

21ST CENTURY LEADERS, INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 and 2021

With

INDEPENDENT AUDITORS' REPORT

21ST CENTURY LEADERS, INC.
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INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of 21st Century Leaders, Inc. (“the Organization”), which comprise the statements of financial position as of September 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 the Organization at September 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, which raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditors’ 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, or the override of internal control.

Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, which 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 findings, and certain internal control related matters that we identified during the audit.

Reed, Quinn & McClure, LLC

Lawrenceville, Georgia
January 5, 2023

21ST CENTURY LEADERS, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS	2022	2021
Cash and cash equivalents	\$ 444,697	\$ 372,153
Grants and pledges receivable, due in one year	108,672	93,702
Deposits and prepaid	4,200	6,358
Office furniture and equipment	9,387	9,387
Accumulated depreciation	(8,978)	(8,978)
Investments - Scholarship endowments	276,127	269,004
Total assets	\$ 834,105	\$ 741,626
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,246	\$ 25,115
Deferred income	145,300	17,972
	157,546	43,087
NET ASSETS		
Without restriction	245,279	363,746
Without restriction -Board designated for Endowment	276,127	269,004
Total without restriction	521,406	632,750
With restriction		
Donor restriction	155,153	65,789
Total net assets	676,559	698,539
Total liabilities and net assets	\$ 834,105	\$ 741,626

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

21ST CENTURY LEADERS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022			2021		
	Without Restriction	With Restriction	Total	Without Restriction	With Restriction	Total
REVENUE AND SUPPORT						
Program income from special events	183,619	-	183,619	148,294	-	148,294
Less: Event direct expenses	(49,716)	-	(49,716)	(36,814)	-	(36,814)
Program income from special events, net	133,903	-	133,903	111,480	-	111,480
Contributions	415,919	-	415,919	338,465	-	338,465
Grants	163,486	186,884	350,370	127,654	111,351	239,005
Other program income	54,465	-	54,465	22,323	-	22,323
Grant income - PPP grant	-	-	-	102,478	-	102,478
Total revenue	767,773	186,884	954,657	702,400	111,351	813,751
Net assets released from restrictions	97,520	(97,520)	-	113,294	(113,294)	-
Total revenue and support	865,293	89,364	954,657	815,694	(1,943)	813,751
EXPENSES						
Program expenses						
Future Leaders program	19,240	-	19,240	14,652	-	14,652
Homework Centers	137,979	-	137,979	146,933	-	146,933
21Club	79,357	-	79,357	62,953	-	62,953
Leaders programs	612,054	-	612,054	319,547	-	319,547
Total program expense	848,630	-	848,630	544,085	-	544,085
General and administrative	37,703	-	37,703	34,145	-	34,145
Fundraising	47,468	-	47,468	20,968	-	20,968
Total expenses	933,801	-	933,801	599,198	-	599,198
Change in net assets - before items below	(68,508)	89,364	20,856	216,496	(1,943)	214,553
Investment income (loss)	(42,836)	-	(42,836)	45,190	-	45,190
Change in net assets-increase (decrease)	(111,344)	89,364	(21,980)	261,686	(1,943)	259,743
Beginning net assets	632,750	65,789	698,539	371,064	\$ 67,732	\$ 438,796
Net assets - end of year	\$ 521,406	\$ 155,153	\$ 676,559	\$ 632,750	\$ 65,789	\$ 698,539

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

21ST CENTURY LEADERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Future Leaders	Homework Centers	21Club	Leaders Programs	Total Program	General & Administrative	Fund Raising	Total Expenses
Salaries and wages	\$ 17,752	\$ 37,459	\$ 37,836	\$ 187,440	280,487	\$ 25,682	\$ -	\$ 306,169
Payroll taxes	1,488	3,164	3,101	15,913	23,666	2,310	-	25,976
Employee benefits	-	2,118	-	20,565	22,683	-	-	22,683
Total personnel expenses	19,240	42,741	40,937	223,918	326,836	27,992	-	354,828
Dues and fees	-	-	-	1,035	1,035	709	-	1,744
Fundraising	-	-	-	-	-	-	47,468	47,468
Insurance	-	-	-	4,646	4,646	1,800	-	6,446
Leadership connect	-	-	-	88,412	88,412	-	-	88,412
Marketing	-	-	-	1,345	1,345	-	-	1,345
Other expenses	-	-	-	10,877	10,877	2,266	-	13,143
Payroll service fees	-	-	-	6,789	6,789	-	-	6,789
Postage and delivery	-	-	-	172	172	-	-	172
Professional development	-	-	-	1,849	1,849	132	-	1,981
Professional fees	-	-	-	5,600	5,600	1,400	-	7,000
Program expenses - direct	-	18,156	30,592	224,751	273,499	-	-	273,499
Rent	-	-	5,364	18,775	24,139	2,682	-	26,821
Summer students program	-	-	-	16,600	16,600	-	-	16,600
Supplies	-	-	-	859	859	363	-	1,222
Telephone	-	-	669	4,943	5,612	334	-	5,946
Travel and meetings	-	208	1,795	1,483	3,486	25	-	3,511
Tutoring fees	-	76,874	-	-	76,874	-	-	76,874
	<u>\$ 19,240</u>	<u>137,979</u>	<u>79,357</u>	<u>612,054</u>	<u>848,630</u>	<u>37,703</u>	<u>47,468</u>	<u>933,801</u>

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

21ST CENTURY LEADERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Future Leaders	Homework Centers	21Club	Leaders Programs	Total Program	General & Administrative	Fund Raising	Total Expenses
Salaries and wages	\$ 13,000	\$ 31,000	\$ 29,991	\$ 148,543	222,534	\$ 22,390	\$ -	\$ 244,924
Payroll taxes	994	2,371	2,141	11,565	17,071	1,853	-	18,924
Employee benefits	-	2,246	-	18,893	21,139	-	-	21,139
Total personnel expenses	<u>13,994</u>	<u>35,617</u>	<u>32,132</u>	<u>179,001</u>	<u>260,744</u>	<u>24,243</u>	<u>-</u>	<u>284,987</u>
Dues and fees	-	-	-	712	712	855	-	1,567
Fundraising	-	-	-	-	-	-	20,968	20,968
Insurance	-	-	-	3,577	3,577	1,520	-	5,097
Leadership connect	-	50	-	47,559	47,609	-	-	47,609
Other expenses	-	-	827	8,038	8,865	3,102	-	11,967
Payroll service fees	-	63	-	4,781	4,844	25	-	4,869
Postage and delivery	-	-	-	316	316	-	-	316
Professional development	-	-	-	2,655	2,655	190	-	2,845
Professional fees	658	-	-	4,606	5,264	1,316	-	6,580
Program expenses - direct	-	110,889	23,969	44,194	179,052	-	-	179,052
Rent	-	-	5,095	17,834	22,929	2,548	-	25,477
Supplies	-	-	-	67	67	13	-	80
Telephone	-	-	666	4,133	4,799	333	-	5,132
Travel and meetings	-	314	264	2,074	2,652	-	-	2,652
	<u>\$ 14,652</u>	<u>\$ 146,933</u>	<u>\$ 62,953</u>	<u>\$ 319,547</u>	<u>\$ 544,085</u>	<u>\$ 34,145</u>	<u>\$ 20,968</u>	<u>\$ 599,198</u>

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

21ST CENTURY LEADERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
Increase (Decrease) in Cash

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,980)	\$ 259,743
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities by operating activities:		
Grant income - PPP grant, non-cash	-	(54,000)
Realized and unrealized (gain) loss from investments	46,781	(41,058)
Grants and pledges receivable	(14,970)	(3,237)
Deposits and prepaids	2,158	-
Accounts payable and accrued expenses	(12,871)	23,026
Deferred income	127,328	17,972
Net cash provided (used) operating activities	126,446	202,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	192,993
Purchase of investments (includes reinvested income)	(53,902)	(222,105)
Net cash provided (used) by investing activities	(53,902)	(29,112)
INCREASE (DECREASE IN CASH)	72,544	173,334
CASH - BEGINNING OF YEAR	372,153	198,819
CASH - END OF YEAR	\$ 444,697	\$ 372,153

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

21ST CENTURY LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The mission of 21st Century Leaders, Inc. (“the Organization”) is to inspire the next generation of Georgia leaders by empowering high school students with essential business and community leadership skills through programs connecting a diverse group of enthusiastic peers and passionate professionals. The Organization's primary funding sources are corporations, Organizations, individuals, and grants.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities as either net assets without restriction or net assets with restriction. Assets on the statement of financial position are listed in order of decreasing liquidity. Liabilities are listed according to nearness of maturity.

Contributions, contracts, and grants

Contributions and grants received are recorded as net assets without restriction or net assets with restriction depending on the existence and/or nature of any donor/grantor restrictions. Net assets with restrictions are reclassified to net assets without restriction upon satisfaction of the donor’s time or purpose restriction and reported on the statement of activities as “net assets released from restrictions.” The Organization received a contract to administer a program lasting 12 months, accordingly, deferred revenues are the remaining months of the contract, not earned.

Functional Allocation of Expenses

The costs of providing the 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.

Estimates

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Furniture and equipment

Furniture and equipment are recorded at cost and depreciated over the assets' estimated useful life on an accelerated basis. The Organization follows the practice of capitalizing all expenditures for assets with an estimated life greater than one year and a cost that exceeds \$500.

21ST CENTURY LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Allowance for Doubtful Accounts

The Organization's allowance for doubtful accounts is based on evaluation of customer accounts and prior history of bad debt provisions. At September 30, 2022 and 2021 no allowance for doubtful accounts was considered necessary as the Organization believed all current accounts were collectible being due from large corporations and other donors who have always fulfilled their pledge commitments.

Fair Value of Financial Instruments

Current accounting standards have established a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input. The level of fair value of a financial asset or liability is based on the lower significant input level within this fair value hierarchy described as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable is based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity. The Organization's investments are stated at Level 1 fair values.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

Cash and cash equivalents, receivables, and payables are stated at cost, which approximates fair value due to their short-term maturity.

Income taxes

The Organization is a nonprofit corporation exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, contributions to the Organization qualify as a charitable deduction on a donor's income tax return. The Internal Revenue Service has also determined that the Organization is not a "private Organization" within the meaning of Section 509(a) of the Internal Revenue Code.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 5, 2023, the date the financial statements were available to be issued.

21ST CENTURY LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2. INVESTMENTS

Investment fair values are based on Level 1 criteria. Investments consisted of the following:

	2022	2021
Cash available to invest	\$ 34,990	\$ 3,186
Bond funds	110,704	107,045
Exchange Traded Products - Equity	130,433	158,773
Total, at fair value	\$ 276,127	\$ 269,004
Investment income:		
Dividends and interest	\$ 5,286	\$ 5,439
Gains (losses)	(46,781)	41,078
Investment expenses	(1,341)	(1,327)
	\$ (42,836)	\$ 45,190

3. PAYROLL PROTECTION PROGRAM GRANT

The Organization obtained a loan of \$102,478 under this program during the fiscal year ended September 30, 2021. The certification process under the program provided for the entire loan debt to be forgiven as a grant and it is reflected in revenue and support for that fiscal year.

4. LEASES

Rental expense for office space was \$26,821 and \$25,477 for the years ended September 30, 2022 and 2021, respectively. The difference between annual rental expense on the straight-line basis and the actual rents paid is not material. The remaining lease commitment at September 30, 2022 was \$3,180. Rental expense in the 2023 fiscal year will be approximately the same as the current year.

5. RETIREMENT BENEFITS

The Organization provides retirement benefits in the form of a Simple IRA, which is made available to all employees after they meet age and length of service requirements. The Organization matches contributions up to 3% of salary. Contributions to the plan for the years ended September 30, 2022 and 2021 were \$6,311 and \$4,980, respectively.

6. CONCENTRATIONS

At September 30, 2022 and 2021, the Organization's cash on deposit with its bank exceeded the FDIC insured limit of \$250,000 by \$194,697 and \$122,153, stated respectively. The Organization receives corporate contributions from a large corporation that exceeds 10% of its annual revenue and support. These contributions are related to a specific program which would be impacted significantly if these contributions were terminated and a new donor not found.

21ST CENTURY LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

7. NET ASSETS WITH RESTRICTION

All releases from restriction relate to the Homework Centers. The Organization's net assets with restriction at September 30, 2022 and 2021 were restricted to use by the Homework Centers.

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of its liquidity management, the Organization must structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's liquidity and availability of resources consisted of the following at September 30:

	2022	2021
Cash and cash equivalents	\$ 444,697	\$ 372,153
Grants and pledges receivable	108,672	93,702
Investments - Scholarship endowments	276,127	269,004
	829,496	734,859
Less: Board designated net assets	(276,127)	(269,004)
Less: Net assets with restriction	(155,153)	(65,789)
Available liquid resources	\$ 398,216	\$ 400,066

9. ENDOWMENT FUND

The Organization established an endowment fund to provide ongoing scholarships for the Future Leaders program. It is the intention of the Board of Directors to grow the endowment fund, but also provide annual recommendations as to the amount of income that will be provided for scholarships. The determination of scholarship amounts will be made based on income earned and the number of participants needing financial help for the program (See Note 10).

10. RECLASSIFICATIONS

The establishment of the Endowment included a notification to donors that the Board of Directors had the discretion to use the corpus of the donors' contribution should the Board decide to award scholarships that exceeded the income of the original corpus. With such discretion, the Endowment has been reclassified from being a permanent fund, to net assets designated by the Board of Directors as an Endowment. This change in presentation did not change the total net assets as previously presented at September 30, 2021 but did change the amounts presented as restricted to being only for the Homework Centers and the formerly restricted amount for the Endowment was reclassified as unrestricted, but Board designated.

In order to reflect appropriate comparisons, certain expenses on the financial statements for the fiscal year ended September 30, 2021 have been reclassified on these financial statements. These reclassifications did not change the previously reported change in net assets or the ending net assets for that fiscal year.