

ARLINGTON THRIVE

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statements of Financial Position.....	5
Statements of Activities.....	6 - 7
Statements of Functional Expenses.....	8 - 9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11 - 19



Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Arlington Thrive

Opinion

We have audited the accompanying financial statements of **Arlington Thrive** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 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 **Arlington Thrive** as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 **Arlington Thrive** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Arlington Thrive'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.

The Board of Directors
Arlington Thrive

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 **Arlington Thrive'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 **Arlington Thrive'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.

Kositzka, Wicks and Company

Alexandria, Virginia
March 15, 2024

Arlington Thrive

Statements of Financial Position June 30,

2023**2022****Assets****Current assets**

Cash and cash equivalents	\$ 504,918	\$ 737,871
Restricted cash	776,713	373,248
Contributions receivable	25,505	18,840
Prepaid expenses	46,452	36,475
	<u>1,353,588</u>	<u>1,166,434</u>

Other assets

Investments - endowment	841,575	801,668
Property and equipment, net	67,860	73,242
	<u>909,435</u>	<u>874,910</u>
Total assets	<u>\$ 2,263,023</u>	<u>\$ 2,041,344</u>

Liabilities and net assets**Current liabilities**

Accounts payable	\$ 40,027	\$ 38,937
Accrued expenses	59,501	66,271
Refundable advances	280,916	82,205
Total liabilities	<u>380,444</u>	<u>187,413</u>

Net assets

Without donor restrictions, board designated reserve fund	183,070	182,432
Without donor restrictions	753,514	345,917
With donor restrictions		
Purpose restrictions	945,995	1,325,582
Total net assets	<u>1,882,579</u>	<u>1,853,931</u>
Total liabilities and net assets	<u>\$ 2,263,023</u>	<u>\$ 2,041,344</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Activities for the year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Arlington County funds	\$ 7,164,779	\$ 472,544	\$ 7,637,323
Contributions	716,595	-	716,595
Federal grants	73,560	-	73,560
Foundation grants	151,688	-	151,688
Investment income, net	6,596	40,829	47,425
Other	7,798	-	7,798
Net assets released from restrictions	892,960	(892,960)	-
Total revenue	<u>9,013,976</u>	<u>(379,587)</u>	<u>8,634,389</u>
Expenses			
Emergency assistance	7,637,630	-	7,637,630
Management and general	570,967	-	570,967
Fundraising	397,144	-	397,144
Total expenses	<u>8,605,741</u>	<u>-</u>	<u>8,605,741</u>
Change in net assets	408,235	(379,587)	28,648
Net assets, beginning of year	528,349	1,325,582	1,853,931
Net assets, end of year	<u>\$ 936,584</u>	<u>\$ 945,995</u>	<u>\$ 1,882,579</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Arlington County funds	\$ 2,835,649	\$ 258,158	\$ 3,093,807
Contributions	888,748	-	888,748
Federal grants	18,076	-	18,076
Foundation grants	189,910	-	189,910
Investment loss, net	(5,042)	(73,602)	(78,644)
Other	3,645	-	3,645
United Way and CFC funding	17,230	-	17,230
Net assets released from restrictions	337,185	(337,185)	-
Total revenue	<u>4,285,401</u>	<u>(152,629)</u>	<u>4,132,772</u>
Expenses			
Emergency assistance	4,172,174	-	4,172,174
Management and general	374,321	-	374,321
Fundraising	374,657	-	374,657
Total expenses	<u>4,921,152</u>	<u>-</u>	<u>4,921,152</u>
Change in net assets	(635,751)	(152,629)	(788,380)
Net assets, beginning of year	1,164,100	1,478,211	2,642,311
Net assets, end of year	<u>\$ 528,349</u>	<u>\$ 1,325,582</u>	<u>\$ 1,853,931</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Functional Expenses for the year ended June 30, 2023

Expenses	Emergency assistance	Management and general	Fundraising	Total
Accounting	\$ 44,755	\$ 27,511	\$ 17,867	\$ 90,133
Bank charges	360	5,247	-	5,607
Community outreach	536	9,014	1,720	11,270
Computer-related expense	47,709	14,509	9,423	71,641
Conferences and meetings	47	7,065	4,480	11,592
Depreciation and amortization	-	17,032	-	17,032
Dues and subscriptions	16,247	8,627	9,069	33,943
Emergency assistance	6,770,902	-	-	6,770,902
Employee benefits	50,039	15,068	19,976	85,083
Fundraising	-	-	19,522	19,522
Insurance	-	22,330	-	22,330
Legal	23,713	14,576	9,467	47,756
Office rent	2,800	3,502	2,800	9,102
Office supplies and services	816	15,516	349	16,681
Other expenses	4,250	2,000	-	6,250
Payroll taxes	40,563	30,987	16,193	87,743
Professional fees	72,620	30,723	28,051	131,394
Postage and freight	825	39	1,896	2,760
Printing	-	889	38,737	39,626
Salaries	544,302	334,033	216,532	1,094,867
Staff training	75	7,390	141	7,606
Telephone	17,058	1,353	921	19,332
Travel	13	2,987	-	3,000
Website	-	569	-	569
Total expenses by function	\$ 7,637,630	\$ 570,967	\$ 397,144	\$ 8,605,741

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Functional Expenses for the year ended June 30, 2022

Expenses	Emergency assistance	Management and general	Fundraising	Total
Accounting	\$ 37,754	\$ 15,686	\$ 12,060	\$ 65,500
Bank charges	5,506	2,122	1,502	9,130
Community outreach	16,250	20,027	6,474	42,751
Computer-related expense	42,827	2,364	8,933	54,124
Conferences and meetings	-	3,625	-	3,625
Depreciation	-	2,190	-	2,190
Dues and subscriptions	15,214	6,774	11,574	33,562
Emergency assistance	3,474,530	-	-	3,474,530
Employee benefits	19,208	9,831	6,114	35,153
Fundraising	-	-	106,475	106,475
Insurance	8,043	3,632	2,569	14,244
Legal	-	6,739	-	6,739
Office rent	4,743	2,142	1,515	8,400
Office supplies and services	23,694	18,058	8,589	50,341
Other expenses	-	865	-	865
Payroll taxes	34,926	18,238	11,157	64,321
Professional fees	8,660	13,126	2,926	24,712
Postage and freight	-	916	837	1,753
Printing	-	1,983	40,797	42,780
Salaries	454,822	232,779	144,769	832,370
Staff training	17,712	7,996	5,658	31,366
Telephone	8,285	3,409	2,708	14,402
Travel	-	1,463	-	1,463
Website	-	356	-	356
Total expenses by function	\$ 4,172,174	\$ 374,321	\$ 374,657	\$ 4,921,152

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statements of Cash Flows for the years ended June 30,

2023
2022

Cash flows from operating activities

Change in net assets	\$	28,648	\$	(788,380)
Adjustments to reconcile change in net assets to cash from operating activities				
Depreciation and amortization expense		17,032		2,190
Unrealized and realized (gain) loss on investments		(10,735)		100,378
(Increase) decrease in operating assets				
Contributions receivable		(6,665)		49,970
Prepaid expenses		(9,977)		(21,814)
Increase (decrease) in operating liabilities				
Accounts payable		1,090		(6,629)
Accrued expenses		(6,770)		29,475
Refundable advances		198,711		55,484
Net cash provided by (used in) operating activities		<u>211,334</u>		<u>(579,326)</u>

Cash flows from investing activities

Purchase of investments and reinvestments		(29,172)		-
Purchase of property and equipment		(11,650)		(68,076)
Proceeds from sale of investments		-		164,429
Net cash provided by investing activities		<u>(40,822)</u>		<u>96,353</u>

Net change in cash and cash equivalents and restricted cash

170,512 (482,973)

Cash and cash equivalents and restricted cash, beginning of year 1,111,119 1,594,092

Cash and cash equivalents and restricted cash, end of year \$ 1,281,631 \$ 1,111,119

Supplemental cash flow information

Interest paid	\$	-	\$	-
Income taxes paid	\$	-	\$	-

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

1. The Organization and purpose

Arlington Thrive (the Organization) is a nonprofit organization incorporated in 1975 to provide emergency financial help to residents of Arlington, Virginia. Arlington Thrive provides timely assistance to help our neighbors in need so they can develop the capacity to be stable, secure and thrive in their jobs, health and homes. Arlington Thrive makes grants for rent, utility bills, medical and dental bills, prescriptions, and transportation.

Arlington Thrive's main sources of revenue include funding from Arlington County and contributions from individuals, churches, businesses, and foundations.

2. Significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and support recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is classified as with donor restriction when the donor has designated it for future use or specified an event that must transpire before it is available for use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, purpose restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other revenue is recognized when earned.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Cash and cash equivalents

For purposes of the statements of cash flows, Arlington Thrive considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Arlington Thrive maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. Arlington Thrive has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2023 and 2022, uninsured bank balances amounted to \$1,280,573 and \$964,268, respectively.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

Restricted cash

Restricted cash consists of funds from donors with restrictions for specific types of emergency services, held in separate, interest-bearing accounts. The interest received is recorded with donor restrictions.

Property and equipment

Property and equipment is recorded at cost. Arlington Thrive's policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment, generally five years to seven years. Website is amortized at cost using the straight-line basis over five years.

Investments

Investments are carried at their fair market values based on publicly available market data obtained from services independent of Arlington Thrive. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Organization's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

Accrued vacation

Employees of Arlington Thrive are entitled to paid vacation depending on job classification, length of service and other factors. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. Accrued vacation balances were \$22,553 and \$30,184 as of June 30, 2023 and 2022, respectively, and are included with accrued expenses on the accompanying statements of financial position.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. The following expense categories are allocated based on time spent: salaries, payroll taxes, and employee benefits.

Use of estimates

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

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, restricted cash, contributions receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and refundable advance. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Income taxes

Arlington Thrive is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. For the years ended June 30, 2023 and 2022, Arlington Thrive did not have unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

Arlington Thrive is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the United States and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Arlington Thrive's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2020 through June 30, 2023.

Contributions receivable

The Organization considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the years ended June 30, 2023 and 2022, the receivable balances were \$25,505 and \$18,840, respectively. The June 30, 2023 and 2022 receivable balance consists of government grants.

Recently adopted accounting pronouncement

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for private companies for annual reporting periods beginning after December 15, 2021. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2022. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases. Management has reviewed the requirements of ASC 842 on leases and have concluded that their current agreement does not meet the requirements to capitalize a right of use asset and corresponding lease liability on the statement of financial position.

New accounting pronouncement

The FASB issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The statement of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 (the Organization's 2024 financial statements). Management is assessing the impact that the standard will have on the financial statements.

3. Arlington County funding

According to the provisions of the agreement with Arlington County, funds received must be matched by \$232,315 in private funding for both the years ended June 30, 2023 and 2022. Arlington Thrive met this requirement during both years.

Subsequent to the year end, Arlington County announced a new vendor for its programs. The contract with Arlington Thrive ended on June 30, 2023, and the unspent funds of \$248,788 were returned to the County after the transition period on November 30, 2023. These funds are recorded as refundable advances on statement of financial position on June 30, 2023.

4. Security deposit program

The Section 8 Security Deposit Program was initiated to assist Section 8 housing clients by providing loans for security deposits. Arlington County provides Arlington Thrive with funds to implement this program. Individuals repay the loans over a period of time through monthly payments to the County Section 8 program. The program ended during fiscal year 2022, during which Arlington Thrive wrote off \$2,818, and additionally, Arlington County requested \$13,258 to be transferred to the Daily fund checking.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

5. Net assets with donor restrictions

Arlington Thrive received contributions in support of specific programs for the years ended June 30, 2023 and 2022. These contributions have been reflected in the statements of activities as purpose-restrictions contributions. To the extent those funds have been disbursed in support of these programs, amounts have been recorded as net assets released from restrictions. Funds that were received and the restrictions met in the same fiscal year are reported as net assets without donor restrictions. Any funds that have not been expended are included as net assets with donor restrictions as of June 30, 2023 and 2022. Additional expenditures to maintain these programs are provided from the net asset without donor restrictions balance.

Net assets with donor restrictions consisted of the following as of June 30, 2023:

	2022	Additions	Releases	2023
Arlington Thrive Fund	\$ 305,066	\$ 268,407	\$ (526,675)	\$ 46,798
Childcare	49,485	129,448	(143,298)	35,635
Emergency Lodging	-	23,811	(23,811)	-
Emergency Medical and Dental Assistance Fund	801,668	39,907	-	841,575
Permanent Supportive Housing Emergency Fund	85,689	41,347	(118,935)	8,101
Permanent Supportive Housing Maintenance Reserve	28,663	4,702	(33,365)	-
Risk reduction	40,020	5,718	(41,888)	3,850
Youth in Transition	14,991	33	(4,988)	10,036
Total	<u>\$ 1,325,582</u>	<u>\$ 513,373</u>	<u>\$ (892,960)</u>	<u>\$ 945,995</u>

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

	2021	Additions	Releases	2022
Arlington County funds				
Section 8 Security Deposits	\$ 16,074	\$ 1	\$ (16,075)	\$ -
Arlington Thrive Fund	305,066	-	-	305,066
Childcare	130,582	136	(81,233)	49,485
Emergency Lodging	44,761	90,278	(135,039)	-
Emergency Medical and Dental Assistance Fund	875,271	(73,603)	-	801,668
Parks and Recreation	15,254	11	(15,265)	-
Permanent Supportive Housing Emergency Fund	17,353	125,790	(57,454)	85,689
Permanent Supportive Housing Maintenance Reserve	9,285	41,861	(22,483)	28,663
Risk reduction	42,958	62	(3,000)	40,020
Youth in Transition	21,607	20	(6,636)	14,991
Total	<u>\$ 1,478,211</u>	<u>\$ 184,556</u>	<u>\$ (337,185)</u>	<u>\$ 1,325,582</u>

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

6. Board designated net assets

Arlington Thrive maintains an operating reserve fund for board designated net assets, the purpose of which is to provide an internal source of resources. The balance in the fund was \$183,070 and \$182,432 as of June 30, 2023 and 2022, respectively.

7. Endowment funds

Arlington Thrive's endowment funds consist of donor-restricted funds established by Mitchel E. Davis, MD for emergency medical and dental assistance. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Arlington Thrive has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Arlington Thrive classifies its investments as donor-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Arlington Thrive considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Arlington Thrive and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Arlington Thrive
7. The investment policies of Arlington Thrive

Return Objectives and Risk Parameters

Arlington Thrive adopted investment and spending policies and investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Arlington Thrive must hold in perpetuity as well as board-designated funds.

Strategies employed for achieving objectives

For the years ended June 30, 2023 and 2022, Arlington Thrive's investments were with Lincoln Financial Advisors. The asset allocation for 2023 was approximately 45 percent equities, 2 percent cash reserves, and 54 percent fixed income. The asset allocation for 2022 was approximately 42 percent equities, 2 percent cash reserves, and 56 percent fixed income. The objective was to provide a balance between current income and growth of principal. This investment option was best suited for funds that desire an income stream and growth of principal through some exposure to the equity market. There was exposure to both equity market risk and interest rate risk.

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by Arlington Thrive is based on donor imposed restrictions for distribution each year up to five percent of the endowment fund's fair value. However, the endowment fund allows Arlington Thrive to use more than five percent of the value in cases of extreme financial need.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

Endowment net asset composition by type of fund

The endowment net assets consisted of the following as of:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2022			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	\$ -	\$ 801,668	\$ 801,668
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2023			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	\$ -	\$ 841,575	\$ 841,575

Changes in endowment net assets

The endowment net activity consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2021	\$ -	\$ 875,271	\$ 875,271
Investment return			
Investment income	\$ -	\$ 22,728	\$ 22,728
Net depreciation	-	(89,498)	(89,498)
Investment fees	-	(6,833)	(6,833)
Total investment return	-	(73,603)	(73,603)
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment funds as of June 30, 2022	\$ -	\$ 801,668	\$ 801,668
Investment return			
Investment income	\$ -	\$ 26,700	\$ 26,700
Net appreciation	-	19,469	19,469
Investment fees	-	(6,262)	(6,262)
Total investment return	-	39,907	39,907
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment funds as of June 30, 2023	\$ -	\$ 841,575	\$ 841,575

Funds with deficiencies

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

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

8. Fair value measurements

Arlington Thrive classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Arlington Thrive's investments as of June 30, 2023 and 2022 consist of investments held at a financial institution. The fair value of the assets held by the financial institution are valued at the closing price reported on the active market on which the individual securities are traded.

Assets measured at fair value on a recurring basis are summarized below as of:

June 30, 2023:	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 14,641	\$ -	\$ -	\$ 14,641
Equity			-	
Bond fund	450,802	-	-	450,802
Equity income	133,893	-	-	133,893
Mid cap	55,410	-	-	55,410
Growth	161,068	-	-	161,068
M/F US fixed tax	25,761	-	-	25,761
Total investments, at fair value	<u>\$ 841,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,575</u>
June 30, 2022:	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 16,093	\$ -	\$ -	\$ 16,093
Equity			-	
Bond fund	446,284	-	-	446,284
Equity income	129,343	-	-	129,343
Mid cap	48,003	-	-	48,003
Growth	135,938	-	-	135,938
M/F US fixed tax	26,007	-	-	26,007
Total investments, at fair value	<u>\$ 801,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,668</u>

Investment income consisted of the following for the years ended June 30:

	2023	2022
Realized and unrealized gains	\$ 10,735	\$ (100,378)
Interest and dividend income	42,952	29,997
Fees	(6,262)	(8,263)
	<u>\$ 47,425</u>	<u>\$ (78,644)</u>

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

9. Property and equipment

A summary of information relative to property and equipment as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>	<u>Useful life</u>
Computer equipment	\$ 26,011	\$ 20,480	5 - 7 years
Website	61,200	55,080	5 years
Filing cabinet	1,591	1,591	7 years
Accumulated depreciation	<u>(20,942)</u>	<u>(3,909)</u>	
	<u>\$ 67,860</u>	<u>\$ 73,242</u>	

Depreciation expense of \$17,032 and \$2,190 was reported on the statement of functional expenses for the years ended June 30, 2023 and 2022, respectively.

10. Concentrations

Arlington County funds accounted for 88 percent and 75 percent of revenue for the years ended June 30, 2023 and 2022, respectively. The contributions receivable balance for those funds make up approximately 100 percent of contributions receivable at June 30, 2023 and 2022, respectively.

11. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 504,918	\$ 737,871
Contributions receivable	25,505	18,840
Investments	<u>841,575</u>	<u>801,668</u>
Financial assets, at year end	1,371,998	1,558,379
Less amounts unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	<u>(945,995)</u>	<u>(1,325,582)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 426,003</u>	<u>\$ 232,797</u>

As a part of its liquidity management plan, the Organization strives to maintain 90 days' worth of expenses as a reserve.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2023 and 2022

12. Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts show in the statement of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 504,918	\$ 737,871
Restricted cash	<u>776,713</u>	<u>373,248</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 1,281,631</u>	<u>\$ 1,111,119</u>

13. Commitments

Arlington Thrive maintains an operating lease for office space with a church in Arlington. The agreement began March 1, 2011 and continues until terminated by either party. Base rental payments are \$700 per month for the years ended June 30, 2023 and 2022. Rental expense was \$8,400 for the years ended June 30, 2023 and 2022, respectively.

Subsequently, the operating lease was amended on July 11, 2023 to increase rental payments to \$750 per month, effective October 1, 2023 based on rising utility, maintenance and cleaning costs.

14. Subsequent events

Arlington Thrive assessed events occurring subsequent to June 30, 2023 through March 15, 2024, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. Except as noted in Note 3, no events have occurred that would require adjustment to or disclosure in the financial statements.