

STUDENT LEADERSHIP NETWORK, INC.

**Financial Statements
for the years ended
June 30, 2023
and
June 30, 2022**

Independent Auditor's Report

To the Board of Directors
Student Leadership Network, Inc.

Opinion

We have audited the accompanying financial statements of the Student Leadership Network, Inc. (the "Network"), which comprise the statement of financial position as of June 30, 2023 and June 30, 2022, 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 the Network as of June 30, 2023 and June 30, 2022, and the result of its activities 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 the Network 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Network has changed its method of accounting for operating leases as of July 1, 2022 due to the adoption of ASU 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to that matter.

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 Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

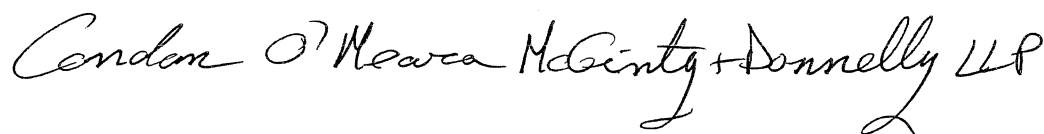
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

A handwritten signature in black ink that reads "Candace O'Keefe McGinty + Donnelly LLP". The signature is written in a cursive, flowing style.

February 7, 2024

STUDENT LEADERSHIP NETWORK, INC.

Statement of Financial Position

Assets

	June 30	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 4,040,653	\$ 3,917,086
Investments, at fair value	10,287,739	5,095,493
Accounts receivable	2,479,120	551,966
Contributions receivable	902,450	1,002,450
Prepaid expenses	366,885	382,360
Total current assets	18,076,847	10,949,355
Cash held for security deposit	82,325	82,325
Property and equipment, at cost	1,519,760	1,479,215
Less: accumulated depreciation	1,056,211	884,350
Net property and equipment	463,549	594,865
Right-of-use asset, net – operating leases	2,039,037	-
Total assets	\$20,661,758	\$11,626,545

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 736,326	\$ 323,209
Unearned revenue	67,146	60,000
Operating lease liability, net	580,488	-
Total current liabilities	1,383,960	383,209
Operating lease liability, net – long-term portion	1,975,093	-
Deferred rent	-	575,439
Total liabilities	3,359,053	958,648
Net assets		
Without donor restrictions		
Operations	3,099,943	3,096,934
Board designated	3,478,488	3,133,488
Growth designated	7,260,000	-
Total without donor restrictions	13,838,431	6,230,422
With donor restrictions	3,464,274	4,437,475
Total net assets	17,302,705	10,667,897
Total liabilities and net assets	\$20,661,758	\$11,626,545

See notes to financial statements.

STUDENT LEADERSHIP NETWORK, INC.

Statement of Activities

	Year Ended June 30										
	2023					2022					
	Without Donor Restrictions					Without Donor Restrictions					
	Operations	Board- Designated	Growth Designated	Total	With Donor Restrictions	Total All Funds	Operations	Board- Designated	Total	With Donor Restrictions	Total All Funds
Revenue and support											
Contributions of cash	\$10,498,954	\$ -	\$ -	\$10,498,954	\$1,964,274	\$12,463,228	\$3,826,287	\$ -	\$3,826,287	\$3,949,944	\$7,776,231
Contributed nonfinancial assets	175,105	-	175,105	-	-	175,105	158,155	-	158,155	-	158,155
Program service	4,846,906	-	4,846,906	-	-	4,846,906	3,939,194	-	3,939,194	-	3,939,194
Special events	1,259,634	-	1,259,634	75,000	-	1,334,634	-	-	-	443,080	443,080
Net investment return (loss)	337,372	-	104,419	441,791	-	441,791	(502,998)	-	(502,998)	-	(502,998)
Net assets released from restrictions	3,012,475	-	-	3,012,475	(3,012,475)	-	2,757,586	-	2,757,586	(2,757,586)	-
Interfund transfer	(7,500,581)	345,000	7,155,581	-	-	-	70,000	(70,000)	-	-	-
Total revenue and support	<u>12,629,865</u>	<u>345,000</u>	<u>7,260,000</u>	<u>20,234,865</u>	<u>(973,201)</u>	<u>19,261,664</u>	<u>10,248,224</u>	<u>(70,000)</u>	<u>10,178,224</u>	<u>1,635,438</u>	<u>11,813,662</u>
Expenses											
Program services	10,438,284	-	-	10,438,284	-	10,438,284	8,050,565	-	8,050,565	-	8,050,565
Supporting activities											
Management and general	992,160	-	-	992,160	-	992,160	1,039,123	-	1,039,123	-	1,039,123
Fundraising	1,196,412	-	-	1,196,412	-	1,196,412	1,158,072	-	1,158,072	-	1,158,072
Total expenses	<u>12,626,856</u>	<u>-</u>	<u>-</u>	<u>12,626,856</u>	<u>-</u>	<u>12,626,856</u>	<u>10,247,760</u>	<u>-</u>	<u>10,247,760</u>	<u>-</u>	<u>10,247,760</u>
Increase (decrease) in net assets	3,009	345,000	7,260,000	7,608,009	(973,201)	6,634,808	464	(70,000)	(69,536)	1,635,438	1,565,902
Net assets, beginning of year	3,096,934	3,133,488	-	6,230,422	4,437,475	10,667,897	3,096,470	3,203,488	6,299,958	2,802,037	9,101,995
Net assets, end of year	\$ 3,099,943	\$3,478,488	\$7,260,000	\$13,838,431	\$3,464,274	\$17,302,705	\$3,096,934	\$3,133,488	\$6,230,422	\$4,437,475	\$10,667,897

See notes to financial statements.

STUDENT LEADERSHIP NETWORK, INC.

**Statement of Functional Expenses
Year Ended June 30, 2023
(with Summarized Comparative Information for the Year Ended June 30, 2022)**

	2023				2022			
	Program Services		Supporting Activities		Management and General		Fund-raising	
	College Bound	Girls' Education	Total	General	Fund-raising	Total	Total	
Compensation	\$ 4,641,792	\$ 1,248,675	\$ 5,890,467	\$ 602,033	\$ 408,848	\$ 6,901,348	\$ 5,953,576	
Employee benefits	1,016,938	275,483	1,292,421	162,861	83,333	1,538,615	1,272,350	
Contracted services	281,480	61,183	342,663	60,645	287,326	690,634	653,212	
Travel	49,347	19,863	69,210	5,104	6,617	80,931	78,761	
Training and recruitment	61,834	8,047	69,881	4,539	6,797	81,217	65,364	
Occupancy	383,649	102,955	486,604	52,612	47,582	586,798	538,021	
Insurance	24,088	6,600	30,688	3,362	3,043	37,093	31,955	
Supplies	21,943	6,435	28,378	2,871	1,693	32,942	24,810	
Subscriptions and books	-	438	438	100	873	1,411	1,712	
Technology and equipment rental	145,090	28,447	173,537	44,112	23,225	240,874	175,707	
Postage	3,440	1,422	4,862	577	1,760	7,199	9,415	
Printing and multi-media	74,961	20,792	95,753	10,748	9,938	116,439	101,529	
Telephone and telecommunications	8,512	2,397	10,909	1,231	1,121	13,261	19,439	
TYWLS Network Programs								
Professional development	-	361,087	361,087	-	-	361,087	238,872	
Student programs	-	432,397	432,397	-	-	432,397	247,874	
Summer programs	-	295,743	295,743	-	-	295,743	202,097	
Consulting	-	55,903	55,903	-	-	55,903	15,197	
College Bound Network Programs								
College/Partner trips	191,541	-	191,541	-	-	191,541	47,990	
Bridge to college	70,733	-	70,733	-	-	70,733	61,700	
Alumni programming	69,197	-	69,197	-	-	69,197	53,307	
Coaching	115,492	-	115,492	-	-	115,492	-	
Other	172,579	-	172,579	-	-	172,579	96,515	
Special events								
Venue	-	-	-	-	73,962	73,962	24,000	
Event planner	-	-	-	-	48,600	48,600	41,194	
Program and audio visual	-	-	-	-	102,054	102,054	10,792	
Other	-	-	-	-	72,060	72,060	38,911	
Depreciation and amortization	111,543	30,624	142,167	15,588	14,106	171,861	183,456	
Other	27,476	8,158	35,634	25,777	3,474	64,885	60,004	
Total expenses	\$ 7,471,635	\$ 2,966,649	\$ 10,438,284	\$ 992,160	\$ 1,196,412	\$ 12,626,856	\$ 10,247,760	

See notes to financial statements.

STUDENT LEADERSHIP NETWORK, INC.

Statement of Functional Expenses

	Year Ended June 30, 2022					
	Program Services		Supporting Activities			
	College Bound	Girls' Education	Total	Management and General	Fund-raising	Total
Compensation	\$ 3,719,949	\$ 1,146,135	\$ 4,866,084	\$ 625,509	\$ 461,983	\$ 5,953,576
Employee benefits	801,870	199,356	1,001,226	167,634	103,490	1,272,350
Contracted services	200,020	65,726	265,746	86,656	300,810	653,212
Travel	32,026	30,958	62,984	9,918	5,859	78,761
Training and recruitment	45,221	4,177	49,398	10,036	5,930	65,364
Occupancy	329,792	107,023	436,815	50,603	50,603	538,021
Insurance	19,587	6,356	25,943	3,006	3,006	31,955
Supplies	14,303	4,923	19,226	3,404	2,180	24,810
Subscriptions and books	147	429	576	286	850	1,712
Technology and equipment rental	96,305	23,295	119,600	32,086	24,021	175,707
Postage	1,577	2,405	3,982	1,273	4,160	9,415
Printing and multi-media	31,571	8,614	40,185	4,073	57,271	101,529
Telephone and telecommunications	11,844	3,143	14,987	2,234	2,218	19,439
TYWLS Network Programs						
Professional development	-	238,872	238,872	-	-	238,872
Student programs	-	247,874	247,874	-	-	247,874
Summer programs	-	202,097	202,097	-	-	202,097
Consulting	-	15,197	15,197	-	-	15,197
College Bound Network Programs						
College/Partner trips	47,990	-	47,990	-	-	47,990
Bridge to college	61,700	-	61,700	-	-	61,700
Alumni programming	53,307	-	53,307	-	-	53,307
Other	96,515	-	96,515	-	-	96,515
Special events						
Venue	-	-	-	-	24,000	24,000
Event planner	-	-	-	-	41,194	41,194
Program and audio visual	-	-	-	-	10,792	10,792
Other	-	-	-	-	38,911	38,911
Depreciation and amortization	112,453	36,493	148,946	17,255	17,255	183,456
Other	23,265	8,050	31,315	25,150	3,539	60,004
Total expenses	\$ 5,699,442	\$ 2,351,123	\$ 8,050,565	\$ 1,039,123	\$ 1,158,072	\$ 10,247,760

See notes to financial statements.

STUDENT LEADERSHIP NETWORK, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase in net assets	\$6,634,808	\$1,565,902
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	171,861	183,456
Change in right-of-use asset, net -- operating lease	491,191	-
Realized (gain) on sale of investments	(4,317)	(35,088)
Unrealized (gain) loss on investments	(35,021)	649,754
Forgiveness of deferred grant -- PPP	-	(1,159,124)
Donated investments	(40,048)	(125,717)
Proceeds from the sale of donated investments	40,048	125,717
(Increase) decrease in current assets		
Accounts receivable	(1,927,154)	(103,259)
Prepaid expenses	15,475	(207,746)
(Increase) decrease in pledges receivable	100,000	(377,450)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	413,117	(119,482)
Unearned revenue	7,146	11,000
(Decrease) in deferred rent	-	(29,234)
(Repayment) of operating lease liability	(550,086)	-
Net cash provided by operating activities	<u>5,317,020</u>	<u>378,729</u>
Cash flows from investing activities		
Purchase of property and equipment	(40,545)	(43,971)
Purchases of investments	(5,152,908)	(111,369)
Net cash (used in) investing activities	<u>(5,193,453)</u>	<u>(155,340)</u>
Net increase in cash and cash equivalents	123,567	223,389
Cash and cash equivalents, beginning of year	<u>3,999,411</u>	<u>3,776,022</u>
Cash and cash equivalents, end of year	<u>\$4,122,978</u>	<u>\$3,999,411</u>
Consist of:		
Cash and cash equivalents for operations	\$4,040,653	\$3,917,086
Cash held for security deposit	82,325	82,325
Total	<u>\$4,122,978</u>	<u>\$3,999,411</u>

See notes to financial statements.

STUDENT LEADERSHIP NETWORK, INC.

Notes to Financial Statements June 30, 2023 and June 30, 2022

Note 1 – Nature of organization

Student Leadership Network, Inc. (the “Network”), formerly known as the Young Women’s Leadership Network, was incorporated on May 14, 1998 under the General Corporation Law of the State of Delaware. The Network is a non-stock, non-profit corporation. The Network supports young people growing up in diverse underserved communities to gain access to higher education, helping them fulfill their dreams. Through our work in college access and success and girls’ and gender-expansive youth education, we are working towards a future without barriers to the educational opportunities all students deserve.

1. Girls’ Education (TYWLS) programs encompass both our six The Young Women's Leadership Schools in New York City and the Young Women's Leadership Network (YWLN) which is a national network of single-gender public schools providing an excellent whole girl education model that challenges the educational and gender inequities that persist in our country. Our NYC schools’ high-quality education and comprehensive college guidance programs ensure that 96% of our girls’ school graduates are accepted to college. Over 50% of these girls are first-generation college students.
2. CollegeBound Initiative (CBI): CBI is a comprehensive school-based college guidance program for low-income single-sex and co-ed public schools that supports 6th through 12th grade students in achieving their college-going dreams. CBI’s goal is to raise parents’ and students’ expectations, create a school wide culture of success, increase students’ college enrollment rates, and secure critical financial aid to make higher education affordable. In fiscal year 2023, the Network supported the development and operation of CollegeBound in twenty-six public high schools in New York City, one Charter School in Rochester, New York and four public high schools in Buffalo.

Note 2 – Summary of significant accounting policies

Basis of presentation

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

Net assets

Under GAAP, the Network’s net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions

The Network’s net assets without donor restrictions consists of three funds as outlined on the next page.

STUDENT LEADERSHIP NETWORK, INC.**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)Net assets without donor restrictions (continued)Operations

These net assets are expendable for any purpose in performing the primary objectives of the Network and consist of amounts that can be spent at the discretion of the Network.

Board designated

The Board-designated fund consists of amounts set aside for any future operating needs including infrastructure spending for the expansion of CollegeBound Initiative as approved by the Board of Directors. During the fiscal year ended June 30, 2023, the Network made an interfund transfer of \$345,000 from operations to the Board-designated fund. During the fiscal year ended June 30, 2022, the Network made an interfund transfer of \$70,000 from the Board-designated fund to operations.

Board Designated Growth

The Board-designated growth fund consists of amounts set aside for future expansion plans including adding capacity building to new school districts, expanding our Bridge through College Program and adding more TYWLS Schools. During the fiscal year ended June 30, 2023, in connection with a donation from Mackenzie Scott Foundation, without donor restrictions, the Network made an interfund transfer of \$7,155,581 from operations to the Growth Fund for future fiscal years. Included in the Board-designated growth fund is the internal Board-designated endowment.

Net assets with donor restrictions

Net assets with donor restrictions include contributions received with donor stipulations that limit the use of the donated assets for a specific purpose or relate to future periods. When a donor time restriction expires or the purpose restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. During the 2023 and 2022 fiscal years, \$3,012,475 and \$2,757,586, respectively, were released from restrictions for the programs and events discussed in notes 1 and 11.

Cash equivalents

For financial reporting purposes, operating cash equivalents include cash in bank accounts and money market funds with original maturities of ninety days or less from the time of purchase. Cash equivalents that are part of the Network's investment portfolio are reported as investments and included in Note 4.

STUDENT LEADERSHIP NETWORK, INC.**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Investments

The Network records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Fair value measurements

For assets measured at fair value on a recurring basis, accounting standards require quantitative disclosures about the fair value measurement separately for each major category of assets. The Network's investments are classified in the highest level of the hierarchy (Level 1). Their quoted prices are in active markets for identical assets.

Contributions Receivable

The Network records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years, if any, are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization, if any, of the discounts is included in contribution revenue in the statement of activities. As of June 30, 2023, contributions receivable are expected to be collected in the next 12 months.

Allowance for doubtful accounts

As of June 30, 2023 and June 30, 2022, the Network does not have an allowance for doubtful accounts for potentially uncollectible receivables. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

The Network's property and equipment is recorded at cost. The Network capitalizes, as property and equipment expenditures for assets in excess of a nominal amount with a useful life of greater than one year. Depreciation is being provided in the financial statements utilizing the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

STUDENT LEADERSHIP NETWORK, INC.

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022

Note 2 – Summary of significant accounting policies (continued)

Property and equipment (continued)

Property and equipment consist of the following as of June 30, 2023 and June 30, 2022:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 753,655	\$ 753,655
Furniture	256,185	254,887
Equipment	433,670	394,423
Website	<u>76,250</u>	<u>76,250</u>
Sub-total	1,519,760	1,479,215
Less:		
Accumulated amortization – leasehold improvements	(413,715)	(338,349)
Accumulated depreciation – furniture	(184,976)	(153,847)
Accumulated depreciation – equipment/website	<u>(457,520)</u>	<u>(392,154)</u>
Net property and equipment	<u>\$ 463,549</u>	<u>\$ 594,865</u>

Contributions

The Network records contributions as revenue without donor restrictions unless the donor stipulates a time restriction or limits the use of the donated assets. The Network’s policy is to record contributions with donor-imposed restrictions that are met in the same fiscal year that the contributions are received as revenue without donor restrictions. Contributions of stock are recorded at the fair value at the date of receipt.

Program services

Program services revenue is recognized when services are performed. Certain program/contract services revenue are recognized over the term of the service and the unearned portion is reflected as unearned revenue on the statement of financial position. The Network has elected to use the portfolio approach as a practical expedient to account for program/contract services as a collective group, rather than individually, because the financial statements effects are not expected to be materially differ from an individual approach. The Network has also elected the practical expedient and does not adjust the promised amount of consideration from the program/service contract customer for the effects of a significant financing component due to the Network’s expectation that the period between the time the program/service contract is provided to the various schools and the time the schools pays for that service will be one year or less.

Donated services

The Network receives donated services rendered by volunteers who have donated significant amounts of their time to the Network’s activities. These services do not meet the criteria to be recorded and have not been included in the financial statements.

STUDENT LEADERSHIP NETWORK, INC.**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 2 – Summary of significant accounting policies (continued)**Contributed nonfinancial assets

In-kind contributions are estimated at their fair value and reported as both support and expenses in the period in which they are used. In-kind contributions 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 Network. For the fiscal years ended June 30, 2023 and June 30, 2022, the Network received donated legal services totaling \$175,105 and \$158,155, respectively, which are reflected as contributed nonfinancial assets and a corresponding expense in contracted services on the statement of functional expenses. The donated legal services are valued and reported at the estimated fair value based on current rates for similar legal services.

Functional allocation of expenses

The costs of providing the various programs and other supporting activities have been summarized on a functional basis on the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

Use of estimates

The preparation of 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 amounts reported in the financial statements. Actual results could differ from these estimates.

Concentration of credit risk

The Network's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Network maintains its cash balances with what it believes to be quality financial institutions. At times, cash balances may be in excess of F.D.I.C. insurance limits. The Network has not experienced any losses in these accounts to date. The Network's investments are subject to certain risks including interest rate, market volatility, liquidity and credit risk. Due to the uncertainty related to the aforementioned risks, it is reasonably possible that changes in these risks could materially affect the fair value of the Network's investments reported in the accompanying statement of financial position at June 30, 2023. The Network routinely assesses the financial strength of its financial institutions. Account receivables consist of amounts due for services rendered. Contributions receivable consists of unconditional promises to make donation from various donors and amounts due from the employee retention credit. Management monitors the collectability of the receivables. The Network believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and receivables.

STUDENT LEADERSHIP NETWORK, INC.

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

The Network has evaluated events and transactions for potential recognition or disclosure through February 7, 2024, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures and/or adjustments.

New accounting pronouncement

Effective July 1, 2022, the Network adopted FASB ASC 842, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset, which represents the right to use a respective asset for the lease term, and a lease liability on the statement of financial position at the present value of the remaining future payments due under the lease. In connection with the adoption of FASB ASC 842, the Network recognized a net ROU asset of \$2,530,228 and an operating lease liability of \$3,105,667 as of July 1, 2022. The Network has elected to use a rate of 2.94% to discount its office lease to its net present value. The Network’s reporting for the comparative period presented in the financial statements is in accordance with previous lease accounting standards. The Network has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

Note 3 – Financial assets and liquidity resources

The Network’s working capital and cash flows have seasonal variations during the year attributable to the timing when donors make contributions and other revenue items.

The following is a summary of the Network’s financial assets as of June 30, 2023 and June 30, 2022 reduced by amounts not available for general use within one year due to internal Board designations. The Network’s designated cash and cash equivalents can be drawn upon, as deemed necessary, through a Board resolution:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 4,040,653	\$ 3,917,086
Investments, at fair value	10,287,739	5,095,493
Current receivables	<u>3,381,570</u>	<u>1,554,416</u>
Sub-total	17,709,962	10,566,995
Less: Net assets with donor restrictions	(3,464,274)	(4,437,475)
Board designated net assets	<u>(10,738,488)</u>	<u>(3,133,488)</u>
Total	<u>\$ 3,507,200</u>	<u>\$ 2,996,032</u>

STUDENT LEADERSHIP NETWORK, INC.

**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022**

Note 4 - Investments

The following is a summary of investments at June 30, 2023 and June 30, 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 4,033,293	\$ 4,126,538	\$ -	\$ -
Exchange-Traded-Funds	211,039	212,772	-	-
Bonds Intermediate-term	3,242,317	2,861,981	2,407,762	2,057,048
Bonds Short-term	3,333,586	3,086,448	3,255,248	3,038,445
Total	\$10,820,235	\$10,287,739	\$5,663,010	5,095,493
Unrealized (loss)		(532,496)		(567,517)
Change in unrealized gain (loss)		\$ 35,021		\$ (649,754)

The following schedule summarizes the net investment return (loss) for the years ended June 30, 2023 and June 30, 2022:

	2023	2022
Interest and dividends	\$ 402,453	\$ 111,668
Realized gain on sale of investments	4,317	35,088
Unrealized gain (loss) on investments	35,021	(649,754)
Net investment return (loss)	\$ 441,791	\$ (502,998)

Note 5 – Lease agreements

The Network has an agreement to lease office space beginning on January 1, 2018 and terminating December 31, 2027. The lease requires an annual base rent of \$477,300 with an escalating increase of 2.5% per annum plus a \$3 per square foot increase on the 6th year of the lease. The lease also included a landlord contribution of \$610,500 for construction costs. These costs and contribution will be recognized on a straight-line basis over the life of the lease rather than in accordance with actual lease payments. The difference was reflected as deferred rent on the statement of financial position, which represented the adjustment to future years rents as a result of using the straight-line method. In connection with the amended leases, the Network has paid a total of \$82,325 in security deposits.

STUDENT LEADERSHIP NETWORK, INC.

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022

Note 5 – Lease agreements (continued)

The following is the required annual payments under the lease agreement (exclusive of certain increases in operating costs of the landlord):

<u>Fiscal year</u>	<u>Total</u>
2024	\$ 580,488
2025	595,000
2026	609,875
2027	625,122
2028	<u>316,420</u>
Total	2,726,905
Less: current portion	580,488
Less: present value discount	<u>171,324</u>
Net long-term operating lease liability	<u>\$ 1,975,093</u>

Note 6 – Government grants – Paycheck Protection Program (“PPP”)

On April 21, 2021, the Network received a second draw under the PPP, totaling \$1,157,196 at terms substantially similar to the first draw received in 2020. The Network met the PPP requirements for loan forgiveness in the 2022 fiscal year and recorded the PPP Loan as grant revenue when such forgiveness was confirmed by the SBA. The grant revenue is recorded as program service fees and grants in the fiscal year 2022 statement of activities.

Note 7 – Employee retention credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislation (the “Acts”) were signed into law. The Acts provided, among other things, a refundable payroll tax credit of certain qualified wages per eligible employee for wages which includes medical premiums paid or incurred from March 13, 2020 through September 30, 2021. In connection therewith, the Network filed amended payroll tax forms and during the fiscal year ended June 30, 2023 recorded payroll tax credits totaling \$1,148,384, net of consulting expenses, which are recorded as program services fees and grants in the fiscal year 2023 statement of activities. Subsequent to June 30, 2023, these credits were received by the Network.

Note 8 – Retirement plan

The Network maintains a 401(k)-retirement plan, which is available to all eligible employees. Participants may contribute up to 15% of their compensation, not to exceed the limitations established by the Internal Revenue Code. The Network makes matching contributions equal to 100% of the employee’s contributions, not to exceed 4% of the employee’s compensation.

During the years ended June 30, 2023 and June 30, 2022, the Network’s contributions to the plan amounted to \$188,972 and \$178,476, respectively.

STUDENT LEADERSHIP NETWORK, INC.**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 9 – Tax status**

The Network is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Network is a Section 509(a) organization as defined in the Code, and, therefore, is not a private foundation and qualifies for the maximum charitable contribution deduction for donors.

Note 10 – Board Designated Quasi Endowment

The Network’s quasi endowment fund is designated internally by the Board. As required by accounting principles generally accepted in the United States of America (“GAAP”), net assets associated with endowment fund, including funds designated by the Board to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Network follows the New York State Not-For-Profit Corporation Law (N-PCL). The Network preserves the fair value of the original gift, absent explicit donor stipulations to the contrary. In a manner consistent with the standard of prudence prescribed by N-PCL, the Network considers the following factors in making a determination to appropriate or accumulate board designated endowment fund:

- (1) General economic conditions;
- (2) The possible effect of inflation or deflation;
- (3) The expected tax consequences, if any, of investment decisions or strategies;
- (4) The role that each investment or course of action plays within the overall investment portfolio of the fund;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution;
- (7) The needs of the institution and the fund to make distributions and to preserve capital;
- (8) An asset’s special relationship or special value, if any, to a charitable purpose of the Network.

Objectives and goals

The Network relies on its longer-term investment funds to provide support to the various missions of the organization, and desires to maintain that support both now and into the future. Accordingly, the longer-term objective of this portfolio is to support a spending rate, as determined by the Board, of the value of the portfolio, plus enough return to protect the assets from inflation and preserve the purchasing power of the assets over time. The Network takes a total return approach to its investment portfolio, and does not need to generate returns solely from current yield or dividend income. The Network recognizes that the optimal portfolio structure to meet this objective will be partially equity-oriented, and also acknowledges the role of more tactical and non-traditional assets in a well-balanced portfolio. The role of fixed income in the portfolio is to provide more reliable current income, liquidity and stability to offset more volatile asset classes elsewhere in the portfolio. Accordingly, the Network anticipates that the equity exposure in the portfolio will be 70% with Global Equity and 30% in Investment Grade Fixed Income, as defined in the Network’s Endowment Investment Guidelines.

STUDENT LEADERSHIP NETWORK, INC.**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 10 – Board Designated Quasi Endowment (continued)**Objectives and goals (continued)

The Network acknowledges that the actual allocations over time may vary widely depending on market conditions, investment opportunities, and strategies employed by the Network's investment advisor.

Cash flow expectations

The Network currently has moderate cash flow needs from this portfolio of investments.

Risk tolerance

The portfolio will invest in accordance with the Target Allocations and Minimum-Maximum Asset Class Allocation Limits set forth in the Network's Endowment Investment Guidelines. Measured at the time of purchase, the allocation to each Asset Category is limited by the corresponding and applicable Minimum-Maximum Allocation Limit (expressed as a percentage of the account's net assets). The Manager, at its sole discretion, will determine how each investment is classified within the Target Allocation categories.

Given the need to generate returns to support a spending rate, as determined by the Board, while protecting against inflation, the Network recognizes that shorter-term equity investment return may exhibit a more volatile pattern. Taking a long-term investment viewpoint, the Network defines risk as the possibility of a shortfall in the support of the mission of the organization, not short-term volatility of returns. The Network appreciates the role of non-traditional assets in providing returns that are uncorrelated with more traditional asset classes, thereby providing the possibility of smoother returns over time.

Rebalancing

The Minimum-Maximum Allocation Limits will not be deemed to have been breached as a result of changes in the value of the assets in the account brought about solely through movements in the market value thereof. In the event that market action results in a Minimum-Maximum Allocation Limit being exceeded, the Manager will reallocate the account as soon as reasonably practicable to bring the account into conformity with the terms of Network's Endowment Investment Guidelines.

STUDENT LEADERSHIP NETWORK, INC.

**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022**

Note 10 – Board Designated Quasi Endowment (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds, if any, may fall below the level that the donor requires the Network, to retain as a fund of perpetual duration. There were no perpetually donor restricted endowment fund deficiencies as of June 30, 2023 and June 30, 2022.

Changes in Board Designated Quasi Endowment Net Assets for the Year Ended June 30, 2023:

	<u>Without Donor Restrictions Designated</u>
Board-designated endowment net assets beginning of year	\$ -
Contributions/interfund transfers	<u>5,000,000</u>
Sub-total	<u>5,000,000</u>
Investment return:	
Interest and dividends	2,137
Net appreciation (realized and unrealized, net)	<u>102,282</u>
Total investment return	<u>104,419</u>
Board-designated endowment net assets, end of year	<u>\$ 5,104,419</u>

Note 11 – Net assets with donor restrictions

The transactions in the net assets with temporary donor restrictions during the year ended June 30, 2023 were as follows:

<u>Purpose</u>	<u>Balance June 30, 2022</u>	<u>Contributions and Special events</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2023</u>
To support CollegeBound programs	\$ 1,155,000	\$ 862,000	\$ (930,000)	\$ 1,087,000
To support GE programs	519,451	353,835	(519,451)	353,835
To support College Access @YWLN	600,000	600,000	(600,000)	600,000
Special Event-Restricted & Wish List	468,080	75,000	(468,080)	75,000
To support alumni programming	74,944	88,439	(74,944)	88,439
Individuals	<u>1,620,000</u>	<u>60,000</u>	<u>(420,000)</u>	<u>1,260,000</u>
Total	<u>\$ 4,437,475</u>	<u>\$ 2,039,274</u>	<u>\$ (3,012,475)</u>	<u>\$ 3,464,274</u>

STUDENT LEADERSHIP NETWORK, INC.

Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022Note 11 – Net assets with donor restrictions (continued)

<u>Purpose</u>	<u>Balance June 30, 2021</u>	<u>Contributions and Special events</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2022</u>
To support CollegeBound programs	\$ 852,000	\$ 1,155,000	\$ (852,000)	\$ 1,155,000
To support GE programs	59,887	500,000	(40,436)	519,451
To support College Access @YWLN	-	600,000	-	600,000
Special Event-Restricted & Wish List	100,000	443,080	(75,000)	468,080
To support alumni programming	39,460	74,944	(39,460)	74,944
Individuals	<u>1,750,690</u>	<u>1,620,000</u>	<u>(1,750,690)</u>	<u>1,620,000</u>
Total	<u>\$ 2,802,037</u>	<u>\$ 4,393,024</u>	<u>\$ (2,757,586)</u>	<u>\$ 4,437,475</u>