

RACE FORWARD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023



**RACE FORWARD
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YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Race Forward

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Race Forward, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Race Forward as of December 31, 2023, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Race Forward 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 Race Forward's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the 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 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 the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Race Forward'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 Race Forward'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.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
June 24, 2024

**RACE FORWARD
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

ASSETS

Current assets	
Cash and cash equivalents	\$ 4,537,289
Investments, at fair value	17,242,600
Grants and contributions receivable, current	7,443,075
Prepaid expenses	405,024
Total current assets	<u>29,627,988</u>
Noncurrent assets	
Grants and contributions receivable, noncurrent	3,864,643
Property and equipment, net	959,886
Right-of-use asset	2,175,701
Restricted cash	378,000
Total noncurrent assets	<u>7,378,230</u>
TOTAL ASSETS	<u><u>\$ 37,006,218</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	
Accounts payable	\$ 604,624
Accrued vacation and sabbatical	695,530
Deferred revenue	636,598
Operating lease liability, current	420,113
Total current liabilities	<u>2,356,865</u>
Noncurrent liabilities	
Operating lease liability, noncurrent	<u>1,846,702</u>
TOTAL LIABILITIES	<u>4,203,567</u>

NET ASSETS

Net Assets	
Without donor restrictions	11,730,645
With donor restrictions	21,072,006
TOTAL NET ASSETS	<u>32,802,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 37,006,218</u></u>

RACE FORWARD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 695,517	\$ 22,548,704	\$ 23,244,221
Fees and contracts	2,763,065	-	2,763,065
Sponsorships and events	730,205	-	730,205
Net investment income	1,584,792	-	1,584,792
Rental income	7,700	-	7,700
Other	51,432	-	51,432
Net assets released from restrictions	13,008,928	(13,008,928)	-
Total support and revenue	18,841,639	9,539,776	28,381,415
EXPENSES			
Program services	20,798,616	-	20,798,616
Management and general	4,097,772	-	4,097,772
Fundraising	1,037,768	-	1,037,768
Total expenses	25,934,156	-	25,934,156
Change in net assets	(7,092,517)	9,539,776	2,447,259
NET ASSETS			
Beginning of year, as restated	18,823,162	11,532,230	30,355,392
End of year	<u>\$ 11,730,645</u>	<u>\$ 21,072,006</u>	<u>\$ 32,802,651</u>

See accompanying Notes to Financial Statements.

RACE FORWARD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

Description	Program Services	Management and General	Fundraising	Total
Salaries	\$ 7,952,769	\$ 1,635,994	\$ 597,761	\$ 10,186,524
Payroll taxes and employee benefits	2,604,799	535,843	195,787	3,336,429
Total salaries and related expenses	10,557,568	2,171,837	793,548	13,522,953
Bank charges	33,512	30,653	-	64,165
Depreciation	-	123,302	-	123,302
Dues and subscriptions	17,749	59,737	5,259	82,745
Insurance	97,172	19,989	7,304	124,465
Miscellaneous fees and taxes	95,687	75,477	3,098	174,262
Occupancy	401,230	82,538	30,158	513,926
Office supplies and expenses	89,146	15,787	5,767	110,700
Postage	4,866	12,694	3,399	20,959
Printing	9,305	47	8,902	18,254
Professional fees	6,218,378	1,310,793	155,818	7,684,989
Promotions and advertising	26,909	5,072	1,853	33,834
Sponsorships	1,623,377	149,775	10,000	1,783,152
Travel, meetings, and conferences	1,559,994	26,963	7,872	1,594,829
Utilities	63,723	13,108	4,790	81,621
Total	<u>\$ 20,798,616</u>	<u>\$ 4,097,772</u>	<u>\$ 1,037,768</u>	<u>\$ 25,934,156</u>

See accompanying Notes to Financial Statements.

**RACE FORWARD
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,447,259
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	123,302
Net realized losses on marketable securities	211,620
Net unrealized (gains) on marketable securities	(1,294,014)
Noncash lease expense	31,165
Decrease (Increase) in Assets:	
Grants and contributions receivable	(7,036,913)
Prepaid expenses	(52,408)
Increase (Decrease) in Liabilities:	
Accounts payable	(203,001)
Accrued vacation and sabbatical	46,542
Deferred revenue	(59,277)
Net cash used in operating activities	<u>(5,785,725)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of marketable securities	(10,383,457)
Proceeds from sale of marketable securities	15,635,319
Purchases of property and equipment	(6,554)
Proceeds from sale of property and equipment	69,776
Net cash provided by investing activities	<u>5,315,084</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (470,641)

Cash and cash equivalents - beginning of year 5,385,930

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 4,915,289

Cash Reconciliation

Cash and cash equivalents	\$ 4,537,289
Restricted cash	378,000
	<u><u>\$ 4,915,289</u></u>

See accompanying Notes to Financial Statements.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 ORGANIZATION

Race Forward (“the Organization”), a 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. The Organization is funded primarily through grants, contributions, fees and contracts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization’s financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. The Organization does not have any donor restrictions that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and the differences could be material.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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

Investments

The Organization's investments in equity securities with readily ascertainable fair values are measured at fair market value in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Marketable securities consisted of fixed income such as mutual funds and exchange-traded products.

Grants and Contributions Receivable

The Organization considers all contributions and grants receivable to be fully collectible at December 31, 2023. Accordingly, no allowance for doubtful accounts was deemed necessary as of December 31, 2023. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Grants and contributions 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.

Property and Equipment

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.

	<u>Years</u>
Furniture and equipment	3 - 7
Buildings and improvements	39

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, 2023.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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

Revenue Recognition

The Organization recognizes contributions when received. Conditional contributions are not recognized until the conditions on which they depend have been substantially met. Unconditional contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restrictions is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fee and contract 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.

Sponsorships and event revenue consists of registrations and sponsorships that are recognized as revenue when the performance obligations are met, which is the occurrence of the event.

Sponsorships Expense

Sponsorships expense consists of grant expenditures which are recognized in the period the grant is approved unless the grant is subject to future contingencies. Grants that are subject to future contingencies, conditional grants, are recognized as grant expenses and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. There were \$0 grants payable as of December 31, 2023.

Functional Allocation of Expenses

The costs of providing The Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program services, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on a percentage of use by the functional areas.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash. The Organization maintains its cash in various bank accounts in one financial institution that, at times, may exceed federally insured limits. As of December 31, 2023, the Organization had a \$772,415 uninsured cash balance exceeding the federally insured limit of \$250,000.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for federal income taxes is included in these financial statements. In addition, for the year ended December 31, 2023, the Organization had no unrelated business income. The Organization follows the income tax standard for uncertain tax positions and has concluded that as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability in the financial statements or disclosure.

NOTE 3 **RESTATEMENT OF NET ASSETS**

There was an adjustment to increase the beginning net assets balance in the amount of \$131,455. The adjustment related to fees and contracts revenue, specifically memberships dues in the amount of \$96,083 and fees for service in the amount of \$35,372 which should have been recorded as revenue as of December 31, 2022, but were recorded as of December 31, 2023, instead.

The impact of the adjustment on beginning net assets is as follows:

Net assets, beginning of year	\$ 30,223,937
Adjustment	131,455
Net assets, beginning of year, as restated	<u>\$ 30,355,392</u>

NOTE 4 **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 are comprised of the following:

Financial assets, at year-end	\$ 29,222,964
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	<u>15,384,506</u>
Total Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 13,838,458</u>

As part of the Organization'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 \$3,000,000 line of credit and a margin account secured by investments that it can draw upon.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 5 **INVESTMENTS**

Investments are stated at fair value and consisted of the following at December 31, 2023:

Preferred stock/Mutual stock funds	\$ 10,690,599
Exchange-traded products	<u>6,552,001</u>
Total	<u><u>\$ 17,242,600</u></u>

Net investment income for the year ended December 31, 2023 consisted of the following:

Interest and dividends	\$ 639,720
Realized (loss)	(211,620)
Unrealized gain, net of fees	<u>1,156,692</u>
Total	<u><u>\$ 1,584,792</u></u>

NOTE 6 **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 value 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 assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

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:

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.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets measured on a recurring basis were as follows at December 31, 2023:

	Fair Value	Level 1	Level 2	Level 3
<i>Fixed income</i>				
Mutual funds	\$ 10,690,599	\$ 10,690,599	\$ -	\$ -
Exchange-traded products	6,552,001	6,552,001	-	-
Total	<u>\$ 17,242,600</u>	<u>\$ 17,242,600</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has received promises to give from donors as of December 31, 2023 that will be received over the course of the next two years.

The table below breaks down the grants and contributions receivable by the timeframe in which they will be received. Grants and contributions receivable at December 31, 2023 consisted of amounts to be received as follows:

Less than once year	\$ 7,443,075
One to five years	4,100,000
Fair value adjustment	<u>(235,357)</u>
Total	<u>\$ 11,307,718</u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment, net at December 31, 2023, are comprised of the following:

Buildings and improvements	\$ 1,337,153
Furniture and equipment	468,448
Less: accumulated depreciation	<u>(845,715)</u>
Property and equipment, net	<u><u>\$ 959,886</u></u>

NOTE 9 LINE OF CREDIT

The Organization has a line of credit of \$3,000,000. The Organization pays interest on any borrowing based on the bank prime lending rate at the time of borrowing. As of December 31, 2023, there was no outstanding balance on the line of credit.

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 10 OPERATING LEASE

On December 1, 2018, the Organization 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 statement of financial position.

Total rent expense for the Organization for the year ended December 31, 2023, was \$407,877 and is included in occupancy in the statement of functional expenses.

The Organization recognizes lease liabilities and their corresponding right-of-use assets at the lease commencement date, and initially measures the lease liabilities and right-of-use assets using the present value of lease payments over the defined lease term discounted using the incremental borrowing rate or risk-free rate.

The weighted-average lease term and discount rate as of December 31, 2023, was 5.16 years and 1.77%, respectively.

A maturity analysis of future lease payments under operating leases (with remaining terms in excess of one year) at December 31, 2023 is as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 420,113
2025	434,051
2026	461,746
2027	475,598
2028	489,866
Thereafter	83,884
	<u>2,365,258</u>
Liability accretion	(98,443)
Total	<u><u>\$ 2,266,815</u></u>

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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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, 2023, the Organization had accrued \$50,685 of sabbatical leave.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follow as of December 31, 2023:

Subject to time restrictions	\$ 10,704,660
Subject to expenditure for specified purposes:	
Colorlines	167,297
Emergent/innovative strategies	1,622,430
Government alliance on race and equity	7,575,039
Honest education action and leadership	193,848
Housing justice narrative strategy	147,362
Policy lab	360,587
Other programs	300,783
Total subject to expenditure for specified purposes	10,367,346
Total with donor restrictions	<u>\$ 21,072,006</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 year ended December 31, 2023 as follows:

Satisfaction of time restrictions	\$ 5,738,733
Satisfaction of purpose restrictions:	
Colorlines	82,703
Emergent/innovative strategies	528,575
Government alliance on race and equity	4,315,651
Honest education action and leadership	434,912
Housing justice narrative strategy	873,040
Narrative and cultural strategies	317,489
Policy lab	482,788
Other programs	235,037
Total released related to programs	7,270,195
Total released from restrictions	<u>\$ 13,008,928</u>

RACE FORWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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 year ended December 31, 2023, the Organization contributed \$219,054 to the Plan.

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 24, 2024, the date which the financial statements were available to be issued.