

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

TOGETHER WITH REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MARTIN, HARPS, SYPHOE & CO
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Partnership For Southern Equity, Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Partnership For Southern Equity, Inc. and Subsidiary (collectively, the "Company"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Partnership For Southern Equity, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our 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 a basis for our audit opinion.

Effect of Adopting a New Accounting Standard

As presented in Note 5 to the financial statements, the Financial Accounting Standards Board issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing accounting standards for leases and requires organizations to account for leases as either finance leases or operating leases and to recognize right-of-use lease assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the right-of-use asset, and for operating leases, lessees would recognize straight-line total rent expense. ASU 2016-02 also requires additional disclosures about the amount, timing, and uncertainty of cash flow arising from leases. The Company adopted the standard effective January 1, 2022. The Company expected that the adoption of this standard would result in a material increase in the long-term assets and long-term liabilities on the consolidated statement of financial position related to their current operating leases approximating the present value of future lease payments.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within twelve months beyond the consolidated financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 "Martin, Harps, Sypher & Co." The signature is written in a cursive, flowing style.

Atlanta, Georgia
December 2, 2023

PARTNERSHIP FOR SOUTHERN EQUITY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

Cash	\$ 13,530,750
Grants and contributions receivable (Note 3)	9,242,157
Accounts receivable	146,500
Prepaid assets	26,949
Right-of-use lease asset - operating (Note 8)	64,316
Fixed assets (Note 4)	3,209,788
TOTAL ASSETS	\$ 26,220,460

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 421,481
Funds held on behalf of third-parties (Note 5)	217,630
Tenant security deposits	10,375
Deferred revenue	1,173,895
Right-of-use lease liability - operating (Note 8)	64,885
Note payable (Note 6)	2,491,750
TOTAL LIABILITIES	4,380,016

NET ASSETS

Without donor restrictions	14,538,501
With donor restrictions (Note 7)	7,301,943
TOTAL NET ASSETS	21,840,444
TOTAL LIABILITIES AND NET ASSETS	\$ 26,220,460

See independent auditor's report and notes to the financial statements.

PARTNERSHIP FOR SOUTHERN EQUITY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUE			
Grants and contributions	\$ 10,896,171	\$ 7,392,746	\$ 18,288,917
Program and services income	1,051,055	-	1,051,055
Rental income	156,300	-	156,300
Interest income	6,338	-	6,338
Other income	12,534	-	12,534
Net assets released from restrictions -			
Satisfaction of program restrictions (Note 7)	5,877,632	(5,877,632)	-
TOTAL PUBLIC SUPPORT AND REVENUE	18,000,030	1,515,114	19,515,144
EXPENSES			
Program services	6,600,311	-	6,600,311
General and administrative	2,302,286	-	2,302,286
TOTAL EXPENSES	8,902,597	-	8,902,597
CHANGE IN NET ASSETS	9,097,433	1,515,114	10,612,547
NET ASSETS, BEGINNING OF YEAR	10,570,946	656,951	11,227,897
Reclassification of net assets (Note 7)	(5,129,878)	5,129,878	-
NET ASSETS, END OF YEAR	\$ 14,538,501	\$ 7,301,943	\$ 21,840,444

See independent auditor's report and notes to the financial statements.

PARTNERSHIP FOR SOUTHERN EQUITY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 30, 2022

	Program Services								General and	
	Just Energy	Just Growth	Just Opportunity	Just Health	Just Solutions	YES! Youth Group	J40 Accelerator	Total Program Services	Administrative	Totals
Compensation	\$ 434,786	\$ 465,869	\$ 567,114	\$ 392,791	\$ 250,053	\$ 197,959	\$ 160,443	\$ 2,469,015	\$ 930,098	\$ 3,399,113
Contractual services	97,766	312,462	118,819	239,214	78,459	27,713	2,379,170	3,253,603	237,512	3,491,115
Professional fees	34,064	30,258	22,317	5,677	7,177	5,677	37,650	142,820	235,623	378,443
Information technology	40,036	28,199	22,708	2,904	2,904	5,165	11,659	113,575	103,208	216,783
Dues, subscriptions, fees	18,952	15,104	10,423	5,373	3,983	4,335	-	58,170	43,351	101,521
Advertising/marketing	4,818	3,527	2,944	2,128	803	803	1,338	16,361	11,778	28,139
Insurances	8,551	6,176	5,226	1,425	1,425	1,425	-	24,228	25,697	49,925
Travel and transportation	40,106	44,781	31,732	10,768	10,164	10,403	2,565	150,519	102,585	253,104
Printing, production and graphics	-	-	-	5,575	-	-	-	5,575	3,811	9,386
Conferences and meetings	16,000	29,194	7,405	450	-	79	1,295	54,423	90,576	144,999
Facilities rental	22,457	16,219	13,724	3,743	3,743	3,742	-	63,628	56,652	120,280
Utilities	-	-	-	-	-	-	-	-	8,952	8,952
Repairs and maintenance	-	-	-	-	-	-	-	-	38,065	38,065
Communications	408	294	297	68	68	68	-	1,203	3,508	4,711
Training and development	596	290	-	297	-	-	-	1,183	6,871	8,054
Awards, incentives and sponsorships	3,601	3,032	13,275	775	3,100	650	250	24,683	9,805	34,488
Office expense	10,772	8,493	8,258	1,666	1,787	3,344	3,272	37,592	42,228	79,820
Grants and assistance	-	25,000	50,000	5,000	-	50,000	53,733	183,733	115,075	298,808
Taxes & licenses	-	-	-	-	-	-	-	-	23,416	23,416
Bad debt	-	-	-	-	-	-	-	-	92,920	92,920
Interest expense	-	-	-	-	-	-	-	-	124,653	124,653
Depreciation and amortization	-	-	-	-	-	-	-	-	(4,098)	(4,098)
Total Functional Expenses	\$ 732,913	\$ 988,898	\$ 874,242	\$ 677,854	\$ 363,666	\$ 311,363	\$ 2,651,375	\$ 6,600,311	\$ 2,302,286	\$ 8,902,597

See independent auditor's report and notes to financial statements.

PARTNERSHIP FOR SOUTHERN EQUITY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ 10,612,547
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation and amortization	(4,098)
(Increase) decrease in:	
Accounts receivable	340,103
Grants receivable	(4,915,299)
Prepaid expenses	6,000
Increase (decrease) in:	
Accounts payable	(239,623)
Funds held on behalf of third-parties	(35,776)
Tenant security deposits	2,997
Deferred revenue	(3,524,580)
Deferred rent liability	(5,049)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,237,222</u>

CASH FLOW FROM FINANCING ACTIVITIES

Addition of right-of-use liability - operating lease	141,496
Payments related to right-of-use liability - operating lease	(76,611)
Loan costs	5,069
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>69,954</u>

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of real property	(482,000)
Other fixed asset changes	29,532
Purchases of building improvements	(57,373)
Purchases of computer equipment	(45,232)
Right-of-use asset - operating lease	(64,316)
NET CASH USED BY INVESTING ACTIVITIES	<u>(619,389)</u>

NET INCREASE IN CASH

1,687,787

CASH, BEGINNING OF YEAR

11,842,963

CASH, END OF YEAR

\$ 13,530,750

Supplemental information

Cash paid for interest on loans	\$ 124,653
Non-cash purchase related to operating lease obligation - facility office space	141,496

See independent auditor's report and notes to the financial statements.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Organization and Operations

Partnership for Southern Equity, Inc. (the “Company”), is an Atlanta-based nonprofit 501(c)(3) corporation with a wholly-owned for profit subsidiary (Just Equity). The Company has been advancing the cause of equity through an ecosystem-based model for multi-demographic engagement in the City of Atlanta and the surrounding metropolitan region. Using its strength and its ability to connect, educate, and build the civic infrastructure for diverse individuals and organizations to encourage just, sustainable practices for shared prosperity, the Company has stood at the forefront of promoting balanced growth and shared prosperity throughout metropolitan Atlanta and the American South.

Focusing on seven key strategic areas. The Company has developed strong partnerships, which have resulted in a series of successful policy initiatives that helped elevate and enable the communities served. The strategic areas are described as follows:

Just Energy (Energy Equity/Climate Justice)

The Company works with its partners to educate and engage low-income, communities of color about the sourcing and commodification of power generation in Georgia. While unfamiliar to many residents, those policies significantly impact household utility bills and impinge on the overall quality of air, water and other natural resources that affect our health and well-being.

Just Opportunity (Economic Inclusion)

Many low-wealth and communities of color are still reeling from the impacts of Great Recession which have been compounded by the historic economic injustices. The American South’s economic competitiveness will be dependent on its ability to strengthen and engage these communities. The Company works with its partners to advance an economic inclusion agenda that promotes and increases equity in the distribution of income, wealth building, employment, and entrepreneurship among vulnerable populations.

Just Growth (Equitable Development)

The Company has created a powerful community engagement platform for residents of all races, incomes, and backgrounds to influence decision-making within development projects that impact them (e.g., housing, retail, infrastructure, transportation). The Company takes a systems approach to realize communities and regions where all residents can participate in and prosper from decisions that shape the places they live.

Just Health (Health Equity)

The Company actively works to strengthen both internal and external capacity to address health equities. This includes ensuring our ecosystem model is deeply rooted in the principles of social justice; and that our organizational culture supports both staff and our community partners to be courageous, innovative, creative, passionate and accountable.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(Continued)**

YES! for Equity (Youth Empowerment)

The program supports the mission of the Company by offering customized trainings, consultative coaching and technical assistance to advance racial equity by integrating youth voice in our organizing work. We help adults, youth, organizations and communities deepen their racial equity priorities by applying the YES! For Equity Youth Power Model® with an explicit racial equity framework.

Just Solutions (Consulting Social Enterprise)

The program is the consulting social enterprise arm of the Company. We build organizational and leadership capabilities to understand and address racial equity and other systems of privilege and oppression that produce inequitable outcomes across communities and inside every institution.

J40 Accelerator

The Justice 40 Accelerator was conceived as a collaborative partnership between core team members: Elevate, Groundswell, Hummingbird, Partnership for Southern Equity, and The Solutions Project for the purpose of supporting organizations that are on the front lines of addressing climate, the environment, and social injustices in their communities. The J40 Accelerator is designed to better position underfunded frontline organizations to access funding from various government entities by providing technical assistance, project predevelopment funding, and strategic communications tools.

The significant accounting policies followed by the Company are described below:

A. Measure of Operations

Operations include all revenues and expenses, including investment return designated for operations.

B. Basis of Presentation

Partnership for Southern Equity's (PSE) wholly-owned, for-profit subsidiary includes:

Just Equity, Inc. -

Effective March 9, 2021, PSE acquired from Southern Equity Partners, Inc, as the sole shareholder, 1,000 shares of \$.001 par value common stock at a purchase price of \$100 (\$.10 per share). As a result of this arrangement, a new entity was incorporated – Just Equity, Inc. as a domestic profit corporation. On March 8, 2021, Just Equity, Inc. ("corporation") was incorporated under the laws of the State of Georgia. The corporation is authorized to issue 10,000 shares of common stock with a par value of \$.001 per share. As of December 31, 2022, issued and outstanding shares of common stock to PSE was 1,000 shares, respectively. The initial officers for the corporation include four board members from the PSE Board of Directors and the PSE Chief Executive Officer as the corporation's President. The fiscal year for the corporation ends annually on December 31.

The subsidiary is consolidated in the Company's financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

B. Basis of Presentation (Continued)

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The Company maintains its net assets in two classes as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the Board of Directors.

With donor restrictions - Net assets subject to stipulations imposed by the donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Under the new guidance, lessor accounting is largely unchanged. The guidance initially applied uses a modified retrospective approach. The amendments in the guidance were effective for fiscal years beginning after December 15, 2021. Early adoption was permitted. The Company implemented the pronouncement effective January 1, 2022.

On September 17, 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their consolidated financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The amendments are applied on a retrospective basis and were effective for annual periods beginning after June 15, 2021. Early adoption was permitted. The Company implemented the pronouncement effective January 1, 2022.

D. Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents represent short-term investments, highly liquid investments with an original maturity of three months or less from the date of purchase. The Company maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. The Company's cash and cash equivalent accounts were placed with high credit quality financial institutions. The Company has not experienced, nor does it anticipate, any losses of such accounts.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(Continued)**

E. Revenue Recognition

The Company adheres to Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined as follows: 1) identify the contracts with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when or as the entity satisfies performance obligations. The Company recognizes revenue when control of the promised goods and services are transferred to outside parties in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

F. Program Support

Program support revenues include contributions, both with and without donor restrictions, from individuals, corporations and foundations, corporate sponsorships, and grants, including from time to time, government grants. Contributions are recognized upon receipt of verifiable documentation of a promise to give. Sponsorship revenue is recognized pro rata over the corresponding term of the agreement. Government grants and awards received are recognized as the awards are expended.

For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of the expenditures incurred are classified as deferred revenue in the accompanying consolidated financial statement of position. If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, the Company recognizes revenue for those conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as deferred revenue in the accompanying consolidated statement of financial position.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(Continued)**

G. Expense Allocation

The costs of providing the various programs and other activities of the Company have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, depreciation, insurance, rent, telephone, information technology and office supplies which are allocated on the basis of estimates of time and effort.

H. Income Taxes

The Company follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Company is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its tax-exempt purpose, unless that income is otherwise excluded from the Internal Revenue Code. The Company has evaluated its tax positions and believes that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, the Company has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

I. Use of Estimates

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

J. Fair Value of Financial Instruments

The carrying value of cash, receivables, other assets, payables, and other liabilities, approximate fair value because of the short maturity of these consolidated financial instruments.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(Continued)**

K. Depreciation and amortization

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 39 years. Leasehold improvements are amortized over their useful lives or the remaining term of the lease, whichever is shorter.

2. LIQUIDITY AND CASH AVAILABILITY

The Company receives most of its funds from grants - with and without restrictions. Grant funds with donor restrictions are used in accordance with the associated grant purposes and terms. The Company also receives contributions, sponsorships, tenant rental income, training fees, speaker fees and fees from consulting service activities, which are without donor restrictions. The following represents the Company's financial assets at December 31, 2022 to meet general expenditures within one year.

Cash	\$ 13,530,750
Receivables	9,416,435
Total financial assets	<u>22,947,185</u>
Less: Donor-imposed restrictions	(7,301,943)
Funds held on behalf of third-parties	<u>(217,630)</u>
Financial assets needed to meet cash needs for general expenditures within one year	<u>\$ 15,427,612</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional grants and contributions receivable at December 31, 2022 are as follows:

Grants and contributions receivable - within one year	\$ 7,019,935
Within two years	2,250,000
Present value discount	(27,778)
Less: allowance for uncollectible accounts	-
Net	<u>\$ 9,242,157</u>

Management has determined that these amounts are fully collectible, therefore, no allowance for uncollectible grants and contributions receivable is considered necessary.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

4. FIXED ASSETS

Fixed assets are recorded at cost and depreciated or amortized on a straight-line basis. At December 31, 2022, fixed assets consisted of the following:

Land	\$ 817,980
Buildings and improvements	2,369,843
Furniture and equipment	154,844
Leasehold improvements	4,714
Less: accumulated depreciation/amortization	<u>(137,593)</u>
	<u>\$ 3,209,788</u>

5. FUNDS HELD ON BEHALF OF THIRD-PARTY GROUPS

The Company acted as fiscal agent for three third-party groups. At December 31, 2022, funds held consisted of the following:

Advancing Equity & Opportunities Collaborative	\$ 150,000
The Mothers and Others for Clean Air	64,058
TECH for All	3,572
	<u>\$ 217,630</u>

6. NOTE PAYABLE

Promissory note –

On April 15, 2021, the Company executed a \$2,500,000 uncollateralized loan. Terms include maturity on or before September 30, 2024 with a simple interest rate of 5%. Interest on the unpaid aggregated principal balance is paid quarterly beginning June 30, 2021. Periodic principal payments can be made at the discretion of the Company until maturity. The loan proceeds were restricted to facilitate the purchase of specific real properties. Loan closing costs totaled \$16,500 and are amortized over the life of the loan. During the year, principal borrowings and repayments amounted to zero and zero, respectively, and interest expense amounted to \$124,653. Balances at December 31, 2022 are as follows – the principal loan balance and unamortized loan costs were \$2,500,000 and \$8,250, respectively, and are netted on the statement of financial position.

7. DONOR RESTRICTIONS ON NET ASSETS, RELEASES AND RESTATED BEGINNING NET ASSETS

Net assets with donor restrictions as of December 31, 2022 are as follows:

Grants – various JUST programs	\$ 7,301,943
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Net assets released from donor restrictions related to the various JUST programs during the year amounted to \$5,877,632. During the year, management determined that a donation received in 2021 is considered with donor restrictions, therefore, a reclassification of beginning net assets is reflected on the Statement of Activities amounting to \$5,129,878.

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

8. LEASE

Effective, January 1, 2022, the Company adopted FASB ASU 2016-2, *Leases (Topic 842)*, requiring the recognition of right-of-use leased assets and liabilities by the lessee. Under the standard, the Company recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) through a cumulative adjustment with certain practical expedients available. The standard did not have a material impact on the statement of financial position, but had an impact on the statement of activities and statement of cash flows. The most significant impact was the recognition of right-of-use assets and liabilities for operating leases.

The Company leases facility office space under a long-term non-cancellable operating lease arrangement with escalating rates. The lease expires on October 31, 2023. The weighted-average discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. Operating leases with a term of 12 months or less are not recorded on the statement of financial position.

Total right-of-use assets and lease liabilities at December 31, 2022 are as follows:

Lease Assets – Classification in Statement of Financial Position	
Operating leases right-of-use	\$ 64,316
Finance lease right-of-use	-
Total leased right-of-use assets	<u>\$ 64,316</u>

Lease Liabilities – Classification in Statement of Financial Position	
Operating lease liabilities	\$ 64,885
Finance lease liabilities	-
Total leased liabilities	<u>\$ 64,885</u>

Total lease costs for the year ended December 31, 2022 are as follows:

Operating lease costs	\$ 120,280
Finance lease costs:	
Interest expense	-
Amortization of right-of-use assets	-
Variable lease cost	-
Short-term lease costs	-
Total	<u>\$ 120,280</u>

Weighted-average discount rate:	
Operating leases	1.77%
Finance leases	-

Weighted-average remaining lease term	
Operating leases	.833 yrs.
Finance leases	-

PARTNERSHIP FOR SOUTHERN EQUITY, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. LEASE (Continued)

Future minimum lease payments under the operating lease that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

<u>For the year ended December 31,</u>	<u>Finance Amounts</u>	<u>Operating Amounts</u>
2023	\$ -	\$ 65,413
Total lease payments	-	65,413
Less: imputed interest	-	(528)
Present value of liability	<u>\$ -</u>	<u>\$ 64,885</u>

9. CONTINGENCIES

Grants often require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely since upon accepting the gifts the Company has agreed to comply with the provisions thereof.

10. CONCENTRATIONS OF RISK

The Company depends heavily on grants and contributions. The ability of certain Company funding sources to continue providing comparable amounts are dependent upon current and future overall economic conditions.

11. IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic has caused global business disruptions and economic uncertainties. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated as these events continue to develop. During May 2023, the World Health Organization deemed the pandemic no longer a global health emergency.

12. SUBSEQUENT EVENTS

Management evaluated the activity of the Company through December 2, 2023 (the date the consolidated financial statements were available to be issued) and concluded that subsequent events occurred that would require disclosure in the Notes to the Consolidated Financial Statements as follows:

- a) On August 4, 2023, the Company purchased real estate comprised of land and buildings.
- b) During 2023, the lease for facility office space ended and the Company occupied facilities owned by the Company.