



LADDER UP

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2022 and 2021



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LADDER UP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ladder Up

Opinion

We have audited the accompanying financial statements of Ladder Up (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 Ladder Up as of June 30, 2022 and 2021, and the changes in its net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide 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 the Organization'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 and *Government 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 and *Government 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 the Organization'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 the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023, 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.

Sibich LLP

Naperville, Illinois
March 13, 2023

FINANCIAL STATEMENTS

LADDER UP

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 190,859	\$ 69,718
Government agency grants receivable	680,627	590,227
Prepaid expenses	23,078	14,973
Investments	2,628,310	2,922,548
Property and equipment, less accumulated depreciation	291,807	314,287
TOTAL ASSETS	\$ 3,814,681	\$ 3,911,753
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 24,180
Accrued expenses	104,232	88,615
Refundable grant advance	-	136,110
Loan payable	19,019	29,886
Total liabilities	123,251	278,791
NET ASSETS		
Without donor restrictions		
Board-designated	2,628,310	2,922,548
Undesignated	1,033,120	667,914
Total net assets without donor restrictions	3,661,430	3,590,462
With donor restrictions	30,000	42,500
Total net assets	3,691,430	3,632,962
TOTAL LIABILITIES AND NET ASSETS	\$ 3,814,681	\$ 3,911,753

See accompanying notes to financial statements.

LADDER UP

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 582,243	\$ 30,000	\$ 612,243
In-kind donations, including pro bono services	1,078,667	-	1,078,667
Government agency grants	1,824,567	-	1,824,567
Special events	272,159	-	272,159
Investment return, net of expenses	(386,729)	-	(386,729)
Other	138,086	-	138,086
Net assets released from restrictions	42,500	(42,500)	-
Total revenues and other support	<u>3,551,493</u>	<u>(12,500)</u>	<u>3,538,993</u>
EXPENSES			
Program expenses			
Tax services	2,523,974	-	2,523,974
Tax clinic	280,779	-	280,779
Financial capability	91,439	-	91,439
Total program expenses	<u>2,896,192</u>	<u>-</u>	<u>2,896,192</u>
Support services			
Management and general	297,461	-	297,461
Fundraising	286,872	-	286,872
Total support services	<u>584,333</u>	<u>-</u>	<u>584,333</u>
Total expenses	<u>3,480,525</u>	<u>-</u>	<u>3,480,525</u>
CHANGE IN NET ASSETS	70,968	(12,500)	58,468
NET ASSETS, BEGINNING OF YEAR	<u>3,590,462</u>	<u>42,500</u>	<u>3,632,962</u>
NET ASSETS, END OF YEAR	<u>\$ 3,661,430</u>	<u>\$ 30,000</u>	<u>\$ 3,691,430</u>

See accompanying notes to financial statements.

LADDER UP

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 752,890	\$ 30,000	\$ 782,890
In-kind donations, including pro bono services	700,193	-	700,193
Government agency grants	1,691,693	-	1,691,693
Special events	67,305	-	67,305
Investment return, net of expenses	474,746	-	474,746
Other	105	-	105
Net assets released from restrictions	80,087	(80,087)	-
Total revenues and other support	<u>3,767,019</u>	<u>(50,087)</u>	<u>3,716,932</u>
EXPENSES			
Program expenses			
Tax services	2,037,055	-	2,037,055
Tax clinic	364,958	-	364,958
Financial capability	139,674	-	139,674
Total program expenses	<u>2,541,687</u>	<u>-</u>	<u>2,541,687</u>
Support services			
Management and general	406,178	-	406,178
Fundraising	246,623	-	246,623
Total support services	<u>652,801</u>	<u>-</u>	<u>652,801</u>
Total expenses	<u>3,194,488</u>	<u>-</u>	<u>3,194,488</u>
CHANGE IN NET ASSETS	572,531	(50,087)	522,444
NET ASSETS, BEGINNING OF YEAR	<u>3,017,931</u>	<u>92,587</u>	<u>3,110,518</u>
NET ASSETS, END OF YEAR	<u>\$ 3,590,462</u>	<u>\$ 42,500</u>	<u>\$ 3,632,962</u>

See accompanying notes to financial statements.

LADDER UP

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Tax Services	Tax Clinic	Financial Capability	Total	Management and General	Fundraising	Total Expenses
Personnel	\$ 926,419	\$ 149,191	\$ 56,392	\$ 1,132,002	\$ 235,079	\$ 168,306	\$ 1,535,387
Occupancy	369,651	34,844	9,971	414,466	27,187	28,588	470,241
Professional services, including pro bono	883,885	83,544	19,626	987,055	8,341	11,134	1,006,530
Supplies and printing	188,039	7,002	1,756	196,797	11,275	26,789	234,861
Travel	10,674	-	-	10,674	121	197	10,992
Depreciation	136,544	5,517	3,671	145,732	4,137	4,137	154,006
Fees and miscellaneous	8,762	681	23	9,466	11,321	47,721	68,508
TOTAL FUNCTIONAL EXPENSES	\$ 2,523,974	\$ 280,779	\$ 91,439	\$ 2,896,192	\$ 297,461	\$ 286,872	\$ 3,480,525

See accompanying notes to financial statements.

LADDER UP

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Tax Services	Tax Clinic	Financial Capability	Total	Management and General	Fundraising	Total Expenses
Personnel	\$ 702,848	\$ 185,724	\$ 84,450	\$ 973,022	\$ 269,018	\$ 160,739	\$ 1,402,779
Occupancy	179,560	34,082	21,542	235,184	28,186	24,960	288,330
Professional services, including pro bono	835,487	132,040	24,169	991,696	82,561	28,857	1,103,114
Supplies and printing	204,633	4,861	4,910	214,404	13,361	19,833	247,598
Travel	3,777	454	-	4,231	1,157	77	5,465
Depreciation	106,061	6,841	4,499	117,401	5,132	5,132	127,665
Fees and miscellaneous	4,689	956	104	5,749	6,763	7,025	19,537
TOTAL FUNCTIONAL EXPENSES	\$ 2,037,055	\$ 364,958	\$ 139,674	\$ 2,541,687	\$ 406,178	\$ 246,623	\$ 3,194,488

See accompanying notes to financial statements.

LADDER UP

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 58,468	\$ 522,444
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	154,006	127,665
Gain on sale of investments	(6,907)	(172,968)
Unrealized (gain) loss on investments	432,110	(267,917)
Increase (decrease) in		
Contributions receivable	-	22,765
Government agency grants receivable	(90,400)	61,245
Prepaid expenses	(8,105)	(13,814)
(Increase) decrease in		
Accounts payable	(24,180)	(5,946)
Accrued expenses	15,617	(45,577)
Refundable grant advance	(136,110)	136,110
Net cash from operating activities	<u>394,499</u>	<u>364,007</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(131,526)	(23,599)
Purchases of investments	(378,494)	(697,578)
Sales and maturities of investments	247,529	332,910
Net cash from investing activities	<u>(262,491)</u>	<u>(388,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loan payable	(10,867)	(10,868)
Net cash from financing activities	<u>(10,867)</u>	<u>(10,868)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,141	(35,128)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>69,718</u>	<u>104,846</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 190,859</u>	<u>\$ 69,718</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Noncash forgiveness of debt	\$ 136,110	\$ -
Interest paid	\$ -	\$ 2,201

See accompanying notes to financial statements.

LADDER UP

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. NATURE OF BUSINESS

Ladder Up (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 (unaudited), many recruited from the Chicago and State of Illinois area's top companies and universities, the Organization offers free tax preparation, financial aid, and financial education services to tens of thousands of families and individuals each year (unaudited). 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

Basis of Accounting

The 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. Financial statement presentation follows accounting principles generally accepted in the United States of America (USGAAP).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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, 2022 and 2021, the Organization's cash accounts did not exceed federally insured limits. 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 statements of financial position.

Receivables

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, 2022 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	<u>Years</u>
Equipment	3-5
Furniture and fixtures	5-7
Computer software	3
Leasehold improvements	Lesser of length of the lease (including renewal periods that are reasonably assured) 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 statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external 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.

Revenue and Support

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

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. Contributions 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.

Government agency grants are conditioned upon the incurrence of allowable qualifying expenses, and revenue is recognized when the conditions are met. As of June 30, 2022 and 2021, the Organization had approximately \$723,872 and \$326,000, respectively, of conditional contributions that have not been recorded as qualifying expenses have not yet been incurred.

Special events revenue is recorded at the time of the event.

Other income for the year ended June 30, 2021, primarily consists of loan forgiveness in the amount of approximately \$136,110 under the Paycheck Protection Program (PPP), as described in Note 6.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on the employee's service area of work which is based on actual hours worked. Occupancy, supplies and printing, and fees and miscellaneous expense are allocated pro-rata based on total salaries.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 and requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. 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 net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two optional transition methods.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU No. 2020-07, is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. There was no material effect on the financial statements upon implementation of this new standard.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

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 statements of financial position date, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 190,859	\$ 69,718
Government agency grants receivable	680,627	590,227
Investments	<u>2,628,310</u>	<u>2,922,548</u>
 Total financial assets	 3,499,796	 3,582,493
 Less amounts not available to be used for general expenditures within one year		
Due to donor-imposed restrictions	(30,000)	(42,500)
Due to Board of Directors-imposed designations	<u>(2,628,310)</u>	<u>(2,922,548)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u><u>\$ 841,486</u></u>	 <u><u>\$ 617,445</u></u>

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 years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2022	2021
Equipment	\$ 1,055,373	\$ 923,848
Furniture and fixtures	54,678	54,678
Computer software	21,267	21,267
Leasehold improvements	259,587	259,587
Total cost	1,390,905	1,259,380
Accumulated depreciation	(1,099,098)	(945,093)
NET PROPERTY AND EQUIPMENT	<u>\$ 291,807</u>	<u>\$ 314,287</u>

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.

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 years ended June 30, 2022 and 2021.

- Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds				
Equities	\$ 2,064,036	\$ -	\$ -	\$ 2,064,036
Fixed income	532,373	-	-	532,373
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,596,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,596,409</u>
Cash held in investment deposit account*				<u>31,901</u>
TOTAL INVESTMENTS				<u>\$ 2,628,310</u>

* Reported at cost

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds				
Equities	\$ 2,325,569	\$ -	\$ -	\$ 2,325,569
Fixed income	547,508	-	-	547,508
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,873,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,873,077</u>
Cash held in investment deposit account*				<u>49,471</u>
TOTAL INVESTMENTS				<u>\$ 2,922,548</u>

* Reported at cost

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

6. REFUNDABLE GRANT ADVANCE

The Organization was granted a loan in the amount of \$136,110, pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 on February 8, 2021. The loan may be forgiven if used for certain qualifying expenses. Any portion not forgiven bears interest at a rate of 1% per annum, payable in monthly installments commencing June, 2022 and maturing February, 2026. This amount is included in refundable grant advance in the statements of financial position at June 30, 2021, as the conditions for forgiveness were not met prior to June 30, 2021. The Organization received full forgiveness of the loan during the year ended June 30, 2022, and recognized \$136,100 as other revenue in the statements of activities for the year ended June 30, 2022.

7. LOAN PAYABLE

Loan payable at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Unsecured loan payable to a bank in monthly installments of \$906, with interest waived. The note is due on March 1, 2024.	\$ 19,019	\$ 29,886

The balance of the above debt matures as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 10,868
2024	<u>8,151</u>
TOTAL	<u>\$ 19,019</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for purpose Tax and financial services	\$ 30,000	\$ 42,500
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 30,000</u>	<u>\$ 42,500</u>

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

9. BOARD-DESIGNATED FUND

The Board of Directors has established a board-designated reserve 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.

The change in the board-designated fund consists of the following for the years ended June 30, 2022 and 2021:

	2022	2021
BOARD-DESIGNATED FUND, BEGINNING OF YEAR	\$ 2,922,548	\$ 2,116,995
Designations	317,122	653,314
Investment return	(386,729)	474,746
Transfers to undesignated	(224,631)	(322,507)
BOARD-DESIGNATED FUND, END OF YEAR	<u>\$ 2,628,310</u>	<u>\$ 2,922,548</u>

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

During fiscal year 2022, 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. The in-kind contributions were utilized in the Organization's program or supporting service as follows:

Program or Supporting Service	Donated Space	Donated Services	Donated Goods	Total
Tax services	\$ 346,192	\$ 554,524	\$ -	\$ 900,716
Tax clinic	30,751	72,390	-	103,141
Financial capability program	9,045	-	-	9,045
Management and general	21,707	-	-	21,707
Fundraising	25,325	-	18,733	44,058
TOTAL	<u>\$ 433,020</u>	<u>\$ 626,914</u>	<u>\$ 18,733</u>	<u>\$ 1,078,667</u>

For the year ended June 30, 2022, 7% of management and general expenses, and 15% of fundraising expenses, as shown in the statements of activities, relate to the in-kind contributions detailed above.

LADDER UP
NOTES TO FINANCIAL STATEMENTS (Continued)

10. IN-KIND CONTRIBUTIONS (INCLUDING PRO-BONO SERVICES)
(Continued)

During fiscal year 2021, 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. The in-kind contributions were utilized in the Organization's program or supporting service as follows:

Program or Supporting Service	Donated Space	Donated Services	Donated Goods	Total
Tax services	\$ 156,706	\$ 287,335	\$ -	\$ 444,041
Tax clinic	28,943	115,237	-	144,180
Financial capability program	18,089	11,870	-	29,959
Management and general	21,707	14,243	-	35,950
Fundraising	21,707	14,243	10,113	46,063
TOTAL	\$ 247,152	\$ 442,928	\$ 10,113	\$ 700,193

For the year ended June 30, 2021, 9% of management and general expenses, and 19% of fundraising expenses, as shown in the statements of activities, relate to the in-kind contributions detailed above.

Donated services recognized comprise professional services from tax professionals advising on various tax matters. Donated services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar tax services.

The Organization receives use of donated space at various tax preparation sites in addition to its main office location. In valuing the donated spaces, which are located in the greater Chicago area, the Organization estimates the fair value on the basis of recent comparable rental prices in greater Chicago area's real estate market.

Donated goods are reported at their estimated fair value based on quoted or published prices for similar items, if utilized, or the actual cash proceeds received on their disposition, if auctioned.

11. RETIREMENT PLANS

The Organization has a 401(k) plan (the Plan) covering substantially all of its employees, providing they meet certain requirements. Under the 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, the Organization 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. The Organization made contributions of \$37,460 and \$49,802 to the Plan for the years ended June 30, 2022 and 2021, respectively.

12. CONCENTRATION

For the year ended June 30, 2022, funding from each of the City of Chicago, Illinois Department of Human Services, and IRS amounted to approximately 73% of total funding received, excluding in-kind donations. The amount of revenue from these funders amounted to \$1,796,684. Receivables from these funders as of June 30, 2022 amounted to \$640,243.

For the year ended June 30, 2021, funding from each of the City of Chicago, Illinois Department of Human Services, and IRS amounted to approximately 55% of total funding received, excluding in-kind donations. The amount of revenue from these funders amounted to \$1,657,132. Receivables from these funders as of June 30, 2021 amounted to \$560,695.

13. RISKS AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range industries and countries could be severely impacted for month or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

In September 2020, the Organization thoroughly reviewed all positions and made the decision to reduce its workforce to better position the Organization for the upcoming tax season and manage the impact of the pandemic. Additionally, the Organization has engaged a consultant to develop a service delivery model that is adaptable to changes due to Covid 19 restrictions as well as position the organization for future growth. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 13, 2023, the date the financial statements were available to be issued and determined that there were no significant nonrecognized subsequent events through that date.