

PROJECT CU, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2023 AND 2022

PROJECT CU, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
<u>Exhibit</u>	
A Consolidated Statements of Financial Position	3
B Consolidated Statements of Activities	4
C Consolidated Statements of Functional Expenses	5
D Consolidated Statements of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7-15



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

October 20, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Project CU, Inc.

Qualified Opinion

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

In our opinion, except for the effects on the 2023 and 2022 consolidated financial statements of Project CU, Inc. of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project CU, Inc. as of June 30, 2023 and 2022, and the results of their operations and their cash flow for the years then ended with accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 9 to the consolidated financial statements, the Organization has significant managerial and financial relationships with Challenge Unlimited Inc. (a nonprofit organization) and Residential Options, Inc. (a nonprofit organization). The consolidated financial statements do not present the combined results of activities or financial position of these related companies. In our opinion, accounting principles generally accepted in the United States of America require the consolidated financial statements to be adjusted to combine the results of activities and financial position of Project CU Inc., Residential Options, Inc., and Challenge Unlimited, Inc.

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement 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 Project CU, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project CU, Inc.'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 findings, and certain internal control related matters that we identified during the audit.


Alton, Illinois

PROJECT CU, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 588,781	\$ 622,375
Investments	101,988	
Accounts Receivable (Net)	137,930	172,779
Prepaid Expenses	1,852	1,667
Total Current Assets	<u>\$ 830,551</u>	<u>\$ 796,821</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>\$ 1,526,079</u>	<u>\$ 1,580,335</u>
TOTAL ASSETS	<u><u>\$ 2,356,630</u></u>	<u><u>\$ 2,377,156</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 32,052	\$ 31,454
Accrued Salaries and Wages	70,164	76,965
Current Maturities of Long-Term Debt	59,226	57,192
Total Current Liabilities	<u>\$ 161,442</u>	<u>\$ 165,611</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES	<u>\$ 904,492</u>	<u>\$ 963,661</u>
TOTAL LIABILITIES	<u>\$ 1,065,934</u>	<u>\$ 1,129,272</u>
NET ASSETS:		
Without Donor Restrictions		
Undesignated	<u>\$ 1,290,696</u>	<u>\$ 1,247,884</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,356,630</u></u>	<u><u>\$ 2,377,156</u></u>

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

PROJECT CU, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT						
Work Contracts	\$ 1,089,040		\$ 1,089,040	\$ 1,163,042		\$ 1,163,042
Extended Employment Sheltered Workshop Contract	421,463		421,463	466,187		466,187
Grants, Contracts and Fees for Service Programs	241,054		241,054	256,072		256,072
Contributions	9,238		9,238	6,364		6,364
Interest Income	4,459		4,459	466		466
Gain on Sale of Fixed Assets	3,120		3,120	8,000		8,000
Miscellaneous Income	19,278		19,278	17,316		17,316
Total Revenues and Other Support	<u>\$ 1,787,652</u>	<u>\$ 0</u>	<u>\$ 1,787,652</u>	<u>\$ 1,917,447</u>	<u>\$ 0</u>	<u>\$ 1,917,447</u>
EXPENSES						
Program Services	\$ 1,428,716		\$ 1,428,716	\$ 1,404,160		\$ 1,404,160
Management and General	316,124		316,124	336,089		336,089
Total Expenses	<u>\$ 1,744,840</u>	<u>\$ 0</u>	<u>\$ 1,744,840</u>	<u>\$ 1,740,248</u>	<u>\$ 0</u>	<u>\$ 1,740,248</u>
Change in Net Assets	\$ 42,812		\$ 42,812	\$ 177,199		\$ 177,199
Net Assets - Beginning of the Year	<u>1,247,884</u>		<u>1,247,884</u>	<u>1,070,685</u>		<u>1,070,685</u>
Net Assets - End of the Year	<u>\$ 1,290,696</u>	<u>\$ 0</u>	<u>\$ 1,290,696</u>	<u>\$ 1,247,884</u>	<u>\$ 0</u>	<u>\$ 1,247,884</u>

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

PROJECT CU, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

EXHIBIT C

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Administrative Wages	\$ 166,871	\$ 152,280	\$ 319,151	\$ 99,532	\$ 188,829	\$ 288,361
Certified Worker Wages	633,241		633,241	602,874		602,874
Staff Wages	262,919		262,919	240,982		240,982
Payroll Taxes	77,652	15,715	93,367	71,174	11,199	82,373
Total Wages and Payroll Taxes	<u>\$ 1,140,683</u>	<u>\$ 167,995</u>	<u>\$ 1,308,678</u>	<u>\$ 1,014,562</u>	<u>\$ 200,028</u>	<u>\$ 1,214,590</u>
Depreciation	\$ 61,727		\$ 61,727	\$ 62,325		\$ 62,325
Insurance - Worker's Compensation	30,561		30,561	34,390		34,390
Material	25,615		25,615	55,450		55,450
Office Supplies	11,794	\$ 4,729	16,523	7,131	\$ 5,533	12,664
Insurance - Other	19,902	486	20,388	34,857	489	35,346
Insurance - Health	39,394	21,212	60,606	37,669	20,283	57,952
Professional Fees		20,100	20,100		16,600	16,600
Management Fees		32,400	32,400		32,400	32,400
Outside Services	8,324	8,325	16,649	6,917	6,918	13,835
Repairs and Maintenance	25,397	6,475	31,872	37,773	7,016	44,789
Utilities	37,740		37,740	34,917		34,917
Commissions				4,074		4,074
Freight	4,714		4,714	7,290		7,290
Interest		3,390	3,390		5,893	5,893
Telephone	8,828		8,828	8,679		8,679
Bank Fees		7,996	7,996		8,675	8,675
Postage		189	189		381	381
Dues and Subscriptions		20,497	20,497		13,114	13,114
Management Incentive		1,616	1,616		1,414	1,414
Truck Expense	5,391		5,391	11,381		11,381
Temporary Staff				7,292		7,292
Education and Training		1,941	1,941		2,286	2,286
Marketing		534	534		250	250
Trash Removal	4,394		4,394	3,450		3,450
Travel		8,947	8,947		7,705	7,705
Staff Retention/Bereavement/Social	1,555	6,669	8,224	1,174	6,087	7,261
Bad Debt Expense	1,357		1,357	34,828		34,828
Miscellaneous	1,341	2,623	3,964		1,017	1,017
Total Expenses	<u>\$ 1,428,716</u>	<u>\$ 316,124</u>	<u>\$ 1,744,840</u>	<u>\$ 1,404,160</u>	<u>\$ 336,089</u>	<u>\$ 1,740,248</u>

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

PROJECT CU, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flow from Operating Activities		
Change in Net Assets	\$ 42,812	\$ 177,199
Adjustments to Reconcile Change in Net Assets to Net Cash (Utilized) Provided by Operating Activities:		
Depreciation	61,727	62,325
Gain on Sale of Fixed Assets	(3,120)	(8,000)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	34,849	948
(Increase) Decrease in Prepaid Expenses	(185)	10,576
Increase (Decrease) in Accounts payable	357	15,884
Increase (Decrease) in Accrued Salaries and Wages	(6,559)	7,994
Increase (Decrease) in Other Accrued Expenses		6,054
Net Cash Provided by Operating Activities	<u>\$ 129,881</u>	<u>\$ 272,980</u>
Cash Flow from Investing Activities:		
Purchases of Property, Plant and Equipment	\$ (7,472)	\$ (21,824)
Net Proceeds from Disposals	3,120	8,000
Purchases of Investments	(101,988)	
Net Cash Utilized by Investing Activities	<u>\$ (106,340)</u>	<u>\$ (13,824)</u>
Cash Flow from Financing Activities:		
Proceeds on Long-Term Debt		\$ 172,000
Payments on Long-Term Debt	\$ (57,135)	(223,163)
Net Cash Provided (Utilized) by Financing Activities	<u>\$ (57,135)</u>	<u>\$ (51,163)</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ (33,594)	\$ 207,993
Cash - Beginning of the Year	<u>622,375</u>	<u>414,382</u>
Cash - End of the Year	<u>\$ 588,781</u>	<u>\$ 622,375</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash Paid for Interest	<u>\$ 3,390</u>	<u>\$ 5,893</u>

The Accompanying Notes are an Integral Part of these Financial Statements

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1: OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding Project CU, Inc.'s consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Organization

Project CU, Inc. (the "Organization") is a Missouri not-for-profit corporation formed in 1958. The Organization currently provides work training and employment opportunities for individuals with disabilities.

The accompanying consolidated financial statements include the accounts of the Organization and its affiliates Project Workshop, Inc., a Missouri not-for-profit corporation formed on January 27, 1966 and DeCycleIt!, Inc., a Missouri not-for-profit corporation formed on March 10, 2011. Project Workshop, Inc. was established to operate and administer a sheltered workshop that employs individuals with disabilities. DeCycleIt! Inc. is a secured shredding business that provides work training and employment opportunities to individuals with disabilities.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Consolidation

All significant intercompany balances and transactions are eliminated.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions – Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for particular purposes. If funds are received during the year with restrictions, and the restrictions were met during the year, those funds are included in net assets without donor restriction in the year received.

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time. If those restrictions are met in the same year received, those resources are classified as net assets without donor restriction. The Organization's net assets with donor restriction were \$0 at June 30, 2023 and \$0 at June 30, 2022, respectively.

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1: OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that will affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenue and expenses during the reporting period, and certain disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are recorded net of an estimated allowance for doubtful accounts of \$36,114 and \$34,828 at June 30, 2023 and 2022, respectively. The Organization provides for losses on accounts receivable using the allowance method. The allowance method is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Asset Impairment Assessments

The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. There was no impairment required at June 30, 2023 and June 30, 2022, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at costs less accumulated depreciation. Donated property and equipment are recorded at fair value on the date received. Expenditures for major repairs and improvements that increase the useful lives of assets are capitalized. Maintenance and repairs that do not have a fair market value or life are expensed as incurred.

The consolidated financial statements present expenses by functional classifications in accordance with the overall service mission of the organization. Each functional classification displays all expenses related to the underlying operation by natural classifications. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Depreciation of property, plant and equipment is provided under the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-7
Vehicles	5

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1: OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support

Certain revenues received under government grants and fees for service programs are subject to audit by the funding agencies. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Shipping and Handling Costs

Freight billed to customers is classified as work contracts revenue and the related freight costs as program service expenses.

Contributed Services

During the years ended June 30, 2023, and June 30, 2022, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and, accordingly has not been recorded in the consolidated financial statements.

Income Taxes

Project CU, Inc. is a tax-exempt organization described in §501(a) of the Internal Revenue Code (“Code”) as an organization described in §501(c)(3). Accordingly, the Organization is not subject to federal income taxes. The Organization is classified as a publicly supported charitable organization under §509(a)(2) of the Code and contributions to the Organization qualify as charitable tax deductions by the contributor. Consequently, no provision for income taxes is included in the financial statements.

The Organization’s 2022, 2021 and 2020 tax years are open for examination by the Internal Revenue Service (“IRS”). The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Management of the Organization has evaluated the tax positions of the Organization and believes that no uncertain tax positions exist at June 30, 2023 and June 30, 2022, respectively.

NOTE 2: ACCOUNTS RECEIVABLE

	June 30	
	2023	2022
Government Agencies:		
Product Living Board	\$ 3,771	\$ 7,698
Extended Employment Sheltered Workshops	41,242	36,734
Total Government Agencies	45,013	44,432
Work Contracts	129,031	163,175
Allowance for Doubtful Accounts	(36,114)	(34,828)
	\$ 137,930	\$ 172,779

The Organization has fees for service program arrangements with all of the government agencies listed above.

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost less accumulated depreciation and consists of the following:

	June 30	
	2023	2022
Land	\$ 372,748	\$ 372,748
Buildings and Improvements	1,954,276	1,954,276
Machinery and Equipment	839,442	842,331
Vehicles	24,057	24,057
	\$ 3,190,523	\$ 3,193,412
Less: Accumulated Depreciation	(1,664,444)	(1,613,077)
	\$ 1,526,079	\$ 1,580,335

Depreciation expense was \$61,727 and \$62,325 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4: ACCRUED SALARIES AND WAGES

Accrued salaries and wages of \$70,164 at June 30, 2023 and \$76,965 at June 30, 2022 represent payroll earned in June payable in July of the subsequent fiscal year and accrued paid time off.

Under the prior vacation and paid time off policy, prior to September 1, 2020, paid time off accumulates at a rate of 0.0192 hours per hour worked up to 40 hours per year, after the employee has been employed for 90 days. At year end, staff employees can request to have 24 hours of vacation carried over to the next fiscal year. For certified workers, paid time off accumulates based on a rate of 0.0385 hours per hour worked. Certified workers can request to have 21 hours carried over to the next fiscal year. All vacation and paid time off hours that are carried over must be used in the first month of the next benefit year for staff and before September for certified workers.

Under the current vacation and paid time off policy, effective September 1, 2020, vacation is earned by seniority or based on their “anniversary” in the company. For full time employees, from their first anniversary through their fourth anniversary the employee is entitled to 2 weeks (80 hours) of vacation a year. From their fifth anniversary to their ninth anniversary, the employee is entitled to 3 weeks (120 hours) of vacation. As of their tenth anniversary, the employee is entitled to four weeks (160 hours) of vacation. For part-time employees, as of their first anniversary, the employee is entitled to 2 weeks of vacation, with a week being their average amount of hours per week. All employees as of their first anniversary are able to accrue two years’ worth of accrued vacation time to the next anniversary year, any excess time will be lost. In the current year, there was an update to the vacation and paid time off policy in regards to certified workers. Starting in December 2022, if their employment terminates, they will not be paid for any PTO time and the time will be forfeited.

Accrued paid time off included in accrued salaries and wages was \$25,654 and \$32,201 at June 30, 2023 and June 30, 2022 respectively.

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

	June 30	
	2023	2022
<p>Non-interest bearing note agreements with St. Louis Office for Development Disability Resources (DD Resources) to purchase and renovate a new facility. Notes are to be reimbursed to DD Resources upon encumbrance, sale, disposition, or alternation of ownership or other violation of the facility. The notes are secured by a deed of trust on real property at its current location.</p>	\$ 783,238	\$ 783,238
<p>Non-interest bearing note agreements with St. Louis Office for Developmental Disability Resources (DD Resources) for roof improvements. Notes are to be reimbursed to DD Resources upon encumbrance, sale disposition, or alteration of ownership or other violation of the facility. The notes are secured by a deed of trust on real property at its current location.</p>	116,250	116,250
<p>Note Payable to Carrollton Bank. The note is secured by a Commercial Security Agreement. The loan was agreed to on August 2, 2021. The loan is payable in 36 payments of \$5,043.80 including interest at a rate of 3.50%.</p>	64,230	121,365
	963,718	1,020,853
<p>Less: Current Maturities of Long-Term Debt</p>	(59,226)	(57,192)
	\$ 904,492	\$ 963,661

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5: LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt at June 30, 2023 are as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2024	\$ 59,226
2025	5,004
2026	0
2027	0
2028 and after	899,488
	<u>\$ 963,718</u>

Total interest expense for the year was \$3,390 for the year ended June 30, 2023 and \$5,893 for the year ended June 30, 2022, respectively.

NOTE 6: GRANTS, CONTRACTS AND FEES FOR SERVICE PROGRAMS

The Organization has a contract with DD Resources. The contract is to support employment and related services for up to 65 individuals. The contract calls for DD Resources to reimburse the Organization on an average cost per unit of service basis. The contract runs from July 1 to June 30. During the year ended June 30, 2023 and June 30, 2022, the amount of reimbursement was \$144,980 and \$139,370, respectively. During the year ended June 30, 2023 and June 30, 2022, DD Resources funded additional safety project and COVID related grant requests for \$0 and \$14,194, respectively.

The Organization also entered into other agreements with DD Resources for machinery and equipment purchases. There were no reimbursements from DD Resources for machinery and equipment for the year ending June 30, 2023 and June 30, 2022. The agreements may include a provision whereby the Organization is to reimburse DD Resources for any property and equipment purchases disposed of during a specified period of time after purchase. The reimbursement to DD Resources is reduced by the applicable percentage each year the asset is kept by the Organization. At June 30, 2023 and June 30, 2022, the Organization had no outstanding obligation to reimburse DD Resources for recent disposals. Outstanding liens with DD Resources at June 30, 2023 related to machinery and equipment expire up to July 2023.

The Organization has an On the Job Training Program contract with the Productive Living Board (PLB). The PLB reimburses the Organization on an average cost per unit of service basis. A unit of service is computed for every one hour of service provided by an Organization staff member to a qualified employee. The contract runs from July 1 to June 30. During the year ended June 30, 2023 and June 30, 2022, the amount of reimbursement was \$96,074 and \$92,379, respectively.

NOTE 7: COST ALLOCATION

The Consolidated Financial Statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, payroll services, repairs and maintenance, education and training, and office supplies which are allocated on the basis of estimates of time and effort studies.

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of general contractual or donor-imposed restrictions within one year of the statement position date.

	<u>2023</u>	<u>2022</u>
Financial assets, at year end	\$ 828,700	\$ 795,154
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	0	0
Financial assets available to meet cash needs for general expenditures:		
Within one year	<u>\$ 828,700</u>	<u>\$ 795,154</u>

NOTE 9: RELATED ORGANIZATION TRANSACTIONS

The Board of Directors of Project CU, Inc. (a nonprofit corporation) has 4 of its 5 members who also serve on the boards of Residential Options, Inc. (a nonprofit corporation) and Challenge Unlimited, Inc. (a nonprofit corporation).

Challenge Unlimited Inc. provides administrative services to the Organization. In return for such services and support, the Organization paid Challenge Unlimited, Inc. management fees.

A summary of related organization transactions as June 30 is as follows:

	<u>2023</u>	<u>Total</u>	<u>2022</u>
Expenses:			
Management Fees	\$ <u>32,400</u>		\$ <u>32,400</u>
Total Expenses	\$ <u>32,400</u>		\$ <u>32,400</u>
Accounts Payable – Related	\$ <u>355</u>		\$ <u>242</u>
Accounts Receivable – Related	\$ <u>0</u>		\$ <u>0</u>

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 9: RELATED ORGANIZATION TRANSACTIONS (CONTINUED)

Summarized financial data of Challenge Unlimited, Inc. at June 30, 2023 and 2022 is as follows:

Statement of Financial Position

	<u>2023</u>	<u>2022</u>
Current Assets	\$13,440,728	\$13,360,502
Long-Term Investments	296,296	255,290
Net Property and Equipment	5,270,957	5,466,583
Other Assets	<u>1,162,601</u>	<u>469,143</u>
Total Assets	<u>\$20,170,582</u>	<u>\$19,551,518</u>
Current Liabilities	\$ 3,669,273	\$ 3,099,632
Long-Term Liabilities	807,628	255,290
Total Net Assets	<u>15,693,681</u>	<u>16,196,596</u>
Total Liabilities and Net Assets	<u>\$20,170,582</u>	<u>\$19,551,518</u>

Statement of Activities

Total Revenue	\$30,166,841	\$27,029,175
Total Expenditures	<u>30,669,757</u>	<u>30,634,007</u>
Change in Net Assets	<u>\$ (502,915)</u>	<u>\$(3,604,832)</u>

Summarized financial data of Residential Options, Inc. at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 8,073,711	\$ 6,802,855
Long-Term Investments	3,473,355	3,421,631
Net Property, Equipment	1,610,772	1,561,411
Other Assets	<u>210,169</u>	<u>0</u>
Total Assets	<u>\$13,368,007</u>	<u>\$11,785,897</u>
Current Liabilities	\$ 980,612	\$ 904,169
Long-Term Liabilities	165,034	1,642
Total Net Assets	<u>2,222,361</u>	<u>10,880,086</u>
Total Liabilities and Net Assets	<u>\$13,368,007</u>	<u>\$11,785,897</u>

Statement of Activities

Total Revenue	\$12,459,694	\$ 10,851,564
Total Expenditures	<u>11,117,419</u>	<u>10,705,676</u>
Change in Net Assets	<u>\$ 1,342,275</u>	<u>\$ 145,888</u>

PROJECT CU, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10: NEW ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This update includes a lease accounting model that recognizes two types of leases—finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This update is effective for the Organization beginning in July 2022. The Organization will be required to record a “right of use” asset and a lease liability payable. The adoption of this new guidance did not have a material effect on the financial statements.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events through October 20, 2023, which is the date the financial statements were available to be issued.