SOCIETY OF HISPANIC PROFESSIONAL ENGINEERS (A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

June 30, 2022 (with comparative totals for 2021)
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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
Society of Hispanic Professional Engineers

Opinion

We have audited the accompanying financial statements of Society of Hispanic Professional Engineers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Society of Hispanic Professional Engineers (the Organization) as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide 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 the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.
Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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, including omissions, 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 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 the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Society of Hispanic Professional Engineers’ 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Long Beach, California
November 7, 2022
# SOCIETY OF HISPANIC PROFESSIONAL ENGINEERS

## STATEMENT OF FINANCIAL POSITION

**JUNE 30, 2022**

(WITH COMPARATIVE TOTALS FOR 2021)

## ASSETS

<table>
<thead>
<tr>
<th>June 30,</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$7,019,657</td>
<td>$5,534,345</td>
</tr>
<tr>
<td>Investments</td>
<td>1,134,600</td>
<td>895,744</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>182,872</td>
<td>347,691</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>228,978</td>
<td>36,933</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>85,980</td>
<td>26,144</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$8,652,087</strong></td>
<td><strong>$6,840,857</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET ASSETS

## LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$211,204</td>
<td>$228,127</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>272,790</td>
<td>135,032</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,971,614</td>
<td>1,434,250</td>
</tr>
<tr>
<td>PPP loan advance</td>
<td>-</td>
<td>345,662</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2,455,608</strong></td>
<td><strong>2,143,071</strong></td>
</tr>
</tbody>
</table>

## COMMITMENTS AND CONTINGENCIES (Note 8)

## NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>3,074,588</td>
<td>2,538,739</td>
</tr>
<tr>
<td>Board designated</td>
<td>1,386,787</td>
<td>835,996</td>
</tr>
<tr>
<td><strong>TOTAL WITHOUT DONOR RESTRICTIONS</strong></td>
<td><strong>4,461,375</strong></td>
<td><strong>3,374,735</strong></td>
</tr>
<tr>
<td>With donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL WITH DONOR RESTRICTIONS</strong></td>
<td><strong>1,735,104</strong></td>
<td><strong>1,323,051</strong></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>6,196,479</strong></td>
<td><strong>4,697,786</strong></td>
</tr>
</tbody>
</table>

## TOTAL LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$8,652,087</strong></td>
<td><strong>$6,840,857</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## SOCIETY OF HISPANIC PROFESSIONAL ENGINEERS

### STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

<table>
<thead>
<tr>
<th></th>
<th>2022 Without Donor Restrictions</th>
<th>2022 With Donor Restrictions</th>
<th>2021 Total</th>
<th>2021 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National conference and related events</td>
<td>$4,598,515</td>
<td>$</td>
<td>$4,598,515</td>
<td>$3,921,270</td>
</tr>
<tr>
<td>Contract income</td>
<td>2,737,643</td>
<td>-</td>
<td>2,737,643</td>
<td>2,039,425</td>
</tr>
<tr>
<td>Contributions</td>
<td>769,365</td>
<td>2,223,959</td>
<td>2,993,324</td>
<td>1,216,243</td>
</tr>
<tr>
<td>Regional events</td>
<td>568,049</td>
<td>-</td>
<td>568,049</td>
<td>353,561</td>
</tr>
<tr>
<td>Membership dues</td>
<td>220,357</td>
<td>-</td>
<td>220,357</td>
<td>251,930</td>
</tr>
<tr>
<td>Branding and other services</td>
<td>418,721</td>
<td>-</td>
<td>418,721</td>
<td>330,094</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>(182,463)</td>
<td>-</td>
<td>(182,463)</td>
<td>236,184</td>
</tr>
<tr>
<td>Recognized forgiveness of PPP loan advance</td>
<td>345,662</td>
<td>-</td>
<td>345,662</td>
<td>345,662</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,811,906</td>
<td>(1,811,906)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>11,287,755</td>
<td>412,053</td>
<td>11,699,808</td>
<td>8,694,369</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>7,362,952</td>
<td>-</td>
<td>7,362,952</td>
<td>4,123,075</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>1,861,862</td>
<td>-</td>
<td>1,861,862</td>
<td>1,890,107</td>
</tr>
<tr>
<td>Fundraising</td>
<td>976,301</td>
<td>-</td>
<td>976,301</td>
<td>899,299</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>2,838,163</td>
<td>-</td>
<td>2,838,163</td>
<td>2,789,406</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>10,201,115</td>
<td>-</td>
<td>10,201,115</td>
<td>6,912,481</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>1,086,640</td>
<td>412,053</td>
<td>1,498,693</td>
<td>1,781,888</td>
</tr>
<tr>
<td><strong>NET ASSETS AT BEGINNING OF YEAR</strong></td>
<td>3,374,735</td>
<td>1,323,051</td>
<td>4,697,786</td>
<td>2,915,898</td>
</tr>
<tr>
<td><strong>NET ASSETS AT END OF YEAR</strong></td>
<td>$4,461,375</td>
<td>$1,735,104</td>
<td>$6,196,479</td>
<td>$4,697,786</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Program and Member Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$1,283,445</td>
<td>$643,161</td>
<td>$459,401</td>
<td>$2,386,007</td>
<td>$1,845,866</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>69,511</td>
<td>60,822</td>
<td>43,444</td>
<td>173,778</td>
<td>141,694</td>
</tr>
<tr>
<td>Benefits</td>
<td>147,216</td>
<td>128,814</td>
<td>92,010</td>
<td>368,041</td>
<td>265,417</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,500,172</td>
<td>1,120,677</td>
</tr>
<tr>
<td>Total salaries, wages, and benefits</td>
<td>1,500,172</td>
<td>832,798</td>
<td>594,855</td>
<td>2,927,825</td>
<td>2,252,977</td>
</tr>
<tr>
<td>Independent chapters</td>
<td>536,792</td>
<td>-</td>
<td>-</td>
<td>536,792</td>
<td>131,879</td>
</tr>
<tr>
<td>Board expenses</td>
<td>-</td>
<td>161,888</td>
<td>-</td>
<td>161,888</td>
<td>196,752</td>
</tr>
<tr>
<td>Conferences, seminars, and institutes</td>
<td>3,364,991</td>
<td>-</td>
<td>-</td>
<td>3,364,991</td>
<td>1,972,646</td>
</tr>
<tr>
<td>Contracted and professional services</td>
<td>153,813</td>
<td>521,497</td>
<td>163,809</td>
<td>839,118</td>
<td>904,448</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>2,926</td>
<td>2,560</td>
<td>1,829</td>
<td>7,316</td>
<td>7,455</td>
</tr>
<tr>
<td>Information technology</td>
<td>142,162</td>
<td>124,392</td>
<td>88,851</td>
<td>355,406</td>
<td>376,131</td>
</tr>
<tr>
<td>Insurance</td>
<td>18,161</td>
<td>15,891</td>
<td>11,351</td>
<td>45,402</td>
<td>41,885</td>
</tr>
<tr>
<td>Meeting and events</td>
<td>3,449</td>
<td>-</td>
<td>-</td>
<td>3,449</td>
<td>390</td>
</tr>
<tr>
<td>Occupancy</td>
<td>35,329</td>
<td>30,913</td>
<td>22,081</td>
<td>88,323</td>
<td>84,165</td>
</tr>
<tr>
<td>Office administration</td>
<td>45,303</td>
<td>39,640</td>
<td>28,315</td>
<td>113,258</td>
<td>119,607</td>
</tr>
<tr>
<td>Professional services</td>
<td>-</td>
<td>40,989</td>
<td>-</td>
<td>40,989</td>
<td>33,433</td>
</tr>
<tr>
<td>Research and innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>program grants</td>
<td>244,980</td>
<td>-</td>
<td>-</td>
<td>244,980</td>
<td></td>
</tr>
<tr>
<td>Scholarships</td>
<td>1,210,536</td>
<td>-</td>
<td>-</td>
<td>1,210,536</td>
<td>741,767</td>
</tr>
<tr>
<td>Travel</td>
<td>84,227</td>
<td>73,699</td>
<td>52,642</td>
<td>210,568</td>
<td>23,501</td>
</tr>
<tr>
<td>Utilities</td>
<td>7,433</td>
<td>6,504</td>
<td>4,646</td>
<td>18,582</td>
<td>15,735</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,677</td>
<td>11,092</td>
<td>7,923</td>
<td>31,692</td>
<td>9,710</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$7,362,952</strong></td>
<td><strong>$1,861,862</strong></td>
<td><strong>$976,301</strong></td>
<td><strong>$10,201,115</strong></td>
<td><strong>$6,912,481</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
SOCIETY OF HISPANIC PROFESSIONAL ENGINEERS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$1,498,693</td>
<td>$1,781,888</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>31,692</td>
<td>9,710</td>
</tr>
<tr>
<td>Realized and unrealized gains on marketable securities</td>
<td>174,963</td>
<td>(201,729)</td>
</tr>
<tr>
<td>Forgiveness of PPP loan advance</td>
<td>(345,662)</td>
<td>(345,662)</td>
</tr>
<tr>
<td>Changes in operating assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>164,819</td>
<td>(115,315)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(192,045)</td>
<td>88,046</td>
</tr>
<tr>
<td>Deposits</td>
<td>-</td>
<td>10,130</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(16,923)</td>
<td>(9,162)</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>137,758</td>
<td>(70,746)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>537,364</td>
<td>171,561</td>
</tr>
<tr>
<td>Net Cash Provided By Operating Activities</td>
<td>$1,990,659</td>
<td>$1,318,721</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |        |        |
| Purchases of fixed assets       | (91,528) | (13,094) |
| Net sales and purchases of investments | (413,819) | 12,588 |
| Net Cash Used In Investing Activities | (505,347) | (506) |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |        |        |
| PPP loan advance                 | -      | 345,662 |
| Net Cash Provided By Financing Activities | - | 345,662 |

| **NET CHANGE IN CASH** | 1,485,312 | 1,663,877 |

| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 5,534,345 | 3,870,468 |

| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $7,019,657 | $5,534,345 |

The accompanying notes are an integral part of these financial statements.
NOTE 1 – Description of Organization

The Society of Hispanic Professional Engineers, Inc. (the Organization) was founded in Los Angeles, California in 1974 by a group of professional engineers employed by the City of Los Angeles. Their objective was to form a national organization of professional engineers to serve as role models in the Hispanic community. The Organization’s mission is to change lives by empowering the Hispanic community to realize its fullest potential and to impact the world through science, technology, engineering, and math (STEM) awareness, access, support and development. The Society of Hispanic Professional Engineers Foundation was founded in 2003. Their objective was to promote Hispanic education in the fields of STEM.

During the year ended June 30, 2015, The Society of Hispanic Professional Engineers, Inc. and The Society of Hispanic Professional Engineers Foundation merged, resulting in the Society of Hispanic Professional Engineers (the Organization), a 501 (c)(3).

The Organization’s principal source of revenue is obtained from sponsors and attendees at the SHPE National Conference, National Institute for Leadership Advancement (NILA), and Regional Leadership & Development Conferences (RLDC). Membership dues and lifetime memberships are minor sources of revenue.

The Organization’s corporate offices are located in the City of Industry, California.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Included in net assets without donor restrictions is a board-designated operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. When the restrictions have been satisfied, the net assets with donor restrictions are reclassified to net assets without donor restrictions. Other donor restrictions may be perpetual in nature and cannot be expended by the Organization. Generally, the donors of these assets permit the Organization to use the income earned on these assets for general or specific purposes. Grants and contributions with donor restrictions whose restrictions are met in the same reporting period are reported as revenue without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported changes in the Organization’s net assets during the reporting period. Actual results could differ from those estimates.

Prior-Period Information

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all short-term financial instruments purchased with original maturities of three months or less to be cash equivalents. The Organization’s cash equivalents are primarily comprised of investments in overnight interest-bearing deposits, commercial paper, money market instruments and other short-term investments with original maturity dates of three months or less at the time of purchase. The Organization maintains cash and cash equivalent balances at one financial institution.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for a probable uncollectible amount through a charge to earnings and a credit to the valuation allowance based on its assessment of the current status of individual accounts. Accounts are considered to be past due when payment has not been received by the due date stated on the invoice.

Accounts receivable are shown net of an allowance for doubtful accounts of $10,000 as of June 30, 2022 and 2021. Accounts receivable balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Realized and unrealized gains and losses have been netted on the statement of activities.

Fixed Assets

The Organization records fixed asset additions over $750 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment was deemed necessary during the years ended June 30, 2022 and 2021.

Revenue Recognition

Contributions are recorded in net assets without donor restrictions and are considered to be available for use unless specifically restricted by the donor. Conditional contributions are recognized as revenue and recorded in net assets without donor restrictions when the conditions which they depend upon have been substantially met. There were no conditional pledges received during the year ended June 30, 2022.

Membership revenue is recognized over the membership term, which is generally one year. Lifetime membership revenue is recognized over the average estimated membership service term to the members, currently estimated at 10 years. Industrial Partner Council membership is recognized over the term of the contract with the corporate organizations, which is generally one year, and is disclosed separately as contract income in the accompanying statement of activities. The performance obligation of the various types of membership consists of providing benefits to the members continuously during the term and is recognized ratably as services are simultaneously received and consumed by the members.

Amounts received by the Organization in advance of the SHPE National Conference, National Institute for Leadership Advancement Conference, Regional Leadership & Development Conferences, and other events are recorded as deferred revenue until such events take place. The following table provides information about significant changes in the contract liabilities for the year ended June 30, 2022:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred revenue, beginning of year</td>
<td>$ 1,434,250</td>
</tr>
<tr>
<td>Revenue recognized that was included in deferred revenue at the beginning of the year</td>
<td>(1,434,250)</td>
</tr>
<tr>
<td>Increase in deferred revenue due to cash advanced during the period</td>
<td>1,971,614</td>
</tr>
<tr>
<td>Deferred revenue, end of year</td>
<td>$ 1,971,614</td>
</tr>
</tbody>
</table>
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Materials and use of facilities’ contributions to the Organization are recognized and recorded at fair value as of the contribution date. The Organization accounts for contributed services received in connection with the active participation by volunteers in the Organization’s service programs, as well as for contributed services received from various organizations in connection with management, general activities, and special events. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Management estimates the fair value of such services at the date of donation. There were no donated goods or services recognized for the years ended June 30, 2022 and 2021.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization is subject to income taxes on any net income that is derived from trade or business regularly carried on and not in the furtherance of the purposes for which it was granted exemption. Management believes that the Organization has not received income from any unrelated trade or business and, as such, no income tax provision has been recorded on the Organization’s financial statements.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended June 30, 2022 and 2021, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent by employees on various activities.

Concentration Risks

The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash and cash equivalents.

The SHPE National Conference accounted for 40% and 43% of the Organization’s revenue during the years ended June 30, 2022 and 2021, respectively. SHPE plans to continue the National Conference for the foreseeable future.

Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, 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 asset or liability 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 or liability based on the best information available. A three-tier hierarchy categorizes the inputs as:

  Level 1 - Quoted prices in active markets for identical assets or liabilities that we can access at the measurement date.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

*Level 2* - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* - Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The Organization’s investments include mutual funds classified as level 1 and have a carrying value of $1,134,600 and $895,744 at June 30, 2022 and 2021, respectively.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021 and was adopted during the year ended June 30, 2022.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases* (Topic 840). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The ASU is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.
NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through November 7, 2022, which is the date the financial statements were available to be issued.

NOTE 3 – Liquidity and Availability of Resources

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 7,019,657</td>
</tr>
<tr>
<td>Investments</td>
<td>1,134,600</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>182,872</td>
</tr>
<tr>
<td></td>
<td><strong>8,337,129</strong></td>
</tr>
</tbody>
</table>

Less amounts unavailable for general expenditure within one year due to:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor restrictions for time or purpose</td>
<td>(1,735,104)</td>
</tr>
<tr>
<td>Board designations</td>
<td>(1,386,687)</td>
</tr>
<tr>
<td></td>
<td><strong>5,215,238</strong></td>
</tr>
</tbody>
</table>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization’s board has designated a portion of its unrestricted resources for reserve purposes which are excluded from the table above. These funds are invested for long-term appreciation and current income but remain available to be spent at the discretion of the board.

NOTE 4 – Independent Chapters

The Organization has a network of professional and student chapters that are independently governed, managed and operated. The Organization permits these chapters to use its trademark and related intellectual property through an informal royalty-free agreement. As of June 30, 2022 and June 30, 2021, this network of professional and student chapters in the United States, including the territory of Puerto Rico totaled 260 and 271, respectively.
NOTE 5 – Fixed Assets

Fixed assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2022</th>
<th>June 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$ 169,985</td>
<td>$ 77,893</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>85,070</td>
<td>85,635</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(169,075)</td>
<td>(137,384)</td>
</tr>
<tr>
<td>Total fixed assets, net</td>
<td>$ 85,980</td>
<td>$ 26,144</td>
</tr>
</tbody>
</table>

NOTE 6 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In May 2020, the Organization received a loan in the amount of $345,662 through the PPP. In January 2021, the Organization received a notification from the SBA that the loan was forgiven in full. During the year ended June 30, 2021, the Organization recognized forgiveness income totaling $345,662 in the accompanying statement of activities.

In March 2021, the Organization received a second loan in the amount of $345,662 through the PPP. In October 2021, the Organization received a notification from the SBA that the loan was forgiven in full. During the year ended June 30, 2022, the Organization recognized forgiveness income totaling $345,662 in the accompanying statement of activities.
NOTE 7 – Employee-Defined Contribution Retirement Plans

On April 1, 2013, the Organization established a safe harbor 401(k) defined contribution plan (the Plan), covering employees 21 years of age or older with a minimum of one month of employment. After satisfying the service and age requirements, employees may enter the Plan upon the first day of the quarter (January 1, April 1, July 1, and October 1). Under the Plan, the Organization makes a safe harbor matching contribution equal to 100% of salary deferral contributions for each payroll period that does not exceed 4% of the employee’s compensation for the payroll period. The Organization made contributions to the Plan totaling $62,049 and $51,845 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 – Commitments and Contingencies

Lease Agreements

The Company leases office space and equipment under operating lease agreements expiring through January 2023. Total rent expense for the years ended June 30, 2022 and 2021 was $87,123 and $83,329, respectively. Future minimum payments under these operating lease commitments are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$38,500</td>
</tr>
<tr>
<td>Total</td>
<td>$38,500</td>
</tr>
</tbody>
</table>

Litigation

The Organization is periodically subject to legal complaints and/or lawsuits in the ordinary course of operations. The Organization is not presently a party to any litigation that it believes might have a material adverse effect on its business operations.
NOTE 8 – Commitments and Contingencies (Continued)

Business Risks Associated with the Impact of COVID-19

The Organization’s operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, reduction in the Institute’s revenue streams, which could result in a material impact on the Organization’s financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the Organization and its financial statements.

NOTE 9 – Net Assets

Net Assets without Donor Restrictions – Board Designated

At June 30, 2022, the Organization’s board maintained $1,386,787 as an operating reserve for the purpose of maintaining an adequate level of unrestricted net assets to support the Organization’s day-to-day operations in the event of unforeseen shortfalls. The authority to use these reserves is delegated to the Chief Executive Officer and/or Chief Financial Operating Officer in consultation with the Treasurer and/or Chair of the Finance Committee.

Net Assets with Donor Restrictions

As of June 30, 2022, net assets with donor restrictions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at</th>
<th>Contributions</th>
<th>Releases</th>
<th>Balance at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td></td>
<td></td>
<td>June 30,</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td></td>
<td></td>
<td>2022</td>
</tr>
<tr>
<td>Organization activities</td>
<td>$ 280,100</td>
<td>$</td>
<td>$ (138,858)</td>
<td>$ 141,242</td>
</tr>
<tr>
<td>Research and innovation program grants</td>
<td>-</td>
<td>1,123,700</td>
<td>(704,889)</td>
<td>418,811</td>
</tr>
<tr>
<td>Scholarships</td>
<td>1,042,951</td>
<td>1,100,259</td>
<td>(968,169)</td>
<td>1,175,051</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,323,051</td>
<td>$ 2,223,959</td>
<td>$(1,811,916)</td>
<td>$ 1,735,104</td>
</tr>
</tbody>
</table>