

WOMEN'S ECONOMIC VENTURES
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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**WOMEN'S ECONOMIC VENTURES
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Women's Economic Ventures
Santa Barbara, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Women's Economic Ventures (WEV), a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses 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 WEV as of December 31, 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 (GAAS). 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 Women's Economic Ventures 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 Financial Statements

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

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 WEV's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility 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 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 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 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 WEV'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 WEV'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
June 29, 2023

**WOMEN'S ECONOMIC VENTURES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 160,202	\$ 148,635	\$ 308,837
Cash and Equivalents for Lending	445,789	340,078	785,867
Contracts and Grants Receivable	687,381	-	687,381
Pledges Receivable, Current	-	135,556	135,556
Loans Receivable, Net of Allowance for Doubtful Accounts	127,690	-	127,690
Interest on Loans Receivable	3,259	-	3,259
Accounts Receivable - Other	11,000	-	11,000
Prepaid Expenses and Other Assets	51,698	-	51,698
Total Current Assets	<u>1,487,019</u>	<u>624,269</u>	<u>2,111,288</u>
LONG-TERM ASSETS			
Investments (Note 6)	2,088,330	490,890	2,579,220
Operating Right of Use Asset	397,648	-	397,648
Pledges Receivable, Net of Current	-	53,936	53,936
Loans Receivable, Net of Current	1,319,384	-	1,319,384
Property, Plant, and Equipment, Net	96,187	-	96,187
Deposits	9,598	-	9,598
Total Long-Term Assets	<u>3,911,147</u>	<u>544,826</u>	<u>4,455,973</u>
Total Assets	<u>\$ 5,398,166</u>	<u>\$ 1,169,095</u>	<u>\$ 6,567,261</u>

See accompanying Notes to Financial Statements.

WOMEN'S ECONOMIC VENTURES
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022

LIABILITIES AND NET ASSETS	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 597,585	\$ -	\$ 597,585
Line of Credit (Note 7)	656,463	-	656,463
Deferred Revenue	446,610	-	446,610
Deferred Loan Fees	4,957	-	4,957
Loans Payable, Current (Note 8)	27,307	-	27,307
Current Lease Liability - Operating	99,280	-	99,280
Total Current Liabilities	<u>1,832,202</u>	<u>-</u>	<u>1,832,202</u>
LONG-TERM LIABILITIES			
Loans Payable, net of Current	351,380	-	351,380
Long-Term Lease Liability - Operating, Net of Current	311,158	-	311,158
Subordinated Loans Payable, Net of Current (Note 9)	750,000	-	750,000
Advances Received for Lending Purposes (Note 10)	312,311	-	312,311
Total Long-Term Liabilities	<u>1,724,849</u>	<u>-</u>	<u>1,724,849</u>
Total Liabilities	3,557,051	-	3,557,051
NET ASSETS			
Without Donor Restriction:			
Board Designated for Operating Reserves	175,000	-	175,000
Board Designated for Endowment	2,134,704	-	2,134,704
Undesignated	(468,589)	-	(468,589)
With Donor Restriction:			
Time or Purpose Restricted	-	828,791	828,791
To Be Held in Perpetuity	-	340,304	340,304
Total Net Assets	<u>1,841,115</u>	<u>1,169,095</u>	<u>3,010,210</u>
Total Liabilities and Net Assets	<u>\$ 5,398,166</u>	<u>\$ 1,169,095</u>	<u>\$ 6,567,261</u>

See accompanying Notes to Financial Statements.

**WOMEN'S ECONOMIC VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Government Support for Operations	\$ 1,867,589	\$ -	\$ 1,867,589
Contributions and Grants:			
Individual Contributions	171,065	92,823	263,888
Corporate Contributions	314,250	161,416	475,666
Foundation Grants	15,334	95,116	110,450
Bequests	3,445	-	3,445
Education Program Fees	91,945	-	91,945
Fees for Service	22,800	11,000	33,800
Special Events	87,858	-	87,858
Interest Income from Lending	78,198	-	78,198
Fees Earned from Lending	7,141	-	7,141
Investment Return, Net of Fees (Note 6)	(508,444)	-	(508,444)
Other Income	1,754	-	1,754
Net Assets Released from Restrictions	611,348	(611,348)	-
Total Revenues	2,764,283	(250,993)	2,513,290
EXPENSES			
Program Services	3,484,444	-	3,484,444
Management and General	335,453	-	335,453
Development and Fundraising	347,975	-	347,975
Total Expenses	4,167,872	-	4,167,872
CHANGE IN NET ASSETS	(1,403,589)	(250,993)	(1,654,582)
Net Assets - Beginning of Year	3,244,704	1,420,088	4,664,792
NET ASSETS - END OF YEAR	\$ 1,841,115	\$ 1,169,095	\$ 3,010,210

See accompanying Notes to Financial Statements.

**WOMEN'S ECONOMIC VENTURES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (1,654,582)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	12,290
Unrealized Loss on Investments	600,400
Change in Operating Assets:	
Contracts and Grants Receivable	(251,214)
Pledges Receivable	146,426
Interest on Loans Receivable	1,411
Accounts Receivable - Other	(11,000)
Prepaid Expenses and Other Assets	(8,725)
Operating Right of Use Asset	(397,648)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	152,896
Deferred Revenue	307,987
Deferred Loan Fees	(971)
Lease Liability - Operating	410,438
Net Cash Used by Operating Activities	<u>(692,292)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(88,618)
Transfer to Cash	227,000
Net Change in Loans Receivable	(251,953)
Purchases of Property, Plant, and Equipment	(80,457)
Net Cash Used by Investing Activities	<u>(194,028)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Change in Line of Credit	454,463
Repayments of Debt	(26,968)
Net Cash Provided by Financing Activities	<u>427,495</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(458,825)
Cash and Cash Equivalents, Beginning of Year	<u>1,553,529</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,094,704</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u>\$ 47,946</u>

See accompanying Notes to Financial Statements.

**WOMEN'S ECONOMIC VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits:				
Salaries and Wages	\$ 2,045,308	\$ 94,666	\$ 209,520	\$ 2,349,494
Pension Expense	46,890	701	5,262	52,853
Other Employee Benefits	102,204	763	10,970	113,937
Payroll Taxes	159,797	8,632	16,404	184,833
	<u>2,354,199</u>	<u>104,762</u>	<u>242,156</u>	<u>2,701,117</u>
Grants and Awards	668,500	-	-	668,500
Supplies and Services	206,003	74,592	80,489	361,084
Professional Services	998	47,280	-	48,278
Occupancy Expenses	148,597	30,095	19,809	198,501
Conference and Meeting Expenses	17,454	2,992	2,988	23,434
Interest Expense	-	25,028	-	25,028
Depreciation Expense	9,216	1,844	1,230	12,290
Insurance Expense	12,911	48,860	1,303	63,074
Small Business Loan Fund (SBLF):				
SBLF - Interest Cost of Funds	22,918	-	-	22,918
SBLF - Loan Loss Provision	14,864	-	-	14,864
SBLF - Legal Expense	645	-	-	645
SBLF - Other Operating Expense	28,139	-	-	28,139
	<u>28,139</u>	<u>-</u>	<u>-</u>	<u>28,139</u>
 Total	 <u>\$ 3,484,444</u>	 <u>\$ 335,453</u>	 <u>\$ 347,975</u>	 <u>\$ 4,167,872</u>

See accompanying Notes to Financial Statements.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Women's Economic Ventures (WEV) is a 501(c)(3) non-profit organization dedicated to creating an equitable and just society through the economic empowerment of women. Established in 1981, WEV serves Santa Barbara and Ventura Counties. WEV provides training, advisory services, and loans to help small business entrepreneurs start, grow, and thrive in business. While WEV targets its services towards women, it supports individuals of all gender identities. Services are provided in both English and Spanish. WEV is a U.S. Small Business Administration's (SBA) Women's Business Center (WBC), a certified Community Development Financial Institution (CDFI), and a certified SBA microlender.

Training and Advisory Services include:

- 1) General Entrepreneurial Training: 6 to 14-week instructor-led programs, delivered in-person and online, providing a foundational understanding of entrepreneurship.
- 2) Specialist Entrepreneurial Training: 4 to 7-week instructor-led programs, delivered in-person and online, providing a deeper understanding of areas such as digital marketing, QuickBooks, and ecommerce.
- 3) Financial Training - Designed to improve financial literacy and financial confidence for the small business owner.
- 4) Business Advisory Services: Individual business guidance to support small business owners in achieving their business goals. Services can be long-term, general, advisory, or short-term goal specific.
- 5) Business Recovery – Post-disaster support for small businesses, including specialist advisory service and emergency loans.
- 6) Professional Development – Training and coaching to develop leadership and other skills identified as highly relevant to women in pursuit of their career goals.
- 7) Community Engagement – Regular in-person and virtual events for WEV clients and community members; bi-weekly newsletter; social media posts; and online client business directory.

Access to capital: WEV has been a certified CDFI since 1999 and is a certified SBA microlender. WEV's loan program is targeted to low-and moderate-income individuals who have been underserved by traditional lenders. Loans range from \$5,000 to \$150,000. WEV staff provides loan consultation and loan packaging assistance.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of 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, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing WEV's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, information technology, occupancy, travel and conferences, depreciation, and other expenses, which are allocated on the basis of estimates of time and effort or usage.

Cash and Cash Equivalents

For the purposes of the statements of financial position and cash flows, cash and cash equivalents include cash on hand and amounts held in checking, savings, and money market accounts. WEV considers all investments with a maturity of three months or less to be cash equivalents.

Contracts and Grants Receivable

Contracts and grants receivable are comprised primarily of amounts due under contract from granting organizations for services provided. Based on a review of historical collections, management has set an allowance for uncollectible pledges of 10% of the total balance due. Additionally, management uses a discount rate of 2% to determine present value of pledges receivable.

Loans Receivable

Loans are made primarily to small businesses. These loans are due over 1- to 6-year periods with interest ranging from 4% to 15% per annum. Interest is recognized over the life of the loan and is calculated using the simple-interest method on the principal amount outstanding. Payments are made on a monthly basis, and the interest portion of the payment is reflected as income when the payment is received. Fees earned consist of loan application and closing fees. Closing fees net of direct loan organization costs are recognized over the life of the loan. WEV determines the adequacy of its allowance for loan losses inherent in its financing by reviewing the loan portfolio by segment and class. The portfolio segment is based on the type of financing offered, which currently consists of small business loans. The segment is broken down by classes, which consists of loans secured by real property, business personal property, or unsecured.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value, or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when it is likely that WEV will be unable to fully collect the principal and interest payments due under the loan's contractual terms. Loans deemed to be impaired are evaluated individually.

The credit quality of the loan portfolio is based upon whether a loan is performing or nonperforming. Nonperforming notes are those over 90 days past due without a payment.

Investments

Investments in marketable equity and debt securities are stated at market value. All gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless required by donors to be reinvested in net assets with donor restrictions. As a result of reporting investments at market value WEV reports changes in market values on a portfolio basis as unrealized gains or losses. In years where investments are sold the realized gains or losses are reported and the changes in unrealized gains or losses on a portfolio basis is also reported.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased, or at estimated fair value, if donated. WEV capitalizes all expenditures for land, buildings and equipment in excess of \$2,500. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset as follows:

Leasehold Improvements	5 Years
Furniture and Fixtures	5 Years
Equipment	5 Years
Website Development Costs	3 Years
Website Domain	10 Years

Net Asset Classes

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when WEV has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of December 31, 2022, WEV has conditional grants of \$1,534,110 of which \$446,610 is recognized as deferred revenue in the statement of financial position.

Fees for Service

Fees for Service are charged for business classes and advisory services provided. Fees for Service are recognized as revenue as the classes or consulting is provided. Revenues are recognized throughout the billing cycle as services are provided, with any amounts earned but not received as of year-end booked as a receivable.

Advertising

Advertising costs are expenses as incurred. Advertising costs for the year ended December 31, 2022 were \$14,915.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of WEV. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. All regular, active, full-time employees accrue between 15 and 25 days of paid vacation per 12 month period, with the accrual increasing based on the term of employment. A maximum equal to two times the annual accrual rate may be accrued.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

WEV adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (continued)

As a result of the adoption of the new lease accounting guidance, WEV recognized on January 1, 2022 a lease liability of \$505,354. As of December 31, 2022, the lease liability was \$410,438, which represents the present value of the remaining operating lease payments of \$421,434, discounted using WEV's incremental borrowing rate of 1.37% and a right-of-use asset of \$397,648.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while WEV's accounting for finance leases remained substantially unchanged.

Income Taxes

WEV is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. WEV files an exempt organization return in the U.S. federal jurisdiction and with the California Franchise Tax Board. WEV is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes.

Evaluation of Subsequent Events

WEV has evaluated subsequent events through June 29, 2023, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures at December 31, 2022 are as follows:

Cash and Cash Equivalents	\$ 308,837
Cash and Equivalents for Lending	785,867
Contracts and Grants Receivable	687,381
Pledges Receivable	189,492
Loans Receivable	1,447,074
Interest on Loans Receivable	3,259
Accounts Receivable - Other	11,000
Investments	2,579,220
Less: Donor-Restricted Net Assets	(1,169,095)
Total	<u>\$ 4,843,035</u>

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of its liquidity management plan, WEV monitors liquidity required and cash flows to meet operating needs on a monthly basis. WEV structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

WEV may experience budgetary short-falls due to the unpredictability and timing of the receipt of grants and donations. To manage liquidity, WEV maintains an operating reserve of \$175,000. In addition, WEV has \$2,137,831 functioning as an endowment, which is available for general expenditures with Board approval.

NOTE 3 CONCENTRATION OF CREDIT RISK

WEV maintains its cash in bank deposit accounts at various institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. WEV has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

WEV also has loans receivable which are generally secured and are subject to ongoing credit evaluations. Most of WEV's lending activity is within Santa Barbara and Ventura Counties. The ability of borrowers to honor their contracts is dependent upon the general economic conditions of the area.

NOTE 4 PLEDGES AND CONTRIBUTIONS RECEIVABLE

WEV has established an allowance for uncollectible pledges of 10% based on historical collections. A discount factor of 2% is applied to amounts receivable in excess of one year. Pledges and contributions receivable are collectible as follows:

In One Year or Less	\$ 135,556
Between Two and Five Years	74,720
In Five Years or More	1,000
Total Gross Contributions Receivable	<u>211,276</u>
Less: Discount on Pledges Receivable	(5,156)
Less: Allowance for Uncollectible	(16,628)
Net Contributions Receivable	<u><u>\$ 189,492</u></u>

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$12,290 for the year ended December 31, 2022.

The components of property, plant, and equipment as of December 31, 2022 are as follows:

Furniture and Equipment	\$ 23,456
Leasehold Improvements	10,873
Website	80,457
Total	114,786
Less: Accumulated Amortization	(18,599)
Total Property, Plant, and Equipment	\$ 96,187

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with fair value reporting standards, levels 1 through 2 have been assigned to the fair value measurement of investment.

The fair value level of measurement is determined as follows:

Level 1 – Quoted prices in an active market for identical assets.

Level 2 – Quoted prices for similar assets and market-corroborated inputs.

Level 3 – WEV's own assumptions about market participation, including unobservable assumptions about risk, developed based on the best information available in the circumstances. WEV had no Level 3 investments at December 31, 2022.

Investments at December 31, 2022 consisted of the following:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Funds	\$ 172,190	\$ -	\$ 172,190
Domestic Equities Fund	1,200,902	-	1,200,902
International Equities Fund	357,930	-	357,930
Domestic Fixed Income Funds	506,545	-	506,545
International Fixed Income Funds	154,387	-	154,387
Liquid Real Assets Funds	87,556	-	87,556
Certificates of Deposit	-	99,710	99,710
Total Investments	\$ 2,479,510	\$ 99,710	\$ 2,579,220

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended December 31, 2022, investment returns consisted of the following:

Interest and Dividend Income	\$ 68,769
Realized Gain on Investments	23,187
Unrealized Gain (Loss), Net of Fees	(600,400)
Total	<u><u>\$ (508,444)</u></u>

NOTE 7 LINE OF CREDIT

WEV has a line of credit with Montecito Bank and Trust in the amount of \$1,000,000. The interest rate is variable, with a floor rate of 2.5% and a ceiling of 17%. The line expires in May 2027, and is secured by cash and investments managed by the bank. The outstanding balance of the line of credit at December 31, 2022 is \$656,463.

NOTE 8 LOANS PAYABLE

In April 2019, WEV obtained a loan from the Small Business Administration for the amount of \$300,000 for the purposes of providing microloans to small businesses. The loan carries an interest rate of 0.5% for 2022, and will be recalculated in subsequent years. Principal and interest payments of \$2,465 are due monthly until maturity in April 2029. The outstanding balance at December 31, 2022 is \$178,687.

In April 2020, WEV obtained a loan from Pacific Western Bank for the amount of \$300,000. The loan carries an interest rate of 2.0%. The loan matures in December 2025, at which time the full balance of principal and unpaid interest is due. The outstanding balance at December 31, 2022 is \$200,000.

Total future maturities for these loans are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 27,307
2024	27,646
2025	227,995
2026	28,353
2027	28,706
Thereafter	38,680
Total	<u><u>\$ 378,687</u></u>

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 9 SUBORDINATED LOANS PAYABLE

In April 2019, WEV received funding in the amount of \$500,000 from Wells Fargo to make small business loans, provide employment training, and to refinance an existing loan in the amount of \$250,000. The loan carries an interest rate of 2.0%. The loan matures in April 2031 at which time the full balance of principal is due. The outstanding balance at December 31, 2022 is \$500,000.

In April 2019, WEV refinanced an existing COIN Investment as a subordinated loan in the amount of \$250,000. The subordinated loan carries an interest rate of 2.0%. The loan matures in May 2025, at which time the full balance of principal and unpaid interest is due. The outstanding balance at December 31, 2022 is \$250,000.

Total future maturities for Subordinated Loans are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 250,000
2026	-
2027	-
Thereafter	500,000
Total	<u><u>\$ 750,000</u></u>

NOTE 10 ADVANCES RECEIVED FOR LENDING PURPOSES

These advances are to fund loans made by the Small Business Loan Fund. The advances bear no interest, and WEV retains the income generated from the loans. In the event of default, the related advance will be reduced by the amount written off.

NOTE 11 EMPLOYEE RETIREMENT

WEV has a SIMPLE IRA plan covering eligible employees. Enrollment in the plan takes place on January 1st of each year. Employees are eligible to participate if they earned at least \$5,000 during the prior calendar year, and are expected to earn at least that in the subsequent year. WEV matches employee contributions up to 3%. Plan expense incurred during the year ended December 31, 2022, was \$52,853.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to Expenditure for Specific Purpose:	
Lending	\$ 228,493
Loan Loss Reserve	5,934
Programs	145,616
Regional	92,766
Administrative	2,452
Fundraising	2,452
Subject to the Passage of Time:	200,492
Subject to Endowment Spending Policy and Appropriation	150,586
To be Held in Perpetuity	340,304
Total Net Assets with Donor Restrictions	<u>\$ 1,169,095</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2022:

Release of Restricted Net Assets:	
Lending	\$ 150,000
Programs	125,111
Fundraising	1,324
Subject to the Passage of Time:	239,249
Release of Endowment Funds Subject to Appropriation	95,664
Total Releases of Restricted Net Assets	<u>\$ 611,348</u>

NOTE 13 OPERATING LEASES

During the year ended December 31, 2022, WEV had two lease agreements expiring in September 2022 and July 2026, respectively. Total lease expense for the year ended December 31, 2022 was \$161,140. WEV classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	
2023	\$ 104,287
2024	111,969
2025	126,392
2026	<u>78,786</u>
Total Lease Payments	421,434
Less: Interest	<u>(10,996)</u>
Present Value of Lease Liabilities	<u>\$ 410,438</u>

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 14 ENDOWMENT FUNDS

The Board of Directors of WEV has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WEV classifies as restricted net assets in perpetuity (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets to be held in perpetuity is classified as net assets subject to endowment spending policy and appropriation until those amounts are appropriated for expenditure by WEV in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WEV considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of WEV
- (7) The investment policies of WEV

Investment Return Objectives, Risk Parameters, and Strategies

WEV has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 7%, while growing the funds if possible.

Therefore, WEV expects its endowment assets, over time, to produce an average rate of return of no less than 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**WOMEN'S ECONOMIC VENTURES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 14 ENDOWMENT FUNDS (CONTINUED)

Spending Policy

WEV has a policy to distribute annually no more than 7% of the endowment funds, based on the average portfolio balances at the end of the preceding three years. In the event that the principal value of the endowment funds is reduced below the corpus amount, distributions will be reduced accordingly in compliance with the standard of prudence prescribed by UPMIFA. This is consistent with WEV's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Appreciation	In Perpetuity	
Endowment Net Assets, Beginning of Year	\$ 2,731,237	\$ 246,251	\$ 340,304	\$ 3,317,792
Investment Return, Net	(415,908)	(95,664)	-	(511,572)
Contributions	46,375	-	-	46,375
Distribution from Board-Designated Pursuant to Distribution Policy	(227,000)	-	-	(227,000)
Endowment Net Assets, End of Year	<u>\$ 2,134,704</u>	<u>\$ 150,587</u>	<u>\$ 340,304</u>	<u>\$ 2,625,595</u>

Change in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Appreciation	In Perpetuity	
Endowments:				
Subject to Appropriation and Expenditure When a Specified Event Occurs: Restricted by Donors for:				
Available for General Use	\$ -	\$ 150,587	\$ -	\$ 150,587
To be Held in Perpetuity	-	-	340,304	340,304
Board-Designated	2,134,704	-	-	2,134,704
Endowment Net Assets	<u>\$ 2,134,704</u>	<u>\$ 150,587</u>	<u>\$ 340,304</u>	<u>\$ 2,625,595</u>

NOTE 15 CONTINGENCIES, RISKS AND UNCERTAINTIES

WEV has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 16 SUBSEQUENT EVENT

In February 2023, WEV refinanced the line of credit with Montecito Bank and Trust in the amount of \$1,500,000. The interest rate is variable, with a floor rate of 3.0% and a ceiling of 17%. This line of credit matures in May 2027.



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