

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors
City Forward Collective, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of City Forward Collective, Inc. ("CFC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CFC's preparation and fair presentation of the financial statements 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 CFC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFC as of June 30, 2021 and 2020, 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.

November 19, 2021
Milwaukee, Wisconsin

CITY FORWARD COLLECTIVE, INC.

Milwaukee, Wisconsin

Statements of Financial Position

June 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 1,011,502	\$ 977,030
Certificates of deposit	1,285,231	1,893,925
Investments	2,865,655	2,616,221
Interest receivable	4,123	-
Accounts receivable, net	65,205	10,475
Deposits and prepaid expense	-	7,244
Current portion of promises to give	729,770	708,154
Current portion of loans receivable	661,682	714,514
Total current assets	<u>6,623,168</u>	<u>6,927,563</u>
Noncurrent assets:		
Promises to give, net of discount	346,981	442,965
Loans receivable, net of valuation allowance	808,185	1,280,150
Total noncurrent assets	<u>1,155,166</u>	<u>1,723,115</u>
Property and equipment:		
Property and equipment	6,893	75,665
Less: accumulated depreciation	(6,893)	(75,599)
Property and equipment - net book value	<u>-</u>	<u>66</u>
Total assets	<u>\$ 7,778,334</u>	<u>\$ 8,650,744</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 95,127	\$ 976,117
Accrued payroll	5,126	37,299
Total liabilities	<u>100,253</u>	<u>1,013,416</u>
Net assets:		
Without donor restrictions	6,601,330	6,373,995
With donor restrictions	1,076,751	1,263,333
Total net assets	<u>7,678,081</u>	<u>7,637,328</u>
Total liabilities and net assets	<u>\$ 7,778,334</u>	<u>\$ 8,650,744</u>

The accompanying notes to the financial statements
are an integral part of these statements

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without <u>Donor Restrictions</u>	With <u>Donor Restrictions</u>	<u>Total</u>	Without <u>Donor Restrictions</u>	With <u>Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:						
Exchange transactions:						
Program service revenue	\$ 678,853	\$ -	\$ 678,853	\$ 9,894	\$ -	\$ 9,894
Nonexchange transactions:						
Contributions	1,339,981	1,056,667	2,396,648	812,480	1,571,060	2,383,540
Interest and dividends	151,671	-	151,671	198,094	-	198,094
Change in discount on loans receivable	(17,468)	-	(17,468)	-	18,078	18,078
Realized gain on investments	152,336	-	152,336	22,541	-	22,541
Unrealized gain on investments	443,701	-	443,701	97,864	-	97,864
Miscellaneous revenue	377	-	377	49	-	49
Net assets released from restrictions	1,243,249	(1,243,249)	-	707,219	(707,219)	-
Total revenues, gains, and other support	<u>3,992,700</u>	<u>(186,582)</u>	<u>3,806,118</u>	<u>1,848,141</u>	<u>881,919</u>	<u>2,730,060</u>
Expenses:						
Program services	3,146,901	-	3,146,901	1,999,749	-	1,999,749
General and administrative	426,214	-	426,214	446,577	-	446,577
Fund-raising	192,250	-	192,250	92,905	-	92,905
Total expenses	<u>3,765,365</u>	<u>-</u>	<u>3,765,365</u>	<u>2,539,231</u>	<u>-</u>	<u>2,539,231</u>
Change in net assets from operations	227,335	(186,582)	40,753	(691,090)	881,919	190,829
Refund of Prior Year Contributions	-	-	-	(467,052)	(8,930,580)	(9,397,632)
Net assets, beginning of year	<u>6,373,995</u>	<u>1,263,333</u>	<u>7,637,328</u>	<u>7,532,137</u>	<u>9,311,994</u>	<u>16,844,131</u>
Net assets, end of year	<u>\$ 6,601,330</u>	<u>\$ 1,076,751</u>	<u>\$ 7,678,081</u>	<u>\$ 6,373,995</u>	<u>\$ 1,263,333</u>	<u>\$ 7,637,328</u>

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

CITY FORWARD COLLECTIVE, INC.

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
Staff Expenses	\$ 1,069,756	\$ 180,824	\$ 168,760	\$ 1,419,340
Professional Services	684,652	145,459	1,081	831,192
Office Expenses	2,222	28,372	3,126	33,720
Information Technology	306	26,035	-	26,341
Occupancy	71,225	11,997	11,241	94,463
Travel & Meetings	46,364	825	1,052	48,241
Business Expenses	17,280	32,702	6,990	56,972
COVID-19 Support & Internet Access Funds	1,155,096	-	-	1,155,096
School Expansion Grants	100,000	-	-	100,000
	<u>\$ 3,146,901</u>	<u>\$ 426,214</u>	<u>\$ 192,250</u>	<u>\$ 3,765,365</u>

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

CITY FORWARD COLLECTIVE, INC.

Milwaukee, Wisconsin

Statement of Functional Expenses

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
Staff Expenses	\$ 853,121	\$ 142,240	\$ 77,180	\$ 1,072,541
Professional Services	87,282	157,507	-	244,789
Office Expenses	3,675	22,653	3,433	29,761
Information Technology	2,268	5,514	-	7,782
Occupancy	41,246	102,393	3,731	147,370
Travel & Meetings	33,119	691	147	33,957
Business Expenses	20,728	15,579	8,414	44,721
COVID-19 Support & Internet Access Funds	552,000	-	-	552,000
School Expansion Grants	406,310	-	-	406,310
	<u>\$ 1,999,749</u>	<u>\$ 446,577</u>	<u>\$ 92,905</u>	<u>\$ 2,539,231</u>

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

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 40,753	\$ 190,829
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	66	1,304
Unrealized gain on investments	(443,701)	(97,864)
Realized gain on investments	(152,336)	(22,541)
Changes in assets and liabilities:		
Interest receivable	(4,123)	-
Deposits and prepaid expense	7,244	(2,049)
Accounts receivable	(54,730)	(750)
Promises to give	74,368	(801,627)
Loans receivable	524,797	(158,232)
Accounts payable	(880,990)	955,813
Accrued payroll	(32,173)	35,856
Net cash provided (used) by operating activities	(920,825)	100,739
Cash flows from investing activities:		
Investment maturities	715,291	1,302,694
Purchase of investments	(500,277)	(251,418)
Certificate of deposit proceeds	1,175,283	8,823,051
Certificate of deposit purchases	(435,000)	(500,000)
Refund of prior year contributions	-	(9,397,632)
Net cash provided (used) by investing activities	955,297	(23,305)
Net change in cash and equivalents	34,472	77,434
Cash and equivalents, beginning of year	977,030	899,596
Cash and equivalents, end of year	\$ 1,011,502	\$ 977,030

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

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization Background and General

City Forward Collective (“CFC”) is a Wisconsin nonstock corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CFC is the renamed organization resulting from the merger of Partners Advancing Values in Education, Inc. (“PAVE”) and Schools That Can Milwaukee, Inc. (“STCM”) on April 30, 2018. The merged organization, and ultimately City Forward Collective, retained the Employer Identification Number from PAVE.

CFC’s mission is to secure the future of Milwaukee and its institutions, economy, and quality of life by ending educational inequity and ensuring every child has the opportunity to attend a high-quality school. The strategy was created with significant input from a diverse group of stakeholders representing Milwaukee’s many communities. It is formulated to create and sustain the conditions necessary to dramatically increase the number of Milwaukee students attending high-quality schools.

CFC works directly with Milwaukee families, communities, and school teams to build skills, knowledge, and power to foster more high-quality schools for the children who need them most in order to close the achievement gap and advance equity. The organization facilitates sustained family and community organizing to build a movement of Milwaukee residents who understand and advocate for high-quality schools across Milwaukee. CFC advocates for policies that eliminate educational inequities and ensure high-quality schools get the resources they need to thrive. In addition, the organization ensures strong, culturally competent teachers, school leaders, principal managers, and board members, with an emphasis on placing more Black and Hispanic/Latino people in these roles. CFC has established a fund to strategically invest in and to channel philanthropic dollars to expand and replicate existing high-quality schools. Together, these efforts create a foundation for enduring, significant, positive change.

2. Summary of Significant Accounting Policies

Basis of Accounting

CFC’s financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Contributions restricted by donors are increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the report period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Equivalents

For purposes of the statements of cash flows, CFC considers all highly liquid investments with an initial maturity of three months or less to be cash and equivalents.

Certificates of Deposit

Certificates of deposit totaling \$1,285,231 and \$1,893,925 at June 30, 2021 and 2020, respectively, are presented in the accompanying financial statements. The certificates bear interest ranging from 1.35% to 2.15% at both June 30, 2021 and 2020 and have maturities ranging from six to sixty months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. Interest earned on certificates of deposit totaled \$15,473 and \$34,309 for the years ended June 30, 2021 and 2020 respectively.

Fair Value of Financial Instruments

U.S. GAAP establishes a hierarchy that prioritizes the inputs for measuring fair value of financial instruments. Those inputs are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for securities identical to those to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term or the asset or liability.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by CFC are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by CFC are deemed to be actively traded.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Realized gains and losses and unrealized gains and losses of investments are reported in the statements of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CFC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Receivables and Allowance for Doubtful Accounts

Receivables are reviewed periodically by management to determine the adequacy of the allowance for doubtful accounts. Based upon management's evaluation as of June 30, 2021 and 2020, an allowance for doubtful accounts was not considered necessary. Bad debt expense amounted to \$-0- for the years ended June 30, 2021 and 2020.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Income Tax Status

CFC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. CFC does not have any unrelated business income tax. Accordingly, no provision for income taxes has been recorded. CFC recorded no assets or liabilities related to uncertain tax positions.

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

CFC has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of CFC evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. CFC recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other net assets with donor restrictions contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member. Revenue from performance obligations satisfied over a period time consists of the following:

Program service revenue – recognized as performance obligations are met over a period of time.

Revenue from non-exchange transactions consist of the following:

Contributions of cash and promises to give – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue – recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop CFC's programs, principally in soliciting contributions and the strategic guidance of CFC. However, since no objective basis exists for the recording and assigning of values to these services, they are not reflected in the accompanying financial statements.

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets at a cost of greater than \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of the underlying asset.

Depreciation expense for the years ended June 30, 2021 and 2020 is \$66 and \$1,304, respectively.

Estimates

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

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on the functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited based on estimated time spent.

Subsequent Events

Management of CFC has evaluated all subsequent events through November 19, 2021, the date the financial statements were available for distribution, for possible inclusion as a disclosure in the notes to the financial statements. There are no subsequent events that require disclosure in the notes to the financial statements.

3. Promises to Give

Promises to give are unconditional promises to give primarily from individuals, corporations and foundation, and are reflected at the present value of estimated future cash flows using a discount rate of 0.87% and 1.76% at June 30, 2021 and 2020, respectively. Promises to give are expected to be collected as follows:

Year ending June 30, 2022	\$ 729,770
Year ending June 30, 2023	350,000
Total promises to give	<u>1,079,770</u>
Less discounts to net present value	(3,019)
Net promises to give	<u>\$ 1,076,751</u>

Management has determined that promises to give are fully collectible; therefore no allowance for uncollectible promises to give is considered necessary at June 30, 2021 and 2020.

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

4. Investments

Investments held by CFC consist of equity securities. As noted in Note 2 to the financial statements, investments are carried at fair market value with unrealized and realized gains and losses on investments and interest and dividend income. Earnings are included in interest and dividends revenue in the accompanying statements of activities and totaled \$151,671 and \$198,094 during the years ended June 30, 2021 and 2020, respectively.

Unrealized investment gains for the years ended June 30, 2021 and 2020 amounted to \$443,701 and \$97,864, respectively.

Realized investment gains for the years ended June 30, 2021 and 2020 amounted to \$152,336 and \$22,541, respectively.

Cost and fair values of investments are summarized as follows as of June 30, 2021 and 2020:

	<u>June 30, 2021</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$	988,823	\$ 1,333,877
Common stock		822,263	1,531,778
Total Investments	\$	<u>1,811,086</u>	\$ <u>2,865,655</u>
	<u>June 30, 2020</u>		
Mutual funds	\$	1,225,914	\$ 1,408,828
Common stock		806,339	1,207,393
Total Investments	\$	<u>2,032,253</u>	\$ <u>2,616,221</u>

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

4. Investments (Continued)

The following summarizes the classification of investments by classification and method of valuation in accordance with the requirements of U.S. GAAP as of June 30, 2021 and 2020:

<u>June 30, 2021:</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
<u>Description</u>	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Intermediate bond index	\$ 52,028	\$ 52,028	-	-
Short-term bond index	435,182	435,182	-	-
Total market index	580,421	580,421	-	-
International stock	266,246	266,246	-	-
Total mutual funds	1,333,877	1,333,877	-	-
Common stock:				
Finance industry	172,226	172,226	-	-
Basic material industry	49,334	49,334	-	-
Consumer goods industry	386,026	386,026	-	-
Technology industry	233,657	233,657	-	-
Health care industry	223,765	223,765	-	-
Industrial goods industry	182,061	182,061	-	-
Services industry	147,010	147,010	-	-
Utilities industry	137,699	137,699	-	-
Total common stock	1,531,778	1,531,778	-	-
Total	\$ 2,865,655	\$ 2,865,655	-	-

<u>June 30, 2020:</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
<u>Description</u>	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Long-term bond index	\$ 137,139	\$ 137,139	-	-
Intermediate bond index	251,287	251,287	-	-
Short-term bond index	440,030	440,030	-	-
Total market index	393,993	393,993	-	-
International stock	186,379	186,379	-	-
Total mutual funds	1,408,828	1,408,828	-	-
Common stock:				
Finance industry	110,971	110,971	-	-
Basic material industry	50,261	50,261	-	-
Consumer goods industry	288,213	288,213	-	-
Technology industry	182,087	182,087	-	-
Health care industry	184,638	184,638	-	-
Industrial goods industry	164,118	164,118	-	-
Services industry	106,732	106,732	-	-
Utilities industry	120,373	120,373	-	-
Total common stock	1,207,393	1,207,393	-	-
Total	\$ 2,616,221	\$ 2,616,221	-	-

CITY FORWARD COLLECTIVE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

5. Loans Receivable

PAVE operated a program to provide access to capital for schools in the City of Milwaukee. CFC is managing PAVE's outstanding legacy loan agreements. Loans under this program are made through banks that enter into a participation loan agreement with CFC for a portion of the loan at a lower interest rate.

Since inheriting the PAVE loan program, CFC has participated in various loans to schools in the City of Milwaukee which were made for the purpose of expanding or improving the schools' facilities. Repayment schedules and interest rates on the loans are varied and some of the loans require a final balloon payment at maturity. CFC does not anticipate granting new loans after the close out of the legacy loans.

Loans receivable are reported at their unpaid principal balances. CFC records a valuation allowance on its loans, which are made at below-market-rate interest rates, based on the present value of estimated future cash flows from loan collections using a discounted rate equal to the daily Treasury yield rate as of June 30, 2021 and 2020. The valuation allowance on loans receivable amounted to \$31,003 and \$13,535 on June 30, 2021 and 2020, respectively. Total loans receivable, net of valuation allowance, amounted to \$1,469,867 and \$1,994,664 on June 30, 2021 and 2020, respectively.

Loans receivable are expected to be collected as follows:

	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
Amounts due in:			
2021 – 2022	\$ 701,254	\$ 661,682	\$ 39,572
2022 – 2023	82,903	52,327	30,576
2023 – 2024	82,903	54,323	28,580
2024 – 2025	82,903	56,396	26,507
2025 – 2026	82,903	58,548	24,356
Thereafter	725,405	617,594	107,811
Discount	(31,003)	(31,003)	-
Total	<u>\$ 1,727,269</u>	<u>\$ 1,469,867</u>	<u>\$ 257,402</u>

6. Property and Equipment

The recorded value of property and equipment was as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Equipment	\$ 6,893	\$ 75,665
Less accumulated depreciation	(6,893)	(75,599)
Total	<u>\$ -</u>	<u>\$ 66</u>

7. Net Assets

The board of directors of CFC has chosen to place the following limitations on net assets without donor restrictions:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Board designated operating reserve	\$ 2,600,000	\$ 2,600,000
Undesignated	4,001,330	3,773,995
Total	<u>\$ 6,601,330</u>	<u>\$ 6,373,995</u>

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Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

7. Net Assets (Continued)

Net assets with donor restrictions are available for the following purposes or periods:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Subject to expenditure for specific purpose:		
Restricted by donors	\$ -	\$ 112,214
Subject to the passage of time:		
Promises to give, unavailable for expenditure until due	1,076,751	1,151,119
Total net assets with donor restrictions	\$ 1,076,751	\$ 1,263,333

8. Related Parties

Certain members of CFC's Board of Directors are employed by various service companies with which CFC does business. In management's opinion, all transactions with related parties were made on an arm's length basis. CFC received contributed professional services during the year ended June 30, 2021 with an indeterminable fair value.

9. 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>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and equivalents	\$ 1,011,502	\$ 977,030
Certificates of deposit	1,285,231	1,893,925
Investments	2,865,655	2,616,221
Accounts receivable	65,205	10,475
Current portion of promises to give	729,770	708,154
Current portion of loans receivable	661,682	714,514
Board designated operating reserve	(2,600,000)	(2,600,000)
Financial assets available to meet general expenditures within one year	\$ 4,019,045	\$ 4,320,319

While available for use, the board designated operating reserve needs board of directors' approval before the funds can be utilized for operations.

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Notes to Financial Statements
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(Continued)

10. Operating Lease Obligations

Rental expenses for facility and copier leases amounted to \$107,745 and \$160,976 for the years ended June 30, 2021 and 2020, respectively. The reason for the decrease in 2021 was the expiration of a facility lease in June 2020 for space formerly occupied by PAVE.

The future minimum required lease payments through the respective lease terms are as follows:

<u>Year ending:</u>		
June 30, 2022	\$	60,016
Total	<u>\$</u>	<u>60,016</u>

11. Concentrations

Concentrations Arising from Contributions

Two donors together accounted for 46% and 48% of total contributions received during the years ended June 30, 2021 and 2020, respectively.

Concentrations Arising from Cash Deposits in Excess of Insured Limits

CFC maintains cash balances at several Milwaukee area financial institutions, and at times, balances may exceed federally insured limits. CFC has never experienced any losses related to these balances.

Concentrations Arising from Loans Receivable

Loans receivable consist of loans to public charter schools or private schools in the City of Milwaukee funded through the Milwaukee or Wisconsin Parental Choice Programs. These loans subject CFC to concentrations of credit risk because of the dependence of these schools on state funding allocations which could potentially be affected by any future changes in relevant state legislation.

12. Employee Benefit Plans

CFC sponsors various employee benefit plans for all eligible employees.

403(b) Plan

CFC contributed to a 403(b) plan for its employees at the rate of 3% of each employee's salary. Total expense for the years ended June 30, 2021 and 2020 amounted to \$26,666 and \$17,538, respectively.

Section 125 Plan

CFC also sponsors a Section 125 plan for eligible employees.

13. Risks and Uncertainties

CFC invests in various investment securities. Investment securities are exposed to various risks of loss such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the statement of financial position.

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Notes to Financial Statements
June 30, 2021 and 2020
(Continued)

14. Grants Payable (Contingent Liabilities)

During the year ended June 30, 2020, CFC authorized grants in the amount of \$552,000 for COVID-19 Support & Internet Access Funds, and \$406,310 as grants to area schools and school support organizations; all of which was paid prior to the year ended June 30, 2021.

During the year ended June 30, 2021, CFC authorized grants in the amount of \$1,155,096 for COVID-19 Support & Internet Access Funds, and \$100,000 as grants to area schools and school support organizations; all of which was paid prior to the year ended June 30, 2021.