SKILLSUSA, INC.

Leesburg, Virginia

FINANCIAL STATEMENTS

August 31, 2023

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SkillsUSA, Inc.
Leesburg, Virginia

Opinion

We have audited the financial statements of SkillsUSA, Inc. which comprise the statements of financial position as of August 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SkillsUSA, Inc. as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 SkillsUSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 SkillsUSA'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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 SkillsUSA'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 SkillsUSA'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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
January 23, 2024

SKILLSUSA, INC.

Statements of Financial Position
August 31, 2023 and 2022

Assets	**2023**	**2022**
Current Assets		
Cash and cash equivalents	$ 410,927	$ 1,955,823
Accounts receivable, net	874,198	826,934
Pledge receivable, net	538,325	212,150
Prepaid expenses	252,525	198,548
Inventory	119,500	116,191
Total current assets	2,195,475	3,309,646
Noncurrent Assets		
Capital improvement fund	1,004,910	945,544
Investments	5,312,398	1,487,591
Right-of-use assets - operating	466,760	- -
Intangibles, net	1,279,506	453,429
Property and equipment, net	635,281	2,379,685
Total noncurrent assets	8,698,855	5,266,249
Total assets	$ 10,894,330	$ 8,575,895
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 885,839	$ 812,777
Deferred revenue	26,000	71,000
Current portion of lease liabilities - operating	109,634	- -
Total current liabilities	1,021,473	883,777
Lease Liabilities - operating, less current portion	364,440	- -
Net Assets		
Without donor restrictions:		
Undesignated	4,943,301	3,022,475
Designated by the governing board for contingencies	1,000,000	1,000,000
Total net assets without donor restrictions	5,943,301	4,022,475
With donor restrictions	3,565,116	3,669,643
Total net assets	9,508,417	7,692,118
Total liabilities and net assets	$ 10,894,330	$ 8,575,895

See Notes to Financial Statements.

SKILLSUSA, INC.

Statements of Activities

For the Years Ended August 31, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions		
Revenue, gains and other support:		
Membership dues	$ 2,522,264	$ 2,091,184
Conferences	4,356,553	3,534,432
Grants and contributions	2,510,007	2,097,847
Nonfinancial contributions	4,607,736	2,465,396
Educational resources	1,022,646	1,094,989
Supply service royalty	325,658	235,337
Insurance and affinity revenue	36,068	28,523
Investment return, net	176,893	(478,906)
Gain on sale of building and equipment	2,260,396	- -
Government grant - Paycheck Protection Program	- -	602,715
Employee retention tax credit	169,049	632,877
Other	4,736	2,104
Net assets released from restrictions	2,534,830	1,982,603
Total revenues, gains and other support	20,526,836	14,289,101
Expenses:		
Program services		
NLSC/Skills competition	9,271,242	6,596,157
Membership services	4,130,533	3,852,862
Conference and other	2,275,765	1,932,817
Educational resources	1,711,606	1,432,038
	17,389,146	13,813,874
Supportive services		
Management and general	854,834	796,597
Fundraising	362,030	343,722
	1,216,864	1,140,319
Total expenses	18,606,010	14,954,193
Increase (decrease) in net assets without donor restrictions	1,920,826	(665,092)
Change in net assets with donor restrictions		
Contributions	2,430,303	1,367,329
Net assets released from restrictions	(2,534,830)	(1,982,603)
(Decrease) in net assets with donor restrictions	(104,527)	(615,274)
Change in net assets	1,816,299	(1,280,366)
Net assets, beginning of year	7,692,118	8,972,484
Net assets, end of year	$ 9,508,417	$ 7,692,118

See Notes to Financial Statements.

SKILLSUSA, INC.

Statements of Cash Flows
For the Years Ended August 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 1,816,299	$ (1,280,366)
Adjustments to reconcile change in net assets to net cash (used in) by operating activities:		
Depreciation and amortization	733,019	664,824
Amortization of right-of-use assets - operating	109,752	- -
Realized and unrealized (gain) loss on investments	(127,064)	620,540
Gain on sale of property and equipment	(2,260,396)	- -
PPP loan forgiveness	- -	(602,715)
Contributed contest assets	- -	(400,681)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(47,264)	(756,596)
(Increase) decrease in pledge receivable	(326,175)	67,600
(Increase) decrease in prepaid expenses	(53,977)	10,103
Increase) decrease in inventory	(3,309)	9,518
Increase in accounts payable and accrued expenses	73,062	228,810
(Decrease) increase in deferred revenue	(45,000)	15,993
(Decrease) in lease liabilities - operating	(102,438)	- -
Net cash (used in) operating activities	(233,491)	(1,422,970)
Cash Flows from Investing Activities		
Purchases of property and equipment	(109,335)	(146,638)
Proceeds from sale of property and equipment	3,706,401	- -
Purchases of intangible assets	(1,151,362)	- -
Purchases of investment securities	(3,757,109)	(141,633)
Net cash (used in) investing activities	(1,311,405)	(288,271)
Net (decrease) in cash and cash equivalents	(1,544,896)	(1,711,241)
Cash and Cash Equivalents		
Beginning of year	1,955,823	3,667,064
End of year	$ 410,927	$ 1,955,823
Supplemental Cash Flow Information		
Noncash contributions	$ 4,607,736	$ 2,465,396
Right-of-use assets and lease liabilities recognized with the adoption of ASC 842, *Leases*	$ 576,512	$ - -

See Notes to Financial Statements.

Note 1. Organization and Significant Accounting Policies

Organization

SkillsUSA, Inc. is a national organization serving students in the trade, industrial, technical and health occupations in the United States. Its members are students and teachers in secondary and post-secondary public vocational programs throughout the nation. SkillsUSA, Inc. incorporates leadership, citizenship, and character development programs and activities into the skill training offered in America's schools. SkillsUSA, Inc. emphasizes respect for the dignity of work, trade ethics, workmanship, scholarship and safety.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of SkillsUSA are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

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

Cash Equivalents

SkillsUSA considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Revenue Recognition

SkillsUSA recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

Earned income, including conferences, educational resources, supply service royalty, and insurance and affinity revenue, are considered exchange transactions and are recognized at the point in time the goods and services are provided.

Membership dues are considered exchange transactions and recorded as revenue over the applicable membership period.

Transaction Price

The transaction price is the amount of consideration to which SkillsUSA expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

Funds received by SkillsUSA relating to revenue generating activities of future reporting periods are recorded as a contract liability (deferred revenue) on the statements of financial position and were $26,000 and $71,000 at August 31, 2023 and 2022, respectively. SkillsUSA does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of August 31, 2023 or 2022.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Nonfinancial Contributions

Contributed non-financial assets include donated conference materials and contest asset contributions which are recorded at their respective fair values of the goods or services received. SkillsUSA does not sell donated gifts in kind. In addition to contributed non-financial assets, volunteers contribute significant amounts of time to program services administration and fundraising however the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

SkillsUSA received conference materials contributions in the amount of $4,607,736 and $2,064,715 for the years ended August 31, 2023 and 2022, respectively. SkillsUSA also received contest asset contributions of $0 and $400,681 during the year ended August 31, 2023 and 2022, respectively.

Contributed non-financial assets are valued using estimated prices of identical or similar products using the “like-kind” methodology considering the goods’ condition and utility for use at the time of contribution. All contributed non-financial assets received for the years ended August 31, 2023 and 2022 were unrestricted and used by SkillsUSA for program services.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses.

Concentration of Credit Risk

Financial instruments that subject SkillsUSA to concentrations of credit risk consist of demand deposits placed with federally insured institutions. From time to time, cash balances exceed FDIC insurance limits. Management monitors these balances and believes they do not represent significant credit risk.

Accounts Receivable

SkillsUSA's accounts receivable are due primarily from various career and technical centers.

Investments

SkillsUSA invests in mutual funds which are stated at market value. The market value of the mutual funds is based on quoted market prices. Unrealized gains and losses are included in the change in net assets.

Income Taxes

SkillsUSA, Inc. was determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is not classified as a private foundation. Accordingly, no provision for income taxes is made in the financial statements. However, income from activities not directly related to their tax-exempt purposes is subject to taxation as unrelated business income.

Inventories

Inventories consist of publications and other items for resale and are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Cost is determined by the most recent purchase price.

Property and Equipment

Property and equipment are stated at cost. The policy of SkillsUSA is to capitalize items greater than $500. Depreciation and amortization are provided over the following estimated useful lives of the related assets using the straight-line method: Building and building improvements, 50 years; vehicles, 5 years; and furniture and equipment, 5 to 10 years.

Intangible Assets

Intangible assets for the years ended August 31, 2023 and 2022 consisted of applications, website and educational curriculum of $2,431,114 and $1,279,752, respectively. Accumulated amortization for the years ended August 31, 2023 and 2022 was $1,151,608 and $826,323, respectively. Amortization expense on intangible assets was $325,285 and $248,067 for the years ended August 31, 2023 and 2022, respectively.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received. SkillsUSA's pledges receivable are due primarily from various for-profit organizations.

Fair Value Measurements

SkillsUSA follows Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

Allocation Methodology for the Schedule of Functional Expenses

The cost of providing the various programs and activities has been summarized in the schedule of functional expenses. Certain costs have been allocated among program, management and general, and fundraising. All expenses have been allocated based on time and effort with the exception of conferences, conventions and meetings which is allocated based on direct costs. Such allocations have been made by management on an equitable basis.

Recently Adopted Accounting Pronouncement

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The SkillsUSA adopted Topic 842 on September 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the SkillsUSA has applied Topic 842 to reporting periods beginning on September 1, 2022, while prior periods continue to be reported and disclosed in accordance with the SkillsUSA's historical accounting treatment under ASC Topic 840, *Leases*.

SkillsUSA elected the "package of practical expedients" under the transition guidance within Topic 842, in which the SkillsUSA does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on September 1, 2022.

SkillsUSA determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the SkillsUSA obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The SkillsUSA also considers whether its service arrangements include the right to control the use of an asset.

SkillsUSA made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or September 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the SkillsUSA made an accounting policy to utilize the risk-free rate at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

SkillsUSA has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to SkillsUSA, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to SkillsUSA's operating lease of $576,512 at September 1, 2022. The adoption of the new lease standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Note 2. Liquidity and Availability

SkillsUSA has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. SkillsUSA has board designated funds of $1,000,000 that could be made available if necessary.

SkillsUSA has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as of August 31, 2023 and 2022:

	2023	2022
Financial assets, at year-end:		
Cash and cash equivalents	$ 410,927	$ 1,955,823
Accounts receivable, net	874,198	826,934
Pledge receivable, net	538,325	212,150
Capital improvement fund	1,004,910	945,544
Investments	5,312,398	1,487,591
Total financial assets	8,140,758	5,428,042
Less those unavailable for general expenditure within one year:		
Restricted by donor for time or purpose	3,565,116	3,669,643
Designated by the governing board for contingencies	1,000,000	1,000,000
Financial assets not available to be used within one year	4,565,116	4,669,643
Financial assets available to meet cash needs for general expenditures within one year	$ 3,575,642	$ 758,399

Note 3. Investments

Investments are carried at fair market value using quoted market prices. Investments at August 31, 2023 and 2022 were comprised of the following:

	2023	2022
Mutual funds	$ 2,586,624	$ 2,433,135
Fixed income	3,730,684	- -
	$ 6,317,308	$ 2,433,135

In 2006, management created the capital improvement fund, which consists of mutual funds restricted to provide financial stability, enhance the purchasing power of funds for future expenditure, and to maximize investment returns. There was $1,004,910 and $945,544 in the capital improvement fund as of August 31, 2023 and 2022, respectively.

Note 4. Fair Value Measurements

Fair value of investments measured on a recurring basis is as follows at August 31, 2023 and 2022:

	2023			
	Total Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds	$ 2,586,624	$ 2,586,624	$ - -	$ - -
Fixed income	3,730,684	3,730,684	- -	- -
Total investments	$ 6,317,308	$ 6,317,308	$ - -	$ - -

	2022			
	Total Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds	$ 2,433,135	$ 2,433,135	$ - -	$ - -
Total investments	$ 2,433,135	$ 2,433,135	$ - -	$ - -

Financial assets valued using Level 1 inputs are valued using a market approach, based on unadjusted quoted market prices within active markets. There were no Level 2 or Level 3 financial assets as of August 31, 2023 and 2022. For the years ended August 31, 2023 and 2022, there were no transfers between levels 1, 2 or 3.

Note 5. Accounts and Pledges Receivable

Accounts receivable are stated at the net accounts receivable less allowance for doubtful accounts of $187 for the years ended August 31, 2023 and 2022, respectively.

Promises to give as of August 31, 2023 and 2022 were as follows:

	2023	2022
Promises to give	$ 539,325	$ 213,150
Less:		
Allowance for uncollectible	(1,000)	(1,000)
	$ 538,325	$ 212,150
Amount due in:		
Less than one year	$ 538,325	$ 212,150
One to five years	- -	- -
Total	$ 538,325	$ 212,150

Note 6. Property and Equipment

Property and equipment consists of the following at August 31, 2023 and 2022:

	2023	2022
Furniture and equipment	$ 2,940,796	$ 4,700,100
Building and building improvements	- -	2,860,057
Land	- -	393,936
	2,940,796	7,954,093
Accumulated depreciation	(2,305,515)	(5,574,408)
	$ 635,281	$ 2,379,685

Depreciation expense on property and equipment was $407,734 and $416,757 for the years ended August 31, 2023 and 2022, respectively.

Note 7. Paycheck Protection Program Loan

On March 12, 2021, SkillsUSA received a second loan of $602,715 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the United States Small Business Administration (SBA). The loan accrues interest at 1% with a maturity two years from the date of the loan. SkillsUSA is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. As of August 31, 2022, the loan and accrued interest had been formally forgiven. This amount was recognized as grant revenue on the statement of activities.

Note 8. Retirement Plan

SkillsUSA maintains a defined contribution 403(b) retirement plan covering all of its eligible employees. Employer contributions for the defined contribution retirement plan are based on 6 percent of each covered employee's annual compensation. Employees must have six months of service to obtain participant status. Employees may contribute up to the limits permitted under Section 415 of the Internal Revenue Code, currently $20,500. Pension expense related to the retirement plan was $210,866 and $190,771 for the years ended August 31, 2023 and 2022, respectively.

Note 9. Lease Commitments

In July 2021, SkillsUSA entered into a noncancellable operating lease for warehouse space in Atlanta, Georgia beginning on September 1, 2021 and effective through July 31, 2027.

Total rent expense including variable lease expenses was $166,771 and $103,115 for the years ended August 31, 2023 and 2022, respectively. As of August 31, 2023, SkillsUSA's discount rate was 3.39%, and remaining lease term was 3.92 years.

The following is a schedule by years of the future minimum lease payments under the operating lease as of August 31, 2023.

Year Ending August 31:	
2024	$ 124,012
2025	127,732
2026	131,561
2027	124,219
Total minimum lease payments	507,524
Less imputed interest	(33,450)
Total present value of lease liabilities	474,074
Less current portion	(109,634)
	$ 364,440

Note 10. Investment Return, Net

Investment return, net consisted of the following as of August 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 49,829	$ 141,634
Unrealized and realized (loss) gain	127,064	(620,540)
Investment return, net	$ 176,893	$ (478,906)

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of August 31, 2023 and 2022:

	2023	2022
NLSC/Skills Competition	$ 830,690	$ 706,656
World Skills Competition	35,191	56,677
Scholarships	742,257	1,330,966
Membership	143,662	479,482
Chapter support	797,069	537,678
SkillsUSA Signing Day	494,518	348,493
Time restriction	332,325	41,250
Other	189,404	168,441
	$ 3,565,116	$ 3,669,643

Net assets were released from donor restrictions for the years ended August 31, 2023 and 2022 by incurring expenses satisfying the purpose specified by the donors as follows:

	2023	2022
NLSC/Skills Competition	$ 212,716	$ 226,328
World Skills Competition	58,003	57,204
Scholarships	649,183	255,244
Membership	628,208	13,584
Chapter support	690,609	1,247,332
SkillsUSA Signing Day	103,975	12,875
Time restriction	41,250	55,750
Other	150,886	114,286
	$ 2,534,830	$ 1,982,603

Note 12. Schedule of Functional Expenses

Expenses by natural and functional classification for the years ended August 31, 2023 and 2022:

	2023			
	Program Services	Management and General	Fundraising	Total
Accounting and professional fees	$ 139,624	$ 10,982	$ 12,646	$ 163,252
Advertising and promotion	402,313	14,196	8,477	424,986
Conferences, conventions and meetings	11,365,270	407,707	81,603	11,854,580
Depreciation and amortization	652,387	51,311	29,321	733,019
Insurance	137,194	10,791	6,166	154,151
Education materials	117,162	- -	- -	117,162
Office expense	380,909	29,959	35,310	446,178
Salaries, taxes and benefits	3,822,330	300,633	171,790	4,294,753
Training and professional development	74,109	5,829	3,331	83,269
Travel and entertainment	211,162	16,608	9,490	237,260
Utilities	86,686	6,818	3,896	97,400
	$ 17,389,146	$ 854,834	$ 362,030	$ 18,606,010

	2022			
	Program Services	**Management and General**	**Fundraising**	**Total**
Accounting and professional fees	$ 113,842	$ 8,954	$ 8,167	$ 130,963
Advertising and promotion	416,444	19,634	11,326	447,404
Bad debt expense	200,250	15,750	9,000	225,000
Conferences, conventions and meetings	8,108,710	362,774	68,474	8,539,958
Depreciation and amortization	591,693	46,538	26,593	664,824
Insurance	138,006	10,854	6,203	155,063
Education materials	22,376	- -	- -	22,376
Office expense	476,668	37,473	45,603	559,744
Salaries, taxes and benefits	3,533,959	277,952	158,830	3,970,741
Training and professional development	11,292	888	508	12,688
Travel and entertainment	139,566	10,977	6,273	156,816
Utilities	61,068	4,803	2,745	68,616
	$ 13,813,874	$ 796,597	$ 343,722	$ 14,954,193

Note 13. Subsequent Events

On September 22, 2023, SkillsUSA entered into an operating lease agreement for office space expiring December 31, 2025. The lease agreement requires monthly payments of $8,115 of base rent, with an annual escalation clause of 3% effective on the first day of each lease year.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 23, 2024, the date the financial statements were available to be issued. SkillsUSA has determined there are no additional subsequent events that require recognition or disclosure.