grants receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Tax Status

Race Forward and CSI both qualify as charitable organizations, as defined by Internal Revenue Code (IRC) Section 501(c)(3) and, accordingly, are exempt from Federal income tax under IRC Section 501(a). Additionally, since both are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the IRC. Race Forward and CSI are also exempt from state and local income taxes.

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Organization. The consolidated financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2021 and 2020, there were no uncertain tax positions taken or expected to be taken. The Organization has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Significant Concentrations

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash and money market accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While, at year end, the Organization had material uninsured balances, management believes that they have little risk and losses have not been experienced due to bank failure.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Concentrations *(continued)*

During the years ended December 31, 2021 and 2020, approximately 28% and 20%, respectively, of the contributions and grants revenue were from two funders.

As of December 31, 2021 and 2020, approximately 41% and 46%, respectively, of the contributions and grants receivable were from two funders.

	<u>2021</u>	<u>2020</u>
<i>Significant concentrations</i>		
Contributions and grants revenue	28%	20%
Contributions and grants receivable	41%	46%

Fixed Assets

Fixed assets that the Organization retains the title to and capital items purchased, which benefit future periods, are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset.

The Organization evaluates impairments on fixed assets, which are held for use, whenever events or circumstances indicate that impairment may exist. Management has determined that fixed assets were not impaired at December 31, 2021 and 2020.

Deferred Rent

The Organization recognizes rent expense evenly over the life of the lease using the straight-line method. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent," and is reflected in the accompanying consolidated statements of financial position.

Donated Services

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, which are provided by individuals possessing those skills.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services have not been recorded in the consolidated financial statements because they do not meet the criteria for recognition as outlined above.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements, which include all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Statements of Cash Flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the accompanying consolidated statements of financial position that sum to the total of the same amounts in the accompanying consolidated statements of cash flows.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 27,454,553	\$ 17,146,991
Restricted cash	<u>378,000</u>	<u>378,000</u>
	<u>\$ 27,832,553</u>	<u>\$ 17,524,991</u>

Amounts included in restricted cash represent a security deposit by the Organization required in conjunction with a letter of credit. See Note 10 for further information.

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU requires an entity to recognize all lease assets and lease liabilities on the statement of financial position and disclose key information about leasing arrangements. The ASU is effective for annual financial statements for fiscal years beginning after December 15, 2021. The Organization has not yet evaluated the impact that this standard will have on future consolidated financial statements.

Recently Adopted Authoritative Guidance

In 2020, Race Forward adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of December 31, 2020. The adoption of the ASU did not have a material impact on the Organization's consolidated statements of financial position and statements of activities; therefore, no cumulative adjustment to beginning net assets was required as a result of adoption. Prior years have not been restated.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which impacted the activities of the Organization, though not significantly. Other financial impacts could occur in 2022, although such potential impact is unknown at this time. No adjustments or provisions were made in these consolidated financial statements related to COVID-19.

Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through September 23, 2022, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through our evaluation date that would require adjustment to or disclosure in the consolidated financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 27,454,553	\$ 17,146,991
Investments	4,920,817	63,213
Contribution and grants receivable, net	6,689,936	4,536,396
Total	<u><u>\$ 39,065,306</u></u>	<u><u>\$ 11,706,325</u></u>

As part of Race Forward's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Race Forward has a \$1,500,000 line of credit and a margin account secured by investments that it can draw upon.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE 4 INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<i>At fair value</i>		
Mutual funds	\$ 3,825,900	\$ -
Exchange traded products	1,094,917	-
Preferred stock	-	11,435
Corporate bonds	-	30,250
Collateralized mortgage obligations	-	21,528
Total	<u><u>\$ 4,920,817</u></u>	<u><u>\$ 63,213</u></u>

Net investment income for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 26,342	\$ 5,675
Realized gain	27,834	-
Unrealized (loss) gain, net of fees	(36,809)	3,760
	<u><u>\$ 17,367</u></u>	<u><u>\$ 9,435</u></u>

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (*i.e.*, an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar asset and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The following valuation methodologies were used for assets measured at fair value:

The fair value of interest-bearing cash is based on observable market prices and, therefore, has been categorized in Level 1 in the fair value hierarchy.

Mutual funds and exchange-traded products are stated at fair value based on the last quoted evaluation price. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 in the fair value hierarchy.

Preferred stock is valued daily based on quoted prices in active markets and is categorized as Level 1.

Corporate bonds are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences are categorized as Level 2.

Collateralized mortgage obligations are structured deals backed by specific pools of collateral and are valued based on available trades or market comparable securities. These investments are categorized as Level 2 in the fair value hierarchy.

The fair values of assets measured on a recurring basis were as follows at December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Interest-bearing cash	\$ 13,911,243	\$ -	\$ -	\$ 13,911,243
Mutual funds	3,825,900	-	-	3,825,900
Exchange-traded products	-	1,094,917	-	1,094,917
Total	\$ 17,737,143	\$ 1,094,917	\$ -	\$ 18,832,060
	2020			
	Level 1	Level 2	Level 3	Total
<i>Fixed income</i>				
Interest-bearing cash	\$ 2,310,275	\$ -	\$ -	\$ 2,310,275
Preferred stock	11,435	-	-	11,435
Corporate bonds	-	30,250	-	30,250
Collateralized mortgage obligations	-	21,528	-	21,528
Total	\$ 2,321,710	\$ 51,778	\$ -	\$ 2,373,488

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

The Organization has received promises to give from donors as of December 31, 2021 and 2020, that will be received over the course of the next two years.

The table below breaks down the contributions and grants receivable by the timeframe in which they will be received. Contributions and grants receivable at December 31, 2021 and 2020, consisted of amounts to be received as follows:

	2021	2020
Less than one year	\$ 6,689,936	\$ 6,047,430
One to five years	1,100,000	575,000
Fair value adjustment	(63,144)	(33,007)
Total	\$ 7,726,792	\$ 7,896,542

NOTE 7 FIXED ASSETS

Fixed assets, net at December 31, 2021 and 2020, are comprised of the following:

	2021	2020
Equipment and furniture	\$ 412,934	\$ 366,325
Building and improvements	1,331,929	1,331,929
Donated land in Ithaca, NY	75,000	75,000
Less: Accumulated depreciation	(618,326)	(513,744)
Total	\$ 1,201,537	\$ 1,259,510
Depreciation expense	\$ 104,582	\$ 103,410

Depreciation expense for the years ended December 31, 2021 and 2020 was \$104,582 and \$103,410, respectively.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 8 NOTES PAYABLE

The Organization has notes payable at December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Note payable to Mechanics Bank with interest of 1.00% unsecured, payable in monthly installments of \$71,070, due and payable on April 23, 2023. As part of the Paycheck Protection Program (PPP), this note payable was forgiven in 2021.	\$ -	\$ 1,262,855
Less: Current portion	-	(1,262,855)
Total	<u>\$ -</u>	<u>\$ -</u>

On March 27, 2020, in response to COVID-19, the Federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying entities through a program called the PPP. Participating in the PPP enables an entity to obtain a loan from the U.S. Small Business Administration (SBA). The Organization entered into a loan agreement in the amount of \$1,262,855 with an SBA-authorized lender in April 2020. The term of the loan is two years and bears interest at a fixed rate of 1% per year. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight-week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Organization's employees.

On March 25, 2021, Race Forward applied for PPP loan forgiveness through Mechanics Bank. The bank completed its review of the application on April 29, 2021, and submitted the application to the SBA for final decision. Full forgiveness in the amount of \$1,262,855 was granted to Race Forward on May 6, 2021

NOTE 9 LINE OF CREDIT

In August 2019, the Organization entered into a line of credit of \$1,500,000. The Organization pays interest on any borrowing based on the bank prime lending rate at the time of borrowing. As of December 31, 2021, there was no outstanding balance on the line of credit.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 10 COMMITMENTS

On July 1, 2012, CSI entered into an operating lease for office space that expired on July 31, 2020. There are no future guaranteed minimum payments on the lease.

On December 1, 2018, Race Forward entered into an operating lease for office space that expires on February 28, 2029. The Organization provided a letter of credit of \$360,000 toward a related required security deposit. The letter of credit was procured from the bank upon deposit of \$378,000, which has been disclosed as restricted cash on the consolidated statements of financial position.

Future guaranteed minimum payments on the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 397,331
2023	407,877
2024	420,113
2025	434,051
Thereafter	1,511,095
Total	<u><u>\$ 3,170,467</u></u>

Total rent expense for Race Forward for the years ended December 31, 2021 and 2020 was approximately \$368,882 and \$536,109, respectively. Total rent expense for CSI for the years ended December 31, 2021 and 2020 was approximately \$0 and \$0, respectively.

NOTE 11 CONTINGENCIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grants. Management's opinion is that it has complied with the terms of all grants.

RACE FORWARD AND AFFILIATE

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 11 CONTINGENCIES *(continued)*

Sabbaticals

The Organization offers eligible employees a three-month paid sabbatical leave after every five years of service. Employees may apply for another three-month paid sabbatical leave after eight years of service. Following the eighth year of employment, employees may take one paid three-month sabbatical after every five years. Leave must be taken within one year of the date the employee becomes eligible or it will be forfeited. Sabbatical leave is subject to the financial health of the Organization. The President and the Board of Directors retain the discretion to grant or deny requests for sabbatical leave. As of December 31, 2021 and 2020, the Organization had accrued \$143,060 and \$199,366, respectively, of sabbatical leave.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Programs	\$ 7,987,670	\$ 2,516,618
Time restrictions	<u>8,806,917</u>	<u>6,464,898</u>
Total	<u><u>\$ 16,794,587</u></u>	<u><u>\$ 8,981,516</u></u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purposes specified by donors or by the passage of time during the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Programs	\$ 2,566,482	\$ 2,343,422
Time restrictions	<u>5,040,066</u>	<u>4,193,690</u>
Total	<u><u>\$ 7,606,548</u></u>	<u><u>\$ 6,537,112</u></u>

NOTE 13 PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). Full-time employees become eligible for participation in the Plan after one year of employment and vest over the next five years. During the years ended December 31, 2021 and 2020, the Organization contributed \$150,771 and \$150,271, respectively, to the Plan.

SUPPLEMENTARY INFORMATION

RACE FORWARD AND AFFILIATE
Consolidating Statement of Financial Position
As of December 31, 2021

	December 31, 2021			
	Race Forward	CSI	Eliminations	Consolidated Total 2021
ASSETS				
Cash and cash equivalents	\$ 27,399,601	\$ 54,952	\$ -	\$ 27,454,553
Investments	4,920,817	-	-	4,920,817
Controlling interest in CSI	3,293,772	-	(3,293,772)	-
Contribution and grants receivable, net	7,726,792	-	-	7,726,792
Prepaid expenses and other assets	148,934	7,958	-	156,892
Fixed assets, net	1,201,537	-	-	1,201,537
Due from Race Forward	-	42,741	(42,741)	-
Restricted cash	378,000	-	-	378,000
Total assets	\$ 45,069,453	\$ 105,651	\$ (3,336,513)	\$ 41,838,591
LIABILITIES				
Accounts payable and accrued expenses	\$ 464,238	\$ -	\$ -	\$ 464,238
Accrued vacation	273,787	-	-	273,787
Accrued sabbatical	143,060	-	-	143,060
Deferred revenue	415,874	-	-	415,874
Due to CSI	42,741	-	(42,741)	-
Total liabilities	1,339,700	-	(42,741)	1,296,959
NET ASSETS				
Without donor restrictions	25,048,089	105,651	(1,406,695)	23,747,045
With donor restrictions	18,681,664	-	(1,887,077)	16,794,587
Total net assets	43,729,753	105,651	(3,293,772)	40,541,632
Total liabilities and net assets	\$ 45,069,453	\$ 105,651	\$ (3,336,513)	\$ 41,838,591

RACE FORWARD AND AFFILIATE
Consolidating Statement of Financial Position
As of December 31, 2020

	December 31, 2020			
	Race Forward	CSI	Eliminations	Consolidated Total 2020
ASSETS				
Cash and cash equivalents	\$ 17,085,682	\$ 61,309	\$ -	\$ 17,146,991
Investments	63,213	-	-	63,213
Controlling interest in CSI	3,293,772	-	(3,293,772)	-
Contribution and grants receivable, net	5,078,389	-	-	5,078,389
Prepaid expenses and other assets	86,516	7,375	-	93,891
Fixed assets, net	1,259,167	343	-	1,259,510
Notes receivable	-	-	-	-
Due from Race Forward	-	57,835	(57,835)	-
Restricted cash	378,000	-	-	378,000
Total assets	\$ 27,244,739	\$ 126,862	\$ (3,351,607)	\$ 24,019,994
LIABILITIES				
Accounts payable and accrued expenses	\$ 478,966	\$ 241	\$ -	\$ 479,207
Accrued vacation	370,715	-	-	370,715
Accrued sabbatical	199,366	-	-	199,366
Deferred revenue	595,400	-	-	595,400
Due to CSI	57,835	-	(57,835)	-
Note payable	1,262,855	-	-	1,262,855
Total liabilities	2,965,137	241	(57,835)	2,907,543
NET ASSETS				
Without donor restrictions	13,411,009	126,621	(1,406,695)	12,130,935
With donor restrictions	10,868,593	-	(1,887,077)	8,981,516
Total net assets	24,279,602	126,621	(3,293,772)	21,112,451
Total liabilities and net assets	\$ 27,244,739	\$ 126,862	\$ (3,351,607)	\$ 24,019,994

RACE FORWARD AND AFFILIATE
Consolidating Statement of Activities
Year Ended December 31, 2021

	December 31, 2021			
	Race Forward	CSI	Eliminations	Consolidated Total 2021
PUBLIC SUPPORT AND REVENUE				
<i>Public support</i>				
Contributions	\$ 1,367,926	\$ 2,416	\$ -	\$ 1,370,342
Grants	27,531,619	-	-	27,531,619
Total public support	28,899,545	2,416	-	28,901,961
<i>Revenue</i>				
Fees and contracts	3,944,906	-	-	3,944,906
Sponsorships and events	1,039,029	-	-	1,039,029
Investment income, net	17,317	50	-	17,367
Rental income	20,900	-	-	20,900
Other income	9,053	1	-	9,054
Total public support and revenue	33,930,750	2,467	-	33,933,217
EXPENSES				
Program services	12,631,231	17,250	-	12,648,481
Management and general	2,226,617	4,431	-	2,231,048
Fundraising	898,796	1,756	-	900,552
Total operating expenses	15,756,644	23,437	-	15,780,081
Change in net assets	18,174,106	(20,970)	-	18,153,136
Forgiveness of Paycheck Protection Program Loan (Note 8)	1,276,045	-	-	1,276,045
Net assets, beginning of year	24,279,602	126,621	(3,293,772)	21,112,451
Net assets, end of year	\$ 43,729,753	\$ 105,651	\$ (3,293,772)	\$ 40,541,632

RACE FORWARD AND AFFILIATE
Consolidating Statement of Activities
Year Ended December 31, 2020

	December 31, 2020			
	Race Forward	CSI	Eliminations	Consolidated Total 2020
PUBLIC SUPPORT AND REVENUE				
<i>Public support</i>				
Contributions	\$ 7,254,708	\$ 3,644	\$ -	\$ 7,258,352
Grants	8,377,881	-	-	8,377,881
Total public support	15,632,589	3,644	-	15,636,233
<i>Revenue</i>				
Fees and contracts	2,806,521	-	-	2,806,521
Sponsorships and events	2,330,540	-	-	2,330,540
Investment income, net	9,385	50	-	9,435
Rental income	24,520	-	-	24,520
Other income	53,693	15,305	-	68,998
Total public support and revenue	20,857,248	18,999	-	20,876,247
EXPENSES				
Program services	9,481,557	183,899	-	9,665,456
Management and general	2,763,500	70,789	-	2,834,289
Fundraising	784,979	13,443	-	798,422
Total operating expenses	13,030,036	268,131	-	13,298,167
Contribution from CSI	-	-	-	-
Change in net assets	7,827,212	(249,132)	-	7,578,080
Net assets, beginning of year	16,452,390	375,753	(3,293,772)	13,534,371
Net assets, end of year	\$ 24,279,602	\$ 126,621	\$ (3,293,772)	\$ 21,112,451

