

**BELOVED COMMUNITY**  
New Orleans, Louisiana

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**Report on Audit of Financial Statements**

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For the Year Ended June 30, 2024

**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, 2024, 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, 2024, 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.

*Bonby July, WOTCO*

Memphis, Tennessee  
October 30, 2024

**BELOVED COMMUNITY**  
Statement of Financial Position  
June 30, 2024

**ASSETS**

	2024
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 547,324
Accounts receivable, net:	
Program service fees	116,490
Grants	814,688
Total Current Assets	1,478,502
Fixed Assets, net	1,372,963
<b>RESTRICTED ASSETS:</b>	
Security deposits	6,977
<b>TOTAL ASSETS</b>	<b>\$ 2,858,442</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued expenses	\$ 458,527
Payroll-related liabilities	4,808
Deferred revenue	33,590
Note payable	500,000
Total Current Liabilities	996,925
Refundable advances	1,185,559
<b>TOTAL LIABILITIES</b>	<b>2,182,484</b>
<b>NET ASSETS:</b>	
Without donor restrictions	(1,024,443)
With donor restrictions	1,700,401
<b>TOTAL NET ASSETS</b>	<b>675,958</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,858,442</b>

*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, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND OTHER REVENUES:</b>			
Grants and donations	\$ 3,033,755	\$ 130,000	\$ 3,163,755
Program service fees	641,059	-	641,059
Miscellaneous & interest income	8,607	-	8,607
Individual donations	25,042	-	25,042
Net assets released from restrictions	682,246	(682,246)	-
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	4,390,709	(552,246)	3,838,463
<b>EXPENSES:</b>			
Program Services	4,051,765	-	4,051,765
Management and General	1,434,369	-	1,434,369
Fundraising	225,913	-	225,913
<b>TOTAL EXPENSES</b>	5,712,047	-	5,712,047
<b>CHANGE IN NET ASSETS</b>	(1,321,338)	(552,246)	(1,873,584)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	296,895	2,252,647	2,549,542
<b>NET ASSETS AT END OF YEAR</b>	\$ (1,024,443)	\$ 1,700,401	\$ 675,958

*The accompanying notes are an integral part of these financial statements*

**BELOVED COMMUNITY**  
Statement of Functional Expenses  
For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
<b>Personnel Costs</b>				
Admin wages	\$ 440,670	\$ 528,944	\$ 72,871	\$ 1,042,485
Programming wages	1,034,207	180,372	120,242	1,334,821
Payroll taxes	114,707	55,166	15,019	184,892
Employee benefits	<u>135,801</u>	<u>65,311</u>	<u>17,781</u>	<u>218,893</u>
Total personnel costs	1,725,385	829,793	225,913	2,781,091
Advertising	57,118	973	-	58,091
Professional services	1,209,555	451,670	-	1,661,225
Other services	24,976	26,389	-	51,365
Direct program costs	452,715	2,001	-	454,716
Team travel	58,383	19,883	-	78,266
Partner travel	607	-	-	607
Materials & supplies	13,144	16,086	-	29,230
Technology & software	21,397	36,297	-	57,694
Property occupancy	40,787	7,880	-	48,667
Dues & fees	29,796	41,801	-	71,597
Depreciation/amortization	415,943	357	-	416,300
Miscellaneous	<u>1,959</u>	<u>1,239</u>	<u>-</u>	<u>3,198</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,051,765</u>	<u>\$ 1,434,369</u>	<u>\$ 225,913</u>	<u>\$ 5,712,047</u>

*The accompanying notes are an integral part of these financial statements*

**BELOVED COMMUNITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2024

	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase (Decrease) in net assets	\$ (1,873,584)
Adjustments to Reconcile Net Income to Net Cash	
Provided/(Used) by Operating Activities:	
Depreciation/amortization	416,300
(Increase) decrease in operating assets	
Accounts receivable-program service fees	85,390
Security deposits	(724)
Accounts receivable-grants	540,467
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	60,650
Payroll-related liabilities	4,543
Unearned revenue	3,020
Net Cash Provided By/(Used) Operating Activities	(763,938)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of fixed assets	(180,804)
Net Cash Provided By/(Used) Investing Activities	(180,804)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Debt proceeds	500,000
Net Cash Provided By/(Used) Financing Activities	500,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(444,742)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	992,066
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 547,324

*The accompanying notes are an integral part of these financial statements*

**BELOVED COMMUNITY**  
New Orleans, Louisiana

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**BELOVED COMMUNITY**  
Notes to the Financial Statements  
For the Year Ended June 30, 2024

**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 nationally with a particular focus on southern and midwestern cities such as New Orleans, Kansas City, Memphis, Indianapolis and Houston. The Organization's primary capital is human capital and professional services.

The Organization provides audits and planning tools for organizations across the United States with their copyrighted, proprietary tools. 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:**

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's Board of Directors and management who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the accompanying financial statements

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. These standards for financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset classes according to donor-imposed restrictions.

Accordingly, the net assets of Organization have been classified and reported as follows:

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 of June 30, 2024, Beloved Community's net assets were classified as follows:

### ***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***

The Organization's property and equipment are recorded at cost. Donated furniture and equipment are recorded at their fair market value at the date of gift. Property and equipment having an unit cost of \$1,000 or more and an estimated useful life of more than three years are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which is 5 to 7 years. Normal repair and maintenance are expensed as incurred.

### ***Income Taxes***

The Organization 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. The Organization files a U.S. Form 990 Return of Organization Exempt from Income Tax.

### ***Cash and Cash Equivalents***

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

### ***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.

Program service fee revenue consists of various services including consulting, cohort services, online certifications, and use of proprietary equity audit tools. These services may or may not be accompanied by a contract agreement. The performance obligation is to perform the services as defined in the contract. Revenue is recognized at the point in time that the service is provided by the Organization. As of June 30, 2024, \$33,590 was received in advance. This amount has been included in deferred revenue in the statement of financial position.

### ***Refundable Advances***

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should the Organization substantially meet all the conditions in the same period that the contribution was recognized, and barring any further donor-imposed restrictions, the Organization has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances in the statement of financial position.

### ***Accounts Receivable***

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, 2024, Beloved Community had unconditional promises to give of \$814,688 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***

The Organization expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2024, the cost totaled \$58,091.

### ***Reclassifications***

Certain reclassifications have been made to the 2023 financial statements in order to conform to the 2024 presentation.

### ***Compensated Absences***

The Organization's flexible PTO policy allows employees to take as much leave as needed. There is no limit on the amount an employee can take under this policy each year, but employees will be limited to 3 consecutive weeks at a time. Time does not accrue under this policy. Therefore, there is no rollover under this policy from year to year. Because time does not accrue under this policy, no payout of "unused" vacation or PTO time is available when staff leave the Organization.

### **NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization 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 12-month period, The Organization 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, the Organization 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 the Organization's cash and shows positive cash generated by operations for fiscal year 2024.

As of June 30, 2024, the following tables show the total financial assets held by the Organization 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 available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$ 547,324
Accounts Receivable - Program Service Fees ( <i>net</i> )	116,490
Accounts Receivable - Grants ( <i>net</i> )	<u>814,688</u>
Total	1,478,502
Less Restricted Net Assets (subject to donor restrictions)	(949,010)
Less Refundable Advances	<u>(1,185,559)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>(656,067)</u>

The Organization has negative financial assets available for general operating expenditures over the next fiscal year as of June 30, 2024, as financial assets on hand must be used to satisfy obligations for refundable grant advances and net assets with donor restrictions. The Organization expects to generate approximately \$1,300,000 in unrestricted revenue from program service fees and product sales and \$1,300,000 in unrestricted operating grants within the next fiscal year, which will be available for operating expenditures. Additionally, the Organization has an available line-of-credit that can be used to meet temporary cash flow needs.

**NOTE 4 - FIXED ASSETS:**

Fixed assets consist of the following as of June 30, 2024:

Software development	<u>\$ 2,173,150</u>
Computer equipment	<u>1,801</u>
Total	2,174,951
Accumulated Depreciation/Amortization	<u>(801,988)</u>
Net Property and Equipment	\$ <u>1,372,963</u>

Depreciation/amortization expense for the year ended June 30, 2024 was \$416,300.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions are available for the following programs at June 30, 2024:

	<u>2024</u>
Hilton Foundation	\$ 1,684,923
The Highland Project	14,455
Institute for Mental Hygiene	<u>1,023</u>
Total	<u>\$ 1,700,401</u>

**NOTE 6 - CONCENTRATIONS:**

Revenues

The Organization receives substantially all its funding from grantors. Changes in those grantors' funding level relating to grant funding could have a significant impact on the Organization's ability to perform its mission.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains cash balances at multiple financial institutions, where they are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. For the year ended June 30, 2024, the amounts held at banks were in excess of the FDIC limit by \$51,781.

**NOTE 7 - NOTE PAYABLE:**

At June 30, 2024, the Organization consummated a note payable of \$500,000 on February 21, 2024. The note is unsecured, non-interest bearing, and matures on March 1, 2025. in which all principal is due.

**NOTE 8 - GOING CONCERN:**

With the funds available at June 30, 2024, the Organization believes these resources will be sufficient to fund its operations despite its cumulative decrease in cash over the last three years. The current political climate and calls to reduce and repeal support of diversity, equity and inclusion efforts have had a negative impact on the Organization's programming and operations. The Organization has seen resources from once-consistent funders shrink or disappear, and its earned revenue stream slow significantly as past and potential clients experience hesitation to allocating funds for the Organization's crucial work.

As such, the Organization has been seeking working capital lines of credit in earnest over the past year and have been able to secure 60% of the funds it is seeking. In addition, the Organization has made strategic investments in its internal capacity to raise contributed revenue, specifically unrestricted sources of investment. Finally, in an effort to reduce costs without compromising its ability to fulfill its current funding commitments, the Organization has made a 20% reduction in its workforce in Q1 of FY25. In Q2, the Organization launched an internal restructuring aimed at consolidating procedural redundancies, expanding business development (earned revenue) efforts organization-wide and identifying additional cost-saving measures.

While resistance has emerged to working formally with "diversity, equity and inclusion" initiatives, the Organization is seeing the face of this work evolve to include other workforce justice initiatives such as "the future of work" and "environmental, social and governance" practices. The Organization has proactively pivoted its client engagement and business cultivation activities to open up pathways into new sectors and workstreams that align with our values and theory of change.

**NOTE 9 - SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through October 30, 2024, which is the financial statement issuance date.