

## **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022**

**NEW LEADERS, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Leaders, Inc.  
New York, New York

### Opinion

We have audited the accompanying financial statements of New Leaders, Inc. (New Leaders), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 New Leaders as of June 30, 2023 and 2022, and its changes in net assets and functional expenses 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. 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 New Leaders 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, 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 New Leaders' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## **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, including omissions, 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 New Leaders' 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 New Leaders' 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of New Leaders' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Leaders' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Leaders' internal control over financial reporting and compliance.



December 7, 2023

## NEW LEADERS, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,906,763	\$ 34,392,907
Investments	19,061,176	8,537,038
Grants and contributions receivable, net of allowance for doubtful accounts of \$62,379 in 2023 and \$55,939 in 2022	4,251,198	4,037,186
Contracts and other receivables	3,815,326	483,649
Prepaid expenses	<u>2,063,902</u>	<u>466,659</u>
Total current assets	<u>42,098,365</u>	<u>47,917,439</u>
<b>FIXED ASSETS</b>		
Furniture	53,776	53,776
Computers and software	191,360	92,164
Leasehold improvements	<u>573,850</u>	<u>573,850</u>
	818,986	719,790
Less: Accumulated depreciation and amortization	<u>(655,189)</u>	<u>(434,555)</u>
Net fixed assets	<u>163,797</u>	<u>285,235</u>
<b>NONCURRENT ASSETS</b>		
Grants and contributions receivable, net of current portion and net present value discount of \$61,042 in 2023 and \$203,158 in 2022	508,958	3,585,842
Cash surrender value of life insurance	119,342	61,424
Right-of-use assets	471,793	-
Security deposits	<u>70,000</u>	<u>70,000</u>
Total noncurrent assets	<u>1,170,093</u>	<u>3,717,266</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 43,432,255</u></b>	<b><u>\$ 51,919,940</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,279,525	\$ 4,350,499
Refundable contract advances	95,564	246,215
Deferred rent	-	202,619
Lease liabilities	<u>398,534</u>	<u>-</u>
Total current liabilities	<u>4,773,623</u>	<u>4,799,333</u>
<b>NONCURRENT LIABILITIES</b>		
Lease liabilities, net of current portion	<u>77,597</u>	<u>-</u>
Total liabilities	<u>4,851,220</u>	<u>4,799,333</u>
<b>NET ASSETS</b>		
Without donor restrictions	30,832,540	19,219,975
With donor restrictions	<u>7,748,495</u>	<u>27,900,632</u>
Total net assets	<u>38,581,035</u>	<u>47,120,607</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 43,432,255</u></b>	<b><u>\$ 51,919,940</u></b>

## NEW LEADERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 8,592,460	\$ 9,002,000	\$ 17,594,460
Federal grants	1,995,773	-	1,995,773
Contracts	4,506,837	-	4,506,837
Investment income, net	1,136,440	-	1,136,440
In-kind contributions	386,100	-	386,100
Other revenue	56,819	-	56,819
Net assets released from donor restrictions	<u>29,154,137</u>	<u>(29,154,137)</u>	<u>-</u>
Total support and revenue	<u>45,828,566</u>	<u>(20,152,137)</u>	<u>25,676,429</u>
<b>EXPENSES</b>			
Program Services	<u>25,092,330</u>	<u>-</u>	<u>25,092,330</u>
Supporting Services:			
Management and General	7,411,465	-	7,411,465
Fundraising	<u>1,712,206</u>	<u>-</u>	<u>1,712,206</u>
Total supporting services	<u>9,123,671</u>	<u>-</u>	<u>9,123,671</u>
Total expenses	<u>34,216,001</u>	<u>-</u>	<u>34,216,001</u>
Changes in net assets	11,612,565	(20,152,137)	(8,539,572)
Net assets at beginning of year	<u>19,219,975</u>	<u>27,900,632</u>	<u>47,120,607</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 30,832,540</u></b>	<b><u>\$ 7,748,495</u></b>	<b><u>\$ 38,581,035</u></b>

## NEW LEADERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 16,261,807	\$ 30,070,887	\$ 46,332,694
Contracts	4,441,429	-	4,441,429
Investment loss, net	(1,243,844)	-	(1,243,844)
In-kind contributions	522,315	-	522,315
Other revenue	29,317	-	29,317
Net assets released from donor restrictions	<u>8,517,117</u>	<u>(8,517,117)</u>	<u>-</u>
Total support and revenue	<u>28,528,141</u>	<u>21,553,770</u>	<u>50,081,911</u>
<b>EXPENSES</b>			
Program Services	<u>20,514,287</u>	<u>-</u>	<u>20,514,287</u>
Supporting Services:			
Management and General	7,738,698	-	7,738,698
Fundraising	<u>1,838,923</u>	<u>-</u>	<u>1,838,923</u>
Total supporting services	<u>9,577,621</u>	<u>-</u>	<u>9,577,621</u>
Total expenses	<u>30,091,908</u>	<u>-</u>	<u>30,091,908</u>
Changes in net assets	(1,563,767)	21,553,770	19,990,003
Net assets at beginning of year	<u>20,783,742</u>	<u>6,346,862</u>	<u>27,130,604</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 19,219,975</u></b>	<b><u>\$ 27,900,632</u></b>	<b><u>\$ 47,120,607</u></b>

## NEW LEADERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 14,736,960	\$ 3,279,984	\$ 1,236,136	\$ 4,516,120	\$ 19,253,080
Payroll taxes and employee benefits	3,512,066	781,422	239,666	1,021,088	4,533,154
Consultants	2,745,551	722,094	124,358	846,452	3,592,003
Licensing and subscriptions	71,087	1,063,339	17,709	1,081,048	1,152,135
Lease expense	-	378,778	-	378,778	378,778
Curriculum materials	40,527	539	251	790	41,317
Professional fees	42,025	389,683	3,768	393,451	435,476
Telecommunications	116	87,224	-	87,224	87,340
Insurance	2,090	139,093	2,090	141,183	143,273
Depreciation and amortization	-	220,634	-	220,634	220,634
Equipment rental and maintenance	120	6,122	-	6,122	6,242
Supplies	36,510	116,730	3,042	119,772	156,282
Bank service charges	-	27,774	-	27,774	27,774
Travel	562,407	114,045	79,943	193,988	756,395
Postage and delivery	8,427	9,124	601	9,725	18,152
Utilities	-	28,007	-	28,007	28,007
Marketing	33,726	-	-	-	33,726
Printing and reproduction	6,227	1,355	651	2,006	8,233
Residents stipends	9,400	-	-	-	9,400
Conferences and seminars	240,679	-	-	-	240,679
Catering	40,301	5,078	3,991	9,069	49,370
Bad debt expense	-	40,440	-	40,440	40,440
University partner costs	697,897	-	-	-	697,897
Subgrants	2,306,214	-	-	-	2,306,214
<b>TOTAL</b>	<b>\$ 25,092,330</b>	<b>\$ 7,411,465</b>	<b>\$ 1,712,206</b>	<b>\$ 9,123,671</b>	<b>\$ 34,216,001</b>

See accompanying notes to financial statements.



## NEW LEADERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$ 13,462,508	\$ 3,760,300	\$ 1,343,888	\$ 5,104,188	\$ 18,566,696
Payroll taxes and employee benefits	3,207,641	797,713	292,235	1,089,948	4,297,589
Consultants	2,760,934	739,619	89,685	829,304	3,590,238
Licensing and subscriptions	39,405	1,056,999	31,637	1,088,636	1,128,041
Lease expense	-	445,585	-	445,585	445,585
Curriculum materials	35,121	123	66	189	35,310
Professional fees	34,727	257,744	269	258,013	292,740
Telecommunications	360	98,770	-	98,770	99,130
Insurance	41,364	88,483	40,667	129,150	170,514
Depreciation and amortization	-	88,429	-	88,429	88,429
Equipment rental and maintenance	60	108,620	-	108,620	108,680
Supplies	25,852	100,836	1,448	102,284	128,136
Bank service charges	-	28,993	-	28,993	28,993
Travel	179,034	47,943	37,684	85,627	264,661
Postage and delivery	5,011	6,298	889	7,187	12,198
Utilities	-	16,121	-	16,121	16,121
Marketing	31,668	-	-	-	31,668
Printing and reproduction	5,576	695	425	1,120	6,696
Residents stipends	3,310	1,000	-	1,000	4,310
Conferences and seminars	3,652	-	-	-	3,652
Catering	6,932	30	30	60	6,992
Bad debt expense	-	94,397	-	94,397	94,397
University partner costs	648,751	-	-	-	648,751
Miscellaneous	22,381	-	-	-	22,381
<b>TOTAL</b>	<b>\$ 20,514,287</b>	<b>\$ 7,738,698</b>	<b>\$ 1,838,923</b>	<b>\$ 9,577,621</b>	<b>\$ 30,091,908</b>

See accompanying notes to financial statements.

## NEW LEADERS, INC.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (8,539,572)	\$ 19,990,003
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	220,634	88,429
Amortization of right-of-use asset	325,234	-
Unrealized (gain) loss on investments	(351,714)	1,493,469
Bad debt expense	40,440	94,397
Change in allowance for doubtful accounts	(6,440)	(21,782)
Change in discount on long-term receivables	142,116	(142,838)
Change in cash surrender value of life insurance	(57,918)	(61,424)
Forgiveness of debt	-	(2,000,000)
Decrease (increase) in:		
Grants and contributions receivable	2,686,756	(3,540,702)
Contracts and other receivables	(3,331,677)	358,039
Prepaid expenses	(1,597,243)	(40,541)
Security deposits	-	15,383
(Decrease) increase in:		
Accounts payable and accrued liabilities	(70,974)	960,413
Refundable contract advances	(150,651)	(69,723)
Deferred rent abatement	-	(41,489)
Sublease security deposit	-	(16,993)
Lease liability	<u>(523,515)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(11,214,524)</u>	<u>17,064,641</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(99,196)	(53,803)
Purchase of investments	<u>(10,172,424)</u>	<u>(245,621)</u>
Net cash used by investing activities	<u>(10,271,620)</u>	<u>(299,424)</u>
Net (decrease) increase in cash and cash equivalents	(21,486,144)	16,765,217
Cash and cash equivalents at beginning of year	<u>34,392,907</u>	<u>17,627,690</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 12,906,763</u></b>	<b><u>\$ 34,392,907</u></b>
<b>SUPPLEMENTAL NONCASH FINANCING ACTIVITY</b>		
Forgiveness of Debt	<u>\$ -</u>	<u>\$ 2,000,000</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Right-of-Use Asset	<u>\$ 1,046,570</u>	<u>\$ -</u>
Lease Liability for Right-of-Use Asset	<u>\$ 999,646</u>	<u>\$ -</u>

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

New Leaders, Inc. ("New Leaders") is a national non-profit organization that works towards obtaining high academic achievement for every student, especially students of color. By attracting, preparing and supporting outstanding leaders and improving the performance of the schools they lead, New Leaders is making sure every student achieves academic excellence and graduates from high school for overall college, career and citizenship success. Since its founding in 2000, New Leaders has established successful partnerships with several of the nation's largest public education systems, as well as public charter schools.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During the year ended June 30, 2023, New Leaders adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. New Leaders applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases. See Note 11 for further details.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

**Cash and cash equivalents -**

New Leaders considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

At times during the year, New Leaders maintains cash balances in excess of the FDIC insurance limits. As of June 30, 2023 and 2022, deposits in excess of FDIC insured limits totaled \$12,656,763 and \$34,142,907, respectively. Management believes the risk in these situations to be minimal.

**Investments -**

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment (loss) income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

**Receivables -**

Receivables are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received; amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

**Fixed assets -**

Fixed assets in excess of \$3,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Depreciation and amortization expense for the years ended June 30, 2023 and 2022, totaled \$220,634 and \$88,429, respectively.

**Income taxes -**

New Leaders is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and was initially classified by the IRS as an educational institution under Section 509(a)(1)70(b)(1)(a)(ii). On February 7, 2022, New Leaders requested an exemption reclassification and on July 18, 2022, it was notified by the IRS about a formal reclassification as a public charity (receiving substantial support from the general public) under Section 509(a)(1)70(b)(1)(a)(vi). Accordingly, no provision for income taxes has been made in the accompanying financial statements. New Leaders is not a private foundation.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Uncertain tax positions -

For the years ended June 30, 2023 and 2022, New Leaders has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

The majority of New Leaders' activities are supported by grants and contributions. Grants and contributions are recognized in the appropriate category of net assets in the period received. New Leaders performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Awards qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds received in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a measurable barrier (or barriers), such as limited discretion over how funds transferred should be spent. Accordingly, support is recognized when the condition or conditions are satisfied (when the related barrier has been overcome); conditional contributions are recognized when the support becomes unconditional. New Leaders considers all awards from the U.S. Government to be conditional contributions, which have been recognized in the accompanying financial statements as support (without donor restrictions) at such time when the conditions have been met (when qualifying direct and indirect expenditures have been incurred). Funds received in advance of the satisfaction of conditions are recorded as refundable advances. As of June 30, 2023 and 2022, New Leaders had \$- and \$-, respectively, of unrecognized conditional awards that have not been recorded in the accompanying financial statements.

New Leaders receives revenue under contracts that are deemed to be exchange transactions and follows ASU 2014-09, *Revenue from Contracts With Customers*. The transaction prices are based on fixed-fee arrangements agreed upon with its clients. New Leaders records such revenue when the performance obligations are met, and the revenue is recorded as without donor restrictions. The typical performance obligation period is within one year. Funds received in advance of earning contract revenue is recorded as a refundable contract advance liability in the accompanying Statements of Financial Position.

In-kind contributions -

In-kind contributions consist of pro-bono legal services and donated software maintenance and support. In-kind contributions are recorded at their fair value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by New Leaders.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Use of estimates -

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of New Leaders are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Investment risks and uncertainties -

New Leaders invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

New Leaders adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. New Leaders accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. The reclassification of the deferred rent liability is due to the adoption of ASU 2019-01, *Leases*.

New accounting pronouncement (not yet adopted) -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for New Leaders for the year ending June 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. New Leaders plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

NEW LEADERS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

2. INVESTMENTS

Investments consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual Funds:		
Equities	\$ 4,052,524	\$ 3,479,893
Fixed income	5,046,860	5,057,145
Private Equity Fund	<u>9,961,792</u>	<u>-</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 19,061,176</u></b>	<b><u>\$ 8,537,038</u></b>

Included in net investment income (loss) are the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 807,226	\$ 274,116
Unrealized gain (loss) on investments	351,714	(1,493,469)
Investment fees	<u>(22,500)</u>	<u>(24,491)</u>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b><u>\$ 1,136,440</u></b>	<b><u>\$ (1,243,844)</u></b>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2023 and 2022, contributors to New Leaders have made unconditional written promises to give, of which \$4,883,577 and \$7,882,125, respectively, remained due and outstanding. Amounts due beyond one year of the Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate between 8.25% and 4.25%.

Following is a schedule of amounts due, by year, as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 4,313,577	\$ 4,093,125
One to five years	<u>570,000</u>	<u>3,789,000</u>
Total	4,883,577	7,882,125
Less: Allowance for doubtful accounts	(62,379)	(55,939)
Less: Discount to present value	<u>(61,042)</u>	<u>(203,158)</u>
<b>NET GRANTS AND CONTRIBUTIONS RECEIVABLE</b>	<b><u>\$ 4,760,156</u></b>	<b><u>\$ 7,623,028</u></b>

4. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On March 17, 2021, New Leaders received a PPP loan totaling \$2,000,000. New Leaders used the proceeds for purposes consistent with the program and applied for forgiveness (which was granted on May 10, 2022).

Accordingly, the full value of the loan has been recognized as a contribution in the accompanying Statement of Activities and Changes in Net Assets during the year ended June 30, 2022.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Principal training and support	\$ 5,298,495	\$ 4,917,299
Subject to passage of time	<u>2,450,000</u>	<u>22,983,333</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 7,748,495</u></b>	<b><u>\$ 27,900,632</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Principal training and support	\$ 8,370,805	\$ 7,467,117
Passage of time	<u>20,783,332</u>	<u>1,050,000</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 29,154,137</u></b>	<b><u>\$ 8,517,117</u></b>

**6. LINE OF CREDIT**

New Leaders maintains a \$2,000,000 bank line of credit which is currently set to expire on February 28, 2025. Amounts borrowed under the line of credit bear interest at the bank's prime rate or 2.50% plus LIBOR (8.25% or 4.75% at June 30, 2023 and 4.75% or 3.50% at June 30, 2022). The line is secured by all business assets of the organization (based on the bank's UCC filing). There were no outstanding borrowings as of June 30, 2023 and 2022.

**7. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 12,906,763	\$ 34,392,907
Investments	19,061,176	8,537,038
Grants and contributions receivable	4,251,198	4,037,186
Contracts and other receivables	<u>3,815,326</u>	<u>483,649</u>
Subtotal financial assets available within one year	40,034,463	47,450,780
Less: Donor restricted program funds	<u>(5,298,495)</u>	<u>(4,917,299)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 34,735,968</u></b>	<b><u>\$ 42,533,481</u></b>

New Leaders has a policy to structure its financial assets to be available and liquid as its obligations become due.



# NEW LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 8. IN-KIND CONTRIBUTIONS

During the years ended June 30, 2023 and 2022, New Leaders was the beneficiary of donated services which allowed New Leaders to provide greater resources toward various activities. The following donations have been included in revenue and expense for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Software maintenance and support	\$ 240,870	\$ 470,871
Legal services	<u>145,230</u>	<u>51,444</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$ 386,100</u></b>	<b><u>\$ 522,315</u></b>

The aforementioned expenses have been reported in the following functional expense categories in the accompanying Statements of Functional Expenses:

	<u>2023</u>	<u>2022</u>
<b>Program Services</b>	<b><u>\$ 386,100</u></b>	<b><u>\$ 522,315</u></b>

### 9. CEO INSURANCE BENEFIT AND DEFERRED COMPENSATION PLANS

On October 14, 2020, New Leaders purchased a whole life insurance policy (on the CEO's life) in the face amount of \$1,000,000. New Leaders owns and is the legal beneficiary of the policy. As of June 30, 2022, there was no policy cash value recorded in the accompanying Statements of Financial Position as the policy does not provide such value until the second policy year. As of June 30, 2023, the policy cash value aggregated \$119,342.

In addition, after seven (7) years of continuous employment following October 26, 2020 (the effective date of the CEO's current employment agreement), and provided that the CEO's performance is satisfactory as determined in New Leaders' sole discretion, New Leaders will pay the CEO \$50,000 per calendar year once he reaches age 65 and continuing through age 84.

As of June 30, 2023 and 2022, a deferred compensation liability has not been recorded in the accompanying financial statements as the service and performance requirements have not been fulfilled, and payments have not commenced. It is anticipated that, if the requirements are fulfilled, the entire value of the deferred compensation agreement (reduced to its net present value) will then be recorded as a deferred compensation liability in New Leaders' financial statements. The present value of the total deferred compensation represents a contingent liability as of June 30, 2023 and 2022.

Additionally, New Leaders has entered into conditional retention agreements with six Chief Officers, Denise Dennis, John Jenkins, Laura Kadetsky, Miata Fuller, Michele Caracappa, and Taryn Waters. The conditional agreements are to encourage these employees to continue their employment with New Leaders by providing the employee with incentive tax-deferred compensation. Each employee is eligible to earn the retention bonus as defined in the agreement provided the employee meets all terms, conditions, and requirements of the agreement, including continuous service during the applicable retention period. As the retention agreements are conditioned on time/service requirements, the estimated liability (as of June 30, 2023) totaling \$141,237 has not been accrued in the accompanying financial statements.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**10. RETIREMENT PLAN**

New Leaders provides retirement benefits to its employees under Section 401(k) of the Internal Revenue Code. Employees may contribute to the Plan up to the maximum permitted by law. Amounts contributed are segregated in a separate fund held by a trustee. New Leaders provides a 100% match of each eligible employee's contribution, up to 3% of covered compensation. Total contributions to the Plan during the years ended June 30, 2023 and 2022 were \$435,750 and \$360,221, respectively. Such amounts are included in payroll taxes and employee benefits in the accompanying Statements of Functional Expenses.

**11. LEASE COMMITMENTS**

New Leaders has leases for various locations and office equipment which expire at various dates through February 2025. New Leaders is responsible for its share of operating expenses and related costs. Additionally, New Leaders' leases include annual escalations and rental holidays.

On July 1, 2022, New Leaders adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements.

New Leaders applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

New Leaders also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. New Leaders adopted the package of practical expedients to not perform any lease reclassification, did not re-evaluate embedded leases and did not reassess initial direct costs. As a result, New Leaders recorded right-of-use assets in the amount of \$1,046,570. New Leaders recorded operating lease liabilities in the amount of \$999,646 by calculating the present value using the discount rate of 5.75%.

The following is a schedule of the future minimum lease payments under all leases:

<u>Year Ending June 30,</u>	
2024	\$ 411,044
2025	60,610
2026	<u>20,167</u>
	491,821
Less: Imputed interest	<u>(15,690)</u>
	476,131
Less: Current portion	<u>(398,534)</u>
<b>NONCURRENT PORTION</b>	<b><u>\$ 77,597</u></b>

Lease expense for the years ended June 30, 2023 and 2022 totaled \$378,778 and \$445,585, respectively.

## NEW LEADERS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

#### 12. CONTINGENCY

New Leaders receives assistance from agencies of the United States Government; such awards are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2023. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### 13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, New Leaders has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market New Leaders has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2023 and 2022.

- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by New Leaders are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. The mutual funds held by New Leaders are deemed to be actively traded.
- *Private Equity Fund* - Valued at net asset value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

**NEW LEADERS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**13. FAIR VALUE MEASUREMENT (Continued)**

The tables below summarize, by level within the fair value hierarchy, New Leaders' investments as of June 30, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2023</u>
<b>Asset Class:</b>				
Mutual Funds -				
Equities	\$ 4,052,524	\$ -	\$ -	\$ 4,052,524
Fixed income	5,046,860	-	-	5,046,860
Private Equity Fund	<u>-</u>	<u>-</u>	<u>9,961,792</u>	<u>9,961,792</u>
<b>TOTAL</b>	<b><u>\$ 9,099,384</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,961,792</u></b>	<b><u>\$ 19,061,176</u></b>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2022</u>
<b>Asset Class:</b>				
Mutual Funds -				
Equities	\$ 3,479,893	\$ -	\$ -	\$ 3,479,893
Fixed income	<u>5,057,145</u>	<u>-</u>	<u>-</u>	<u>5,057,145</u>
<b>TOTAL</b>	<b><u>\$ 8,537,038</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,537,038</u></b>

**Level 3 Financial Assets**

The following table provides a summary of changes in fair value of New Leaders's financial assets for the year ended June 30, 2023:

Beginning balance as of July 1, 2022	\$ -
Purchases	10,000,000
Unrealized loss	<u>(38,208)</u>
<b>BALANCE AS OF JUNE 30, 2023</b>	<b><u>\$ 9,961,792</u></b>

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, New Leaders has evaluated events and transactions for potential recognition or disclosure through December 7, 2023, the date the financial statements were issued.