



FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

THE CONCORD CONSORTIUM, INCORPORATED

Contents
September 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of
The Concord Consortium, Incorporated:

Opinion

We have audited the financial statements of The Concord Consortium, Incorporated (a Massachusetts corporation, not for profit) (the CC) which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Concord Consortium, Incorporated as of September 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CC 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.

Emphasis of Matter - Accounting Standard Adoption

As disclosed in Note 2 to the financial statements, during fiscal year 2023, the CC adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and applied the modified retrospective approach whereby comparative periods presented are not adjusted. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the CC'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

The signature is written in a cursive, handwritten style. It reads "AAFCPA, Inc." with a stylized, flowing script.

Westborough, Massachusetts
December 13, 2023

THE CONCORD CONSORTIUM, INCORPORATED

Statements of Financial Position September 30, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 1,143,378	\$ 1,089,084
Restricted cash	1,370,790	2,038,755
Grants receivable	1,298,843	1,257,019
Prepaid expenses	65,138	50,569
Total current assets	3,878,149	4,435,427
Deposits	37,670	38,544
Right-of-Use Asset - Operating	546,237	-
Total assets	<u>\$ 4,462,056</u>	<u>\$ 4,473,971</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating lease obligation	\$ 192,352	\$ -
Accounts payable	340,876	230,845
Accrued expenses	600,688	600,438
Grant advances	436,705	440,783
Total current liabilities	1,570,621	1,272,066
Operating lease obligation, net of current portion	365,495	-
Total liabilities	<u>1,936,116</u>	<u>1,272,066</u>
Net Assets:		
Without donor restrictions:		
Operating	1,148,879	1,156,879
Development fund	6,271	6,271
Total without donor restrictions	1,155,150	1,163,150
With donor restrictions	1,370,790	2,038,755
Total net assets	<u>2,525,940</u>	<u>3,201,905</u>
Total liabilities and net assets	<u>\$ 4,462,056</u>	<u>\$ 4,473,971</u>

THE CONCORD CONSORTIUM, INCORPORATEDStatements of Activities and Changes in Net Assets
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions:		
Operating support and revenue:		
Grants	\$ 8,740,168	\$ 8,553,666
Contracts and other	768,883	935,725
Net assets released from purpose restrictions	667,965	181,969
In-kind services	<u>133,383</u>	<u>250,331</u>
Total operating support and revenue	<u>10,310,399</u>	<u>9,921,691</u>
Operating expenses:		
Program services	8,025,651	6,564,157
Management and general	<u>2,292,748</u>	<u>1,980,435</u>
Total operating expenses	<u>10,318,399</u>	<u>8,544,592</u>
Changes in net assets without donor restrictions	<u>(8,000)</u>	<u>1,377,099</u>
Changes in Net Assets With Donor Restrictions:		
Grants	-	2,000,000
Net assets released from purpose restrictions	<u>(667,965)</u>	<u>(181,969)</u>
Changes in net assets with donor restrictions	<u>(667,965)</u>	<u>1,818,031</u>
Changes in net assets	<u>(675,965)</u>	<u>3,195,130</u>
Net Assets:		
Beginning of year	<u>3,201,905</u>	<u>6,775</u>
End of year	<u><u>\$ 2,525,940</u></u>	<u><u>\$ 3,201,905</u></u>

THE CONCORD CONSORTIUM, INCORPORATED

Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (675,965)	\$ 3,195,130
Adjustment to reconcile changes in net assets to net cash provided (used in) by operating activities:		
Depreciation	-	1,856
Non-cash lease expense	208,230	-
Changes in operating assets and liabilities:		
Grants receivable	(41,824)	(426,279)
Prepaid expenses	(14,569)	(6,447)
Deposits	874	-
Accounts payable	110,031	(121,847)
Accrued expenses	250	47,750
Grant advances	(4,078)	(635,627)
Payments on operating lease obligation	<u>(196,620)</u>	<u>-</u>
Net cash provided by (used in) operating activities	(613,671)	2,054,536
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>3,127,839</u>	<u>1,073,303</u>
End of year	<u>\$ 2,514,168</u>	<u>\$ 3,127,839</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 1,143,378	\$ 1,089,084
Restricted cash	<u>1,370,790</u>	<u>2,038,755</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,514,168</u>	<u>\$ 3,127,839</u>

THE CONCORD CONSORTIUM, INCORPORATED

Statements of Functional Expenses
For the Years Ended September 30, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Related Costs:						
Salaries	\$ 3,502,285	\$ 1,289,423	\$ 4,791,708	\$ 3,129,157	\$ 1,065,203	\$ 4,194,360
Payroll taxes and fringe benefits	1,085,454	397,060	1,482,514	967,268	332,219	1,299,487
Total salaries and related costs	4,587,739	1,686,483	6,274,222	4,096,425	1,397,422	5,493,847
Other:						
Subcontractors	1,738,810	-	1,738,810	943,667	-	943,667
Consultants	830,926	66,375	897,301	653,407	43,827	697,234
Technology, equipment and maintenance	390,059	138,255	528,314	370,518	112,065	482,583
Occupancy	209,412	76,133	285,545	260,135	83,342	343,477
In-kind services	-	133,383	133,383	-	250,331	250,331
Travel	79,509	38,185	117,694	33,361	1,336	34,697
Participant support	111,827	-	111,827	97,889	-	97,889
Meeting and conferences	7,917	56,486	64,403	4,848	1,279	6,127
Professional fees	-	44,398	44,398	-	39,545	39,545
Other expenses	31,055	2,862	33,917	18,856	2,124	20,980
Supplies	7,225	17,080	24,305	47,736	22,326	70,062
Insurance	-	23,667	23,667	-	18,091	18,091
Printing, copying and postage	14,704	6,202	20,906	23,831	3,426	27,257
Telephone	13,841	617	14,458	8,222	2,704	10,926
Dues and subscriptions	2,627	2,622	5,249	3,406	2,617	6,023
Total other	3,437,912	606,265	4,044,177	2,465,876	583,013	3,048,889
Depreciation	-	-	-	1,856	-	1,856
Total operating expenses	\$ 8,025,651	\$ 2,292,748	\$ 10,318,399	\$ 6,564,157	\$ 1,980,435	\$ 8,544,592

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

1. OPERATIONS AND NONPROFIT STATUS

The Concord Consortium, Incorporated (the CC) was founded in 1994 as a private, not-for-profit organization engaged in education research and development primarily in mathematics and science. The CC's mission is to stimulate large-scale, technology-based improvements in teaching and learning. The CC operates from offices in Concord, Massachusetts and Emeryville, California.

The CC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The CC is also exempt from state income taxes. Contributions made to the CC are deductible by donors within the IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The CC prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Standard Adoption

FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease obligations for operating leases on the statement of financial position. The CC adopted Topic 842 on October 1, 2022, using the optional transition method provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption remains as originally reported under Topic 840. The CC elected the package of practical expedients permitted under the transition guidance within the new standard, which allows the CC to skip the reassessment of whether the contract is or contains a lease, the treatment of initial direct costs, and lease classification, allowed the CC to carry forward the historical lease classification.

The adoption did not have a material impact on the statement of activities and changes in net assets. As part of the adoption, the CC also modified its control procedures and processes, none of which materially affected the internal control over financial reporting.

The following table summarizes the statement of financial position line items affected by adopting Topic 842 as of October 1, 2022:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Adjusted</u>
Operating lease ROU assets	\$ -	\$ 724,600	\$ 724,600
Operating lease obligation	\$ -	\$ 730,363	\$ 730,363
Deferred rent	\$ 5,763	\$ (5,763)	\$ -

Cash, Cash Equivalents and Restricted Cash

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Restricted cash represents donor restricted cash.

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The CC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the CC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The CC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the CC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of the CC's qualifying assets and liabilities are valued using Level 1 inputs.

Lease Accounting

The CC determines whether an arrangement is a lease at inception of a contract. A contract is determined to be or contain a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The CC's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. The CC determines lease classification as operating or finance at the lease commencement date. The CC does not have any contracts where they serve as a lessor.

In evaluating its contracts, the CC separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease obligations. The CC has elected the practical expedient to combine lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting (Continued)

Leases result in the recognition of ROU assets and lease obligations on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease obligation represents the obligation to make lease payments arising from the lease, measured on a discounted basis.

At lease inception, the lease obligation is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease obligation adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Unless the CC's leases provide an implicit interest rate within the lease contract, the CC uses the practical expedient allowing for the use of the risk-free rate, at the commencement date of the lease for determining the present value of lease payments.

In determining lease terms, leases which include options to extend the lease are considered in the determination of the ROU asset and lease obligation when it is reasonably certain that the CC will exercise that option. Lease expense is generally recognized on a straight-line basis over the lease term.

The CC has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition (Topic 958)*, the CC must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 4). Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the CC should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

The CC's revenue is principally derived from research sponsored by the U.S. Government, foundations, and other private institutions. The terms of these research grants generally require the CC to provide progress and final reports to the grantor and to satisfy other specific terms and conditions related to the research. Grants revenue is recognized as project expenses are incurred, including applicable indirect costs which are based primarily on negotiated indirect cost recovery rates based on prior-year actual costs.

The majority of funds received are cost reimbursable contracts. Allowable indirect expenses are charged to grants and contracts as a percentage of direct costs expended on the projects. Grants and contracts revenue are recognized as costs are incurred. Expenditures in excess of funds received on projects are shown as grants and contracts receivable in the accompanying financial statements. Project expenses in excess of grant income are recognized when incurred and identified. Grant funding received in advance or in excess of the related project expenses is recorded as a grant advance liability.

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions (Continued)

Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or as time restrictions or program restrictions have lapsed. Donor-restricted grants received and satisfied in the same period are included in revenue and net assets without donor restrictions.

Contracts with Customers

The CC generally measures revenue for qualifying exchange transactions based on the amount of consideration the CC expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the CC satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The CC evaluates its revenue contracts with customers based on the five-step model under ASC Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The CC is contracted to provide research, educational, and data processing services to various customers. The CC recognizes revenue either at a point in time upon submission of final deliverables or over the contract period as expenses are incurred. Performance obligations are determined based on the nature of the services provided by the CC, and the transaction price is determined based on prospectively determined rates as defined in the contracts. The CC recognized revenue of \$745,204 and \$739,727 for the years ended September 30, 2023 and 2022, respectively, under ASC Topic 606 for services provided over time, which is included in contract and other revenue in the accompanying statements of activities and changes in net assets.

The CC also sells a software it developed, and recognizes revenue at a point in time as individual customers purchase and download the software online. The transaction price is pre-determined and listed on a third-party's website. The CC recognized \$ 4,404 and \$6,868 of revenue related to their software for the years ended September 30, 2023 and 2022, respectively. This amount is included in contract and other revenue in the accompanying statements of activities and changes in net assets.

At September 30, 2023, September 30, 2022, and October 1, 2022, the CC did not have any contract assets or liabilities.

The following table presents a disaggregation of the CC's contract revenue with customers, by type, for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Recognized over time	\$ 745,204	\$ 739,727
Recognized at a point in time	<u>4,404</u>	<u>6,868</u>
	<u>\$ 749,608</u>	<u>\$ 746,595</u>

All other income is recognized as revenue when earned.

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation and Classifications

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related expenses which are allocated on the basis of estimates of percentages of time and effort attributable to each function; and occupancy costs and telephone, which are allocated based on the use of full-time-equivalent (FTE) positions.

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the CC. The CC has grouped its net assets without donor restrictions into the following categories:

- **Operating** represents amounts that are currently available for operations.
- **Development fund** represents surplus amounts which have been designated for specific internal projects that are likely to increase the CC's future income and public exposure. During fiscal years 2023 and 2022, no amount has been spent from these funds.

Net assets with donor restrictions consist of donor-restricted grants designated for a specific purpose or for future periods. These amounts are recorded as net assets with donor restrictions until they are expended for their designated purpose or until the time restrictions expire. Net assets with donor restrictions at September 30, 2023 and 2022, are purpose restricted.

Estimates

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

Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management's analysis of specific grants and contracts that may be uncollectible, if any. As of September 30, 2023 and 2022, there was no allowance for doubtful accounts.

Property and Equipment

Property and equipment with a cost exceeding \$5,000 and furniture and fixtures exceeding \$1,000 and a useful life greater than one year, are capitalized at cost when purchased or at fair value at the date of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred.

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The CC accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The CC has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2023 and 2022. The CC's information returns are subject to examination by the Federal and state jurisdictions.

In-Kind Services

In-kind services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the CC. These services are based upon the estimated fair value assigned to them by the donating individuals, organizations or by management. In-kind services do not have donor-imposed restrictions and are recognized as both support and expense. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating company.

The estimated fair value of these contributions of nonfinancial assets (in-kind services) was as follows for the years September 30:

	<u>2023</u>	<u>2022</u>
Google AdWords	\$ 133,383	\$ 233,606
Legal	<u>-</u>	<u>16,725</u>
Total	<u>\$ 133,383</u>	<u>\$ 250,331</u>

Subsequent Events

Subsequent events have been evaluated through December 13, 2023, which is the date the financial statements were available to be issued. There were no events which met the criteria for recognition or disclosure in the financial statements.

3. RELATED PARTY TRANSACTIONS

Members of the CC's Board of Directors complete conflict of interest statements annually and any related party transactions are reviewed by the Board of Directors to ensure they are in the normal course of business. During fiscal years 2023 and 2022, the CC did not engage in any business transactions with members of the Board of Directors.

From time-to-time, the CC engages the relatives of employees to perform certain contract work. Payments to consultants who are related to employees totaled \$91,292 for the year ended September 30, 2022. No such transactions occurred during the year ended September 30, 2023.

4. GRANTS

The CC received a significant portion of its total grant revenue without donor restrictions (approximately 79% and 72% for the years ended September 30, 2023 and 2022, respectively) from the National Science Foundation (NSF) under cost reimbursable grants. These reimbursements are subject to audit by NSF. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the CC as of September 30, 2023 and 2022, or on the changes in its net assets for the years then ended.

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

4. GRANTS (Continued)

The CC has the following concentrations within grants receivable at September 30:

	2023		2022	
	Amount	Ratio	Amount	Ratio
NSF - Direct funding	\$ 524,165	40%	\$ 480,104	38%
Michigan State University	\$ 136,400	11%	\$ 121,332	10%

The CC has been awarded multiple conditional commitments from NSF for future periods, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. The CC recognizes related revenue from these government contracts when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for these commitments include the requirement for the CC to incur allowable costs. These commitments are not included in the accompanying financial statements. Amounts conditionally committed by NSF, but not recognized as of September 30, 2023 and 2022, totaled \$14,336,430 and \$17,609,917, respectively.

5. LEASE AGREEMENTS

The CC has multiple operating lease agreements for office space. The terms of these leases are from one month to six years and expire at various dates through fiscal year 2028. The monthly payments for these lease agreements range from approximately \$2,700 to \$10,100. In certain instances, these lease agreements require the CC to pay all executory costs (property taxes, maintenance and insurance) which are expensed as variable lease costs. For certain lease agreements, the CC has the option to renew these leases for additional terms of three years. The CC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Future minimum lease payments under operating agreements as of September 30, 2023, are as follows:

	<u>Facilities</u>
2024	\$ 210,751
2025	217,035
2026	81,708
2027	36,882
2028	37,989
Thereafter	<u>9,567</u>
Total future undiscounted lease payments	593,932
Less - present value discount	36,085
Less - current portion	<u>192,352</u>
Lease liability, net of current portion	<u>\$ 365,495</u>

THE CONCORD CONSORTIUM, INCORPORATED

Notes to Financial Statements
September 30, 2023 and 2022

5. LEASE AGREEMENTS (Continued)

The following summarizes the lease expense for the year ended September 30, 2023, which is included in rent leases and operating costs in the accompanying statement of functional expenses:

Operating lease costs	\$ 202,468
Variable lease costs	17,904
Short-term lease costs	<u>6,120</u>
Total lease costs	<u>\$ 226,492</u>

The following summarizes cash flow information related to leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of operating lease liabilities:	<u>\$ 196,620</u>
ROU assets obtained in exchange for lease obligations	<u>\$ 724,600</u>

The following summarizes the weighted-average remaining lease term and discount rate as of September 30, 2023:

Weighted-Average Remaining Lease Term (Years)	3.09
Weighted-Average Discount Rate	4.06%

Lease Commitments

As of September 30, 2023, there were no material leases that have been executed but not yet commenced.

Leases - Topic 840

For the year ended September 30, 2022, the CC recognized rent expense on a straight-line basis over the term of the lease agreements in accordance with ASC Topic 840, Leases. The CC's facility rent expenses for the year ended September 30, 2022, was \$303,417 and is included in occupancy in the accompanying statement of functional expenses.

The following is a schedule of the approximate future minimum lease payments for office space in accordance with the lease agreements as of September 30, 2022:

	<u>Facilities</u>
2023	\$ 230,724
2024	177,004
2025	<u>182,274</u>
Total	<u>\$ 590,002</u>

6. NOTE PAYABLE TO A BANK

The CC has a line of credit agreement which allows for borrowings up to \$750,000. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate, but not less than 5%. Borrowings on the line of credit are secured by all business assets of the CC. As of September 30, 2023 and 2022, there were no outstanding balances under this agreement.

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7. RETIREMENT PLAN

The CC offers a TIAA-CREF 403(b) Retirement Plan. Each eligible employee who works at least four hours per week each month receives a retirement contribution from the CC of at least 5% of their monthly salary, starting the first day of employment. The CC does not make contributions for temporary and student employees. All contributions are immediately vested. At its discretion, the CC makes contributions larger than 5% of each eligible employee's salary. In fiscal years 2023 and 2022, the CC contributed 10% of each eligible employee's salary. The CC's contribution for the years ended September 30, 2023 and 2022, was \$481,620 and \$419,375, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The CC's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,143,378	\$ 1,089,084
Grants receivable	<u>1,298,843</u>	<u>1,257,019</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,442,221</u>	<u>\$ 2,346,103</u>

The CC's financial assets are available for use to cover its obligations as they become due. As of September 30, 2023 and 2022, the CC has financial assets equal to approximately three and three and a half months of operating expenses, respectively (excluding in-kind services and depreciation). In addition, the CC has a line of credit agreement (see Note 6) which allows for borrowings up to \$750,000.

9. RECLASSIFICATION

Certain amounts in the fiscal year 2022 financial statements have been reclassified to conform with the fiscal year 2023 presentation.