LADDER UP AND RELATED ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ladder Up and Related Organization

We have audited the accompanying consolidated financial statements of Ladder Up and Related Organization (the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ladder Up and Related Organization as of June 30, 2019, 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.

Emphasis of Matter - New Standards

As discussed in Note 2 of the consolidated financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of the Organization's 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 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 Organization's 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 Organization's internal control over financial reporting and compliance.

Sikich LLP

Naperville, Illinois
March 16, 2020

CONSOLIDATED FINANCIAL STATEMENTS

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Cash and cash equivalents	$	294,216
Contributions receivable		211,780
Government agency grants receivable		1,082,404
Other receivables		1,532
Prepaid expenses		1,027
Investments		1,593,650
Property and equipment, less accumulated depreciation		520,947
TOTAL ASSETS	$	3,705,556

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	307,913
Accrued expenses		111,723
Loan payable		51,621
Total liabilities		471,257
NET ASSETS		
Without donor restrictions		
Board designated		1,593,475
Undesignated		1,171,869
Total net assets without donor restrictions		2,765,344
With donor restrictions		468,955
Total net assets		3,234,299
TOTAL LIABILITIES AND NET ASSETS	$	3,705,556

See accompanying notes to consolidated financial statements.

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 887,001	$ 454,870	$ 1,341,871
In-kind donations, including pro bono services	2,710,297	-	2,710,297
Government agency grants	1,536,912	-	1,536,912
Special events	190,646	-	190,646
Investment return	122,286	-	122,286
Gain on disposal of property and equipment	10,048	-	10,048
Other	395	-	395
Net assets released from restriction	428,415	(428,415)	-
Total revenues and other support	5,886,000	26,455	5,912,455
EXPENSES			
Program expenses			
Tax services	3,606,173	-	3,606,173
Tax clinic	294,847	-	294,847
Financial capability	475,623	-	475,623
Total program expenses	4,376,643	-	4,376,643
Support services			
Management and general	490,920	-	490,920
Fundraising	462,665	-	462,665
Total support services	953,585	-	953,585
Total expenses	5,330,228	-	5,330,228
Change in net assets before the excess of assets acquired over liabilities assumed in acquisition of Center for Economic Progress	555,772	26,455	582,227
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION OF CENTER FOR ECONOMIC PROGRESS	68,432	317,500	385,932
CHANGE IN NET ASSETS	624,204	343,955	968,159
NET ASSETS, BEGINNING OF YEAR	2,141,140	125,000	2,266,140
NET ASSETS, END OF YEAR	$ 2,765,344	$ 468,955	$ 3,234,299

See accompanying notes to consolidated financial statements.

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Tax Services	Tax Clinic	Financial Capability	Total	Management and General	Fundraising	Total Expenses
Personnel	$ 1,021,796	$ 157,447	$ 232,508	$ 1,411,751	$ 192,735	$ 160,780	$ 1,765,266
Occupancy	466,119	32,993	40,866	539,978	65,485	30,871	636,334
Professional services, including pro bono	1,775,207	94,490	154,227	2,023,924	216,762	185,329	2,426,015
Supplies and printing	224,714	2,671	27,616	255,001	8,735	76,003	339,739
Travel	6,475	5,038	8,399	19,912	2,158	87	22,157
Conference and meetings	6,099	155	2,502	8,756	25	2,339	11,120
Grants and subscriptions	10,000	-	-	10,000	-	-	10,000
Depreciation	46,583	973	6,317	53,873	3,503	3,393	60,769
Fees and miscellaneous	49,180	1,080	3,188	53,448	1,517	3,863	58,828
TOTAL FUNCTIONAL EXPENSES	$ 3,606,173	$ 294,847	$ 475,623	$ 4,376,643	$ 490,920	$ 462,665	$ 5,330,228

See accompanying notes to consolidated financial statements.

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 968,159
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	60,769
Debt assumed in acquisition of Center for Economic Progress	119,150
Property and equipment acquired in acquisition of Center for Economic Progress	(93,428)
Gain on disposal of property and equipment	(10,048)
Gain on sale of investments	(167,174)
Unrealized loss on investments	76,390
(Increase) decrease in	
Contributions receivable	(108,451)
Government agency grants receivable	(1,082,404)
Other receivables	(1,532)
Prepaid expenses and other assets	(600)
Increase (decrease) in	
Accounts payable	304,776
Accrued expenses	111,723
Net cash from operating activities	177,330
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sale of property and equipment	59,000
Purchases of property and equipment	(516,915)
Purchases of investments	(144,385)
Sales and maturities of investments	314,942
Net cash from investing activities	(287,358)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowing	-
Principal payments on loan payable	(67,529)
Net cash from financing activities	(67,529)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(177,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	471,773
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 294,216
SUPPLEMENTAL CASH FLOWS INFORMATION	
Debt assumed in acquisition of Center for Economic Progress	$ 119,150
Property and equipment acquired in Center for Economic Progress	93,428
Interest paid	1,454

See accompanying notes to consolidated financial statements.

1. NATURE OF BUSINESS

Ladder Up and Related Organization (the Organization) is an Illinois not-for-profit organization incorporated on February 20, 1996, to help provide the working poor with the financial resources and opportunity needed to climb up the economic ladder. By leveraging a volunteer corps comprising over 1,000 members, many recruited from the Chicago area's top companies and universities, the Organization offers free tax preparation, financial aid, and financial education services to thousands of families and individuals each year. With a small staff and through its application of volunteer time and talent, the Organization helps its clients access the economic benefits they need to climb up and out of poverty.

Tax Services: Operating one of the largest Volunteer Income Tax Assistance (VITA) programs in the country, the Organization provides low-income families with free, high quality tax preparation and an alternative to paid tax preparers.

Tax Clinic: The Organization provides free professional legal representation to low-income taxpayers facing an Internal Revenue Service (IRS) controversy. Through its year-round tax clinic, the Organization also offers education and outreach on the earned income tax credit (EITC), taxpayer rights and responsibilities, innocent spouse claims, worker classification, and collection alternatives.

Financial Capability: The Organization provides year-round financial education workshops, coordinates a tax-time savings campaign, helps students and families access financial aid for postsecondary education, and offers one-on-one financial coaching to help clients set financial goals, create a spending plan, access safe and affordable financial products, and review and correct credit reports and improve credit scores.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Principles of Consolidation</u>

The accompanying consolidated financial statements include the accounts of Ladder Up (LU) and its related organization, Center for Economic Progress (CEP), collectively known as the Organization. Interorganizational transactions and balances have been eliminated in consolidation.

Effective September 21, 2018, CEP was acquired by LU. Through an affiliation agreement, LU became the sole member of CEP. Day-to-day operations moved to LU's office, and CEP began to use LU's resources to fulfill its mission. In accordance with CEP's by-laws, LU's Board of Directors will serve as the Board of Directors of CEP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred, and certain measurement and matching criteria are met. Consolidated financial statement presentation follows accounting principles generally accepted in the United States of America (USGAAP).

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated reserve.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At June 30, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately $88,016. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash held as part of board-designated reserve is not considered cash and cash equivalents and is included in investments in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Contributions and government agency grants receivable are recorded net of an allowance for uncollectible accounts at the amount expected to be collected and are expected to be collected within one year. The allowance for doubtful accounts is established based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless. Recoveries of any written off amounts would be recorded when received. No provision for doubtful accounts has been recorded at June 30, 2019.

Property and Equipment

Property and equipment in excess of $1,000 are recorded at cost when purchased or at fair value at the date of donation. Maintenance, repairs, and minor improvements are expensed as incurred.

The Organization reports gifts of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is determined using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Equipment	3-5
Furniture and fixtures	5-7
Computer software	3
Leasehold improvements	Lesser of length of the lease or ten years

Investments

Investments in marketable securities with readily determinable fair value are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less eternal and direct internal expenses. Investment returns that are initially classified as with donor restrictions for which the restrictions are met in the same period that the return is recognized are classified as increases in net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

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 have been substantially met. Restricted contributions that are initially classified as conditional and for which the restriction is met in the same period that the revenue is recognized are classified as increases in net assets without donor restrictions.

Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Contributions without donor-imposed restrictions are reported as increases in net assets without donor restrictions.

Government agency grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses, and revenue is recognized when the conditions are met. As of June 30, 2019, the Organization had approximately $352,000 of conditional contributions that have not been recorded as qualifying expenses have not yet been incurred.

Donated Services and Assets

The Organization receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. The Organization also receives the use of donated facilities for its program operations and supporting services. Donated 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 the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Income Taxes

The Organization is a not-for profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Organization is not classified as a private foundation.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include personnel related costs that were allocated based on estimates of time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the place-in-service approach to recognize the expirations or restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU for the year ended June 30, 2019.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all revenue recognition guidance under USGAAP. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earning in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two optional transition methods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Organization has early adopted this new standard for the year ended June 30, 2019. The new standard was applied on a modified prospective basis with no impact on beginning net assets.

Change in Accounting Principle

During the year ended June 30, 2019, the Organization adopted ASU No. 2018-08. This change in accounting principle is preferable to existing USGAAP, because it eliminates diversity in practice in accounting for contributions, notably government grants. The Organization had previously recorded revenue from government agency grants on a cost reimbursement basis and recognized revenue as qualifying expenses were incurred. Therefore, the change in accounting principle would not result in a significant impact on government agency grant revenue reported as compared with the prior year.

3. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

Cash and cash equivalents	$ 294,216
Contributions receivable	211,780
Government agency grants receivable	1,082,404
Other receivables	1,532
Investments	1,593,650
Total financial assets	3,183,582
Less amounts not available to be used for general expenditures within one year	
Due to donor-imposed restrictions	(468,955)
Due to Board of Directors-imposed restrictions	(1,593,475)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$ 1,121,152

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year end balance of reserves of net assets without donor restrictions to meet 30 to 45 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended June 30, 2019, the level of liquidity and reserves was managed within the policy requirements.

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Amount
Equipment	$ 899,815
Furniture and fixtures	54,678
Computer software	21,267
Leasehold improvements	230,344
Total cost	1,206,104
Accumulated depreciation	(685,157)
NET PROPERTY AND EQUIPMENT	$ 520,947

5. FAIR VALUE MEASUREMENTS

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

5. FAIR VALUE MEASUREMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2019.

- Domestic equity securities: Valued at the closing quoted price in an active market.
- Corporate debt securities: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Domestic equity securities	$ 874,985	$ -	$ -	$ 874,985
Corporate bonds	-	53,797	-	53,797
TOTAL ASSETS AT FAIR VALUE	$ 874,985	$ 53,797	$ -	928,782
Cash held in investment deposit account*				664,868
TOTAL INVESTMENTS				$ 1,593,650

* Reported at cost

6. LOAN PAYABLE

Loan payable at June 30, 2019 consists of the following:

Loan payable to a bank in monthly installments of $906, with interest waived. The note is due on March 1, 2024.	$	51,621

The balance of the above debt matures as follows:

Years Ending June 30,		Amount
2020	$	10,868
2021		10,868
2022		10,868
2023		10,868
2024		8,149
TOTAL	$	51,621

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2019:

Restricted for purpose		
Financial capability services for low income families	$	314,901
Sponsorship		12,500
Tax and financial services		137,469
Tax clinic		4,085
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$	468,955

8. BOARD-DESGNATED FUND

The Board of Directors has established a board-designated investment fund. The purpose of the fund is for investment, growth, and emergency liquidity needs. While there is no specific policy for transfers to and from the reserve, it is typically used either for large one-time expenses, such as the buildout of the new office space, or short-term cash management. Any transfer out is tracked and replenished from operating accounts when funds are available.

8. BOARD-DESGNATED FUND (Continued)

The change in the board-designated fund consists of the following for the year ended June 30, 2019:

Board designated fund, beginning of year	$ 1,673,189
Contributions	100,005
Investment return	122,286
Transfers to undesignated	(302,005)
BOARD-DESIGNATED FUND, END OF YEAR	$ 1,593,475

9. IN-KIND CONTRIBUTIONS (INCLUDING PRO-BONO SERVICES)

During fiscal year 2019, the Organization received donated services for tax preparation, legal consultation, and other consulting services. The Organization also received contributions of the use of facilities and donated goods.

Program or Supporting Service	Donated Space	Donated Services	Donated Goods	Total
Tax services	$ 422,542	$ 1,668,340	$ -	$ 2,090,882
Tax clinic	9,000	83,205	-	92,205
Financial capability program	13,640	134,518	-	148,158
Management and general	16,368	154,956	-	171,323
Fundraising	16,368	154,956	36,405	207,728
Total	$ 477,917	$ 2,195,975	$ 36,405	$ 2,710,297

For the year ended June 30, 2019, 35% of management and general expenses, and 45% of fundraising expenses, as shown in the statement of activities, relate to the in-kind contributions detailed above.

10. RETIREMENT PLANS

LU has a 401(k) plan (the LU Plan) covering substantially all of its employees, providing they meet certain requirements. Under the LU Plan, the Organization matches $0.65 for every $1 contributed by the employee on up to 2% of the employee’s salary (meaning the matching contributions will not exceed 1.3% of the employee’s salary). Additionally, LU contributes 3% of employee’s salary, regardless of employee’s deferral activity, as a safe harbor contribution, and 3.5% of employee’s salary as profit sharing. LU made contributions of $31,529 to the LU Plan for the year ended June 30, 2019.

10. RETIREMENT PLANS (CONTINUED)

CEP has a SIMPLE IRA (the CEP Plan) covering substantially all of its employees, providing they meet certain requirements. Under the CEP Plan, employees can elect to defer a portion of their compensation and the Organization will match the employee contributions up to 3% of compensation. The Organization made contributions of $35,659 to the CEP Plan for the year ended June 30, 2019.

11. ACQUSITION OF ASSETS IN BUSINESS COMBINATION

On September 21, 2018, LU agreed to acquire and absorb the assets and liabilities of CEP. The purpose of this acquisition was to pursue the two organizations' shared purpose in providing tax assistance and financial resources and other services. The results of operations related to this acquisition from the acquisition date have been included in these consolidated financial statements.

The following is condensed statement of financial position information showing the fair values of the assets and liabilities acquired as of the date of the acquisition.

ASSETS ACQUIRED	
Cash and cash equivalents	$ (19,555)
Contribution receivable	576,121
Other receivable	1,532
Property and equipment, net	93,428
LESS LIABILITIES ASSUMED	
Accounts payable	951
Accrued expenses	145,493
Loan payable	119,150
TOTAL ASSETS ACQUIRED IN EXCESS OF LIABILITIES ASSUMED	$ 385,932

12. CONCENTRATION

For the year ended June 30, 2019, funding from each of the City of Chicago, Illinois Department of Human Services, IRS, and the Prudential Foundation amounted to more than 10% of total funding received, excluding in-kind donations. The amount of revenue from these funders amounted to $1,850,264. Receivables from these funders as of June 30, 2019 amounted to $1,220,755.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 16, 2020, the date the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.

SUPPLEMENTARY INFORMATION

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2019

	Center for Economic Progress	Ladder Up	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 178,132	$ 116,084	$ -	$ 294,216
Contributions receivable	184,970	26,810	-	211,780
Government agency grants receivable	708,846	373,558	-	1,082,404
Other receivables	1,532	-	-	1,532
Due from related organization	-	564,771	(564,771)	-
Prepaid expenses	-	1,027	-	1,027
Investments	175	1,593,475	-	1,593,650
Property and equipment, less accumulated depreciation	199,235	321,712	-	520,947
TOTAL ASSETS	$ 1,272,890	$ 2,997,437	$ (564,771)	$ 3,705,556
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 33,019	$ 274,894	$ -	$ 307,913
Due to related organization	564,771	-	(564,771)	-
Accrued expenses	34,717	77,006	-	111,723
Loan payable	51,621	-	-	51,621
Total liabilities	684,128	351,900	(564,771)	471,257
NET ASSETS				
Without donor restrictions				
Board designated	-	1,593,475	-	1,593,475
Undesignated	309,776	862,093	-	1,171,869
Total net assets without donor restrictions	309,776	2,455,568	-	2,765,344
With donor restrictions	278,986	189,969	-	468,955
Total net assets	588,762	2,645,537	-	3,234,299
TOTAL LIABILITIES AND NET ASSETS	$ 1,272,890	$ 2,997,437	$ (564,771)	$ 3,705,556

LADDER UP AND RELATED ORGANIZATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2019

	Center for Economic Progress			Ladder Up				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated
REVENUES AND OTHER SUPPORT								
Contributions	$ 414,738	$ 274,901	$ 689,639	$ 472,263	$ 179,969	$ 652,232	$ -	$ 1,341,871
In-kind donations	1,088,212	-	1,088,212	1,622,085	-	1,622,085	-	2,710,297
Government agency grants	994,510	-	994,510	542,402	-	542,402	-	1,536,912
Special events	5,172	-	5,172	185,474	-	185,474	-	190,646
Investment return	(66)	-	(66)	122,352	-	122,352	-	122,286
Gain (loss) on disposal of property and equipment	12,292	-	12,292	(2,244)	-	(2,244)	-	10,048
Other	395	-	395	-	-	-	-	395
Net assets released from restriction	313,415	(313,415)	-	115,000	(115,000)	-	-	-
Total revenues and other support	2,828,668	(38,514)	2,790,154	3,057,332	64,969	3,122,301	-	5,912,455
EXPENSES								
Program expenses								
Tax services	1,717,337	-	1,717,337	1,888,836	-	1,888,836	-	3,606,173
Tax clinic	294,847	-	294,847	-	-	-	-	294,847
Financial capability	193,825	-	193,825	281,798	-	281,798	-	475,623
Total program expenses	2,206,009	-	2,206,009	2,170,634	-	2,170,634	-	4,376,643
Support services								
Management and general	215,551	-	215,551	275,369	-	275,369	-	490,920
Fundraising	165,764	-	165,764	296,901	-	296,901	-	462,665
Total support services	381,315	-	381,315	572,270	-	572,270	-	953,585
Total expenses	2,587,324	-	2,587,324	2,742,904	-	2,742,904	-	5,330,228
Change in net assets before the excess of assets acquired over liabilities assumed in acquisition of Center for Economic Progress	241,344	(38,514)	202,830	314,428	64,969	379,397	-	582,227
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION OF CENTER FOR ECONOMIC PROGRESS	68,432	317,500	385,932	-	-	-	-	385,932
CHANGE IN NET ASSETS	309,776	278,986	588,762	314,428	64,969	379,397	-	968,159
NET ASSETS, BEGINNING OF YEAR	-	-	-	2,141,140	125,000	2,266,140	-	2,266,140
NET ASSETS, END OF YEAR	$ 309,776	$ 278,986	$ 588,762	$ 2,455,568	$ 189,969	$ 2,645,537	$ -	$ 3,234,299