The W. Oscar Neuhaus Memorial Foundation

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

The W. Oscar Neuhaus Memorial Foundation

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Independent Auditors' Report

To Board of Trustees of
The W. Oscar Neuhaus Memorial Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The W. Oscar Neuhaus Memorial Foundation (Neuhaus), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years 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 Neuhaus as of December 31, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Neuhaus 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Neuhaus' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Neuhaus' 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 Neuhaus' 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.

Blazek & Vetterling

May 1, 2024

The W. Oscar Neuhaus Memorial Foundation

Statements of Financial Position as of December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 573,085	$ 306,808
Accounts receivable	163,562	500,687
Contributions receivable, net *(Note 4)*:		
Operating	598,864	502,931
Endowment	45,232	74,693
Educational material inventory	97,130	95,251
Prepaid expenses	92,207	99,863
Investments *(Note 5)*:		
Endowment	7,435,147	6,929,453
Designated for coaching and research reserves	728,500	728,500
Operating	1,272,198	2,313,872
Property and equipment, net *(Note 6)*	1,248,564	1,357,061
TOTAL ASSETS	$ 12,254,489	$ 12,909,119
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 197,558	$ 239,759
Accrued payroll costs	298,297	265,620
Refundable advances for future special events	123,800	161,275
Deferred tuition, consulting and educational material sales	376,147	59,082
Total liabilities	995,802	725,736
Net assets *(Note 3)*:		
Without donor restrictions	2,789,411	4,217,095
With donor restrictions	8,469,276	7,966,288
Total net assets	11,258,687	12,183,383
TOTAL LIABILITIES AND NET ASSETS	$ 12,254,489	$ 12,909,119

See accompanying notes to financial statements.

The W. Oscar Neuhaus Memorial Foundation

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND SUPPORT:			
Tuition *(Note 7)*	$ 2,429,897		$ 2,429,897
Sale of educational materials *(Note 7)*	942,148		942,148
Contributions	435,151	$ 1,254,253	1,689,404
Special events	514,150		514,150
Direct donor benefit costs	(111,486)		(111,486)
Net investment return	452,991	969,104	1,422,095
Total revenue, gains and support	4,662,851	2,223,357	6,886,208
Satisfaction of donor restrictions:			
Expenditures for program expenses	1,628,869	(1,628,869)	
Expiration of time restrictions	91,500	(91,500)	
Total	6,383,220	502,988	6,886,208
EXPENSES:			
Educational program services	5,524,135		5,524,135
Management and general	1,604,780		1,604,780
Fundraising	681,989		681,989
Total expenses	7,810,904		7,810,904
CHANGES IN NET ASSETS	(1,427,684)	502,988	(924,696)
Net assets, beginning of year	4,217,095	7,966,288	12,183,383
Net assets, end of year	$ 2,789,411	$ 8,469,276	$ 11,258,687

See accompanying notes to financial statements.

The W. Oscar Neuhaus Memorial Foundation

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND SUPPORT:			
Tuition *(Note 7)*	$ 3,001,305		$ 3,001,305
Consulting services *(Note 7)*	437,261		437,261
Sale of educational materials *(Note 7)*	1,468,546		1,468,546
Contributions	679,077	$ 1,108,685	1,787,762
Special events	377,353		377,353
Direct donor benefit costs	(120,862)		(120,862)
Net investment return	(749,712)	(870,241)	(1,619,953)
Total revenue, gains and support	5,092,968	238,444	5,331,412
Satisfaction of donor restrictions:			
Expenditures for program expenses	1,703,772	(1,703,772)	
Expiration of time restrictions	71,000	(71,000)	
Total	6,867,740	(1,536,328)	5,331,412
EXPENSES:			
Educational program services	5,414,125		5,414,125
Management and general	1,709,629		1,709,629
Fundraising	866,423		866,423
Total expenses	7,990,177		7,990,177
CHANGES IN NET ASSETS	(1,122,437)	(1,536,328)	(2,658,765)
Net assets, beginning of year	5,339,532	9,502,616	14,842,148
Net assets, end of year	$ 4,217,095	$ 7,966,288	$ 12,183,383

See accompanying notes to financial statements.

The W. Oscar Neuhaus Memorial Foundation

Statement of Functional Expenses for the year ended December 31, 2023

EXPENSES	EDUCATIONAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 4,089,776	$ 951,667	$ 520,608	$ 5,562,051
Other professional fees	364,237	308,270	67,502	740,009
Educational materials – cost of sales	460,620			460,620
IT and equipment rental and maintenance	48,953	229,562	29,264	307,779
Occupancy	124,076	35,753	11,572	171,401
Travel and mileage	91,255	11,283	3,403	105,941
Conferences and meetings	74,133	10,159	6,063	90,355
Postage and delivery	72,280	627	1,767	74,674
Printing and publications	24,254	4,405	23,963	52,622
Office supplies	23,111	5,508	7,454	36,073
Student scholarships	31,398			31,398
Telephone	17,954	7,301	1,679	26,934
Bank fees		26,550		26,550
Total expenses before depreciation	5,422,047	1,591,085	673,275	7,686,407
Depreciation	102,088	13,695	8,714	124,497
Total expenses	$ 5,524,135	$ 1,604,780	$ 681,989	7,810,904
Direct donor benefit costs				111,486
Total				$ 7,922,390

See accompanying notes to financial statements.

The W. Oscar Neuhaus Memorial Foundation

Statement of Functional Expenses for the year ended December 31, 2022

EXPENSES	EDUCATIONAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 3,968,858	$ 965,861	$ 603,309	$ 5,538,028
Other professional fees	179,047	388,543	135,656	703,246
Educational materials – cost of sales	622,071			622,071
IT and equipment rental and maintenance	118,235	221,111	36,422	375,768
Occupancy	109,015	20,054	7,816	136,885
Travel and mileage	107,513	14,333	3,280	125,126
Conferences and meetings	72,132	21,952	8,516	102,600
Postage and delivery	81,330	1,365	19,100	101,795
Printing and publications	13,701	2,056	15,576	31,333
Office supplies	21,445	9,708	31,311	62,464
Student scholarships	34,890			34,890
Telephone	19,288	15,694	1,383	36,365
Bank fees		27,476		27,476
Bad debt		11,076		11,076
Total expenses before depreciation	5,347,525	1,699,229	862,369	7,909,123
Depreciation	66,600	10,400	4,054	81,054
Total expenses	$ 5,414,125	$ 1,709,629	$ 866,423	7,990,177
Direct donor benefit costs				120,862
Total				$ 8,111,039

See accompanying notes to financial statements.

The W. Oscar Neuhaus Memorial Foundation

Statements of Cash Flows for years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (924,696)	$ (2,658,765)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for endowment	(30,525)	(100,000)
Depreciation	124,497	81,055
Net realized and unrealized (gain) loss on investments	(1,185,876)	1,787,876
Changes in operating assets and liabilities:		
Accounts receivable	337,125	333,759
Contributions receivable	(95,933)	(258,952)
Educational material inventory	(1,879)	20,280
Prepaid expenses	7,656	27,857
Accounts payable and accrued expenses	(42,201)	8,817
Accrued payroll costs	32,677	44,187
Refundable advances for future special events	(37,475)	11,775
Deferred tuition, consulting and educational material sales	317,065	(103,547)
Net cash used by operating activities	(1,499,565)	(805,658)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	1,482,992	883,754
Proceeds from sales and maturities of investments	553,417	27,765
Purchases of investments	(314,553)	(176,424)
Purchases of property and equipment	(16,000)	(150,605)
Net cash provided by investing activities	1,705,856	584,490
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	59,986	25,307
NET CHANGE IN CASH	266,277	(195,861)
Cash, beginning of year	306,808	502,669
Cash, end of year	$ 573,085	$ 306,808

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – The W. Oscar Neuhaus Memorial Foundation, doing business as Neuhaus Education Center (Neuhaus), was established in 1980 to provide evidence-based professional learning to educators in public and private schools, provide information and resources to families, and to offer direct services to adult learners. Neuhaus is dedicated to promoting reading success for all. Neuhaus provided on-site, online and distance learning to 3,118 teachers during 2023 and to 3,617 teachers during 2022. Neuhaus' facilities are located in Houston, Texas.

Neuhaus closely monitors current research being done on reading instruction and reading disorders for findings to be incorporated into its instructional programs. This commitment to providing the most up-to-date, scientifically researched methods is what makes Neuhaus unique in its field and ensures that teachers and students are offered the most effective programs available. The Teacher Professional Development Program consists of approximately thirty classes, in the areas of Phonemic Awareness; Instant Letter Recognition; Sequencing and Decoding Skills; Listening/Reading Comprehension; Scientific Spelling; Multisensory Handwriting, Grammar, Syntax, and Paragraph Structure; and Oral Language Development. Also, teachers are offered classes on how to apply the results of various intervention studies on metacognitive skills, language enrichment, and literacy for their readers.

In response to COVID-19, working remotely became a necessity. As a result, Neuhaus successfully transitioned to a virtual learning environment for the delivery of courses and coaching. The transition initially included restructuring Neuhaus courses for a completely virtual delivery system, followed by the training and preparing of Neuhaus instructors in the use of technology for confident delivery of virtual teacher training and coaching.

Federal income tax status – Neuhaus is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Accounts receivable are from private and public school districts and educational agencies for tuition, consulting services and sale of educational materials and are based on amounts that reflect the consideration to which Neuhaus expects to be entitled in exchange for services provided. Neuhaus assesses collectability on all accounts prior to providing services, does not require collateral, and does not provide financing. Neuhaus reviews outstanding balances and determines collectability of its receivables based on past experience with its customers. Subsequent changes to the estimate of the transaction price are recorded as adjustments to revenue in the period of change. Subsequent changes to the consideration Neuhaus expects to receive that are determined to be the result of an adverse change in the customer's ability to pay (change in credit risk) are recorded as bad debt expense. Neuhaus has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes of an adverse change in the patient's ability to pay for the periods reported. Neuhaus believes that all accounts receivable at December 31, 2023 will be fully collected. Accordingly, no allowance for doubtful accounts is provided. Accounts receivable were $163,562, $500,687, and $834,446 at December 31, 2023, 2022, and 2021, respectively.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Educational material inventory is reported at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Investment return is reported in the statement of activities as an increase in *net assets without donor restrictions* unless the use of the income is limited by donor-imposed restrictions. Net investment return whose use is restricted by the donor is reported as a change in *net assets with donor restrictions* until expended in accordance with donor-imposed restrictions.

Property and equipment is reported at cost if purchased and at estimated fair value at the date of gift if donated. Neuhaus capitalizes property with a cost or fair value of $3,000 or greater and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years for buildings and improvements, 3 to 7 years for furniture, fixtures, and equipment, and 5 years for the professional library.

Revenue from contracts with customers is derived primarily from tuition, consulting services and sale of educational materials to individuals, private and public school districts, and educational agencies in Texas, Alabama, the Northeast and the East Coast regions. Revenue is recognized when the services are provided to a customer in an amount that reflects the consideration that Neuhaus expects to be entitled to receive in exchange for those services. Teacher scholarships reduce the amount of consideration that Neuhaus expects to be entitled to receive, and tuition is presented net of teacher scholarships. Neuhaus awarded scholarships of $12,522 and $6,205 in fiscal years 2023 and 2022, respectively.

Revenue from contracts with individuals is collected in advance and is deferred until performance obligations are met. Revenue from contracts with private and public school districts and educational agencies is invoiced on the basis of negotiated contracts for these goods and services. Payments are due 30 days from the invoice date. Any amounts collected in advance are deferred until the services have been provided, which is generally within one year. The nature of these services does not give rise to contract costs or any variable considerations, warranties or other related obligations. Tuition, consulting services and sale of educational materials collected in advance were $376,147, $59,082 and $162,629 at December 31, 2023, 2022, and 2021, respectively.

Performance obligations related to revenue from contracts with customers for face-to-face tuition, web-based tuition, and consulting services are satisfied over time and the sale of educational materials is satisfied at a point in time. Face-to-face tuition contracts include in-person and virtual classes, as well as mentoring services for a one-year period. Revenue is allocated to the one-year performance obligations based on the input method. Revenue for the in-person and virtual classes is recognized as the classes occur and revenue for the one-year mentoring program is recognized ratably over the one-year period that the participant can access the mentoring services. Web-based instruction tuition revenue is recognized ratably over time for the duration of the web-based instruction subscription. Consulting services are a bundle of services which are recognized over time using the output method as the services are provided. For performance obligations related to the sale of educational materials, revenue is recognized at the point in time when the materials are shipped to the customer.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as a refundable advance until earned. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special event.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage. Information technology, telephone, postage, supplies, and local travel are allocated based on the number of employees.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	2023	2022
Financial assets:		
Cash	$ 573,085	$ 306,808
Accounts receivable	163,562	500,687
Contributions receivable, net	644,096	577,624
Investments	9,435,845	9,971,825
Total financial assets	10,816,588	11,356,944
Less financial assets not available for general expenditure:		
Endowment investments less amounts appropriated for upcoming year	(6,997,170)	(6,557,531)
Board-designated reserve funds:		
Secondary HISD teacher coaching	(450,000)	(450,000)
Research assistants and program evaluation	(278,500)	(278,500)
Contributions receivable restricted for endowment	(45,232)	(74,693)
Contributions receivable not due within one year	(25,000)	(100,000)
Total financial assets available for general expenditure	$ 3,020,686	$ 3,896,220

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Neuhaus considers all expenditures related to its ongoing educational activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

To help manage unanticipated liquidity needs, Neuhaus has authorized a $1,500,000 revolving promissory note from the endowment; the full amount is available to be drawn upon at December 31, 2023. Additionally, Neuhaus has board-designated reserves of $728,500, which could be drawn upon, if necessary.

NOTE 3 – NET ASSETS

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Net assets with donor restrictions

Net assets with donor restrictions are restricted as follows:

	2023	2022
Subject to expenditure for specified purpose:		
Strategic planning	$ 300,000	
Adult literacy	287,685	$ 554,604
Professional development	263,612	218,519
Other	61,500	22,499
Total subject to expenditure for specified purpose	912,797	795,622
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	76,100	166,500
Endowments subject to spending policy and appropriation:		
Professional development	2,165,107	2,219,746
Adult literacy	2,037,359	1,857,696
General operations	1,439,934	1,248,171
Parent resources	1,371,778	1,249,745
Other	466,201	428,808
Total endowments	7,480,379	7,004,166
Total net assets with donor restrictions	$ 8,469,276	$ 7,966,288

Endowment funds

Neuhaus has donor-restricted endowment funds to support operations, which are maintained in accordance with explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of Trustees (the Board) of Neuhaus has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation, allowing Neuhaus' Board to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for the uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, Neuhaus classifies contributions to the endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. The portion of the endowment not required to be maintained in perpetuity is classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

Investment and Spending Policies

Neuhaus has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other activities supported by its endowment, including those endowments deemed to be underwater, while seeking to maintain the purchasing power of the endowment. Under Neuhaus' policy, endowment assets are invested in a manner that is intended to produce an annualized real or inflation-adjusted return of at least 5%, although actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, Neuhaus seeks to diversify across asset classes.

Neuhaus has a policy of appropriating for distribution each year 5% of the preceding three-year average of endowment *net assets with donor restrictions*. In establishing this policy, Neuhaus considered the long-term expected return on its endowment and the standards of prudence prescribed by TUPMIFA. Accordingly, over the long term, Neuhaus expects the current spending policy to meet its objective of maintaining the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Neuhaus has established a $1.5 million revolving line of credit with the endowment bearing interest at 2.00% in fiscal year 2022, and it is considered a short-term, fixed-income investment within the endowment portfolio allocation. Interest income of $15,282 was allocated to the endowment in fiscal year 2022. The loan was paid off in fiscal year 2022.

Endowment net asset composition as of December 31:

	2023 WITH DONOR RESTRICTIONS	2022 WITH DONOR RESTRICTIONS
Donor-restricted endowment funds:		
Original donor-restricted gift and amounts required to be maintained in perpetuity	$ 7,408,285	$ 7,199,525
Accumulated net investment gains	694,947	363,624
Accumulated investment deficits	(622,853)	(558,983)
Endowment net assets	$ 7,480,379	$ 7,004,166

An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent spending. At December 31, 2023, funds with original gift values of $3,208,884, fair values of $2,586,031, and deficiencies of $622,853 were reported in *net assets with donor restrictions*. At December 31, 2022, funds with original gift values of $3,030,648, fair values of $2,471,665, and deficiencies of $558,983 were reported in *net assets with donor restrictions*.

Changes in endowment net assets are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2021	$ 1,015,072	$ 7,099,525	$ 8,114,597
Net investment return	(870,241)		(870,241)
Contributions		100,000	100,000
Distributions	(340,190)		(340,190)
Endowment net assets, December 31, 2022	(195,359)	7,199,525	7,004,166
Net investment return	790,869	178,235	969,104
Contributions		30,525	30,525
Distributions	(523,416)		(523,416)
Endowment net assets, December 31, 2023	$ 72,094	$ 7,408,285	$ 7,480,379

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2023	2022
Contributions receivable	$ 666,753	$ 593,093
Discount to net present value at 7.5%	(22,657)	(15,469)
Contributions receivable, net	$ 644,096	$ 577,624

Contributions receivable at December 31, 2023 are expected to be collected as follows:

2024	$ 446,669
2025	145,084
2026	75,000
Total	$ 666,753

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All of Neuhaus' investments are measured at fair value using Level 1 inputs which are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

Assets measured at fair value using Level 1 inputs are as follows:

	2023	2022
Investments measured at fair value using Level 1 inputs:		
Equity mutual funds:		
Large blend index fund	$ 4,007,874	$ 3,622,942
International large blend	2,543,833	2,202,843
Fixed-income mutual funds:		
Intermediate-term bond	1,274,338	1,167,217
International bond	765,552	697,076
Short-term bond	508,529	463,036
Money market mutual funds	335,719	1,818,711
Total assets measured at fair value using Level 1 inputs	$ 9,435,845	$ 9,971,825

Mutual funds are valued at the reported net asset value. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Neuhaus believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2023	2022
Land	$ 479,004	$ 479,004
Buildings and improvements	2,136,918	2,136,918
Furniture, fixtures, and equipment	1,232,754	1,232,754
Software	144,000	
Work in progress		128,000
Professional library	81,865	81,865
Total property and equipment, at cost	4,074,541	4,058,541
Accumulated depreciation	(2,825,977)	(2,701,480)
Property and equipment, net	$ 1,248,564	$ 1,357,061

NOTE 7 – TUITION, CONSULTING SERVICES AND SALE OF EDUCATIONAL MATERIALS

Neuhaus disaggregates revenue from contracts with customers by type of services and payor source as this depicts the nature, amount, timing, and uncertainty of cash flows as affected by economic factors. Revenue from contracts with customers consists of the following:

	2023				
	OVER TIME			POINT-IN-TIME	
	LIVE TUITION	ON DEMAND TUITION	CONSULTING SERVICES	SALE OF EDUCATIONAL MATERIALS	TOTAL
Individuals	$ 215,955	$ 74,196		$ 124,341	$ 414,492
Private and public school districts and educational agencies	1,436,144	703,602		817,807	2,957,553
Total	$ 1,652,099	$ 777,798	$ 0	$ 942,148	$ 3,372,045

	2022				
	OVER TIME			POINT-IN-TIME	
	LIVE TUITION	ON DEMAND TUITION	CONSULTING SERVICES	SALE OF EDUCATIONAL MATERIALS	TOTAL
Individuals	$ 207,415	$ 35,925	$ 21,980	$ 131,676	$ 396,996
Private and public school districts and educational agencies	2,242,624	515,341	415,281	1,336,870	4,510,116
Total	$ 2,450,039	$ 551,266	$ 437,261	$ 1,468,546	$ 4,907,112

NOTE 8 – RETIREMENT PLAN

Neuhaus has a §401(k) plan that covers all employees. Employees may make contributions up to 90% of their compensation as defined by the plan, subject to certain limitations under the Internal Revenue Code. Neuhaus' contributions are discretionary and are reviewed on an annual basis. Neuhaus made contributions of $124,043 and $133,766 during the years ended 2023 and 2022, respectively.

NOTE 9 – CONCENTRATIONS

Neuhaus has a contract with IDEA Public Schools to provide professional development to administrators and teachers during the 2021-2022 and 2022-2023 school years. Tuition and sale of educational materials recognized during the year ended December 31, 2023 related to these contracts were approximately $248,000 and $170,000, respectively. Tuition and consulting services and sale of educational materials recognized during the year ended December 31, 2022 related to these contracts were approximately $42,000 and $23,000, respectively.

Neuhaus has a contract with the Alabama State Department of Education to provide professional development to administrators and teachers during the 2021-2022, 2022-2023, and 2023-2024 school years. Tuition and sale of educational materials recognized during the year ended December 31, 2023 related to these contracts were approximately $907,000 and $11,000, respectively. Tuition and consulting services and sale of educational materials recognized during the year ended December 31, 2022 related to these contracts were approximately $1,477,000 and $422,000, respectively.

In 2023, contributions from four donors totaled approximately $650,000 or 38% of total contributions. In 2022, contributions from three donors totaled approximately $651,000 or 36% of total contributions.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.