

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE



Consolidated Financial Statements And Independent Auditor's Report Years Ended September 30, 2022 and 2021

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
Service Corps of Retired Executives Association and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Service Corps of Retired Executives Association and Affiliate (the Organization) (nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Service Corps of Retired Executives Association and Affiliate as of September 30, 2022 and 2021, and the change in their net assets and their 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 Consolidated 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year from the date of our report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lanham, Maryland *Watson Rice LLP*
January 25, 2023

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,561,932	\$ 9,839,204
Investments	916,386	9,656
Grant receivable	3,126,320	1,641,180
Accounts receivable	70,040	80,540
Promises to give, net	250,891	373,873
Prepaid expenses and deposits	602,978	527,157
Total current assets	12,528,547	12,471,610
Property, plant, and equipment	522,380	-
Promises to give after one year, net	99,906	-
	\$ 13,150,833	\$ 12,471,610
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,243,761	\$ 1,297,989
Accrued payroll and related liabilities	22,506	30,030
Accrued vacation	208,792	173,332
Note payable, line of credit	-	-
Deferred revenue	100,924	38,570
Total current liabilities	1,575,983	1,539,921
Net assets:		
Net assets without donor restrictions:		
Undesignated	11,148,500	9,661,203
Board designated	-	1,900
	11,148,500	9,663,103
Net assets with donor restrictions	426,350	1,268,586
Total net assets	11,574,850	10,931,689
	\$ 13,150,833	\$ 12,471,610

See accompanying notes to financial statements

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
U.S. government grant	\$ 13,699,997	\$ -	\$ 13,699,997	\$ 12,299,855	\$ -	\$ 12,299,855
Chapter program revenue	-	1,023,247	1,023,247	-	1,161,776	1,161,776
Donated facilities, goods and services	3,869,975	-	3,869,975	3,532,251	-	3,532,251
Gifts and grants	3,082,590	103,158	3,185,748	2,826,227	123,830	2,950,057
Events and special projects	-	699,500	699,500	-	865,500	865,500
Interest and other	693,539	-	693,539	262,570	(271)	262,299
Net assets released from restrictions	1,036,691	(1,036,691)	-	2,073,097	(2,073,097)	-
Total revenue and support	22,382,792	789,214	23,172,006	20,994,000	77,738	21,071,738
Expenses:						
Field expenses	5,209,704	-	5,209,704	5,450,059	-	5,450,059
Donated facilities, goods and services	3,869,975	-	3,869,975	3,532,251	-	3,532,251
Salaries and fringe benefits	6,452,007	-	6,452,007	5,147,734	-	5,147,734
Chapter clerical support	2,224,837	-	2,224,837	1,061,872	-	1,061,872
Technology and website	1,486,272	-	1,486,272	1,610,417	-	1,610,417
Marketing	734,227	-	734,227	1,188,175	-	1,188,175
Professional services	267,093	-	267,093	468,643	-	468,643
Board expenses	29,783	-	29,783	4,443	-	4,443
Staff travel	43,519	-	43,519	3,298	-	3,298
Volunteer services and field staff	478,568	-	478,568	535,585	-	535,585
Government relations	15,000	-	15,000	15,000	-	15,000
Office supplies	146,167	-	146,167	163,327	-	163,327
National leadership conference	115,149	-	115,149	124,618	-	124,618
Other	571,138	-	571,138	428,790	-	428,790
Printing and supplies	624	-	624	14,058	-	14,058
Postage	350	-	350	286	-	286
Bad debt expense	2,767	-	2,767	5,147	-	5,147
Licenses and registrations	9,015	-	9,015	14,002	-	14,002
Software license	21,671	-	21,671	15,535	-	15,535
Bank fees	7,278	-	7,278	3,777	-	3,777
Insurance	64,384	-	64,384	27,223	-	27,223
Prospect research	2,275	-	2,275	720	-	720
SCORE program support	777,042	-	777,042	574,055	-	574,055
Total expenses	22,528,845	-	22,528,845	20,389,015	-	20,389,015
Change in net assets	(146,053)	789,214	643,161	604,985	77,738	682,723
Net assets, beginning of year	9,663,374	1,268,315	10,931,689	9,058,389	1,190,577	10,248,966
Net assets, end of year	\$ 9,517,321	\$ 2,057,529	\$ 11,574,850	\$ 9,663,374	\$ 1,268,315	\$ 10,931,689

See accompanying notes to financial statements

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
 STATEMENTS OF CASH FLOWS
 YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 643,161	\$ 682,723
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	2,767	5,147
Net unrealized loss on investments	87,523	271
Change in:		
Grant receivable	(1,487,907)	(1,357,080)
Accounts receivable	10,500	(62,600)
Promises to give	23,076	(267,150)
Prepaid expenses and deposits	(75,821)	(179,941)
Accounts payable and accrued expenses	(26,292)	(94,524)
Deferred revenue	62,354	5,615
Net cash from operating activities	(760,639)	(1,267,539)
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(522,380)	-
Cash flows from financing activities:		
Sale of investments	9,656	4,970
Purchase of investments	(1,003,909)	(9,927)
Net cash from financing activities	(994,253)	(4,957)
Net change in cash and cash equivalents	(2,277,272)	(1,272,496)
Cash and cash equivalents, beginning of year	9,839,204	11,111,700
Cash and cash equivalents, end of year	\$ 7,561,932	\$ 9,839,204

See accompanying notes to financial statements

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

The consolidated financial statements include the accounts of Service Corps of Retired Executives Association (SCORE) and the SCORE Foundation (Foundation), collectively referred to as “Organization.” Each entity has a separate governing Board as defined by their Bylaws. The financial statements are consolidated in accordance with accounting standards because of SCORE’s voting and economic interest in the Foundation, and the purpose of the Foundation which is serving as the philanthropic arm of SCORE in assisting SCORE to achieve its objectives. Accordingly, the SCORE financial statements have been consolidated with the statements of SCORE Foundation and intercompany accounts and transactions have been eliminated in the consolidated financial statements.

SCORE is a not-for-profit organization chartered by an Act of the U.S. Congress in 1964 to provide technical and managerial guidance to the business community, profit and not-for-profit organizations, and prospective entrepreneurs through the use of volunteer counselors. SCORE is primarily supported by a government grant, workshop fees and contributions. SCORE receives a majority of its financial support from the U.S. Small Business Administration (SBA). If SCORE were to experience a reduction in funding from the grant, SCORE’s operations could be affected significantly.

SCORE is headquartered in Herndon, Virginia, with over 233 chapters which are located throughout the United States, its territories and possessions, serving the small business community.

The affiliate, SCORE Foundation, is a not-for-profit organization whose primary purpose is to ensure a lasting legacy of business counseling and training for successful American small businesses, by supporting SCORE and its volunteer corps. The Foundation is primarily supported by contributions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized when earned and expenses when incurred, regardless of the timing of receipts and payments.

Basis of presentation

The organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, the financial statements report separately by class of net assets as follows:

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SCORE’s management and the board of directors.

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

Public support and revenue

The Organization receives contributions from the general public. Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as revenue in the period promised. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value. An allowance for uncollectible promises to give is provided based on management’s evaluation of potential uncollectible promises receivable at year-end.

The Organization receives grant funding from a federal agency for various purposes. Grant revenues not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues or advances received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Certain contributions from members of chapters are to be used for programs specific to districts and chapters. These contributions are held in the District Annual Fund temporarily restricted net asset account. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind contributions

The donated use of buildings or other facilities is reflected in the consolidated financial statements as revenue and expense at the fair value of facilities that the Organization would otherwise rent if the contributed facilities were not available. The estimated fair value of donated goods is recorded as revenue and expense at the time of the gift. Contributed services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their fair values in the period received. Contributed services are received in various capacities from volunteers to help accomplish the Organization's program objectives. The estimated value of these donated services is not reflected in the consolidated financial statements as the services do not meet the criteria for recognition as contributed services.

Cash and cash equivalents

For purposes of reporting cash flows, the Organization considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Investment in equities

Marketable securities with readily determinable fair value are valued at their fair value in the statement of financial position. Equities are valued at their quoted prices in active markets at the year end. Unrealized gains and losses are included in the change of net assets.

Accounts receivable

Accounts receivable represents amounts due primarily from costs in excess of amounts billed on federal grants. Such recoverable costs are billable when expenditures are incurred. The Organization classifies all accounts receivable as current assets and provides an allowance for doubtful accounts based upon a review of outstanding invoices, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on credit evaluation and specific circumstances of the parties involved. At September 30, 2022 and 2021, management's assessment was that all outstanding balances were collectible.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets

SCORE capitalizes property and equipment acquired with a value greater than \$5,000. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred.

Impairment of long-lived assets

SCORE continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. SCORE's long-lived assets include internal-use computer software. Management considers the following events or changes in circumstances to indicate that the carrying amount of its internal-use computer software may not be recoverable: a) internal-use computer software is not expected to provide substantive service potential; b) a significant change occurs in the extent or manner in which the software is used or is expected to be used; c) a significant change is made or will be made to the software program; d) costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software. Impaired assets are recorded at the lower of carrying cost or fair value.

Field funds

Certain program generated funds maintained at the chapter level are considered donor restricted by purpose for program activities in accordance with the SBA contract.

Income taxes

The Organization is exempt from federal and state income taxes on income other than unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision for federal and state income taxes is required at September 30, 2022 and 2021, as the Organization had no net unrelated business income.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2022 and 2021.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional expense

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services. Personnel costs are allocated on a time and effort basis. All other expenses are directly charged to the applicable functional category.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 25, 2023, the date the consolidated financial statements were available to be issued.

New accounting pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Organization October 1, 2022, and the Organization is currently evaluating the effect this accounting standard may have on its financial statements.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	2022	2021
Cash held by SCORE headquarters	\$ 7,061,944	\$ 8,106,793
Cash held by SCORE Foundation	499,988	1,732,411
	\$ 7,561,932	\$ 9,839,204

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents.

The Organization maintains cash in bank deposit accounts, which at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. At September 30, 2022 and 2021, \$6,504,522 and \$9,134,335 were in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit, respectively. The Organization has not experienced any losses as a result of the concentration.

NOTE 4. PROMISES TO GIVE

Promises to give that are expected to be received within one year are reported at their net realizable value.

The Organization anticipates collection of outstanding promises to give as follows:

	2022	2021
Receivable in less than one year	\$ 254,434	\$ 377,650
Receivable in one to five years	99,906	-
Total promises to give	354,340	377,650
Less - discounts to net present value	(3,543)	(3,777)
Less - allowance for uncollectible promises	-	-
	\$ 350,797	\$ 373,873

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4. PROMISES TO GIVE (Continued)

The Organization's change in the allowance for uncollectible promises is as follows:

	2022	2021
Beginning of year	\$ 3,777	\$ 1,130
Additions - bad debt expense	2,767	5,147
Less - promises to give write-offs	(3,001)	(2,500)
End of year	\$ 3,543	\$ 3,777

NOTE 5. LINE OF CREDIT

SCORE has a \$3,000,000 unsecured bank line of credit with a maturity date of January 31, 2023. Amounts borrowed under these agreements bear interest at the interest rate of the BBA LIBOR Daily Floating Rate plus 2.25% (2.63% and 4.25% at September 30, 2022 and 2021, respectively). As of September 30, 2022 and 2021, \$0 was drawn on the line of credit.

On April 28, 2011, the Foundation entered into an agreement to lend SCORE up to \$400,000 with interest at The Wall Street Journal Prime rate plus 1.75% per annum. This agreement was terminated in fiscal year 2021.

NOTE 6. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions include amounts designated by the Board of Directors. The board designated net assets were comprised of \$1,900 for operating reserves at September 30, 2021. This was released by the Board in fiscal year 2022.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for fiscal year 2022 are as follows:

	Beginning of Year	Additions	Released	End of Year
Purpose restricted:				
Special projects	\$ 1,148,700	\$ 699,500	\$ (1,480,200)	\$ 368,000
District Annual Fund	55,129	103,158	(151,250)	7,037
SBA grant provisions	64,757	1,023,247	(1,036,691)	51,313
Time restricted	-	-	-	-
	<u>\$ 1,268,586</u>	<u>\$ 1,825,905</u>	<u>\$ (2,668,141)</u>	<u>\$ 426,350</u>

Net assets with donor restrictions for fiscal year 2021 are as follows:

	Beginning of Year	Additions	Released	End of Year
Purpose restricted:				
Special projects	\$ 844,350	\$ 865,500	\$ (561,150)	\$ 1,148,700
District Annual Fund	7,387	123,830	(76,088)	55,129
SBA grant provisions	338,840	1,161,776	(1,435,859)	64,757
Time restricted	-	-	-	-
	<u>\$ 1,190,577</u>	<u>\$ 2,151,106</u>	<u>\$ (2,073,097)</u>	<u>\$ 1,268,586</u>

All chapter funds raised by program activities are considered donor restricted for purpose in accordance with the SBA Notice of Award and all other revenues have no restrictions. In fiscal year 2022 and 2021, the release of temporarily restricted net assets reflects this determination.

NOTE 8. FUNCTIONAL EXPENSES

The costs of the Organization have been summarized on a natural classification basis. For functional expense purposes, costs have been allocated among the program and supporting services as follows for the year ended September 30, 2022:

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8. FUNCTIONAL EXPENSES (Continued)

Element of Cost	Program Services	Management and General	Fundraising	Total
<u>Association</u>				
Field expenses	\$ 3,822,617	\$ 1,387,087	\$ -	\$ 5,209,704
Donated facilities, goods and services	2,657,578	1,212,397	-	3,869,975
Salaries and fringe benefits	4,369,061	1,159,668	-	5,528,729
Technology and website	1,260,857	225,415	-	1,486,272
Chapter clerical support	1,112,418	1,112,420	-	2,224,838
National leader conference	115,149	-	-	115,149
Professional services	59,491	75,629	-	135,120
Marketing	734,227	-	-	734,227
Board expenses	-	29,783	-	29,783
Office supplies	128,088	18,078	-	146,166
Staff travel	38,803	-	-	38,803
Other	561,492	-	-	561,492
Volunteer services	478,568	-	-	478,568
Insurance	-	61,600	-	61,600
Total	<u>\$ 15,338,349</u>	<u>\$ 5,282,077</u>	<u>\$ -</u>	<u>\$ 20,620,426</u>
<u>Foundation</u>				
SCORE program support:				
Board Functions	\$ 7,954	\$ -	\$ -	\$ 7,954
National Leadership Conference	160,000	-	-	160,000
Educational Content	398,820	-	-	398,820
Chapter Workshop Grants	477,818	-	-	477,818
Research	107,500	-	-	107,500
Other General Research and Support	30,970	-	-	30,970
Salaries and benefits	178,708	588,634	155,936	923,278
Professional services	-	112,976	18,997	131,973
Government relations	-	15,000	-	15,000
Software	-	6,126	15,545	21,671
Travel and registration	-	4,716	-	4,716
Insurance	-	2,784	-	2,784
Bad debt	-	2,767	-	2,767
Other	-	26,289	2,899	29,188
Total	<u>\$ 1,361,770</u>	<u>\$ 759,292</u>	<u>\$ 193,377</u>	<u>\$ 2,314,439</u>
Consolidation elimination	(406,020)	-	-	(406,020)
Total	<u>\$ 16,294,099</u>	<u>\$ 6,041,369</u>	<u>\$ 193,377</u>	<u>\$ 22,528,845</u>

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8. FUNCTIONAL EXPENSES (Continued)

The Organization's consolidated functional expenses for purposes of reporting gross program and supporting services for the year ended September 30, 2021 were allocated as follows:

Element of Cost	Program Services	Management and General	Fundraising	Total
<u>Association</u>				
Field expenses	\$ 5,450,059	\$ -	\$ -	\$ 5,450,059
Donated facilities, goods and services	2,176,303	1,355,948	-	3,532,251
Salaries and fringe benefits	3,703,476	934,420	-	4,637,896
Technology and website	1,323,958	286,459	-	1,610,417
Chapter clerical support	-	1,061,872	-	1,061,872
National leader conference	-	124,618	-	124,618
Professional services	167,644	105,285	-	272,929
Marketing	1,188,175	-	-	1,188,175
Board expenses	-	4,443	-	4,443
Office supplies	142,599	20,728	-	163,327
Staff travel	3,298	-	-	3,298
Other	425,890	-	-	425,890
Equipment	-	-	-	-
Volunteer services	535,585	-	-	535,585
Insurance	-	24,446	-	24,446
Association total	<u>\$ 15,116,987</u>	<u>\$ 3,918,219</u>	<u>\$ -</u>	<u>\$ 19,035,206</u>
	Program	Management and General	Fundraising	Total
<u>Foundation</u>				
SCORE program support:				
Board functions	\$ 3,928	\$ -	\$ -	\$ 3,928
National Leadership Conference	83,828	-	-	83,828
Educational Content	127,158	-	-	127,158
Small Business Resiliency Program	133,394	-	-	133,394
Chapter Workshop Grant	73,830	-	-	73,830
Diversity and Inclusion Program	94,973	-	-	94,973
Other General and Research	156,526	-	-	156,526
Salaries and benefits	48,609	380,756	80,473	509,838
Professional services	-	140,919	54,795	195,714
Government relations	-	15,000	-	15,000
Software	-	8,122	7,413	15,535
Travel and registration	-	14,002	-	14,002
Insurance	-	2,777	-	2,777
Bad debt	-	5,147	-	5,147
Other	8,569	10,733	2,439	21,741
Foundation total	<u>\$ 730,815</u>	<u>\$ 577,456</u>	<u>\$ 145,120</u>	<u>\$ 1,453,391</u>
Consolidation elimination	(99,582)	-	-	(99,582)
Total	<u>\$ 15,748,220</u>	<u>\$ 4,495,675</u>	<u>\$ 145,120</u>	<u>\$ 20,389,015</u>

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 9. DONATED FACILITIES, GOODS AND SERVICES

SCORE operates out of space donated by the SBA and other organizations. Contributions of goods and services are received throughout the year. Fair value of in-kind contributions recognized as unrestricted support and as expenses in the statements of activities is as follows:

	2022	2021
Donated use of facilities	\$ 2,791,578	\$ 2,312,883
Donated services	1,078,397	1,219,368
Donated goods	-	-
	\$ 3,869,975	\$ 3,532,251

NOTE 10. CONCENTRATION OF REVENUE

During fiscal year 2022 and 2021, 58% of the Organization’s revenue was derived from an SBA grant.

NOTE 11. CONTINGENCIES

SCORE receives federal funding, which is subject to periodic audit by the SBA, its cognizant agency. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. During fiscal 2019, the SBA's Office of Inspector General (SBA-OIG) performed a review of the SBA's oversight of SCORE and provided a report with findings regarding the administration of the grant. As a result of the SBA-OIG report, SCORE agreed to refund to the SBA for the questioned cost noted in the report. All asserted claims for questioned cost have been significantly repaid by SCORE. As of September 30, 2022 and 2021, the amount of \$4,233 and \$653 remained outstanding to the SBA.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12. RELATED PARTY TRANSACTIONS

SCORE is affiliated with the SCORE Foundation, a not-for-profit organization with which it has three common members of the Board of Directors. SCORE receives grants from the Foundation in support of SCORE activities. SCORE program support is comprised of expenditures by the Foundation in support of SCORE goals and objectives.

Beginning in fiscal year 2022, the Foundation classified funds held for the SCORE field as a liability. These funds were raised by the field leadership and must be used in their area. The field leadership will determine the specific use of the funds within SCORE and the Foundations mission.

The Foundation secures funding and develops special projects and educational resources to meet annually identified strategic objectives. These programs and resources provide program support for SCORE educational initiatives. During fiscal year 2022 and 2021, Foundation program support was for the following initiatives:

	2022	2021
National Leadership Conference	\$ 160,000	\$ 83,828
Educational Content	398,820	127,158
Small Business Resiliency Program	-	133,394
Board Functions	7,954	3,928
Chapter Workshop Grant	477,818	73,830
Research	107,500	-
Diversity and Inclusion Programs	-	94,973
Other General Research and Support	30,970	156,526
	\$ 1,183,062	\$ 673,637

During fiscal year 2022 and 2021, payments received from the Foundation totaled \$406,020 and \$99,558, respectively. At September 30, 2022 and 2021, the amount due from the Foundation was \$484,310 and \$67,440, respectively. For purposes of the consolidated financial statements, the effects of these intercompany transactions and balances have been eliminated.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 13. RETIREMENT PLAN

SCORE maintains a tax-deferred annuity plan (Plan) under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the Plan and to contribute any percentage of their annual compensation to the maximum permitted by law. SCORE matches 100% of each employee’s contribution, up to 3% of the employee’s gross salary. SCORE also makes a discretionary contribution of 3% of each employee’s salary regardless of the employee’s contribution. Employer contributions vest at 20% per year over a five-year period. Contributions to the Plan for fiscal year 2022 and 2021 were \$260,542 and \$109,620, respectively.

The Foundation sponsors a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code that covers all eligible employees. The Foundation provides a discretionary matching contribution equal to an employee’s elective deferral up to a maximum deferral rate of 3%, with an additional 3% qualified matching contribution. Matching contributions vest at the rate of 20% per year over a five-year period. Contributions to the plan were \$32,198 and \$13,617 for fiscal year 2022 and 2021, respectively.

NOTE 14. LEASES

The Organization has chapters which operate at various locations under month-to-month facility leases. Chapter rent expense for fiscal year 2022 and 2021 was \$320,359 and \$337,248, respectively. Chapter rent expense is included in chapter expenses on the consolidated statements of activities.

NOTE 15. LIQUIDITY AND AVAILABILITY

The following represents SCORE’s financial assets at September 30, 2022 and 2021:

	2022	2021
Assets:		
Cash and cash equivalents	\$ 7,061,944	\$ 8,106,793
Accounts receivable, net	3,165,035	1,717,626
Total financial assets	\$ 10,226,979	\$ 9,824,419
 Financial assets available to meet general expenditures over the next twelve months	 \$ 10,226,979	 \$ 9,824,419

SCORE’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$5,155,107). SCORE also maintains lines of credit arrangements to meet cash flow needs. At September 30, 2022 and 2021, \$3,000,000 were available on the lines of credit. (See Note 5).

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 15. LIQUIDITY AND AVAILABILITY (Continued)

The following reflects the Foundation’s financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 499,988	\$ 1,732,411
Investment in equities	916,386	9,656
Accounts and pledges receivable, net	382,122	373,873
Prepaid expenses	19,943	19,486
 Total financial assets	 1,818,439	 2,135,426
 Less: amounts not available to be used within one year:		
Net assets with donor restrictions	(375,037)	(1,203,829)
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 1,443,402</u>	 <u>\$ 931,597</u>

The Foundation is substantially supported by donor-restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

NOTE 16. FAIR VALUE MEASUREMENT

The Organization follows FASB ASC 820, *Fair Value Measurements & Disclosures*. In accordance with ASC 820, fair value is defined as the price that the Foundation would have received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 16. FAIR VALUE MEASUREMENT (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Organization’s own assumptions in determining the fair value of investments)

The asset’s 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.

The Organization’s investments consist of equities and are categorized as Level 1 inputs according to the fair value hierarchy. Equities are valued at their quoted prices in principal active markets. The following tables present the Organization’s financial assets that are measured at fair value on a recurring basis at September 30, 2022 and 2021, consistent with the fair value hierarchy of FASB ASC 820.

	Fair Value Measurement at September 30, 2022 Using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Investments</u>				
Exchange-traded funds	66,768	-	-	66,768
Bond funds	647,061	-	-	647,061
Equity funds	-	202,557	-	202,557
	\$ 713,829	\$ 202,557	\$ -	\$ 916,386

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 16. FAIR VALUE MEASUREMENT (Continued)

Fair Value Measurement at September 30, 2021 Using			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total		
Investments			
Equities	\$ 9,656	\$ -	\$ -
	\$ 9,656		

Supplementary Information

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION
SEPTEMBER 30, 2022

	SCORE	SCORE Foundation	Eliminating Adjustments	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,061,944	\$ 499,988	\$ -	\$ 7,561,932
Investments	-	916,386	-	916,386
Grant receivable	3,126,320	-	-	3,126,320
Accounts receivable	38,715	31,325	-	70,040
Promises to give, net	-	250,891	-	250,891
Due to SCORE Foundation	484,310	-	(484,310)	-
Prepaid expenses and deposits	583,035	19,943	-	602,978
	<u>11,294,324</u>	<u>1,718,533</u>	<u>(484,310)</u>	<u>12,528,547</u>
 Property, plant, and equipment	 <u>522,380</u>	 <u>-</u>	 <u>-</u>	 <u>522,380</u>
 Promises to give due after one year, net	 <u>-</u>	 <u>99,906</u>	 <u>-</u>	 <u>99,906</u>
	<u>\$ 11,816,704</u>	<u>\$ 1,818,439</u>	<u>\$ (484,310)</u>	<u>\$ 13,150,833</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Notes payable, line of credit	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,097,852	145,909	-	1,243,761
Due to SCORE Association	-	484,310	(484,310)	-
Accrued payroll and related liabilities	22,506	-	-	22,506
Accrued vacation	208,792	-	-	208,792
Deferred revenue	100,924	-	-	100,924
	<u>1,430,074</u>	<u>630,219</u>	<u>(484,310)</u>	<u>1,575,983</u>
 Net assets:				
Without donor restrictions:				
Undesignated	10,335,317	813,183	-	11,148,500
Board designated	-	-	-	-
	<u>10,335,317</u>	<u>813,183</u>	<u>-</u>	<u>11,148,500</u>
With donor restrictions	<u>51,313</u>	<u>375,037</u>	<u>-</u>	<u>426,350</u>
	<u>10,386,630</u>	<u>1,188,220</u>	<u>-</u>	<u>11,574,850</u>
	<u>\$ 11,816,704</u>	<u>\$ 1,818,439</u>	<u>\$ (484,310)</u>	<u>\$ 13,150,833</u>

See independent auditors' report.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION
SEPTEMBER 30, 2021

	SCORE	SCORE Foundation	Eliminating Adjustments	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,106,793	\$ 1,732,411	\$ -	\$ 9,839,204
Investments	-	9,656	-	9,656
Grant receivable	1,641,180	-	-	1,641,180
Accounts receivable	76,446	4,094	-	80,540
Promises to give, net	-	373,873	-	373,873
Due from SCORE Foundation	67,440	-	(67,440)	-
Prepaid expenses and deposits	507,671	19,486	-	527,157
	<u>10,399,530</u>	<u>2,139,520</u>	<u>(67,440)</u>	<u>12,471,610</u>
Total current assets				
Promises to give due after one year, net	-	-	-	-
	<u>\$ 10,399,530</u>	<u>\$ 2,139,520</u>	<u>\$ (67,440)</u>	<u>\$ 12,471,610</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Notes payable, line of credit	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,212,625	85,364	-	1,297,989
Due to SCORE Association and Chapters	-	67,440	(67,440)	-
Accrued payroll and related liabilities	30,030	-	-	30,030
Accrued vacation	173,332	-	-	173,332
Deferred revenue	38,570	-	-	38,570
	<u>1,454,557</u>	<u>152,804</u>	<u>(67,440)</u>	<u>1,539,921</u>
Total current liabilities				
Net assets:				
Without donor restrictions:				
Undesignated	8,878,316	782,887	-	9,661,203
Board designated	1,900	-	-	1,900
	<u>8,880,216</u>	<u>782,887</u>	<u>-</u>	<u>9,663,103</u>
With donor restrictions	64,757	1,203,829	-	1,268,586
	<u>8,944,973</u>	<u>1,986,716</u>	<u>-</u>	<u>10,931,689</u>
Total net assets				
	<u>\$ 10,399,530</u>	<u>\$ 2,139,520</u>	<u>\$ (67,440)</u>	<u>\$ 12,471,610</u>

See independent auditors' report.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF ACTIVITIES
SEPTEMBER 30, 2022

	SCORE	SCORE Foundation	Eliminating Adjustments	Total
Revenues and support:				
U.S. government grant	\$ 13,699,997	\$ -	\$ -	\$ 13,699,997
Chapter program revenue	1,023,247	-	-	1,023,247
Donated facilities, goods and services	3,869,975	-	-	3,869,975
Gifts and grants	2,298,745	887,003	-	3,185,748
Events and special projects	-	699,500	-	699,500
Interest and other	1,170,119	(70,560)	(406,020)	693,539
Total revenue and support	<u>22,062,083</u>	<u>1,515,943</u>	<u>(406,020)</u>	<u>23,172,006</u>
Expenses:				
Field expenses	5,209,704	-	-	5,209,704
Donated facilities, goods and services	3,869,975	-	-	3,869,975
Salaries and fringe benefits	5,528,729	923,278	-	6,452,007
Chapter volunteers reimbursement	-	-	-	-
Chapter clerical support	2,224,837	-	-	2,224,837
Technology and website	1,486,272	-	-	1,486,272
Marketing	734,227	-	-	734,227
Professional services	135,120	131,973	-	267,093
Board expenses	29,783	-	-	29,783
Staff travel	38,803	4,716	-	43,519
Volunteer services and field staff	478,568	-	-	478,568
Government relations	-	15,000	-	15,000
Office supplies	146,167	-	-	146,167
National leadership conference	115,149	-	-	115,149
Other	561,492	9,646	-	571,138
Printing and supplies	-	624	-	624
Postage	-	350	-	350
Bad debt expense	-	2,767	-	2,767
Licenses and registrations	-	9,015	-	9,015
Software license	-	21,671	-	21,671
Bank fees	-	7,278	-	7,278
Insurance	61,600	2,784	-	64,384
Prospect research	-	2,275	-	2,275
SCORE program support	-	777,042	-	777,042
Grants to SCORE	-	406,020	(406,020)	-
Total expenses	<u>20,620,426</u>	<u>2,314,439</u>	<u>(406,020)</u>	<u>22,528,845</u>
Change in net assets	1,441,657	(798,496)	-	643,161
Net assets, beginning of year	<u>8,944,973</u>	<u>1,986,716</u>	<u>-</u>	<u>10,931,689</u>
Net assets, end of year	<u>\$ 10,386,630</u>	<u>\$ 1,188,220</u>	<u>\$ -</u>	<u>\$ 11,574,850</u>

See independent auditors' report.

SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF ACTIVITIES
SEPTEMBER 30, 2021

	SCORE	SCORE Foundation	Eliminating Adjustments	Total
Revenues and support:				
U.S. government grant	\$ 12,299,855	\$ -	\$ -	\$ 12,299,855
Chapter program revenue	1,161,776	-	-	1,161,776
Donated facilities, goods and services	3,532,251	-	-	3,532,251
Gifts and grants	2,022,346	927,711	-	2,950,057
Events and special projects	-	865,500	-	865,500
Interest and other	362,152	(271)	(99,582)	262,299
Total revenue and support	<u>19,378,380</u>	<u>1,792,940</u>	<u>(99,582)</u>	<u>21,071,738</u>
Expenses:				
Field expenses	5,450,059	-	-	5,450,059
Donated facilities, goods and services	3,532,251	-	-	3,532,251
Salaries and fringe benefits	4,637,896	509,838	-	5,147,734
Chapter clerical support	1,061,872	-	-	1,061,872
Technology and website	1,610,417	-	-	1,610,417
Marketing	1,188,175	-	-	1,188,175
Professional services	272,929	195,714	-	468,643
Board expenses	4,443	-	-	4,443
Staff travel	3,298	-	-	3,298
Volunteer services and field staff	535,585	-	-	535,585
Government relations	-	15,000	-	15,000
Office supplies	163,327	-	-	163,327
National leadership conference	124,618	-	-	124,618
Other	425,890	2,900	-	428,790
Printing and supplies	-	14,058	-	14,058
Postage	-	286	-	286
Bad debt expense	-	5,147	-	5,147
Licenses and registrations	-	14,002	-	14,002
Software license	-	15,535	-	15,535
Bank fees	-	3,777	-	3,777
Insurance	24,446	2,777	-	27,223
Prospect research	-	720	-	720
SCORE program support	-	574,055	-	574,055
Grants to SCORE	-	99,582	(99,582)	-
Total expenses	<u>19,035,206</u>	<u>1,453,391</u>	<u>(99,582)</u>	<u>20,389,015</u>
Change in net assets	343,174	339,549	-	682,723
Net assets, beginning of year	<u>8,601,799</u>	<u>1,647,167</u>	<u>-</u>	<u>10,248,966</u>
Net assets, end of year	<u>\$ 8,944,973</u>	<u>\$ 1,986,716</u>	<u>\$ -</u>	<u>\$ 10,931,689</u>

See independent auditors' report.