

Open Contracting Partnership

Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

Open Contracting Partnership

Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Open Contracting Partnership

Opinion

We have audited the accompanying financial statements of Open Contracting Partnership (“the Organization”), which comprise the statements of financial position as of December 31, 2023 and 2022; 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 the Organization 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Financial Statements (continued)

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are 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 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, including omissions, 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
June 5, 2024

Open Contracting Partnership

Statements of Financial Position December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 99,086	\$ 384,292
Certificates of deposit	1,577,576	905,182
Grants and contributions receivable, net	1,185,886	50,000
Accounts receivable	26,667	9,980
Prepaid expenses	15,404	14,395
Deposits	66,687	66,687
Total assets	<u>\$ 2,971,306</u>	<u>\$ 1,430,536</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 108,937</u>	<u>\$ 297,805</u>
Total liabilities	<u>108,937</u>	<u>297,805</u>
Net Assets		
Without donor restrictions:		
Undesignated	(23,950)	168,772
Board-designated operating reserve	<u>978,485</u>	<u>905,182</u>
Total without donor restrictions	954,535	1,073,954
With donor restrictions	<u>1,907,834</u>	<u>58,777</u>
Total net assets	<u>2,862,369</u>	<u>1,132,731</u>
Total liabilities and net assets	<u>\$ 2,971,306</u>	<u>\$ 1,430,536</u>

See accompanying notes.

Open Contracting Partnership

Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 2,832,991	\$ 5,058,927	\$ 7,891,918
In-kind services	32,000	-	32,000
Other revenue	48,388	-	48,388
Investment return	80,189	-	80,189
Released from restrictions	3,209,870	(3,209,870)	-
Total revenue and support	6,203,438	1,849,057	8,052,495
Expenses			
Program services:			
Data products and support services	1,364,162	-	1,364,162
Implementation	3,001,160	-	3,001,160
Advocacy and communications	654,797	-	654,797
Community building and research	436,534	-	436,534
Total program services	5,456,653	-	5,456,653
Supporting services:			
Management and general	712,453	-	712,453
Fundraising	153,751	-	153,751
Total supporting services	866,204	-	866,204
Total expenses	6,322,857	-	6,322,857
Change in Net Assets	(119,419)	1,849,057	1,729,638
Net Assets, beginning of year	1,073,954	58,777	1,132,731
Net Assets, end of year	\$ 954,535	\$ 1,907,834	\$ 2,862,369

See accompanying notes.

Open Contracting Partnership

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 1,647,102	\$ 1,725,153	\$ 3,372,255
In-kind services	24,000	-	24,000
Other revenue	11,239	-	11,239
Investment return	7,864	-	7,864
Released from restrictions	1,766,376	(1,766,376)	-
	3,456,581	(41,223)	3,415,358
Expenses			
Program services:			
Data products and support services	1,617,491	-	1,617,491
Implementation	2,081,848	-	2,081,848
Advocacy and communications	555,160	-	555,160
Community building and research	370,107	-	370,107
	4,624,606	-	4,624,606
Total program services	4,624,606	-	4,624,606
Supporting services:			
Management and general	757,014	-	757,014
Fundraising	275,352	-	275,352
	1,032,366	-	1,032,366
Total supporting services	1,032,366	-	1,032,366
Total expenses	5,656,972	-	5,656,972
Change in Net Assets	(2,200,391)	(41,223)	(2,241,614)
Net Assets, beginning of year	3,274,345	100,000	3,374,345
Net Assets, end of year	\$ 1,073,954	\$ 58,777	\$ 1,132,731

See accompanying notes.

Open Contracting Partnership

Statement of Functional Expenses For the Year Ended December 31, 2023

	Program Services					Supporting Services			Total Expenses
	Data Products and Support Services	Implemen- tation	Advocacy and Communi- cations	Community Building and Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and employee benefits	\$ 331,748	\$ 729,847	\$ 159,239	\$ 106,160	\$ 1,326,994	\$ 281,428	\$ 142,915	\$ 424,343	\$ 1,751,337
Payroll taxes	22,800	50,160	10,944	7,296	91,200	33,163	10,615	43,778	134,978
Payroll processing fees	-	-	-	-	-	25,021	-	25,021	25,021
Contract services	895,194	1,969,428	429,694	286,462	3,580,778	228,082	-	228,082	3,808,860
Professional fees	4,217	9,277	2,024	1,349	16,867	64,356	-	64,356	81,223
Supplies	2,527	5,560	1,213	809	10,109	-	-	-	10,109
Telephone	1,071	2,357	514	343	4,285	-	221	221	4,506
Postage and shipping	-	-	-	-	-	57	-	57	57
Printing	699	1,537	335	224	2,795	-	-	-	2,795
Books, subscriptions, and references	1,313	2,888	630	420	5,251	665	-	665	5,916
Software	18,124	39,874	8,700	5,800	72,498	34,888	-	34,888	107,386
Occupancy	15,255	33,561	7,322	4,882	61,020	-	-	-	61,020
Travel and meetings	63,111	138,844	30,293	20,196	252,444	26,743	-	26,743	279,187
Insurance	1,676	3,688	805	536	6,705	10,881	-	10,881	17,586
Miscellaneous	5,868	12,909	2,816	1,878	23,471	1,137	-	1,137	24,608
Foreign currency exchange loss	559	1,230	268	179	2,236	2	-	2	2,238
Bank charges and fees	-	-	-	-	-	6,030	-	6,030	6,030
Total Expenses	\$ 1,364,162	\$ 3,001,160	\$ 654,797	\$ 436,534	\$ 5,456,653	\$ 712,453	\$ 153,751	\$ 866,204	\$ 6,322,857

See accompanying notes.

Open Contracting Partnership

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

	Program Services					Supporting Services			Total Expenses
	Data Products and Support Services	Implemen- tation	Advocacy and Communi- cations	Community Building and Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and employee benefits	\$ 380,657	\$ 491,634	\$ 131,102	\$ 87,402	\$ 1,090,795	\$ 337,993	\$ 253,108	\$ 591,101	\$ 1,681,896
Payroll taxes	22,268	28,630	7,635	5,090	63,623	41,105	17,669	58,774	122,397
Payroll processing fees	-	-	-	-	-	34,201	-	34,201	34,201
Contract services	1,102,127	1,417,020	377,872	251,915	3,148,934	141,132	-	141,132	3,290,066
Professional fees	6,824	8,774	2,340	1,560	19,498	70,764	4,529	75,293	94,791
Supplies	4,250	5,464	1,457	971	12,142	-	-	-	12,142
Telephone	1,051	1,351	360	240	3,002	6,539	46	6,585	9,587
Postage and shipping	-	-	-	-	-	228	-	228	228
Printing	-	-	-	-	-	5,509	-	5,509	5,509
Books, subscriptions, and references	-	-	-	-	-	2,640	-	2,640	2,640
Software	18,336	23,575	6,287	4,191	52,389	22,695	-	22,695	75,084
Occupancy	10,931	14,054	3,748	2,499	31,232	17,462	-	17,462	48,694
Travel and meetings	71,047	91,346	24,359	16,239	202,991	31,648	-	31,648	234,639
Insurance	-	-	-	-	-	12,581	-	12,581	12,581
Miscellaneous	-	-	-	-	-	25,247	-	25,247	25,247
Foreign currency exchange loss	-	-	-	-	-	3,245	-	3,245	3,245
Bank charges and fees	-	-	-	-	-	4,025	-	4,025	4,025
Total Expenses	\$ 1,617,491	\$ 2,081,848	\$ 555,160	\$ 370,107	\$ 4,624,606	\$ 757,014	\$ 275,352	\$ 1,032,366	\$ 5,656,972

See accompanying notes.

Open Contracting Partnership

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,729,638	\$ (2,241,614)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on certificates of deposit	-	(1,182)
Change in present value discount	13,634	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	(1,149,520)	713,001
Accounts receivable	(16,687)	(8,680)
Prepaid expenses	(1,009)	(6,945)
Deposits	-	(66,687)
(Decrease) increase in:		
Accounts payable and accrued expenses	(188,868)	116,993
Deferred revenue	-	(9,000)
	387,188	(1,504,114)
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(6,815,418)	(1,808,000)
Maturities of certificates of deposit	6,143,024	904,000
	(672,394)	(904,000)
Net cash used in investing activities	(672,394)	(904,000)
Net Decrease in Cash and Cash Equivalents	(285,206)	(2,408,114)
Cash and Cash Equivalents, beginning of year	384,292	2,792,406
Cash and Cash Equivalents, end of year	\$ 99,086	\$ 384,292

See accompanying notes.

Open Contracting Partnership

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations

The Open Contracting Partnership (“the Organization”) is an independent, nonprofit, public charity operating in over 50 countries. The Organization’s mission is to open up and transform public procurement to be a smarter, more human-centered, digital public service. We help partners across government, civil society, and the private sector to:

1. Design goal-driven reforms;
2. Build coalitions of change; and
3. Co-create digital solutions, powered by open data.

The Organization is primarily funded through grants and contributions.

Prior to October 1, 2021, the Organization was fiscally sponsored by the Fund for the City of New York (“the Fund”), a New York nonprofit organization. As the Organization’s fiscal sponsor, the Fund received donations and provided organizational infrastructure, legal services, and tax-exempt status for the Organization. Until the Organization obtained its own tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC), the Fund acted as the fiscal sponsor for all operations. Effective October 1, 2021, the Organization began operations as a legally separate and financially independent organization; and the Fund transferred all assets and liabilities of the Organization to its own chart of accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions is a Board-designated operating reserve.

Open Contracting Partnership

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, including funds not held for long-term investment purposes, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Certificates of Deposit

At December 31, 2023 and 2022, the Organization held certificates of deposit with original maturity dates less than a period of 90 days that are carried at an amortized cost. Interest earned on the certificates of deposit is included in investment return in the accompanying statements of activities. These certificates of deposit do not qualify as securities as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments — Debt and Equity Securities*. Therefore, these investments are not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to the Organization. Grants and contributions are reflected at either net realizable value or at net present value based on projected cash flows. All grants and contributions are due in less than one year as of December 31, 2023 and 2022. Management determines the allowance for doubtful receivables based upon review of outstanding receivables, historical collection information, and existing economic conditions.

Open Contracting Partnership

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable (continued)

There was no allowance for receivables at both December 31, 2023 and 2022, as all grants and contributions were deemed fully collectible.

Accounts Receivable

Accounts receivable primarily consist of amounts due within one year. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, the Organization has historically had insignificant write-offs due to credit losses. No allowance for credit losses was established at December 31, 2023 and 2022.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets, or an unconditional promise to give, is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year. When a donor 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 and reported in the statements of activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets.

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Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program. Conditional contributions are recorded as deferred revenue until the conditions are met and barriers are overcome. There was no deferred revenue at December 31, 2023 and 2022 in the accompanying statements of financial position.

In-kind contributions are recognized as revenue if the services and goods meet the criteria for recognition. Donated services were received during the years ended December 31, 2023 and 2022, and are recognized at fair value at the time of donation. The Organization received donated services consisting of subscription services during the years ended December 31, 2023 and 2022, with an estimated fair value of \$32,000 and \$24,000, respectively. These donated services are recognized as revenues and expenses in the accompanying statements of activities.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Foreign Currency Transaction Losses

The Organization conducts its operations internationally, and accordingly, transacts in local currencies of various countries. Losses from foreign currency transactions for the year are included in the accompanying statements of activities and functional expenses, as they relate to the Organization's operations.

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Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs totaled \$5,435 and \$588 for the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adopted Accounting Pronouncement

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for the Organization for the year ended December 31, 2023. The Organization adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the financial statements as permitted by ASU 2016-13.

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Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 5, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets on hand to meet at least 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity needs are invested in various short-term and highly liquid certificates of deposit.

Additionally, the Organization considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at December 31:

	2023	2022
Cash and cash equivalents	\$ 99,086	\$ 384,292
Certificates of deposit	1,577,576	905,182
Grants and contributions receivable, net	1,185,886	50,000
Accounts receivable	26,667	9,980
Total financial assets	2,889,215	1,349,454
Less: net assets with donor restrictions	(1,907,834)	(58,777)
Total available for general expenditures	\$ 981,381	\$ 1,290,677

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Notes to Financial Statements
December 31, 2023 and 2022

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and certificates of deposit. The Organization maintains cash deposit and transaction accounts with various financial institutions, along with certificates of deposit, and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and certificates of deposit, to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

For the years ended December 31, 2023 and 2022, a substantial portion of the Organization's revenue was generated from four and one source, respectively. The revenue comprised of 76% and 15% of the Organization's total revenue and support for the years ended December 31, 2023 and 2022, respectively. A potential reduction or change in funding from these sources in the future could significantly impact the Organization's ability to carry out its program activities.

5. Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 859,520	\$ 50,000
Due in one to five years	<u>340,000</u>	<u>-</u>
Total grants and contributions receivable	1,199,520	50,000
Less: present value discount at 4%	<u>(13,634)</u>	<u>-</u>
Grants and contributions receivable, net	<u><u>\$ 1,185,886</u></u>	<u><u>\$ 50,000</u></u>

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Notes to Financial Statements
December 31, 2023 and 2022

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of following at December 31:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Support for women-led business	\$ 1,563	\$ 58,777
Support for Ukraine reconstructions	623,823	-
Support for energy transition	214,896	-
UNCAC implementation	366,170	-
Open source red flag library	31,382	-
Time restricted	<u>670,000</u>	<u>-</u>
Total net assets with restrictions	<u>\$ 1,907,834</u>	<u>\$ 58,777</u>

7. Commitments and Contingencies

Government Grants

Funds received from government agencies are subject to audit under the provisions of the agreements. The ultimate determination of amounts received under the agreements is based upon the allowance of costs reported to and accepted by the oversight agency. Until the grant is closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

Service Organization

The Organization contracts with Oyster as its professional employer organization. Oyster is the employer of record for tax, benefits, and insurance purposes for the Organization's employees. This co-employment relationship allows the Organization to maintain direct control of the day-to-day activities of employees, while Oyster assumes the administrative functions of human resources and absorbs many employer-related liabilities.

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Notes to Financial Statements
December 31, 2023 and 2022

7. Commitments and Contingencies (continued)

License Agreement

The Organization entered into a license agreement for shared office space located in Washington, DC that initially commenced on April 1, 2021 and expired on March 31, 2022. The license agreement required fixed monthly payments over the term of the agreement. The license agreement was renewed under annual extensions and currently expires on March 31, 2024. Upon expiration, the agreement continued on a month-to-month basis at the same rate, and is cancellable upon 60 days' notice. The agreement contains a clause for annual payment escalations of up to 3% from the previous year.

Occupancy expense for the years ended December 31, 2023 and 2022 totaled \$61,020 and \$48,694, respectively.

Future minimum license payments under the agreement total \$8,028 for the year ending December 31, 2024.

8. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Organization allocates its expenses directly to specific programs or functions. Additionally, the Organization utilizes an indirect cost allocation methodology to allocate its expenses. The expenses that are allocated include staffing fees, which are allocated on the basis of estimates of time and effort. Other expenses are allocated across specific programs or functions based on an estimated percentage of time and effort spent by staff on the natural type of expense.

9. Retirement Plan

On October 15, 2021, the Organization began maintaining a retirement plan, effective January 1, 2022, qualified under IRC Section 401(k) for its employees. All employees who meet certain age and employment requirements are eligible to participate in the plan. The Organization contributes up to 10% of each participating employee's salary subject to annual limitations imposed by the Internal Revenue Service. During the years ended December 31, 2023 and 2022, retirement plan expense totaled \$130,770 and \$148,325, respectively.

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Notes to Financial Statements
December 31, 2023 and 2022

10. Income Taxes

The Organization is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the years ended December 31, 2023 and 2022, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Organization's tax positions and concluded that the Organization's financial statements do not include any uncertain tax positions.