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a world where character is universal

CHARACTERPLUS

Financial Statements and Independent Auditors' Report

YEAR ENDED JUNE 30, 2022

ANDERS CPAs + ADVISORS

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ANDERS
CPAs + ADVISORS

Independent Auditors' Report

Board of Directors
CharacterPlus
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of CharacterPlus (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flow 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 CharacterPlus 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 CharacterPlus 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 CharacterPlus's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 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 CharacterPlus'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 CharacterPlus'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.

Anders Minkler Huber & Helm LLP

March 13, 2023

CharacterPlus
Statement of Financial Position
June 30, 2022

Assets

Current Assets		
Cash and cash equivalents	$	812,325
Unconditional promises to give		100,000
Accounts receivable		2,750
Prepaid expenses		3,552
Total Current Assets		918,627
Investments, at Fair Value		967,735
Total Assets	$	1,886,362

Liabilities and Net Assets

Current Liabilities		
Accrued expenses	$	13,188
Deferred revenue		27,000
Total Current Liabilities		40,188
Net Assets		
Without donor restrictions		1,846,174
Total Net Assets		1,846,174
Total Liabilities and Net Assets	$	1,886,362

CharacterPlus
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and grants	$ 492,490	$ 40,000	$ 532,490
Program fees	477,476	-	477,476
Investment income (loss)	(140,815)	-	(140,815)
Other revenue	2,108	-	2,108
	831,259	40,000	871,259
Gross special events revenue	48,530	-	48,530
Less cost of direct benefits to donors	14,406	-	14,406
Net special events revenue	34,124	-	34,124
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	40,000	(40,000)	-
Total Revenues, Gains and Other Support	905,383	-	905,383
Expenses			
Program Services	695,143	-	695,143
Total Program Services	695,143	-	695,143
Supporting Activities			
Management and general	84,055	-	84,055
Fundraising	84,554	-	84,554
Total Supporting Activities	168,609	-	168,609
Total Expenses	863,752	-	863,752
Change in Net Assets	41,631	-	41,631
Net Assets, Beginning of Year	1,804,543	-	1,804,543
Net Assets, End of Year	$ 1,846,174	$ -	$ 1,846,174

CharacterPlus
Statement of Functional Expenses
Year Ended June 30, 2022

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total	Total Expense
Wages and salaries	$ 410,743	$ 53,691	$ 54,209	$ 107,900	$ 518,643
Contracted services	64,048	1,789	11,098	12,887	76,935
Dues and subscriptions	1,499	-	-	-	1,499
Computer expenses	9,264	1,030	396	1,426	10,690
Payroll taxes	30,953	4,049	4,085	8,134	39,087
Postage	1,839	264	3,734	3,998	5,837
Rent	28,914	3,935	1,520	5,455	34,369
Meals	22,398	165	-	165	22,563
Office expenses	15,344	4,838	8,278	13,116	28,460
Supplies	19,555	-	-	-	19,555
Miscellaneous expense	5,971	3,294	1,234	4,528	10,499
Professional fees	70,616	-	-	-	70,616
Bad debt expense	-	11,000	-	11,000	11,000
Travel	13,999	-	-	-	13,999
Total Expenses	$ 695,143	$ 84,055	$ 84,554	$ 168,609	$ 863,752
Percent of Total	80.5 %	9.7 %	9.8 %	19.5 %	100.0 %

CharacterPlus
Statements of Cash Flows
Year Ended June 30, 2022

Cash Flows From Operating Activities	
Change in net assets	$ 41,631
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	140,815
(Increase) decrease in assets	
Promises to give	(89,000)
Accounts receivable	16,466
Increase (decrease) in liabilities	
Accrued expenses	7,523
Deferred revenue	27,000
Net Cash Provided by Operating Activities	144,435
Cash Flows From Investing Activities	
Purchases of investments	(203,346)
Net Cash Used in Investing Activities	(203,346)
Net Decrease in Cash and Cash Equivalents	(58,911)
Cash and Cash Equivalents, Beginning of Year	871,236
Cash and Cash Equivalents, End of Year	$ 812,325

1. Nature of Operations and Basis of Presentation

Organization

CharacterPlus (the "Organization") is a professional, not-for-profit organization located in metropolitan St. Louis, Missouri. The Organization originated as part of EducationPlus, a not-for-profit educational service agency. In 2019, the Organization assumed the operations of Friends of CharacterPlus, a related not-for-profit organization, whose purpose was fundraising for the Organization under EducationPlus, to further advance the missions of CharacterPlus under EducationPlus in the community.

The Organization's primary focus is to empower the next generation of leaders, inspiring them to be compassionate people of integrity. The Organization is committed to character development through the longest-running community-wide and evidence-based character education initiatives in the country. The mission of CharacterPlus is to promote positive character development in young people by partnering with schools, families, and communities to provide character education evidence-based processes, expert support, and professional resources.

Description of Program Services

The Organization helps educators and administrators develop a character-based framework to create a positive school environment where all students feel safe, and free to learn. The Organization serves 400,000+ students (K-12), 16,000+ teachers in over 50 school districts & 500 schools throughout Missouri, Illinois, and Kansas, the majority of which are in the St. Louis metropolitan area.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

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

<u>Net assets without donor restrictions</u> - Net assets that are not subject to donor-imposed stipulations.

<u>Net assets with donor restrictions</u> - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained in perpetuity by the Organization. The income earned on any related investments may be subject to donor-imposed stipulations.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of nine months or less at the time of purchase to be cash and cash equivalents.

Investments

The Organization carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using the average cost method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

Accounts Receivable

Accounts receivable are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable are due under normal trade terms generally requiring payment within 30 days of the invoice date. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the statement of activities. Accounts receivable totaled $2,750 and $19,216 at June 30, 2022 and 2021, respectively.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectable. Currently, the Organization considers accounts receivable to be fully collectible.

Unconditional Promises to Give

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are to be received. No discount was required to be recorded for the year ended June 30, 2022.

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. Currently, the Organization considers all unconditional promises to give to be fully collectible.

Deferred Revenue

Deferred revenue at June 30, 2022 consists of payments received for 2023 program fees. These payments will be recognized as income in the period in which they are earned.

Support and Revenue

Contributions are recorded as received, and unconditional promises to give are recorded as the promise is made. All contributions are available for general activities unless specifically restricted by the donor. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue from program fees are generally recognized over time as the Organization's performance allows the users to simultaneously receive and consume the benefits as the Organization performs the service. Generally, program fees are recognized on a straight-line basis over such a period when the Organization's inputs are expended evenly, and the customer receives and consumes the benefits of the Organization's performance throughout the term.

Functional Expense Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax years 2018 and later remain subject to examination by taxing authorities.

Subsequent Events

The Organization has evaluated subsequent events through March 13, 2023, the date the financial statements were available to be issued.

Recent Accounting Pronouncement

Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal year beginning after December 15, 2021. Based on a preliminary analysis, the Organization does expect the new guidance will have a significant impact on its financial statements.

3. Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.

Level 2 — Inputs to the valuation methodology include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The instruments' fair value measurement levels within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value.

Level 1 investments consist of publicly traded exchanged traded and mutual funds, which are valued at the net asset value of shares at year-end.

The fair value of investments at June 30, is measured as follows:

	2022			
	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Exchange Traded Funds	$ 563,701	$ 563,701	$ -	$ -
Mutual Funds	404,034	404,034	-	-
Total Investments	$ 967,735	$ 967,735	$ -	$ -

Investment return for the year ended June 30, 2022 is summarized as follows:

Dividends	$ 28,231
Net unrealized loss	(169,046)
Total Investment Return, net	$ (140,815)

4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2022, is as follows:

Less than one year	$ 100,000
Total unconditional promises to give	$ 100,000

No discount was required to be recorded for the year ended June 30, 2022.

5. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2022 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	$ 812,325
Accounts receivable	2,750
Investments	967,735
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	$ 1,882,810

The Organization's primary sources of support are contributions, grants, and program fees. Some support is required to be used in accordance with the purpose restrictions imposed by the donors.

6. Net Assets With Donor Restrictions

There were no net assets with donor restrictions at June 30, 2022.

Assets released from restrictions for the years ended June 30, 2022, is as follows:

Released from restrictions of purpose	$ 40,000

7. Risks and Uncertainties

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Organization maintains its cash primarily with one financial institution. Deposits at this bank is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2022, there were cash balances of $459,905 in excess of FDIC limits at the bank. Although the Organization is directly affected by the financial stability of its customer and donor base, management does not believe significant credit risk exists at June 30, 2022. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000. As of June 30, 2022, there were investment balances of $467,735 in excess of SIPC limits at the brokerage firm.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 that such changes could materially affect the amounts reported in the accompanying statements of financial position.

8. Commitments and Contingencies

Leases

The Organization leases office space equipment under noncancellable operating leases. Future minimum lease payments at June 30, 2022, are as follows:

Years Ending June 30,	
2023	$ 43,966
2024	43,956
2025	44,622
2026	45,288
2027	45,954
Thereafter	93,906
	$ 317,692

Rent expense related to operating leases for the year ended June 30, 2022 totaled $34,369.