

Candid

Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

The Board of Trustees Candid

Opinion

We have audited the accompanying financial statements of Candid, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Candid as of December 31, 2022 and 2021, 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 Financial Statements section of our report. We are required to be independent of Candid 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 a Matter

As discussed in Note 9 to the financial statements, Candid adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective January 1, 2022. Our opinion is not modified with respect to that matter.

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 Candid's ability to continue as a going concern within 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 the 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 Candid's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 Candid'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.

PKF O'Connor Davies, LLP

May 11, 2023

Candid

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Cash	\$ 4,214,950	\$ 2,843,402
Restricted cash - letter of credit	-	542,122
Investments (note 4)	60,341,942	70,046,423
Grants receivable, net (note 5)	1,842,204	897,882
Accounts receivable, net	1,501,696	2,360,556
Prepaid expenses and other assets	739,177	547,603
Right of use assets - operating leases, net (note 9)	11,467,719	-
Property and equipment, net (note 6)	10,810,808	10,768,050
	<u>\$ 90,918,496</u>	<u>\$ 88,006,038</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,124,255	\$ 3,458,679
Deferred revenue	13,751,000	13,271,662
Deferred rent	-	3,364,923
Lease liabilities (note 9)	14,560,460	-
Postretirement healthcare benefits (note 8)	1,021,492	1,333,411
Total Liabilities	<u>31,457,207</u>	<u>21,428,675</u>
Net Assets		
Without donor restrictions (note 10)	51,126,666	58,417,640
With donor restrictions (notes 10 and 11)	8,334,623	8,159,723
Total Net Assets	<u>59,461,289</u>	<u>66,577,363</u>
	<u>\$ 90,918,496</u>	<u>\$ 88,006,038</u>

See notes to financial statements

Candid

Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Foundation and corporate contributions	\$ 3,471,342	\$ 3,706,401	\$ 7,177,743
Product revenues	32,245,979	-	32,245,979
Program service and other fees	85,705	-	85,705
Rental income	29,297	-	29,297
	<u>35,832,323</u>	<u>3,706,401</u>	<u>39,538,724</u>
Net asset released from restrictions	<u>2,699,547</u>	<u>(2,699,547)</u>	<u>-</u>
Total Operating Revenue	<u>38,531,870</u>	<u>1,006,854</u>	<u>39,538,724</u>
OPERATING EXPENSES			
Program Services			
Data collection and publications	19,816,938	-	19,816,938
Library/learning centers and other public services	7,602,932	-	7,602,932
Research and other programs	1,314,186	-	1,314,186
Total Program Services	<u>28,734,056</u>	<u>-</u>	<u>28,734,056</u>
Supporting Services			
General and administrative	10,026,811	-	10,026,811
Fundraising	1,055,083	-	1,055,083
Total Supporting Services	<u>11,081,894</u>	<u>-</u>	<u>11,081,894</u>
Total Operating Expenses	<u>39,815,950</u>	<u>-</u>	<u>39,815,950</u>
(Deficiency) Excess of Operating Revenue Over Operating Expenses	<u>(1,284,080)</u>	<u>1,006,854</u>	<u>(277,226)</u>
NON-OPERATING ACTIVITIES			
Investment return (notes 5 and 11)	(5,871,951)	(831,954)	(6,703,905)
Loss on the disposal of property and equipment	(4,208)	-	(4,208)
Rent obligation exit	(402,734)	-	(402,734)
Postretirement changes other than net periodic benefit cost (note 8)	271,999	-	271,999
Total Non-Operating Activities	<u>(6,006,894)</u>	<u>(831,954)</u>	<u>(6,838,848)</u>
Change in Net Assets	(7,290,974)	174,900	(7,116,074)
NET ASSETS			
Beginning of year	<u>58,417,640</u>	<u>8,159,723</u>	<u>66,577,363</u>
Ended of year	<u>\$ 51,126,666</u>	<u>\$ 8,334,623</u>	<u>\$ 59,461,289</u>

See notes to financial statements

Candid

Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Foundation and corporate contributions	\$ 17,687,625	\$ 5,984,799	\$ 23,672,424
Product revenues	31,034,819	-	31,034,819
Program service and other fees	423,640	-	423,640
Rental income	20,000	-	20,000
	<u>49,166,084</u>	<u>5,984,799</u>	<u>55,150,883</u>
Net asset released from restrictions	14,364,315	(14,364,315)	-
Total Operating Revenue	<u>63,530,399</u>	<u>(8,379,516)</u>	<u>55,150,883</u>
OPERATING EXPENSES			
Program Services			
Data collection and publications	19,707,435	-	19,707,435
Library/learning centers and other public services	10,273,140	-	10,273,140
Research and other programs	2,420,510	-	2,420,510
Total Program Services	<u>32,401,085</u>	<u>-</u>	<u>32,401,085</u>
Supporting Services			
General and administrative	10,058,020	-	10,058,020
Fundraising	1,272,013	-	1,272,013
Total Supporting Services	<u>11,330,033</u>	<u>-</u>	<u>11,330,033</u>
Total Operating Expenses	<u>43,731,118</u>	<u>-</u>	<u>43,731,118</u>
Excess (Deficiency) of Operating Revenue Over Operating Expenses	<u>19,799,281</u>	<u>(8,379,516)</u>	<u>11,419,765</u>
NON-OPERATING ACTIVITIES			
Investment return (notes 5 and 11)	4,027,538	555,058	4,582,596
Loss on the disposal of property and equipment	(98,042)	-	(98,042)
Postretirement changes other than net periodic benefit cost (note 8)	232,732	-	232,732
Total Non-Operating Activities	<u>4,162,228</u>	<u>555,058</u>	<u>4,717,286</u>
Change in Net Assets	23,961,509	(7,824,458)	16,137,051
NET ASSETS			
Beginning of year	<u>34,456,131</u>	<u>15,984,181</u>	<u>50,440,312</u>
Ended of year	<u>\$ 58,417,640</u>	<u>\$ 8,159,723</u>	<u>\$ 66,577,363</u>

See notes to financial statements

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Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				General and Administrative	Fundraising	Total
	Data Collection and Publications	Library/Learning Centers and Other Public Services	Research and Other Programs	Total Program Services			
PERSONNEL COSTS							
Salaries and benefits	\$ 13,076,944	\$ 5,427,031	\$ 1,004,170	\$ 19,508,145	\$ 4,238,963	\$ 819,515	\$ 24,566,623
OTHER THAN PERSONNEL COSTS							
Advertising	646,745	55,173	-	701,918	8,067	-	709,985
Computer hardware and supplies	1,823,061	590,139	95,710	2,508,910	976,665	74,561	3,560,136
Depreciation	1,334,529	512,002	88,501	1,935,032	868,863	71,052	2,874,947
Equipment rental and leases	8,569	3,288	1,401	13,258	39,468	456	53,182
Insurance	98,949	37,963	6,562	143,474	64,422	5,268	213,164
Bad debt expense	-	-	-	-	520,390	-	520,390
Bank charges	-	-	-	-	538,690	-	538,690
Member and registration fees	56,455	58,910	6,314	121,679	208,946	5,417	336,042
Other	65,079	24,695	3,821	93,595	145,582	3,671	242,848
Printing and postage	34,738	8,910	577	44,225	4,788	435	49,448
Professional fees / contracted services	1,408,867	296,059	18,175	1,723,101	1,413,716	2,179	3,138,996
Rent and related costs	1,040,709	399,277	69,016	1,509,002	677,569	55,409	2,241,980
Travel and entertainment	155,367	156,133	14,182	325,682	286,565	13,869	626,116
Utilities and telephone	66,926	33,352	5,757	106,035	34,117	3,251	143,403
Total Operating Expenses	<u>\$ 19,816,938</u>	<u>\$ 7,602,932</u>	<u>\$ 1,314,186</u>	<u>\$ 28,734,056</u>	<u>\$ 10,026,811</u>	<u>\$ 1,055,083</u>	<u>\$ 39,815,950</u>

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Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services				General and Administrative	Fundraising	Total
	Data Collection and Publications	Library/Learning Centers and Other Public Services	Research and Other Programs	Total Program Services			
PERSONNEL COSTS							
Salaries and benefits	\$ 13,265,140	\$ 7,241,242	\$ 1,896,361	\$ 22,402,743	\$ 4,720,109	\$ 1,015,615	\$ 28,138,467
OTHER THAN PERSONNEL COSTS							
Advertising	731,738	70,930	-	802,668	750	-	803,418
Computer hardware and supplies	1,495,762	661,538	151,920	2,309,220	769,947	74,282	3,153,449
Depreciation	1,079,077	551,314	129,898	1,760,289	651,198	68,263	2,479,750
Equipment rental and leases	11,723	5,989	1,411	19,123	7,074	742	26,939
Insurance	57,333	29,292	6,902	93,527	34,599	3,627	131,753
Bad debt expense	-	-	-	-	400,000	-	400,000
Bank charges	-	-	-	-	578,050	-	578,050
Member and registration fees	34,342	123,336	4,552	162,230	277,637	604	440,471
Other	69,739	58,358	8,320	136,417	597,660	4,463	738,540
Printing and postage	11,688	8,166	610	20,464	4,076	320	24,860
Professional fees / contracted services	1,694,235	862,440	65,022	2,621,697	1,227,895	11,851	3,861,443
Rent and related costs	1,123,949	574,230	135,300	1,833,479	678,096	71,102	2,582,677
Travel and entertainment	31,091	28,200	7,490	66,781	57,879	15,164	139,824
Utilities and telephone	101,618	58,105	12,724	172,447	53,050	5,980	231,477
Total Operating Expenses	\$ 19,707,435	\$ 10,273,140	\$ 2,420,510	\$ 32,401,085	\$ 10,058,020	\$ 1,272,013	\$ 43,731,118

See notes to financial statements

Candid

Statements of Cash Flows

	For the Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,116,074)	\$ 16,137,051
Adjustments to reconcile change in net assets to net cash from operating activities		
Postretirement changes other than net periodic benefit cost	(271,999)	(232,732)
Depreciation and amortization	2,874,947	2,479,750
Amortization of right of use assets - operating lease	1,298,908	-
Change in discount on grants receivable	61,305	-
Change in allowance on accounts receivable	(391,813)	(134,889)
Bad debt expense	520,390	400,000
Deferred rent	-	(278,416)
Loss on disposal of property and equipment	4,208	98,042
Realized and unrealized loss (gain) on investments	7,678,863	(4,580,723)
Changes in operating assets and liabilities		
Grants receivable	(1,005,627)	2,006,325
Accounts receivable	730,283	617,878
Prepaid expenses and other assets	(191,574)	(11,464)
Accounts payable and accrued expenses	(1,334,424)	1,726,440
Deferred revenue	479,338	1,457,711
Lease liabilities	(1,571,090)	-
Accumulated postretirement benefit obligation	(39,920)	(40,454)
Net Cash from Operating Activities	<u>1,725,721</u>	<u>19,644,519</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(77,707,731)	(42,478,810)
Proceeds from sale of investments	79,733,349	27,557,126
Acquisition of property and equipment	(2,921,913)	(2,927,391)
Net Cash from Investing Activities	<u>(896,295)</u>	<u>(17,849,075)</u>
Net Change in Cash and Restricted Cash	829,426	1,795,444
CASH AND RESTRICTED CASH		
Beginning of year	<u>3,385,524</u>	<u>1,590,080</u>
End of year	<u>\$ 4,214,950</u>	<u>\$ 3,385,524</u>

See notes to financial statements

Candid

Notes to Financial Statements December 31, 2022 and 2021

1. Organization and Tax Status

Candid (the “Organization”) is a not-for-profit organization exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization that is not a private foundation. Candid’s mission is to get you the information you need to do good. Every year, millions of nonprofits spend trillions of dollars around the world. Candid finds out where that money comes from, where it goes, and why it matters. Through research, collaboration, and training, Candid connects people who want to change the world to the resources they need to do it. Candid's data tools on nonprofits, foundations, and grants are the most comprehensive in the world.

Candid has offices in New York, Williamsburg, and Atlanta as well as data and research partners in Asia, Africa, Europe, and Latin America.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

Effective January 1, 2022, Candid adopted FASB Topic 842 (“ASC 842”), Leases, using the effective date method with January 1, 2022, as the date of initial adoption, with certain practical expedients available.

Candid elected the available practical expedients to accounting for its existing operating lease as operating lease, under the new guidance, without reassessing (a) whether the contracts contain lease under the new standard, (b) whether the classification of capital lease or operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs in the new guidance at lease commencement.

Accordingly, Candid will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligations is incurred. Upon adoption of ASC 842, on January 1, 2022, Candid recognized lease liabilities of \$16,122,239, that represents the present value of the remaining operating lease payments of \$17,324,804, discounted using a risk-free interest rate ranging from 1.6% to 3.39%. On January 1, 2022, Candid also recognized right-of-use assets (“ROU assets”) of \$12,766,627, net of deferred rent of \$3,364,923.

The standard had a material impact on Candid’s financial position but did not have an impact on its statement of activities and cash flow. The most significant impact was recognition of the ROU assets and lease liabilities for its operating lease.

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Notes to Financial Statements December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Classifications

Candid reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions - Resources that are fully available at the discretion of management and the Board of Trustees (the "Board"), for use in activities within Candid's charter and mission. The Board has designated a portion of Candid's net assets for various purposes. Board-designated net assets consist of endowments within Candid's institutional funds that donors do not require to be held in perpetuity and related investment income, or asset appreciation, that have been designated by the Board for long-term investment and other purposes.

With donor restrictions - Represent amounts restricted by donors to be used for specific activities or at some future date, or which require Candid to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the "without donor restrictions" or "with donor restrictions" net asset classes based upon stipulations by the donors.

Cash

Candid considers all liquid investments purchased with a remaining maturity of three months or less to be cash equivalents, with the exception of those money market funds which are included in investments.

Restricted Cash

Restricted cash consists of cash set aside as collateral under the terms of the letter of credit agreement related to a lease agreement. Cash and restricted cash consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,214,950	\$ 2,843,402
Restricted cash	<u>-</u>	<u>542,122</u>
Total Cash and Restricted Cash Shown on the Statements of Cash Flows	<u>\$ 4,214,950</u>	<u>\$ 3,385,524</u>

Candid

Notes to Financial Statements December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Fair Value Measurements

Candid follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Candid follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using net asset value ("NAV") as a practical expedient.

Investments Valuation and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the average cost basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investment Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

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Notes to Financial Statements December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable represent subscription and other charges earned but not yet collected. Accounts receivables are presented net of allowances for doubtful accounts. Interest is not accrued or recorded on outstanding receivables. As of January 1, 2021, accounts receivable amounted to \$4,340,058. As of January 1, 2021, deferred revenue amounted to \$11,813,951.

Grants Receivable

Revenue is recognized by Candid when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Candid. Unconditional promises to give are recorded at net realizable value. Promises to contribute that are open-ended and subject to conditions by a potential donor are not recognized until the conditions imposed by the donor are satisfied.

Contributions received are reported as without donor restrictions unless the gift was received with donor stipulations that limit the use of the donated amount and as such, are recognized as with donor restrictions.

Allowance for Accounts Doubtful for Collection

Candid determines whether an allowance for uncollectible balances should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off when all reasonable collection efforts have been exhausted. The allowance for doubtful accounts was \$839,589 and \$1,231,402 at December 31, 2022 and 2021.

Operating Leases

As of January 1, 2022, Candid leases various office spaces under operating lease agreements through December 2030.

Operating leases are included in ROU assets and lease liabilities in the accompanying statement of financial position. ROU assets represent the right of use of an underlying asset for the lease term and lease liability represent the obligation to make lease payments arising from the lease. Operating leases ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Candid will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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Notes to Financial Statements December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Operating Leases (continued)

Candid's lease agreements do not provide an implicit borrowing rate. Candid uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Candid's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Candid has lease agreements with lease and non-lease components, which are generally accounted for separately. Variable lease components in these leases are common area maintenance, utilities, and real estate taxes and are recognized in operating expenses in the period in which the obligation is incurred.

Property and Equipment

Candid follows the practice of capitalizing all expenditures for property and equipment with a useful life greater than one year and a cost greater than \$5,000. Assets are recorded at cost or in the case of gift, at the fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	7 – 10 years
Computer hardware	5 years
Capitalized software	3 – 10 years

Leasehold improvements are amortized over the shorter of the remaining term of the leases or useful lives. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. Management concluded there were no asset impairments for the years ended December 31, 2022 and 2021.

Revenue Recognition

Candid derives its revenues from two sources: (1) subscription revenues, such as Candid's software licenses for certain databases and from customers paying for additional support beyond services in the basic subscription fees; and (2) related professional services, such as data-driven tools and trainings.

Candid recognizes revenue when a customer obtains control of promised products or services, in an amount that reflects the consideration expected to be received in exchange for those products or services. Candid follows the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when, or as, Candid satisfies the performance obligation.

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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Revenue Recognition (continued)

Candid accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration expected to be transferred is probable. Candid applies judgment in determining the customer's ability and intention to pay for services expected to be transferred, which is based on factors including the customer's payment history, management's ability to mitigate exposure to credit risk and experience selling to similarly situated customers. Since the transaction price is fixed and generally does not change, variable consideration is insignificant.

Performance obligations within a contract are identified based on the products or services promised to be transferred in the contract. When a contract includes more than one promised product or service, Candid must apply judgment to determine whether the promises represent multiple performance obligations or a single, combined performance obligation. This evaluation requires Candid to determine if the promises are both capable of being distinct, where the customer can benefit from the product or service on its own or together with other resources readily available, and are distinct within the context of the contract, where the transfer of products or services is separately identifiable from other promises in the contract. When both criteria are met, each promised product or service is accounted for as a separate performance obligation.

Subscription fees and Candid's software licenses are offered to customers for a specified period of time, generally one year or more, and the fees are generally billed monthly or quarterly, in advance. Fees for licenses and the related services are recognized ratably over the contract period. Revenues from distinct licenses are generally recognized upfront when the software is made available to the customer. In cases where Candid allocates revenue to software updates and support revenue is recognized as the updates are provided, which is generally ratably over the contract term. Candid also provides consulting and other professional services to certain customers. Revenue from professional services is recognized as the services are provided when collectability is reasonably assured. Revenue billed in excess of the amounts recognized are recorded as deferred income.

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Measure of Operations

Candid has elected to present their activities as either operating or non-operating in its statements of activities. Accordingly, items affecting operations are segregated from those not affecting operations. In addition, investment return and postretirement changes other than net periodic benefit cost are treated as non-operating.

Candid

Notes to Financial Statements December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Candid's program expenses include Data Collection and Publications, Library/Learning Centers and Other Public Services, and Research and Other Programs. Candid's supporting services expenses include general and administrative and fundraising. Expenses reported by functional categories include allocations of costs for operations and depreciation and amortization expense. Candid allocates costs among the program and supporting functions based on the total salaries per program.

Advertising

Advertising costs are expensed as incurred and totaled \$709,985 and \$803,418 in 2022 and 2021.

Accounting for Uncertainty in Income Taxes

Candid recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Candid had no uncertain tax positions that would require financial statement recognition or disclosure. Candid is no longer subject to examination by the applicable jurisdictions for periods prior to December 31, 2019.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 11, 2023.

Candid

Notes to Financial Statements December 31, 2022 and 2021

3. Concentration of Credit Risk

Candid maintains cash in bank accounts which at times may exceed federally insured limits. This potentially subjects Candid to a concentration of credit risk. Concentrations of credit risk with respect to receivables are generally diversified. Candid invests its assets in a variety of securities such as mutual funds, exchange traded funds and fixed income. Candid routinely assesses the diversification and financial strength of its cash and investment portfolio with the assistance of an independent investment consultant. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit. As of December 31, 2022 and 2021, Candid's uninsured cash and cash equivalents on deposit totaled approximately \$3,965,000 and \$3,136,000. As of December 31, 2022 and 2021, Candid's uninsured investment holdings totaled approximately \$59,842,000 and \$69,546,000.

4. Investments

Investments at December 31 are as follows:

	2022		
	Level 1	Level 2	Total
Mutual funds	\$ 29,808,667	\$ -	\$ 29,808,667
Exchange traded funds	3,158,024	-	3,158,024
Fixed income	-	13,823,560	13,823,560
Total Investments Measured at Fair Value	<u>\$ 32,966,691</u>	<u>\$ 13,823,560</u>	46,790,251
Investment cash, at cost			13,551,691
Total Investments			<u>\$ 60,341,942</u>

	2021	
	Investments Valued Using NAV*	Total
Multi-strategy equity fund	\$ 36,371,181	\$ 36,371,181
Multi-strategy bond fund	12,670,010	12,670,010
Total Investments Measured at Fair Value	<u>\$ 49,041,191</u>	49,041,191
Money market funds, at cost		21,005,232
Total Investments		<u>\$ 70,046,423</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

The Board has approved an annual spending rate of up to 4.5% of the average fair value of the investments managed by the investment manager at the end of the three preceding years. The actual spending rate for the years ended December 31, 2022 and 2021 was 0%.

Candid

Notes to Financial Statements December 31, 2022 and 2021

4. Investments *(continued)*

The composition of investment return as reported in the statements of activities for the years ended December 31, was as follows:

	2022	2021
Interest and dividends, net	\$ 974,958	\$ 1,873
Unrealized and realized (loss) gain	<u>(7,678,863)</u>	<u>4,580,723</u>
Total Return on Investments	<u><u>\$ (6,703,905)</u></u>	<u><u>\$ 4,582,596</u></u>

5. Grants Receivable

Grants receivable consist of the following at December 31:

	2022	2021
Grants receivable, due to be collected as follows:		
Due within one year	\$ 1,093,509	\$ 599,548
Due within two to five years	<u>810,000</u>	<u>298,334</u>
	1,903,509	897,882
Discount to present value	<u>(61,305)</u>	<u>-</u>
	<u><u>\$ 1,842,204</u></u>	<u><u>\$ 897,882</u></u>

A present value discount using a rate of 5% has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Computer hardware	\$ 90,875	\$ 90,875
Furniture and equipment	1,097,780	1,158,036
Leasehold improvements	5,136,019	5,170,273
Capitalized software	20,192,985	17,677,719
Construction in progress	<u>2,468,575</u>	<u>2,011,429</u>
	28,986,234	26,108,332
Less accumulated depreciation	<u>(18,175,426)</u>	<u>(15,340,282)</u>
	<u><u>\$ 10,810,808</u></u>	<u><u>\$ 10,768,050</u></u>

During the years ended December 31, 2022 and 2021, property and equipment with a cost of \$44,010 and \$12,696,991 were disposed of and resulted in a loss of \$4,208 and \$98,042. Depreciation expense amounted to \$2,874,947 and \$2,479,750 for 2022 and 2021. Construction in progress costs consist of software development.

Candid

Notes to Financial Statements December 31, 2022 and 2021

7. Retirement Benefits

Candid has a defined contribution group annuity pension plan, which provides for the option of voluntary employee contributions and covers all employees who meet minimum age and service requirements. Candid matches 50% of an employee's contribution up to a maximum of 2.5% of the employee's salary. Pension costs are funded when accrued, and benefits vest upon contribution to the plan. Total cost of the plan for the years ended December 31, 2022 and 2021 approximated \$1,650,000 and \$1,610,000.

Candid has adopted a retirement plan under the Internal Revenue Code Sections 457(b) and 457(f) for its senior executives which allows the employees to make contributions to such plans. Candid does not contribute to the plan and the assets are held by a third party administrator.

8. Postretirement Healthcare Benefits

Candid sponsors an unfunded postretirement healthcare plan that covers former employees who met certain eligibility requirements. Candid chose to enroll eligible retirees into a Medicare Advantage Plan. Candid's postretirement healthcare benefits program has been terminated with respect to individuals whose Candid employment terminated on or after November 1, 2009, except for individuals who elected to participate in, and retire under, Candid's Voluntary Early Retirement Program (VERP), and who satisfy the VERP's requirements for retiree health benefits. These individuals remain eligible for health benefits after retirement from Candid, in accordance with and subject to Candid's retiree health program terms, even if their employment terminated after November 1, 2009.

Candid records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, and healthcare cost trend rates. Candid reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to these assumptions is recorded as a charge to net assets without donor restrictions and amortized to net periodic cost over future periods using the corridor method. Candid believes that the assumptions utilized in recording its obligation under its plan are reasonable based on its experience and market conditions.

Candid recognizes the unfunded status of its defined benefit postretirement plan on a net basis as a liability and recognizes changes in that unfunded status in the year in which the changes occur through a charge to net assets without donor restrictions to the extent those changes are not included in net periodic benefit cost. The funded status is reported on the statements of financial position as the difference between the fair value of plan assets and the benefit obligation.

Candid

Notes to Financial Statements December 31, 2022 and 2021

8. Postretirement Healthcare Benefits *(continued)*

Information with respect to this plan as of and for the years ended December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,333,411	\$ 1,606,597
Interest cost	32,404	29,007
Actuarial gain	(271,999)	(232,732)
Benefits paid	<u>(72,325)</u>	<u>(69,461)</u>
Benefit obligation at end of year	<u>1,021,491</u>	<u>1,333,411</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	72,325	69,461
Benefits paid	<u>(72,325)</u>	<u>(69,461)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (1,021,491)</u>	<u>\$ (1,333,411)</u>

Other changes in plan assets and benefit obligation recognized in changes in net assets without donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Net periodic cost		
Interest cost	\$ 32,404	\$ 29,007
Net actuarial gain	<u>(271,999)</u>	<u>(232,732)</u>
Total recognized in net periodic postretirement benefit cost and net assets without donor restrictions	<u>\$ (239,595)</u>	<u>\$ (203,725)</u>

The estimated service cost, interest cost and prior service and experience loss that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is as follows:

Unrecognized net actuarial gain	<u>\$ 264,300</u>
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Candid

Notes to Financial Statements December 31, 2022 and 2021

8. Postretirement Healthcare Benefits *(continued)*

	<u>2022</u>	<u>2021</u>
Weighted average assumptions as of the measurement date		
Discount rate - benefit obligation	4.92%	2.51%
Discount rate - net periodic benefit cost	2.51%	2.08%
Assumed healthcare cost trend rates		
Healthcare cost trend rate assumed for next year	5.00%	5.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend	2022	2022

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	<u>1% point increase</u>	<u>1% point decrease</u>
Effect in total of service and interest cost components	\$ 3,567	\$ (3,094)
Effect on accumulated postretirement benefit obligation	102,655	(90,093)

Projected payments to retired participants over the next 10 years, which reflect expected future service, are as follows:

2023	\$ 73,767
2024	75,048
2025	76,143
2026	77,027
2027	77,679
2028-2032	<u>388,822</u>
	<u>\$ 768,486</u>

Candid

Notes to Financial Statements December 31, 2022 and 2021

9. Lease Commitments

Candid leases three office spaces under non-cancellable operating leases expiring at various times through 2030. The leases provide for increasing annual base rents. The right of use assets and lease liabilities related to these leases were calculated based on the present value of future lease payments over the lease terms.

Candid amortized the operating lease right-of-use assets over the life of the lease agreements. Right-of-use assets consists of the following at December 31, 2022:

Right of use assets - operating lease	\$ 12,766,627
Less: accumulated amortization	<u>(1,298,908)</u>
	<u>\$ 11,467,719</u>

The minimum future rental payments for Candid under the lease agreements through fiscal 2030 are as follows:

	<u>Rental Payments</u>
2023	\$ 1,853,578
2024	1,855,424
2025	2,008,110
2026	2,005,830
2027	1,983,371
Thereafter	5,813,797
Less: present value discount	<u>(959,650)</u>
	<u>\$ 14,560,460</u>

At December 31, 2022, the weighted-average discount rate for Candid's operating leases is 2.61%. The weighted-average remaining lease terms for the operating leases is 5 years.

In connection with the existing New York City lease, Candid maintained a letter of credit in the amount of \$542,122 at December 31, 2021. During fiscal year 2022, this letter of credit expired. There were no amounts outstanding under this letter of credit during 2022 and 2021.

Candid

Notes to Financial Statements December 31, 2022 and 2021

10. Net Assets

Net Assets without Donor Restrictions

The Board of Trustees of Candid has designated certain assets without donor restrictions (see note 11).

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes:

	2022	2021
Time or Purpose Restricted		
Library/learning centers and other public services	\$ 484,542	\$ 604,121
Research and other programs	923,426	339,101
Regional support	13,000	92,500
Integration campaign	-	750,377
Future periods	2,287,710	1,035,304
Public education	1,442,945	1,753,383
General purpose endowment	1,469,000	1,870,937
Total Time or Purpose Restrictions	6,620,623	6,445,723
Held in Perpetuity		
General Purpose	1,000,000	1,000,000
New York Library	250,000	250,000
Public Education	464,000	464,000
	<u>\$ 8,334,623</u>	<u>\$ 8,159,723</u>

Candid has three endowments restricted in perpetuity: general endowment, library acquisition endowment, and public education endowment.

The general endowment fund was established in 1996. The income from this endowment is without donor restrictions and used for general purposes in accordance with Candid's spending policy. Income earned beyond the spending policy limit is classified as with donor restrictions until appropriated by the Board.

The library acquisitions endowment fund was created to provide support for acquisitions for Candid's New York library. Income from the library acquisitions endowment is classified as with donor restrictions.

The public education endowment fund was created to provide support for Candid's public education programs. Income from the public education endowment is classified as with donor restrictions.

Candid

Notes to Financial Statements December 31, 2022 and 2021

10. Net Assets (continued)

Net Assets with Donor Restrictions (continued)

During fiscal years 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

	2022	2021
Regional support	\$ 498,535	\$ 540,800
Research and other programs	254,368	1,258,814
Integration campaign	750,377	11,713,035
Future periods	1,196,267	851,666
	<u>\$ 2,699,547</u>	<u>\$ 14,364,315</u>

11. Endowment

Interpretation of Relevant Law

The Board has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Candid classified as net assets restricted in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as time or purpose restricted until those amounts are appropriated for expenditure by Candid in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of Candid's endowment is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in a balanced portfolio. Interest earned in relation to the endowment funds is reported as time or purpose restricted income. Time or purpose restricted income funds are reduced by the spending allocation reported as transferred to the current operating budget.

The primary objective of Candid's investment policy is to produce optimal long-range total return on its funds without assuming inappropriate risk and commensurate with applicable legal requirements and sound investment principles.

Candid

Notes to Financial Statements December 31, 2022 and 2021

11. Endowment (continued)

Return Objectives, Strategies Employed and Spending Policy (continued)

The absolute performance objective of Candid's investment portfolio is an average total annual real return (net of inflation) of 4.5%. The intent of this objective is to preserve over time the principal value of assets as measured in real, inflation-adjusted terms.

Candid's investments consist of expendable and endowed funds. The spending policy for Candid's portfolio established by the Board permits 4.5% of the average market value of the portfolio over the prior three years to be withdrawn from the accounts, with the understanding that this spending rate plus inflation will not normally exceed total return from investment.

The composition of Candid's board-designated and donor-restricted endowment by net asset class and reconciliation of the beginning and ending balances at December 31 are as follows:

	2022			
	Board Designated	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
Balance at December 31, 2021	\$ 16,752,592	\$ 4,224,713	\$ 1,714,000	\$ 22,691,305
Interest, dividends and fees	299,500	106,238	-	405,738
Net depreciation in fair value of investments	(2,644,897)	(938,192)	-	(3,583,089)
Balance at December 31, 2022	<u>\$ 14,407,195</u>	<u>\$ 3,392,759</u>	<u>\$ 1,714,000</u>	<u>\$ 19,513,954</u>

	2021			
	Board Designated	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
Balance at December 31, 2020	\$ 15,215,049	\$ 3,679,319	\$ 1,714,000	\$ 20,608,368
Interest and dividends	(27,243)	(9,664)	-	(36,907)
Net appreciation in fair value of investments	1,564,786	555,058	-	2,119,844
Balance at December 31, 2021	<u>\$ 16,752,592</u>	<u>\$ 4,224,713</u>	<u>\$ 1,714,000</u>	<u>\$ 22,691,305</u>

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original permanently restricted contribution. Candid is not aware of any funds with deficiencies as of December 31, 2022 and 2021.

12. Liquidity and Availability of Financial Assets

The following reflects Candid's financial assets as of December 31 reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other revenues that could be drawn upon with Board approval.

Candid

Notes to Financial Statements December 31, 2022 and 2021

12. Liquidity and Availability of Financial Assets *(continued)*

	2022	2021
Financial assets:		
Cash	\$ 4,214,950	\$ 2,843,402
Restricted cash - letter of credit	-	542,122
Grants receivable, net	1,842,204	897,882
Accounts receivable, net	1,501,696	2,360,556
Investments	60,341,942	70,046,423
Total financial assets	<u>67,900,792</u>	<u>76,690,385</u>
Less: Contractual or donor imposed restrictions amounts		
Restricted cash - letter of credit	-	542,122
Grants receivable, net - Due in future years	748,695	298,334
Restricted by donor with time or purpose restrictions	2,479,169	1,922,676
Endowment funds:		
Board designated reserve fund	14,407,195	16,752,592
Donor restricted endowment funds	5,106,759	5,938,713
	<u>22,741,818</u>	<u>25,454,437</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 45,158,974</u>	<u>\$ 51,235,948</u>

Candid's working capital and cash flows are driven by the revenue streams of online products, knowledge services and general contributions. Candid receives funds in advance for certain types of memberships throughout the year, which is amortized according to the structure of the membership terms. Candid has a goal to maintain financial assets, which consist of cash and investments, on hand to meet normal operating expenses, which were, on average, approximately \$3,086,000 and \$3,187,000 per month for fiscal years 2022 and 2021. Candid has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, Candid invests cash in excess of daily requirements in various short-term investments.

Candid's endowment funds consist of funds designated by the Board as endowments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. As part of Candid's liquidity management, Candid strives to maintain funds in accessible accounts to cover operating expenses. At December 31, 2022, Candid's board-designated endowment of \$14,407,195 is subject to an annual spending rate of up to 4.5% as described in Note 11. Candid does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation.

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