



VETERAN CAREER READINESS

FOUR BLOCK FOUNDATION, INC.

New York, New York

FINANCIAL REPORT

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Four Block Foundation, Inc.
New York, New York

Opinion

We have audited the financial statements of Four Block Foundation, Inc. ("Four Block" a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Four Block as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with generally accepted accounting principles 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Four Block and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the Four Block's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 2, 2023

FOUR BLOCK FOUNDATION, INC.

Statement of Financial Position

December 31, 2022

Assets

Cash and cash equivalents	\$ 1,904,683
Investments	5,052
Pledges receivable	2,223,863
ERC receivable	147,539
Prepaid expenses	34,194
Security deposits	3,800
Property and equipment, net	<u>394,247</u>
 Total assets	 <u>\$ 4,713,378</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 147,058
Loans payable	<u>627</u>
Total liabilities	<u>147,685</u>

Net Assets

Without donor restrictions	1,493,589
With donor restrictions	<u>3,072,104</u>
Total net assets	<u>4,565,693</u>
 Total liabilities and net assets	 <u>\$ 4,713,378</u>

See Notes to Financial Statements.

FOUR BLOCK FOUNDATION, INC.

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions:			
Contributions of cash and other financial assets	\$ 158,013	\$ --	\$ 158,013
Contributions of nonfinancial assets	1,283,940	--	1,283,940
Grants	784,062	3,246,062	4,030,124
Other revenue	13,633	--	13,633
Employee Retention Credit income	147,539	--	147,539
PPP loan forgiveness	201,399	--	201,399
Net assets released from restriction	923,708	(923,708)	--
Total support and revenue	3,512,294	2,322,354	5,834,648
Expenses			
Program services	2,802,446	--	2,802,446
Management and general	419,629	--	419,629
Fundraising	203,839	--	203,839
Total expenses	3,425,914	--	3,425,914
Change in net assets	86,380	2,322,354	2,408,734
Net Assets			
Beginning of year	1,407,209	749,750	2,156,959
End of year	\$ 1,493,589	\$ 3,072,104	\$ 4,565,693

See Notes to Financial Statements.

FOUR BLOCK FOUNDATION, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 932,540	\$ 96,221	\$ 168,354	\$ 1,197,115
Payroll tax and benefits	133,819	33,558	27,070	194,447
Professional fees	18,810	137,342	--	156,152
Insurance	--	7,377	--	7,377
Advertising	2,241	30,900	7,800	40,941
Dues and subscriptions	--	25,979	--	25,979
Travel	1,444	41,986	615	44,045
Information technology	--	11,575	--	11,575
Office expense	--	22,622	--	22,622
Postage and delivery	--	711	--	711
Bank charges and fees	--	4,350	--	4,350
Program expense	174,052	--	--	174,052
In-kind	1,277,940	6,000	--	1,283,940
Depreciation	261,600	1,008	--	262,608
	<u>\$ 2,802,446</u>	<u>\$ 419,629</u>	<u>\$ 203,839</u>	<u>\$ 3,425,914</u>

See Notes to Financial Statements.

FOUR BLOCK FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ 2,408,734
Adjustments to reconcile change in net assets to cash flows provided by operating activities, depreciation	
Depreciation	262,608
PPP loan forgiveness	(201,399)
Change in assets and liabilities:	
(Increase) in accounts receivable	(1,534,613)
(Increase) in employer retention credit receivable	(147,539)
(Increase) in prepaid expenses	(22,904)
(Decrease) in accounts payable and accrued expenses	<u>(5,059)</u>
Net cash provided by operating activities	<u>759,828</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	11,855
Purchase of investments	<u>(5,052)</u>
Net cash provided by investing activities	<u>6,803</u>
Cash Flows from Financing Activities, loan payments	<u>(158,273)</u>
Net change in cash	608,358
Cash and Cash Equivalents	
Beginning of year	<u>1,296,325</u>
End of year	<u>\$ 1,904,683</u>

See Notes to Financial Statements.

FOUR BLOCK FOUNDATION, INC.

Notes to Financial Statements

Note 1. Organization

This summary of significant accounting policies of the Four Block Foundation, Inc. (hereinafter “Four Block”) is presented to assist in understanding Four Block’s financial statements. The financial statements and notes are representations of Four Block’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Four Block bridges the gap between capable veterans and meaningful careers. We support, educate and prepare returning enlisted service members with pursuing meaningful careers that capitalize on their interests, strengths and capabilities. We also assist and advise employers with attracting and on-boarding veterans that are a skills and cultural match at their companies. Our mantra is “the right veteran, the right career.”

Four Block is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Four Block’s tax-exempt purpose is subject to taxation as unrelated business income. For the year ended December 31, 2022, Four Block had no such income. Four Block files an IRS Form 990 and respective state and local tax returns. These returns are subject to review and examination by federal, state, and local authorities.

Note 2. Summary of Accounting Principles

Basis for Accounting

The accompanying financial statements of Four Block have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The classification of Four Block’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets - without donor restrictions and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These two classes are defined as follows:

Net Assets Without Donor Restrictions – represents all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions that expire within the same period.

Notes to Financial Statements

Net Assets With Donor Restrictions – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity.

Revenue Recognition

Four Block follows the requirements of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk adjusted present value techniques.

Four Block follows the requirements of FASB's ASC 606 for recognizing revenue from contracts with customers. Grants are recognized as revenue in the corresponding period in which they are earned. Unearned contracts and agreements that have not been collected at year-end are reflected as a receivable, while those received in advance of the membership period are treated as deferred income.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When Four Block receives an unconditional promise to give that is expected to be collected within one year, it is recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Four Block's ongoing services.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are included in cash and cash equivalents.

Notes to Financial Statements

Concentration of Credit Risk

Four Block manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by Four Block to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Four Block has not experienced losses in any of these accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Receivables

Pledges receivable consist of donor promises to give. Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of December 31, 2022. Write-offs will be made in the period that the receivable is deemed to be uncollectable. Receivables which are not expected to be received within one year are discounted using a present value rate determined by management.

The Employer Retention Credit (ERC), originally provided for within the CARES Act, is a refundable tax credit against certain employment taxes based on qualified wages paid to employees. The application for the credit was filed in September 2023 and relates to refunds of payroll taxes paid in 2020 and 2021 calendar years.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Donated property and equipment are stated at fair value at the date of donation. Four Block's policy is to capitalize major additions and improvements over \$2,500. Repairs and maintenance that do not significantly add to the value of assets are expensed as incurred. Property and equipment are stated at cost and depreciated on a straight-line basis over the following estimated lives:

	<u>Years</u>
Equipment and technology	3-5

Depreciation expense for the year ended December 31, 2022 totaled \$262,608.

In-Kind Contributions

Four Block recognizes contributions for donated advertising, professional fees, and program expenses that create or enhance non-financial assets and requires specialized skills, are performed by those who possess those skills, and would have been purchased if they had not been donated.

Many individuals volunteer their time and perform a variety of tasks to assist with specific assistance programs, campaign solicitation, and various committee assignments. No amounts have been reflected in the financial statements for these types of donated services because they do not meet the criteria for recognition as outlined above.

Notes to Financial Statements

Advertising Costs

Costs of promotion and advertising are expensed as incurred and amounted to \$40,941 during the year end December 31, 2022.

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 and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, expenses have been allocated among the programs and supporting services using appropriate measurement methodologies developed by management. Salary and related benefit expenses are allocated between categories based on management's classification of time and effort of each employee during the period. All other expenses are categorized directly by management based on the nature of the expense.

Income Taxes

Four Block follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Four Block is subject to regular audit by tax authorities. Management believes that it has appropriate support for the positions taken on its tax returns. In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Four Block is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is classified as a publicly supported organization as described in Section 509(a).

Notes to Financial Statements

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by leases with terms on the statement of financial position for leases with terms exceeding 12 months. Topic 842 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and lease liability at the present value of remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 was effective for Four Block in calendar year 2022. There were no significant leases during the year ended December 31, 2022.

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets or gifts-in-kind. ASU No. 2020-07 was effective for Four Block in calendar year 2022. Four Block adopted the standard on January 1, 2022 under the modified retrospective approach.

Note 3. Investments

A summary of the investments held by Four Block at December 31, 2022 is as follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Equity securities	\$ 5,052	\$ - -	\$ 5,052

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2022:

Equipment and technology	\$ 1,312,401
Less accumulated depreciation	<u>(918,154)</u>
Net property and equipment	<u>\$ 394,247</u>

Note 5. Loans Payable

The Organization received a loan as part of the Paycheck Protection Program (PPP) in April 2021 for \$199,900. The Organization also received two SBA loans totaling \$158,900 in June 2020. As of December 31, 2022, the PPP loan along with incurred interest was forgiven in full. During the year ended December 31, 2022, the Organization paid \$158,273 towards the SBA loans. The outstanding balance at December 31, 2022 was \$627.

Notes to Financial Statements

Note 6. Fair Value Measurements

Four Block reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities Four Block can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, Four Block develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

At December 31, 2022, all of Four Block's investments are classified as Level 1.

Notes to Financial Statements

Note 7. Availability and Liquidity

Four Block's financial assets available to meet cash needs for general expenditures within one year are \$1,061,494 at December 31, 2022. There are no external or internal limits imposed on these balances. As part of its liquidity management, Four Block operates its programs within a board approved budget and relies on investment income, membership dues and contributions to fund its operations and program activities.

Financial assets, at year-end:

Cash and cash equivalents	\$ 1,904,683
Investments	5,052
Pledges receivable	2,223,863
ERC receivable	<u>147,539</u>
	<u>4,281,137</u>

Less those unavailable for general expenditure within one year, due to donor-imposed restrictions	<u>(3,072,104)</u>
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Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,209,033</u>
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Note 8. Net Assets With Donor Restrictions

For the year ended December 31, 2022, Four Block's net assets with donor restrictions consisted of the following:

	Balance at December 31, 2021	Contributions	Released from Restriction	Balance at December 31, 2022
Career Readiness Programs	\$ 163,500	\$ 1,938,547	\$ (714,333)	\$ 1,387,714
PWC Charitable Foundation	561,250	1,307,515	(184,375)	1,684,390
Other time restricted donations	<u>25,000</u>	<u>--</u>	<u>(25,000)</u>	<u>--</u>
Total	<u>\$ 749,750</u>	<u>\$ 3,246,062</u>	<u>\$ (923,708)</u>	<u>\$ 3,072,104</u>

Note 9. Retirement Plan

Four Block sponsors a 401(k) defined contribution retirement plan available to substantially all employees. Employees may make voluntary contributions, subject to maximums allowed by the Internal Revenue Code. Four Block has elected to match employee contributions at a rate of up to 5% per employee. Four Block's total contributions to the retirement plan for the year ended December 31, 2022 amounted to \$19,169.

Notes to Financial Statements

Note 10. Contributed Nonfinancial Assets

Donated goods and services are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of the gift. Four Block does not have a policy to monetize any contributed nonfinancial assets received; Four Block intends to use any in-kind contributions received for its programs and supporting services. There were no donor-imposed restrictions associated with any of the contributed nonfinancial assets received.

For the year ended December 31, 2022, Four Block received the following contributed nonfinancial assets and utilized them for the following programs and supporting services:

Type of Contributed Nonfinancial Asset	Valuation Methodology	Program Services	Management and General	Fundraising	Total
Accounting Services	\$500/month	\$ --	\$ 6,000	\$ --	\$ 6,000
Advertisements	Cost of advertisement	<u>1,277,940</u>	<u>--</u>	<u>--</u>	<u>1,277,940</u>
		<u>\$ 1,277,940</u>	<u>\$ 6,000</u>	<u>\$ --</u>	<u>\$ 1,283,940</u>

Note 11. Concentrations

During the year ended December 31, 2022, two contributors accounted for 32% and 29% of contributions of financial assets and grants, respectively.

During the year ended December 31, 2022, two service providers accounted for 58% and 41% of contributions of nonfinancial assets, respectively.

Note 12. Subsequent Events

Four Block has evaluated subsequent events through October 2, 2023, the date the financial statements were available to be issued. Four Block determined there are no subsequent events that require recognition or disclosure.