

Humentum

Consolidated Financial Statements and
Supplementary Information

September 30, 2023 and 2022

Humentum

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Independent Auditors' Report

To the Board of Directors of
Humentum

Opinion

We have audited the consolidated financial statements of Humentum (the Organization), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Auditors' 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.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, on October 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 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 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 information on pages 19-22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is 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 audits 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.

Baker Tilly US, LLP

New York, New York
March 8, 2024

Humentum

Consolidated Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,207,429	\$ 365,408
Investments	1,305,528	1,685,388
Accounts receivable	981,703	1,003,942
Contribution receivable	307,850	-
Prepaid expenses and other current assets	419,331	489,151
Total current assets	<u>4,221,841</u>	<u>3,543,889</u>
Noncurrent Assets		
Property and equipment, net	101,727	285,650
Contribution receivable, net	657,056	-
Right-of-use assets, operating	184,613	-
Intangible assets, net	31,969	68,256
Total noncurrent assets	<u>975,365</u>	<u>353,906</u>
Total assets	<u>\$ 5,197,206</u>	<u>\$ 3,897,795</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 587,815	\$ 713,289
Deferred rent	-	273,167
Operating lease liabilities, current portion	320,008	-
Deferred revenue	1,743,099	1,302,461
Total current liabilities	<u>2,650,922</u>	<u>2,288,917</u>
Noncurrent Liabilities		
Operating lease liabilities, net of current portion	551,622	-
Deferred rent	-	263,294
Total noncurrent liabilities	<u>551,622</u>	<u>263,294</u>
Total liabilities	<u>3,202,544</u>	<u>2,552,211</u>
Net Assets		
Net assets without donor restrictions	503,801	1,240,120
Net assets with donor restrictions	1,490,861	105,464
Total net assets	<u>1,994,662</u>	<u>1,345,584</u>
Total liabilities and net assets	<u>\$ 5,197,206</u>	<u>\$ 3,897,795</u>

See notes to consolidated financial statements

Humentum

Consolidated Statements of Activities
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues and Support		
Training courses	\$ 2,394,676	\$ 2,555,812
Virtual events	37,750	-
Consulting services	1,525,162	1,981,175
Membership dues	2,399,080	2,092,846
Contributions and grants	448,196	342,488
Contributed nonfinancial assets	3,158,873	2,804,234
Corporate support	117,931	178,958
Recruitment services	142,805	169,958
Other	175,312	32,033
Net assets released from restrictions	802,243	643,521
	<u>11,202,028</u>	<u>10,801,025</u>
Expenses		
Program	8,702,728	7,876,691
Management and general	2,654,647	2,481,711
Fundraising	803,168	1,197,357
	<u>12,160,543</u>	<u>11,555,759</u>
Net operating loss	<u>(958,515)</u>	<u>(754,734)</u>
Nonoperating Activities		
Interest and dividends	59,996	75,679
Realized and unrealized gains (losses), net of fees	180,276	(462,528)
Loss on foreign currency translation adjustments	(18,076)	(55,606)
	<u>222,196</u>	<u>(442,455)</u>
Change in net assets without donor restriction	<u>(736,319)</u>	<u>(1,197,189)</u>
Net Assets With Donor Restrictions		
Contributed nonfinancial assets	44,597	56,045
Contributions and grants	2,143,043	374,575
Net assets released from restrictions	(802,243)	(643,521)
	<u>1,385,397</u>	<u>(212,901)</u>
Change in net assets	649,078	(1,410,090)
Net Assets, Beginning	<u>1,345,584</u>	<u>2,755,674</u>
Net Assets, Ending	<u>\$ 1,994,662</u>	<u>\$ 1,345,584</u>

See notes to consolidated financial statements

Humentum

Consolidated Statement of Functional Expenses

Year Ended September 30, 2023

	<u>Training</u>	<u>Convening</u>	<u>Consultancy</u>	<u>Grants</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, payroll taxes and fringe benefits	\$ 1,074,341	\$ 922,764	\$ 411,983	\$ 157,122	\$ 2,566,210	\$ 953,365	\$ 579,085	\$ 4,098,660
In-kind	3,158,873	-	-	44,597	3,203,470	-	-	3,203,470
Training support, facilities and materials	201,642	2,101	105,587	5,333	314,663	1,507	23,192	339,362
Consultants and contractors for client projects and grants	660,891	17,563	1,013,408	485,301	2,177,163	251,697	127,625	2,556,485
Travel	343	1,140	4,143	16,491	22,117	29,956	1,481	53,554
Office expenses	-	-	-	-	-	63,548	-	63,548
Technology supplies and support	237,953	32,383	1,338	13,670	285,344	264,003	9,146	558,493
Dues and other	-	-	-	-	-	9,802	-	9,802
Leases	-	-	-	-	-	387,928	-	387,928
Credit card and bank service charges	75	-	-	-	75	66,983	-	67,058
Professional services fees	73,695	42,449	9,809	6,320	132,273	282,792	62,639	477,704
Depreciation and amortization	1,413	-	-	-	1,413	343,066	-	344,479
Total	\$ 5,409,226	\$ 1,018,400	\$ 1,546,268	\$ 728,834	\$ 8,702,728	\$ 2,654,647	\$ 803,168	\$ 12,160,543

See notes to consolidated financial statements

Humentum

Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	<u>Training</u>	<u>Convening</u>	<u>Consultancy</u>	<u>Grants</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, payroll taxes and fringe benefits	\$ 1,050,301	\$ 550,439	\$ 601,187	\$ 123,589	\$ 2,325,516	\$ 1,114,630	\$ 814,749	\$ 4,254,895
In-kind	2,804,234	-	-	48,723	2,852,957	-	-	2,852,957
Training support, facilities and materials	144,057	147	17,854	4,474	166,532	24,157	6,657	197,346
Consultants and contractors for client projects and grants	727,005	75,787	1,101,799	317,413	2,222,004	159,623	355,575	2,737,202
Travel	968	3,023	4,841	1,948	10,780	121,029	1,833	133,642
Office expenses	23	-	-	-	23	45,209	-	45,232
Technology supplies and support	223,902	12,951	3,617	12,077	252,547	304,276	17,177	574,000
Dues and other	-	-	-	-	-	1,212	-	1,212
Rent	-	-	-	-	-	96,038	-	96,038
Credit card and bank service charges	-	-	-	-	-	66,750	-	66,750
Professional services fees	1,000	1,349	2,508	23,342	28,199	438,692	1,366	468,257
Depreciation and amortization	18,133	-	-	-	18,133	110,095	-	128,228
Total	<u>\$ 4,969,623</u>	<u>\$ 643,696</u>	<u>\$ 1,731,806</u>	<u>\$ 531,566</u>	<u>\$ 7,876,691</u>	<u>\$ 2,481,711</u>	<u>\$ 1,197,357</u>	<u>\$ 11,555,759</u>

See notes to consolidated financial statements

Humentum

Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 649,078	\$ (1,410,090)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	344,479	128,228
Net accretion of operating leases	26,287	-
Effect of foreign currency translation adjustments	18,706	55,606
Change in discount on contribution receivable	51,594	-
Realized and unrealized (gains) losses on investments	(180,276)	462,528
Change in deferred rent	-	(69,762)
Changes in operating assets and liabilities:		
Accounts receivable	22,239	298,337
Contribution receivable	(1,016,500)	-
Prepaid expenses and other current assets	69,820	(98,767)
Accounts payable and accrued expenses	(144,180)	65,365
Deferred revenue	440,638	(671,914)
Net cash flows from operating activities	<u>281,885</u>	<u>(1,240,469)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,574,071	833,413
Purchases of investments	(1,013,935)	(72,696)
Net cash flows from investing activities	<u>560,136</u>	<u>760,717</u>
Net change in cash	842,021	(479,752)
Cash, Beginning	<u>365,408</u>	<u>845,160</u>
Cash, Ending	<u>\$ 1,207,429</u>	<u>\$ 365,408</u>

See notes to consolidated financial statements

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Notes to Consolidated Financial Statements
September 30, 2023 and 2022

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Humentum is the leading global not-for-profit working with humanitarian and development organizations to improve how they operate and to make the community more equitable, resilient and accountable. Humentum has staff based across the United States, Europe, Africa, Latin America and Asia. Humentum also works with over 100 expert associates and trainers based in a range of countries around the world to deliver consultancy projects and trainings for members and clients.

Humentum's focus is to ensure equitable locally led development, which will only happen when organizations exercise autonomy and unlock the strategic power of their operating models. The foundational elements of strategic operating models must be designed to be equitable, resilient and accountable. Humentum believes power will shift when funders, international and national organizations operationalize equity by addressing 12 levers of change within their operating models.

Humentum addresses organizational change through institutional architecture, funding and financial systems, people and culture and risk and compliance.

Humentum uses a comprehensive and integrated approach to support organizations to connect with peer communities and advocacy platforms, assess needs, co-create and deliver solutions and benchmark results.

Humentum's Vision: Making change happen for social good.

Humentum's Mission: To unlock the strategic power of operating models.

Basis of Accounting

The accompanying consolidated financial statements of Humentum have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Principles of Consolidation

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*, the accompanying consolidated financial statements include the accounts of Humentum US and its wholly owned subsidiary, Humentum UK, collectively Humentum. All intercompany transactions have been eliminated in consolidation.

Net Assets

Humentum classifies its net assets into two categories, which are net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets which are reflective of revenues and expenses associated with the principal operating activities of Humentum and are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of Humentum. Also includes net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit Humentum to utilize earnings as specified by donors.

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Notes to Consolidated Financial Statements
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When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated financial statements.

Net assets with donor restrictions also include net assets that are subject to donor-imposed stipulations that must be maintained in perpetuity by Humentum. There are no such assets as of September 30, 2023 and 2022.

Foreign Currency

Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rate in effect at the consolidated statements of financial position dates. This item is not included as part of the operating indicator and is reported as nonoperating activities in the consolidated statements of activities.

Investments

Investments in marketable equity and fixed income securities are stated at fair value. Donated investments are recorded at fair value at the date of donation.

Investment income is reported net of external and direct internal investment expenses, when applicable. Realized and unrealized gains or losses on investments are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. Humentum must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Contribution Receivable

Receivables and unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, which range from 5 to 15 years on the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Humentum capitalizes property and equipment acquisitions at \$5,000 and above.

Intangible Assets

Humentum's intangible assets include the development of new online courses and our website. The development is capitalized at cost and is amortized over their economic life (three years), using the straight-line method from the point the course is available or for the development of the website from the date it was launched.

Deferred Rent/Rent Expense and Sublease Income

In 2022, rent expense was recognized on the straight-line basis over the life of the lease. As a result, rent expense does not equal the amount of cash paid for rent. The difference between the rent paid and the rent expense recognized is recorded to deferred rent when the rent expense exceeds the cash paid or prepaid rent when the cash paid exceeds the rent expense. Sublease rental income is recognized on the straight-line basis over the life of the lease. In 2023, the adoption of ASC 842 resulted in deferred rental no longer being recognized on the same basis. Lease expense is recognized on the straight-line basis over the life of the lease.

Contribution Income

Contributions and Grants

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Humentum reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions, such as a barrier and right of return or release, are substantially met.

Contributed Nonfinancial Assets

Humentum receives donated user licenses for various programs and course content that are also provided to Humentum's members. Contributed nonfinancial assets are recorded at estimated fair value, which is based on what it would cost to purchase these licenses and courses in the consolidated statements of activities. The accompanying consolidated statements of activities include donated software, in-kind user licenses and course content related contributions and expenses of approximately \$3,159,000 and \$2,804,000 for the years ended September 30, 2023 and 2022, respectively.

Humentum UK received donated services of 107 days and 124 days, for the years ended September 30, 2023 and 2022, respectively, of voluntary expertise towards the International Financial Reporting for Non-Profit Organizations initiative. These contributed nonfinancial assets are measured at an average daily rate which is based on the partner and staff rates for those who donate their time to the initiative. The accompanying consolidated statements of activities include these contributed nonfinancial assets of approximately \$45,000 and \$49,000 for the years ended September 30, 2023 and 2022, respectively.

Humentum also receives access to various other services and course content for the expressed purpose of providing those benefits to its members. The use and distribution of these contributed resources are controlled and directed by the donating entity and, therefore, are not recognized in the accompanying consolidated financial statements.

Revenue From Contracts With Customers

Training courses: The performance obligation corresponding to training courses is providing the course. The performance obligations are satisfied on the conclusion of the training. The revenue is recognized after each course is completed.

Virtual events: The performance obligation corresponding to event revenue is providing the event. The performance obligations are satisfied on the conclusion of the event. The revenue is recognized on the completion of the event.

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Consulting services: The performance obligation corresponding to consulting is to provide various consulting services. The performance obligations are satisfied over a time period which is completed based on each deliverable. The revenue is recognized when each deliverable is completed or if material on conclusion of the entire service contract. The performance obligation corresponding to projects is to provide guidance on a sector-wide issue, e.g. safeguarding or cost-recovery. The performance obligations are satisfied over a time period which is completed based on each deliverable and length of the project. The revenue is recognized when each deliverable is completed and invoiced monthly.

Membership/Subscription: The performance obligation corresponding to subscription is delivery of the membership benefits and/or e-learning platform throughout the stated period of the membership/subscription (i.e. yearly subscription). The performance obligations are satisfied over a time period as the consumer simultaneously receives and consumes the services as Humentum provides them.

Corporate support/Sponsorship: The performance obligation corresponding to corporate support is delivery of events that the customer can support and promote their services at. The performance obligations are satisfied in some cases at a point in time, but in most cases over a time period as the consumer simultaneously receives and consumes the services as Humentum provides them.

Recruitment services: The performance obligation corresponding to recruitment services is to provide job advertisements. The performance obligations are satisfied at a point in time, which is completed when the job advertisement is posted on Humentum's job board. The revenue is recognized when each job advertisement is posted.

Humentum determines its accounts receivable and revenue estimates by considering implicit price concessions based on its historical collection experience. The transaction price is based on standard charges for services provided, reduced by implicit price concessions provided, if any.

Income Taxes

Humentum is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not considered a private foundation. Accordingly, no provision has been made for income taxes.

No corporation tax is payable for Humentum UK since, as a registered charity, Humentum UK is generally exempt on its income and capital gains if they are applied for charitable purposes.

Uncertain Tax Positions

Management has evaluated Humentum's tax positions and concluded that it has not taken any uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of FASB ASC 740.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of Humentum. Most expenses may be identified to their related program or supporting service and are recorded accordingly. Salaries and benefits expenses are allocated based upon estimated time spent by the respective individuals on each program area, as recorded on approved timesheets. No other costs are allocated to program areas.

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Notes to Consolidated Financial Statements
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Operating Measure

Humentum includes in its definition of operations all revenues and expenses associated with helping members in building and leading teams who will become essential partners in accomplishing the missions of their organizations. Interest and dividends, realized and unrealized gains and losses and gains and losses on foreign currency translation adjustments are excluded from the measure of operations.

Use of Estimates

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2022 amounts have been reclassified to conform with the 2023 presentation. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Recent Accounting Pronouncements

Effective October 1, 2022, Humentum adopted FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. Humentum's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the consolidated statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, Humentum recorded operating lease right-of-use assets and lease liabilities of \$852,379 and \$1,170,407, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, Humentum elected:

- The package of practical expedients permitted under the transition guidance which does not require Humentum to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of Humentum's right-of-use assets.
- When the rate implicit in the lease is not determinable, rather than using Humentum's incremental borrowing rate, Humentum elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

Additional required disclosures for Topic 842 are contained in Note 10.

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Notes to Consolidated Financial Statements
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In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current U.S. GAAP, which generally require that a loss be incurred before it is recognized. Humentum is assessing the impact this standard will have on its consolidated financial statements.

2. Liquidity and Availability of Resources

Humentum's financial assets available within one year of September 30, 2023 and 2022 for general expenditures such as operating expenses and fixed asset purchases are as follows as of September 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,207,429	\$ 365,408
Investments	1,305,528	1,685,388
Accounts receivable	981,703	1,003,942
Contribution receivable	307,850	-
	<hr/>	<hr/>
Total financial assets	3,802,510	3,054,738
	<hr/>	<hr/>
Less donor restricted amounts	1,490,861	105,464
	<hr/>	<hr/>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,311,649</u>	<u>\$ 2,949,274</u>

As part of Humentum'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. Humentum's main source of liquidity is training courses, consulting services and membership dues. Although investments are available for expenditure, it is not Humentum's intention to use investments for operating purposes.

3. Investments and Fair Value

Investments consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Equity funds	\$ 919,896	\$ 1,074,805
Fixed income funds	385,632	610,583
	<hr/>	<hr/>
Total	<u>\$ 1,305,528</u>	<u>\$ 1,685,388</u>

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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).

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The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Humentum has access to.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from and corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology were unobservable and significant to the fair value measurement.

The asset 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 maximize the use of relevant observables and minimize the use of unobservable inputs.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2023 and 2022:

Equity funds and fixed income - Publicly traded in active markets.

The following tables present the fair value hierarchy for assets of Humentum measured at fair value as of September 30:

	Fair Value Measurements as of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ 919,896	\$ -	\$ -	\$ 919,896
Fixed income funds	385,632	-	-	385,632
Total	\$ 1,305,528	\$ -	\$ -	\$ 1,305,528

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	Fair Value Measurements as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,074,805	\$ -	\$ -	\$ 1,074,805
Fixed income funds	610,583	-	-	610,583
Total	<u>\$ 1,685,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,388</u>

4. Contribution Receivable, Net

Contribution receivable, net, as of September 30, 2023 are expected to be received as follows:

Within one year	\$ 307,850
Between two and three years	708,650
Less unamortized discount	<u>51,594</u>
Total	<u>\$ 964,906</u>

As of September 30, 2023, contributions to be received between two and three years are discounted using a risk adjusted discount rate of 5.10% through the expected term of the contribution receivable.

5. Property and Equipment, Net

Property and equipment, net, are summarized as follows:

	2023	2022
Office equipment	\$ 228,640	\$ 228,640
Leasehold improvements	<u>523,859</u>	<u>523,859</u>
	752,499	752,499
Less accumulated depreciation	<u>650,772</u>	<u>466,849</u>
Total	<u>\$ 101,727</u>	<u>\$ 285,650</u>

6. Deferred Revenue

Deferred revenue consisted of the following as of September 30:

	2023	2022
Membership dues	\$ 1,321,740	\$ 1,065,764
Grants	106,108	82,069
Training and client service	301,730	140,039
Events	-	1,500
Sub-lease	<u>13,521</u>	<u>13,089</u>
Total	<u>\$ 1,743,099</u>	<u>\$ 1,302,461</u>

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7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Training bursaries	\$ 18,337	\$ 29,320
Grant Fund IFR4NPO	300,531	-
Time and purpose restricted:		
Grant Fund Weaving Resilience	<u>1,171,993</u>	<u>76,144</u>
Total	<u>\$ 1,490,861</u>	<u>\$ 105,464</u>

The designated bursary fund represents funds set aside to allow poorly resourced local NGOs in developing countries to benefit from Humentum UK's service who would not otherwise be able to afford them.

Grant Fund IFR4NPO represents various grants received by Humentum and Humentum UK for technical assistance and global financial reporting guidance.

Grant Fund Weaving Resilience represents a grant from the Ford Foundation for core support for the institutional health and strengthening for the social justice sector in Southern Africa in response to the intersecting crises created by the COVID-19 pandemic. The grant is awarded for a four-year period from November 1, 2022 and is considered time and purpose restricted.

Net assets released from restrictions consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Training bursaries	\$ 10,983	\$ 4,300
Grant Fund IFR4NPO	714,847	639,221
Time and purpose restricted:		
Grant Fund Weaving Resilience	<u>76,413</u>	<u>-</u>
Total	<u>\$ 802,243</u>	<u>\$ 643,521</u>

8. Concentrations of Credit Risk

Financial instruments which potentially subject Humentum to concentrations of credit risk consist principally of cash, investments and accounts receivable. From time to time, the cash balances exceed the federal depository insurance coverage limit.

9. Retirement Plans

Humentum sponsors a defined contribution 403(b) plan, to which eligible employees may contribute at their discretion and to which Humentum also contributes. Under the plan, Humentum contributes 5% of each eligible employee's; Humentum contributions are vested in the plan immediately. Retirement expenses totaled approximately \$130,000 and \$131,000 for the years ended September 30, 2023 and 2022, respectively, under this plan.

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Humentum UK operated a defined contribution pension scheme, the assets of which are held in external funds. Contributions of 5% of eligible compensation during the period are charged as they become payable. Retirement expense totaled approximately \$42,000 and \$71,000 for the years ended September 30, 2023 and 2022, respectively, under this plan.

10. Operating Lease

Humentum has an operating lease for real property that it leases. As a lessee, Humentum's real property lease has an original term of eight years. On May 1, 2021 Humentum entered into a sublease agreement with an unrelated third party. As a sublessor, Humentum's real property sublease has an original term of three years and eleven months.

As a sublessor, Humentum's real property sublease with tenant under lease with monthly rental charges. Rental income related to the sublease is included in other revenue in Humentum's consolidated statements of activities. Humentum's total lease expense indicated below is included in management and general expenses. Humentum recognizes a right-of-use asset and lease liability for its operating lease based on the net present value of future minimum lease payments. Lease expense for Humentum's operating lease is recognized on a straight-line basis over the lease term, including renewal periods that are considered reasonably certain.

Humentum's decisions regarding lease renewal options that are reasonably certain have been incorporated as part of the lease term in right-of-use asset and lease liability calculations for all leases with commencement date after the adoption of ASC 842. To support these determinations, Humentum evaluated the lease that commenced after transition and included a renewal option to assess whether the future renewal options were reasonably certain to be exercised. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right-of-use asset and lease liability calculations. Humentum has an operating lease for its real property, which expires in 2028, with an option to terminate the lease for a penalty of approximately \$383,000. Humentum decided to exercise the option to early terminate the lease at March 31, 2025 and the related termination penalty of approximately \$383,000, due in March 2024, has been included in the operating lease liabilities as of September 30, 2023.

Right-of-use assets are assessed for impairment in accordance with Humentum's long-lived asset policy. As of September 30, 2023, there was no impairment to the right-of-use assets. Humentum reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The components of lease cost included in the accompanying consolidated statement of functional expenses for the year ended September 30, 2023 are as follows:

Lease cost:		
Operating lease cost, lease with terms greater than one year	\$	387,928
Sublease income		<u>159,227</u>
Net total lease cost	\$	<u>228,701</u>

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Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Other information related to Humentum's operating lease and supplemental cash flows for the year ended September 30, 2023 are as follows:

Operating cash flows from operating lease *	\$	162,037
Right-of-use lease assets obtained in exchange for new lease obligations:		
Operating lease		-
Weighted-average remaining lease term on operating lease		18 months
Weighted-average discount rate on operating lease		4.12%

* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Future minimum lease payments as of September 30, were:

2024	\$	348,768
2025		<u>559,635</u>
		908,403
Less present value discount		<u>36,773</u>
Total	\$	<u>871,630</u>

Total lease expense was approximately \$388,000 and \$261,000 for the years ended September 30, 2023 and 2022, respectively.

11. Paycheck Protection Program

On February 20, 2021, Humentum received loan proceeds in the amount of \$335,488 under the Paycheck Protection Program (PPP) which was established as part of Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

As of September 30, 2022, Humentum had expended all of the PPP funds received on qualified expenses and met all conditions attached to the PPP funds. On September 15, 2022, Humentum received notice from the SBA that forgiveness of the loan was granted. Therefore, for the year ended September 30, 2022, Humentum recorded contributions and grants income in the amount of \$335,488 within its accompanying consolidated statements of activities.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after the forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

12. Subsequent Events

Management has evaluated subsequent events through March 8, 2024, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

Humentum

Consolidating Statement of Financial Position
September 30, 2023

	<u>Humentum US</u>	<u>Humentum UK</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash	\$ 923,055	\$ 284,374	\$ -	\$ 1,207,429
Investments	1,305,528	-	-	1,305,528
Accounts receivable	935,978	45,725	-	981,703
Contribution receivable	307,850	-	-	307,850
Due from affiliate	-	381,775	(381,775)	-
Prepaid expenses and other current assets	417,971	1,360	-	419,331
Total current assets	<u>3,890,382</u>	<u>713,234</u>	<u>(381,775)</u>	<u>4,221,841</u>
Noncurrent Assets				
Property and equipment, net	101,727	-	-	101,727
Contribution receivable, net	657,056	-	-	657,056
Right-of-use assets, operating	184,613	-	-	184,613
Intangible assets, net	31,969	-	-	31,969
Total noncurrent assets	<u>975,365</u>	<u>-</u>	<u>-</u>	<u>975,365</u>
Total assets	<u>\$ 4,865,747</u>	<u>\$ 713,234</u>	<u>\$ (381,775)</u>	<u>\$ 5,197,206</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 496,244	\$ 91,571	\$ -	\$ 587,815
Due to affiliate	381,775	-	(381,775)	-
Operating lease liabilities, current portion	320,008	-	-	320,008
Deferred revenue	1,598,735	144,364	-	1,743,099
Total current liabilities	<u>2,796,762</u>	<u>235,935</u>	<u>(381,775)</u>	<u>2,650,922</u>
Noncurrent Liabilities				
Operating lease liabilities, net of current portion	551,622	-	-	551,622
Total liabilities	<u>3,348,384</u>	<u>235,935</u>	<u>(381,775)</u>	<u>3,202,544</u>
Net Assets				
Net assets without donor restrictions	345,370	158,431	-	503,801
Net assets with donor restrictions	1,171,993	318,868	-	1,490,861
Total net assets	<u>1,517,363</u>	<u>477,299</u>	<u>-</u>	<u>1,994,662</u>
Total liabilities and net assets	<u>\$ 4,865,747</u>	<u>\$ 713,234</u>	<u>\$ (381,775)</u>	<u>\$ 5,197,206</u>

Humentum

Consolidating Statement of Financial Position
September 30, 2022

	<u>Humentum US</u>	<u>Humentum UK</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash	\$ 207,592	\$ 157,816	\$ -	\$ 365,408
Investments	1,685,388	-	-	1,685,388
Accounts receivable	972,163	31,779	-	1,003,942
Due from affiliate	201,675	550,995	(752,670)	-
Prepaid expenses and other current assets	475,598	13,553	-	489,151
Total current assets	<u>3,542,416</u>	<u>754,143</u>	<u>(752,670)</u>	<u>3,543,889</u>
Noncurrent Assets				
Property and equipment, net	285,650	-	-	285,650
Intangible assets, net	68,256	-	-	68,256
Total noncurrent assets	<u>353,906</u>	<u>-</u>	<u>-</u>	<u>353,906</u>
Total assets	<u>\$ 3,896,322</u>	<u>\$ 754,143</u>	<u>\$ (752,670)</u>	<u>\$ 3,897,795</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 534,239	\$ 179,050	\$ -	\$ 713,289
Due to affiliate	550,995	201,675	(752,670)	-
Deferred rent	273,167	-	-	273,167
Deferred revenue	1,193,546	108,915	-	1,302,461
Total current liabilities	<u>2,551,947</u>	<u>489,640</u>	<u>(752,670)</u>	<u>2,288,917</u>
Noncurrent Liabilities				
Deferred rent	263,294	-	-	263,294
Total liabilities	<u>2,815,241</u>	<u>489,640</u>	<u>(752,670)</u>	<u>2,552,211</u>
Net Assets				
Net assets without donor restrictions	1,081,081	159,039	-	1,240,120
Net assets with donor restrictions	-	105,464	-	105,464
Total net assets	<u>1,081,081</u>	<u>264,503</u>	<u>-</u>	<u>1,345,584</u>
Total liabilities and net assets	<u>\$ 3,896,322</u>	<u>\$ 754,143</u>	<u>\$ (752,670)</u>	<u>\$ 3,897,795</u>

Humentum

Consolidating Statement of Activities
Year Ended September 30, 2023

	Humentum US		Humentum UK		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Operating Revenues and Support						
Training courses	\$ 2,341,516	\$ -	\$ 53,160	\$ -	\$ -	\$ 2,394,676
Virtual events	37,750	-	-	-	-	37,750
Consulting services	1,426,899	-	98,263	-	-	1,525,162
Membership dues	2,323,822	-	75,258	-	-	2,399,080
Contributions and grants	448,196	1,248,406	-	894,637	-	2,591,239
Contributed nonfinancial assets	3,158,873	-	-	44,597	-	3,203,470
Corporate support	106,333	-	11,598	-	-	117,931
Recruitment services	142,805	-	-	-	-	142,805
Other	171,471	-	3,841	-	-	175,312
Net assets released from restrictions	76,413	(76,413)	725,830	(725,830)	-	-
Total operating revenues and support	10,234,078	1,171,993	967,950	213,404	-	12,587,425
Expenses						
Program	7,854,115	-	848,613	-	-	8,702,728
Management and general	2,545,571	-	109,076	-	-	2,654,647
Fundraising	802,610	-	558	-	-	803,168
Total expenses	11,202,296	-	958,247	-	-	12,160,543
Net operating (loss) gain	(968,218)	1,171,993	9,703	213,404	-	426,882
Nonoperating Activities						
Interest and dividends	57,858	-	2,138	-	-	59,996
Realized and unrealized gains, net of fees	180,276	-	-	-	-	180,276
Loss on foreign currency translation adjustments	(5,627)	-	(12,449)	-	-	(18,076)
Total nonoperating activities	232,507	-	(10,311)	-	-	222,196
Change in net assets	(735,711)	1,171,993	(608)	213,404	-	649,078
Net Assets, Beginning	1,081,081	-	159,039	105,464	-	1,345,584
Net Assets, Ending	\$ 345,370	\$ 1,171,993	\$ 158,431	\$ 318,868	\$ -	\$ 1,994,662

Humentum

Consolidating Statement of Activities

Year Ended September 30, 2022

	Humentum US		Humentum UK		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Operating Revenues and Support						
Training courses	\$ 2,478,260	\$ -	\$ 77,552	\$ -	\$ -	\$ 2,555,812
Consulting services	1,662,497	-	318,678	-	-	1,981,175
Membership dues	2,000,547	-	92,299	-	-	2,092,846
Contributions and grants	342,488	-	-	374,575	-	717,063
Contributed nonfinancial assets	2,804,234	-	-	56,045	-	2,860,279
Corporate support	178,958	-	-	-	-	178,958
Recruitment services	169,958	-	-	-	-	169,958
Other	19,677	-	12,356	-	-	32,033
Net assets released from restrictions	-	-	643,521	(643,521)	-	-
Total operating revenues and support	9,656,619	-	1,144,406	(212,901)	-	10,588,124
Expenses						
Program	6,930,438	-	946,253	-	-	7,876,691
Management and general	2,301,797	-	179,914	-	-	2,481,711
Fundraising	1,111,867	-	85,490	-	-	1,197,357
Total expenses	10,344,102	-	1,211,657	-	-	11,555,759
Net operating loss	(687,483)	-	(67,251)	(212,901)	-	(967,635)
Nonoperating Activities						
Interest and dividends	75,331	-	348	-	-	75,679
Realized and unrealized losses, net of fees	(462,528)	-	-	-	-	(462,528)
Loss on foreign currency translation adjustments	(46,044)	-	(9,562)	-	-	(55,606)
Total nonoperating activities	(433,241)	-	(9,214)	-	-	(442,455)
Change in net assets	(1,120,724)	-	(76,465)	(212,901)	-	(1,410,090)
Net Assets, Beginning	2,201,805	-	235,504	318,365	-	2,755,674
Net Assets, Ending	\$ 1,081,081	\$ -	\$ 159,039	\$ 105,464	\$ -	\$ 1,345,584