

BELOVED COMMUNITY
New Orleans, Louisiana

Report on Audit of Financial Statements

For the Year Ended June 30, 2022

BELOVED COMMUNITY
New Orleans, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Beloved Community

Opinion

We have audited the accompanying financial statements of Beloved Community (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beloved Community as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beloved Community 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 Beloved Community's ability to continue as a going concern within one year after the date that the financial statements are 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 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 judgment made by a reasonable user based on the financial statements.

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

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

Bailey + Co.

Memphis, Tennessee
December 9, 2022

BELOVED COMMUNITY
Statement of Financial Position
June 30, 2022

ASSETS

	<u>2022</u>
CURRENT ASSETS:	
Cash and cash equivalents - without donor restrictions	\$ 902,207
Cash and cash equivalents - with donor restrictions	166,667
Accounts Receivable - <i>Program Service Fees</i>	188,264
Accounts Receivable - <i>Grants</i>	<u>-</u>
Total Current Assets	1,257,138
FIXED ASSETS:	
Property and equipment, net	<u>1,148,065</u>
TOTAL ASSETS	<u>\$ 2,405,203</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 740,199
Payroll related liabilities	<u>-</u>
Total Current Liabilities	740,199
Unearned Revenue	<u>166,667</u>
Total Liabilities	906,866
NET ASSETS:	
Without donor restrictions	166,667
With donor restrictions	<u>1,331,670</u>
Total Net Assets	<u>1,498,337</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,405,203</u>

The accompanying notes are an integral part of these financial statements

BELOVED COMMUNITY
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUES:			
Grants and donations	\$ 4,403,260	\$ -	\$ 4,403,260
Program service fees	805,173	-	805,173
Miscellaneous & interest income	1,222	-	1,222
Other income	1,019	-	1,019
Individual donations	10,116	-	10,116
Net assets released from restrictions	<u>1,553,259</u>	<u>(1,553,259)</u>	<u>-</u>
TOTAL SUPPORT AND OTHER REVENUES	6,774,049	(1,553,259)	5,220,790
FUNCTIONAL EXPENSES:			
Program Services	3,135,897	-	3,135,897
Management and General	<u>2,489,533</u>	<u>-</u>	<u>2,489,533</u>
Total Functional Expenses	<u>5,625,430</u>	<u>-</u>	<u>5,625,430</u>
Increase in Net Assets	1,148,619	(1,553,259)	(404,640)
NET ASSETS AT BEGINNING OF YEAR	<u>183,051</u>	<u>1,719,926</u>	<u>1,902,977</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,331,670</u>	<u>\$ 166,667</u>	<u>\$ 1,498,337</u>

The accompanying notes are an integral part of these financial statements

BELOVED COMMUNITY
Statement of Functional Expenses
For the Year Ended June 30, 2022

	D.R.I.P. Program	Equity at Work	Equity Audit Tool Suite	Equity in Schools	Online Courses	Walton Grant- Restricted	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 296,250	\$ 172,609	\$ 67,273	\$ 196,504	\$ -	\$ 134,167	\$ 866,803	\$ 1,190,535	\$ -	\$ 2,057,338
Employee benefits	15,878	9,251	3,606	10,532	-	7,191	46,458	63,810	-	110,268
Payroll taxes	20,653	12,033	4,690	13,699	-	13,864	64,939	82,998	-	147,937
Professional fees	-	5,708	326,000	333,791	32,218	-	697,717	303,783	-	1,001,500
Program service expense	-	25,000	-	-	-	-	25,000	-	-	25,000
Program Cost	-	93	-	-	-	-	93	846	-	939
Advertisiting and marketing	-	110	-	-	-	-	110	9,522	-	9,632
Meeting and conferences	-	2,800	-	486	-	3,031	6,317	-	-	6,317
Consultant expense	-	952,941	98,468	122,728	25,567	69,556	1,269,260	342,986	-	1,612,246
Communications	-	39	-	500	-	-	539	13,392	-	13,931
Office expense	-	6,355	-	13,522	-	84	19,961	240,790	-	260,751
Occupancy	-	4,500	-	-	-	-	4,500	4,276	-	8,776
Travel	-	21,499	-	11,323	-	32,760	65,582	155,929	-	221,511
Amortization	-	-	56,883	-	-	-	56,883	-	-	56,883
Depreciation	-	-	-	-	-	-	-	361	-	361
Sponsorship	-	-	-	3,050	-	-	3,050	-	-	3,050
Material and supplies	-	-	-	2,520	-	-	2,520	3,245	-	5,765
Seminars and training	-	-	-	150	-	-	150	34,181	-	34,331
Bad debt expense	-	-	-	-	-	-	-	8,140	-	8,140
General expense	-	5,453	-	493	-	69	6,015	34,739	-	40,754
TOTAL EXPENSES	\$ 332,781	\$ 1,218,391	\$ 556,920	\$ 709,298	\$ 57,785	\$ 260,722	\$ 3,135,897	\$ 2,489,533	\$ -	\$ 5,625,430

The accompanying notes are an integral part of these financial statements

BELOVED COMMUNITY
Statement of Cash Flows
For the Year Ended June 30, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ (404,640)
Adjustments to Reconcile Net Income to Net Cash Provided/(Used) by Operating Activities:	
(Increase) decrease in:	
Accounts receivable	(20,039)
Increase (decrease) in:	
Accounts payable	423,750
Accrued interest	245,606
Payroll liabilities	(7,797)
Credit cards	40,975
Unearned revenue	<u>(1,553,937)</u>
Net Cash Provided by Operating Activities	<u>(1,276,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment	(1,146,986)
Proceeds from sales of investment	<u>-</u>
Net Cash Provided By Investing Activities	<u>(1,146,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,423,068)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,491,942</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,068,874</u>

The accompanying notes are an integral part of these financial statements

BELOVED COMMUNITY
Memphis, Tennessee

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BELOVED COMMUNITY
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION AND ACTIVITIES:

Beloved Community (the "Organization") is a non-profit corporation organized in the State of Louisiana. The Organization's purpose is to catalyze people and institutions to implement sustainable cross-sector diversity and equity practices that result in economic growth for their region.

In January 2017, the Organization was approved to do business, and began operations as of January 2017.

The Organization's programs and initiatives include: consulting services, online audits and assessments, and research and development.

The Organization provides consulting services for individual clients and cohorts of clients in New Orleans, Memphis, and Indianapolis. The Organization's primary capital is human capital and professional services. In times of racial unrest and discrimination lawsuits, their work is in high demand.

The Organization provides audits and planning tools for organizations across the United States with their copyrighted, proprietary tools. The audits and assessments are not affected by economic, political or social conditions. The tool agreements are governed by intellectual property and data privacy laws in Louisiana and have no history of noncompliance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

Beloved Community reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services and, receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions and performing administrative functions.

Net Assets With Donor Restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted. As June 30, 2022, Beloved Community's net assets were classified as follows:

Net Assets Without Donor Restrictions	\$ 166,667
Net Assets With Donor Restrictions	<u>1,331,670</u>
 Total Net Assets	 <u>\$ 1,498,337</u>

Use of Estimates

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

Property and Equipment

Beloved Community's property and equipment are recorded at cost. Donated furniture and equipment are recorded at their fair market value at the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which is 3 to 7 years.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Fixed Assets Not Being Depreciated				
Software Development-WIP	\$ -	\$ 453,750	\$ -	\$ 453,750
Fixed Assets Being Depreciated				
Computer equipment	1,801	-	-	1,801
Software development	<u>-</u>	<u>750,480</u>	<u>-</u>	<u>750,480</u>
	<u>1,801</u>	<u>750,480</u>	<u>-</u>	<u>752,281</u>
Depreciation/Amortization				
Computer equipment	722	361	-	1,083
Software development	<u>-</u>	<u>56,883</u>	<u>-</u>	<u>56,883</u>
	<u>722</u>	<u>57,244</u>	<u>-</u>	<u>57,966</u>
 Net Fixed Assets	 <u>\$ 1,079</u>	 <u>\$ 1,146,986</u>	 <u>\$ -</u>	 <u>\$ 1,148,065</u>

Income Taxes

Beloved Community is exempt from income tax under Internal Revenue Code Section 501(c)(3), therefore, no provision for income taxes is necessary.

Management believes that all of the positions taken by the organization in its federal income tax returns are more likely than not to be sustained upon examination. Beloved Community files a U.S. Form 990 Return of Organization Exempt from Income Tax.

Cash and cash equivalents

Beloved Community considers all highly liquid investments instruments with maturity of three months or less to be cash equivalents. As of June 30, 2022, Beloved Community has donor restricted cash of \$166,667.

Concentration of Credit Risk

Beloved Community maintains its cash balances at various financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year the balances in the financial institutions may have exceeded the insured amount. Management does not believe this concentration of cash results in a high level of risk for the organization. At June 30, 2022, Beloved Community held an Amalgamated checking account with a balance of \$723,359, which exceeded the FDIC limit by \$473,359 and a Chase checking and savings accounts with balances of \$245,849.

Revenue Recognition and Contributed Support

Contributions are recorded as revenue when an unconditional promise to give has been made. 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 that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions 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 of 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.

Promises to Give

Contributions receivable are recognized at fair market value as revenues in the period in which there is sufficient evidence that an unconditional promise was received. Conditional promises are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of estimated cash flows beyond one year. Amortization of the discount is included in contribution revenue. The allowance for uncollectible amounts is estimated based upon historical collection rates and specific identification of uncollectible amounts. As of June 30, 2022, Beloved Community had unconditional promises to give of \$- with \$0 recorded as an allowance for uncollectible accounts.

Functional Allocation of Expenses

Expenses that are directly identifiable are charged to program services, or general and administrative expenses as incurred. Expenses related to more than one function are allocated to program services, or management and general expense on the basis of management's estimates. Management and general expenses include those expenses that are not directly allocated with any other specific function but provide for the overall support and direction of the organization.

Advertising Expense

Beloved Community expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2022, the cost totaled \$9,632.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation.

Date of Management's Review

Subsequent events were evaluated through December 9, 2022, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

Beloved Community regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Beloved Community has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12month period, Beloved Community considers all expenditures related to its ongoing activities of catalyzing people and institutions to implement sustainable cross-sector diversity and equity practices that result in economic growth in their region to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Beloved Community operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of Beloved Community's cash and shows positive cash generated by operations for fiscal year 2022.

As of June 30, 2022, the following tables show the total financial assets held by Beloved Community and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end.

Cash and cash equivalents	\$ 1,068,874
Accounts Receivable -Program Service Fees	188,264
Accounts Receivable - Grants	<u>-</u>
Total financial assets at year end	<u>\$ 1,257,138</u>

Financial assets available to meet general expenditures over the next 12 months.

Cash and cash equivalents	\$ 1,068,874
Accounts Receivable Program Service Fees (<i>net</i>)	188,264
Accounts Receivable - Grants (<i>net</i>)	<u>-</u>
Total financial assets available to meet general expenditures over the next 12 months.	<u>\$ 1,257,138</u>

NOTE 4 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 9, 2022, which is the financial statement issuance date. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government response are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while management expects this matter to negatively impact the organization's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.