

Memo

To: WITH Grace Initiative Board of Directors
From: Aubrey Reichard-Eline
cc: Professor Charles
Date: December 4, 2023
Re: Financial Statement Analysis

Dear WITH Grace Initiative,

The following is an analysis of the current and historical financial performance of this organization. The goal of this analysis is to understand our financial picture and inform our decision making as we address and evolve our strategic as well as financial planning for the year ahead.

The summary of our overall financial health is strong. We have diversified revenue sources and are actively building the strategy to continue to strengthen this. We are prudent in our spending and take very seriously the process of cost effective decision making to manage our expenses for maximum cost-effectiveness. We are also efficient in our allocation and determination of resources to run our activities and programs. Most notably, in our financial review, is that we do not have overhead for facilities or staffing. We also maintain healthy levels of reserve and liquidity.

In the review of the financial ratios for our organization we exceed the benchmark numbers for the nonprofit sector that we operate in. To clarify, a ratio that exceeds one is deemed satisfactory because it means the current assets exceed the liabilities at our organization. Currently our financials reflect an increase in the key indicators of expenses, liabilities, revenue, contributions and services. While we have been increasing revenue year over year, we have also increased the expenses we are incurring due to operational set-up and mission execution.

Our expenses and services have grown 102% and 98% respectively, from 2021 to 2022, as we became our own official entity and took on the necessary expenses to securely collect donations, conduct consistent communication and perform cost-efficient operations. Our expenses also include our increased execution of services through our direct care mission. This was implemented through more financial aid, supplies and support to the community that we serve. Information that has been reviewed, includes the balance sheet reports, which reviews what we own, at a specific date, through assets, liabilities and equity. This review also included the income statement reports, that communicate how we performed during a specific period through interpretation of revenue and expenses.

The expenses are anticipated to stabilize in 2024 as we calibrate our operations, through consistent volunteers, that are now more trained and knowledgeable about processes. We have also calibrated where we achieve the best return on investment to optimize expenditures and efficiencies. We do anticipate our program expenses to increase as we determine, implement, execute and sustain our programs to fulfill our mission.

Our assets on our 2022 reporting were at \$64K and with no overhead or liabilities, we have sufficient resources to pay our anticipated bills in a timely manner. We do not have staff, and therefore no salaries to pay. We also do not have debt or expenses for offices, facilities, storage or other overhead, which adds to our positive financial position. In future years, if we do have debt then we will divide our current assets by our liabilities to assess our short term solvency to insure that we have enough assets to cover our short term obligations. One consistent expense that we have had year over year is our internet expense. This expense supports our mission and programs in totality. These percentages for 2022-2020 are 6%, 3%, 70% of total utility expenses and 2%, 3%, 8% of total expenses as it relates to program expenses. As we increase our program offering, it is expected, as exemplified with the percentages, that these percentages decrease. Another key factor to support our strong financial position is that we do not have outstanding amounts that are owed to us and need to be collected. In the future if we have to collect amounts owed to us we could figure out the "accounts receivable turnover ratio" for each year to provide insights into how efficient we are with collecting our receivables. I would also like to highlight here that we do not have renaissance on borrowed funds for any of our operations or program execution. If we take on debt in the future we would calculate our "debt to equity ratio" by dividing our debt to equity to determine the proportion of financing that is debt compared to our equity. Keeping this ratio low suggests that we have less reliance on borrowed funds.

Our organization demonstrates financial stability and a solid foundation. We have the opportunity to build our consistent and stable income to ensure financial health for the ongoing ability to fulfill our mission. I recommend that we build into our strategy for 2024, and beyond, substantial savings and investments to protect our ability to cover and continue our business operations and programs. This is of increased importance at this point in our organization as we have begun our official research contributions and

determined our core programs. We have consistently been in a healthy fiscal position, as indicated by our revenue which has grown year over year. We need to plan and provide for covering the obligations and delivery of our programs while maintaining a healthy fiscal position for long term viability. This is exemplified by our positive numbers of year over year change for revenue, income and contributions. Positive cash flow underscores our solvency, reflecting our ability to cover operational and programmatic expenses. Though these are positive facts, we must continue our fiscal, operational diligence and work to further steady financial growth and adequate reserve levels to guarantee our capacity to be able to sustain uncertain financial times while maintaining the execution of our mission. We currently adhere to financial best practices, which fosters our solvency through transparent and accountable financial management. We must continue this track record of financial responsibility, to continue to exemplify our commitment to maintaining our solvency. A “quick ratio” could be used in the future to assess our ability to cover short-term liabilities with our liquid assets by dividing quick assets by current liabilities. Again, a ratio above 1 indicates a better ability to meet short-term obligations.

Next, I would like to highlight our contributions and our positive results here as they increased year over year. Now that we have a quality foundation of the programs that we want to execute and a solid focus for fundraising and events we must build a strategy for the upcoming years. This strategy will provide for how we implement our activities for continued growth and a calculated and cohesive expansion of our programs to improve our monitoring ratios. We have had a positive ratio year over year when calculated through program expenses compared to contributions (17%, 16%, 10%). When we do this evaluation of total program expenses compared to overall expenses our ratios are 26%, 6%, 12%. The industry benchmark is 65% for good to 85% for excellent. Here we have the opportunity to align our activities to improve these statistics. These past 3 years of formation have given us the facts needed to take these next steps informed and poised to grow and sustain our work.

Another thing that is necessary to highlight here is restricted assets. Thus far in our history, we have only had a single contribution that has been restricted. This is the grant we received in 2020 for \$15K for the direct execution of our art programming. This equated to 49% of our net assets for that year. We anticipate we will have more of these instances as we grow, expand and acquire different donors or grants. With that, it is critical for us to continue to carefully manage and track restricted assets to fulfill donor expectations and comply with legal obligations, as well as providing accountability and transparency in financial reporting.

To recap, our three main strengths are that we do not have any debt, we do not have any overhead or salaries and we have consistently had positive contributions compared to our expenditures for programs and basic expenses. The biggest factors to take into account for our financial health as we strategize 2024 and the next three to five years from there, include our program expenditures, consistent revenue streams and determining the correct balance with all of this for appropriate liquidity levels to maintain.

With the industry benchmark (65-85%) for expenditures for programs as compared to overall expenses being above where we currently are (26%), we can now begin to strategically increase and plan for increasing our programs while keeping our organization secure to continue our mission.

We should be proud of the strength of our organization and what we have accomplished in a short amount of time. We are prudent with our financial management and active learning to stay relevant and on track. We have no debt and positive liquidity and financial foundation. We continue to operate ethically, holding our responsibility to using donor dollars in the highest regard and maintaining transparency for all. Our organization has made an impact through our direct care programs of care packages, financial aid, art carts and connecting groups to multiple states in multiple hospitals. We are actively pursuing research initiatives to invest in as we grow our mission impact, all while continuing to build awareness for the unique journey of childhood cancer. We actively collaborate to operate our programs in a calculated and efficient way to sustain our organization and execute our mission. We build sponsorship, donors, and community partners to gain engagement from key stakeholders and maintain consistency in funding while nurturing with thoughtfulness the delicate community that we serve. We have made additions to our board from various industries to ensure our upcoming strategy and the years ahead are well planned and poised for success so that we can impact the childhood cancer community that we serve even more extensively. Thank you for your continued collaboration, support and dedication to our organization, impact and to those affected by childhood cancer.

Financial Specifics: Percentage Change

Item	2022	2021	2020
Revenue	+48%	+65%	N/A
Expenses	+102%	+33%	N/A
Income	+37%	+53%	N/A
Contributions	+48%	+65%	N/A
Services	+98%	+175%	N/A

Common Size Ratio | Income Statement

Item	2022	2021	2020
Revenue	+48%	+65%	N/A
Expenses	+102%	+33%	N/A
Income	+37%	+53%	N/A
Contributions	+48%	+65%	N/A
Services	+98%	+175%	N/A

Common Size Ratio | Balance Sheet

Item	2022	2021	2020
Revenue	+48%	+65%	N/A
Expenses	+102%	+33%	N/A
Income	+37%	+53%	N/A
Contributions	+48%	+65%	N/A
Services	+98%	+175%	N/A