

CISE

**Financial Statements – Modified Cash Basis
June 30, 2023 and 2022
Independent Auditors' Report**

CISE
June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees
CISE
Cincinnati, Ohio

Opinion

We have audited the accompanying financial statements of CISE (a nonprofit organization), which comprise the statements of financial position – modified cash basis as of June 30, 2023 and 2022, and the related statements of activities – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years 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 CISE as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CISE 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Independent Auditors' Report
(Continued)**

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 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 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 CISE'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 CISE'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.

Barnes, Dennig & Co., Ltd.

January 30, 2024
Cincinnati, Ohio

CISE

**Statements of Financial Position – Modified Cash Basis
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 2,731,144	\$ 20,221,878
Investments	<u>10,553,416</u>	<u>3,627,521</u>
Total assets	<u>\$ 13,284,560</u>	<u>\$ 23,849,399</u>
 Liabilities and Net Assets		
 Net Assets		
Without donor restrictions	7,538,224	14,239,872
With donor restrictions	<u>5,746,336</u>	<u>9,609,527</u>
Total net assets	<u>13,284,560</u>	<u>23,849,399</u>
Total liabilities and net assets	<u>\$ 13,284,560</u>	<u>\$ 23,849,399</u>

See accompanying notes to financial statements

CISE

**Statement of Activities – Modified Cash Basis
Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 4,619,198	\$ 1,688,960	\$ 6,308,158
Investment return, net	646,924	54,964	701,888
Net assets released from restriction	5,607,115	(5,607,115)	-
	<u>10,873,237</u>	<u>(3,863,191)</u>	<u>7,010,046</u>
Expenses			
Program	16,695,107	-	16,695,107
Management and general	515,081	-	515,081
Fundraising	364,697	-	364,697
	<u>17,574,885</u>	<u>-</u>	<u>17,574,885</u>
Change in net assets	(6,701,648)	(3,863,191)	(10,564,839)
Net assets, beginning of year	<u>14,239,872</u>	<u>9,609,527</u>	<u>23,849,399</u>
Net assets, end of year	<u>\$ 7,538,224</u>	<u>\$ 5,746,336</u>	<u>\$ 13,284,560</u>

See accompanying notes to financial statements

CISE

**Statement of Activities – Modified Cash Basis
Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 10,393,850	\$ 1,493,030	\$ 11,886,880
Investment return	-	(372,479)	(372,479)
Interest and other	281,164	9,351	290,515
Net assets released from restriction	<u>9,668,818</u>	<u>(9,668,818)</u>	<u>-</u>
 Total revenues and other support	 <u>20,343,832</u>	 <u>(8,538,916)</u>	 <u>11,804,916</u>
 Expenses			
Program	11,576,801	-	11,576,801
Management and general	492,430	-	492,430
Fundraising	<u>337,942</u>	<u>-</u>	<u>337,942</u>
 Total expenses	 <u>12,407,173</u>	 <u>-</u>	 <u>12,407,173</u>
 Change in net assets	 7,936,659	 (8,538,916)	 (602,257)
 Net assets, beginning of year	 <u>6,303,213</u>	 <u>18,148,443</u>	 <u>24,451,656</u>
 Net assets, end of year	 <u>\$ 14,239,872</u>	 <u>\$ 9,609,527</u>	 <u>\$ 23,849,399</u>

See accompanying notes to financial statements

CISE

**Statements of Functional Expenses – Modified Cash Basis
Years Ended June 30, 2023 and 2022**

	2023			2022				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grants and scholarships	\$ 15,044,451	\$ -	\$ -	\$ 15,044,451	\$ 10,347,008	\$ -	\$ -	\$ 10,347,008
School improvement and support	781,226	-	-	781,226	451,591	-	-	451,591
Salaries and wages	187,876	268,394	214,716	670,986	170,059	242,941	194,353	607,353
Professional fees	286,323	76,173	-	362,496	288,398	81,513	-	369,911
High school activities	255,778	-	-	255,778	216,331	-	-	216,331
Employee benefits	40,893	58,419	46,735	146,047	43,559	62,227	49,781	155,567
Miscellaneous	69,914	25,738	22,006	117,658	16,839	25,396	14,769	57,004
Office supplies and rent	15,212	21,732	17,386	54,330	31,483	44,975	35,980	112,438
Payroll taxes	13,434	19,192	15,354	47,980	11,533	16,476	13,180	41,189
Information technology	-	45,433	-	45,433	-	18,902	-	18,902
Awareness	-	-	24,273	24,273	-	-	2,483	2,483
Fundraising events	-	-	24,227	24,227	-	-	27,396	27,396
Total expenses	\$ 16,695,107	\$ 515,081	\$ 364,697	\$ 17,574,885	\$ 11,576,801	\$ 492,430	\$ 337,942	\$ 12,407,173

See accompanying notes to financial statements

CISE

**Statements of Cash Flows – Modified Cash Basis
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (10,564,839)	\$ (602,257)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	<u>(317,725)</u>	<u>372,479</u>
Net cash used in operating activities	(10,882,564)	(229,778)
Cash flows from investing activities		
Purchases of investments	(18,309,900)	(4,000,000)
Proceeds from sales of investments	<u>11,701,730</u>	<u>-</u>
Net cash used in investing activities	<u>(6,608,170)</u>	<u>(4,000,000)</u>
Net change in cash	(17,490,734)	(4,229,778)
Cash, beginning of year	<u>20,221,878</u>	<u>24,451,656</u>
Cash, end of year	<u><u>\$ 2,731,144</u></u>	<u><u>\$ 20,221,878</u></u>

See accompanying notes to financial statements

CISE

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

CISE (the Organization) was incorporated as a not-for-profit organization under the laws of the State of Ohio in 2017. Effective January 1, 2018, the Organization began operating as a stand-alone entity continuing the programming previously provided as a department of the Archdiocese of Cincinnati. The Organization's mission is to improve the lives of underprivileged children through quality education by supporting ten inner-city schools in Cincinnati, Ohio. The Organization's revenue and other support are derived principally from contributions.

Basis of Accounting

The financial statements have been prepared using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Consequently, inflows or receipts are recognized when received rather than when earned and expenses or disbursements are recognized when paid rather than when the obligation is incurred. This basis differs from GAAP primarily because the modified cash basis of accounting typically excludes pledges and other receivables, accounts payable and accrued liabilities.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash

The Organization considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. The Organization maintains its cash in bank deposit accounts which, at times, exceeds federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

CISE

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

Investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional. Payments received in advance of the event are recorded as refundable advances until the event has occurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been reported on a functional basis in the accompanying statement of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by the Organization's personnel.

CISE

**Notes to Financial Statements
(Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Event Evaluation

In preparing its financial statements, the Organization has evaluated events subsequent to the statement of financial position date through January 30, 2024, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 2,731,144	\$ 20,221,878
Investments	<u>10,553,416</u>	<u>3,627,521</u>
Total financial assets	13,284,560	23,849,399
Less net assets with donor restrictions	<u>(5,746,336)</u>	<u>(9,609,527)</u>
Total financial assets available within one year	<u><u>\$ 7,538,224</u></u>	<u><u>\$ 14,239,872</u></u>

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives support without donor restrictions. These donations fund annual operating expenses.

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**Notes to Financial Statements
(Continued)**

NOTE 3 INVESTMENTS AT FAIR VALUE

Investments at fair value at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Level 1:		
Equity mutual funds	\$ 3,445,068	\$ 2,062,076
Fixed income mutual funds	-	889,805
Real assets mutual funds	-	358,538
Level 2:		
Money market funds	<u>7,108,348</u>	<u>317,102</u>
	<u>\$ 10,553,416</u>	<u>\$ 3,627,521</u>

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equities, fixed income and real assets. If quoted market prices are not available, then fair values are estimated using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include money market funds. There were not assets using Level 3 inputs in June 30, 2023 and 2022.

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**Notes to Financial Statements
(Continued)**

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of as of June 30:

	<u>2023</u>	<u>2022</u>
Extended Learning and Leadership program	\$ 1,729,655	\$ 1,983,877
High School scholarships	1,010,522	956,710
Principal salaries	877,111	892,111
Leadership development / summer program	354,375	249,662
High School program	276,952	320,630
Nursing program	271,063	405,980
Elementary school grants	252,363	258,965
Leadership Scholar parent program	216,820	218,222
Math program	179,927	334,266
Teacher support	176,140	-
Mental health program	135,099	8,182
Weekend food	97,950	64,304
Preschool equipment fund	91,000	-
Sports program	60,000	60,000
School improvement	57,327	57,719
Capital funds	3,110	43,110
Graduate support	1,000	145,800
Adopt A Student	-	3,000
Xavier Jesuit Academy Endowment Fund	-	3,627,521
Preschool fund	(938)	3,168
Principal bonuses	<u>(43,140)</u>	<u>(23,700)</u>
	<u>\$ 5,746,336</u>	<u>\$ 9,609,527</u>

NOTE 5 ENDOWMENT

During 2022, an endowment fund was established to provide income to Xavier Jesuit Academy. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During 2023, the endowment fund corpus and accumulated earnings (losses) were fully transferred to Xavier Jesuit Academy (XJA) per the donor's request.

Interpretation of Relevant Law

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions.

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**Notes to Financial Statements
(Continued)**

NOTE 5 ENDOWMENT (CONTINUED)

Investment Policy

The Organization has adopted an investment policy for endowment assets. The investment portfolio is broadly diversified in global equities and fixed income mutual funds, real assets, and money market funds, designed to be a long-term strategic allocation. The portfolio will be periodically reviewed and rebalanced. The investments will be reviewed at least annually, with the performance compared against relative benchmarks.

Spending Policy

In accordance with the endowment agreement, the Organization must distribute 4% of the endowment's December 31 market value, leaving the initial donation in the fund, each fiscal year to Xavier Jesuit Academy. In establishing this policy, the Organization considers the long-term expected return on its endowment.

Endowment Net Asset Composition and Changes in Endowment Net Assets

The changes in endowment net assets for June 30, 2023 were as follows:

	Accumulated Earnings (Losses)	Endowment Corpus	Total
Endowment net assets June 30, 2021	\$ -	\$ -	\$ -
Contributions	-	4,000,000	4,000,000
Investment return	<u>(372,479)</u>	<u>-</u>	<u>(372,479)</u>
Endowment net assets June 30, 2022	(372,479)	4,000,000	3,627,521
Investment return	51,811	-	51,811
Transfer to Xavier Jesuit Academy	<u>320,668</u>	<u>(4,000,000)</u>	<u>(3,679,332)</u>
Endowment net assets June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$4,000,000, fair values of \$3,267,521, and deficiencies of \$372,479 were reported in net assets with donor restrictions. Due to unfavorable market conditions during 2022, the fund fair value decreased \$372,479 as of June 30, 2022.

CISE

Notes to Financial Statements (Continued)

NOTE 6 RELATED PARTY TRANSACTIONS

The Organization was affiliated with the Archdiocese of Cincinnati (the Archdiocese). The Archdiocese provided the Organization with office space and other support through a Shared Services Agreement. During June 30, 2023 and 2022 the Organization paid the Archdiocese of \$37,250 and \$34,420, respectively, for these services.

The Organization is also affiliated with CISE Foundation (the Foundation), a stand-alone not-for-profit organization established as a supporting organization of CISE. The Foundation provides support to CISE through distributions of contributed income approved by the Foundation's board on an annual basis. During 2023, the Foundation made distributions of \$1,428,348 to CISE. No distributions were made during 2022.