

CONNECT HUMANITY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Connect Humanity
Palo Alto, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Connect Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, 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 Connect Humanity as of June 30, 2025 and 2024, and the changes in 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Connect Humanity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Connect Humanity's ability to continue as a going concern for one year after the date 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 GAAS and *Government 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 GAAS and *Government 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 Connect Humanity'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 Connect Humanity'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.

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of Connect Humanity’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Connect Humanity’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connect Humanity’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
December 11, 2025

**CONNECT HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,307,428	\$ 4,447,102
Grants and Program Receivables	355,000	243,968
Contract Receivables	94,558	-
Interest Receivable	74,562	32,777
Loans Receivable, Current Portion	1,239,635	632,074
Total Current Assets	5,071,183	5,355,921
LONG-TERM ASSETS		
Loans Receivable, Net of Current Portion	968,136	1,048,555
Allowance for Loan Losses	(173,003)	(113,026)
Total Long-Term Assets	795,133	935,529
Total Assets	\$ 5,866,316	\$ 6,291,450
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 13,947	\$ 273,657
Accrued Expenses	75,380	90,238
Contract Liabilities	6,095	238,455
Deferred Compensation	-	67,708
Total Liabilities	95,422	670,058
NET ASSETS		
Without Donor Restrictions	1,429,343	1,266,774
With Donor Restrictions	4,341,551	4,354,618
Total Net Assets	5,770,894	5,621,392
Total Liabilities and Net Assets	\$ 5,866,316	\$ 6,291,450

See accompanying Notes to Financial Statements.

CONNECT HUMANITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Federal Grants	\$ -	\$ 2,227,992	\$ 2,227,992
Foundation and Other Grants	148,869	1,025,000	1,173,869
Contract Revenue	24,818	165,776	190,594
Loan Fees and Interest	158,867	-	158,867
In-Kind Contributions	2,625	538,238	540,863
Other Revenue	20,000	-	20,000
Net Assets Released from Restriction	3,970,073	(3,970,073)	-
Total Support and Revenue	<u>4,325,252</u>	<u>(13,067)</u>	<u>4,312,185</u>
EXPENSES AND LOSSES			
Program Services	3,814,833	-	3,814,833
General and Administrative	347,850	-	347,850
Total Expenses and Losses	<u>4,162,683</u>	<u>-</u>	<u>4,162,683</u>
CHANGE IN NET ASSETS	162,569	(13,067)	149,502
Net Assets - Beginning of Year	<u>1,266,774</u>	<u>4,354,618</u>	<u>5,621,392</u>
NET ASSETS - END OF YEAR	<u>\$ 1,429,343</u>	<u>\$ 4,341,551</u>	<u>\$ 5,770,894</u>

See accompanying Notes to Financial Statements.

CONNECT HUMANITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Federal Grants	\$ 3,113,661	\$ -	\$ 3,113,661
Foundation and Other Grants	771,364	4,189,713	4,961,077
Sponsorships	8,117	-	8,117
Loan Fees and Interest	116,480	-	116,480
Other Revenue	15,114	-	15,114
Net Assets Released from Restriction	2,690,966	(2,690,966)	-
Total Support and Revenue	<u>6,715,702</u>	<u>1,498,747</u>	<u>8,214,449</u>
EXPENSES AND LOSSES			
Program Services	4,066,657	1,979,384	6,046,041
General and Administrative	1,568,507	-	1,568,507
Total Expenses	<u>5,635,164</u>	<u>1,979,384</u>	<u>7,614,548</u>
CHANGE IN NET ASSETS	1,080,538	(480,637)	599,901
Net Assets - Beginning of Year	<u>186,236</u>	<u>4,835,255</u>	<u>5,021,491</u>
NET ASSETS - END OF YEAR	<u>\$ 1,266,774</u>	<u>\$ 4,354,618</u>	<u>\$ 5,621,392</u>

See accompanying Notes to Financial Statements.

**CONNECT HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

	Program Services						Total	General and Administrative	Total
	Philanthropic	International	Appalachia Digital Accelerator	Workforce Development	TX RGV	Investment			
Salaries	\$ 6,627	\$ 34,119	\$ 1,050,799	\$ -	\$ 233,230	\$ 144,610	\$ 1,469,385	\$ 73,724	\$ 1,616,833
Employee Benefits	1,511	8,180	220,907	-	50,986	34,571	316,155	33,085	382,325
Total Salaries and Related Costs	8,138	42,299	1,271,706	-	284,216	179,181	1,785,540	106,809	1,999,158
Grants and Awards	-	-	923,728	2,500	-	-	926,228	-	926,228
Materials and Supplies	-	2,092	8,993	-	6,068	1,581	18,734	33,762	86,258
Professional Services	-	89,084	819,743	-	17,500	45,959	972,286	172,357	1,317,000
Insurance	-	-	-	-	-	-	-	29,263	58,526
Fees	-	-	-	-	-	-	-	18	34
Outreach and Engagement	-	-	15,792	-	-	-	15,792	-	15,792
Dues and Subscriptions	-	500	1,200	-	-	-	1,700	787	3,274
Meals and Entertainment	-	-	20	-	20	21	61	356	773
Travel	-	756	29,395	1,000	1,934	1,430	34,515	3,266	41,047
Gain/Loss on Exchange Rate	-	-	-	-	-	-	-	1,232	2,464
Impairment Expense for Loan Loss	-	-	-	-	-	59,977	59,977	-	59,977
Total Expenses by Function	\$ 8,138	\$ 134,731	\$ 3,070,577	\$ 3,500	\$ 309,738	\$ 288,149	\$ 3,814,833	\$ 347,850	\$ 4,162,683

See accompanying Notes to Financial Statements.

**CONNECT HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	Program Services						Total	General and Administrative	Total
	Philanthropic	Indigenous	Appalachia Digital Accelerator	Workforce Development	TX RGV	Investment			
Salaries	\$ -	\$ 138,813	\$ 1,237,091	\$ -	\$ 5,396	\$ 398,192	\$ 1,779,492	\$ 340,862	\$ 2,120,354
Employee Benefits	-	2,275	11,768	-	-	5,354	19,397	11,871	31,268
Total Salaries and Related Costs	-	141,088	1,248,859	-	5,396	403,546	1,798,889	352,733	2,151,622
Grants and Awards	15,000	256,129	737,691	10,000	-	-	1,018,820	-	1,018,820
Materials and Supplies	-	3,174	24,363	-	-	237	27,774	48,871	76,645
Professional Services	68,319	166,315	1,338,869	88,515	43,750	86,443	1,792,211	291,262	2,083,473
Insurance	-	-	-	-	-	-	-	37,768	37,768
Fees	-	58	-	-	-	-	58	495	553
Honoraria and Stipends	-	6,500	-	-	-	-	6,500	-	6,500
Dues and Subscriptions	-	-	2,040	-	-	-	2,040	1,149	3,189
Meals and Entertainment	-	820	1,199	-	-	383	2,402	1,142	3,544
Travel	-	68,508	70,531	-	-	4,704	143,743	22,980	166,723
Internal Fees	-	(1,280)	-	-	-	(810,773)	(812,053)	812,053	-
Bad Debt Expense	-	1,979,384	-	-	-	-	1,979,384	-	1,979,384
Gain/Loss on Exchange Rate	-	-	-	-	-	-	-	54	54
Impairment Expense for Loan Loss	-	-	-	-	-	86,273	86,273	-	86,273
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Expenses by Function	\$ 83,319	\$ 2,620,696	\$ 3,423,552	\$ 98,515	\$ 49,146	\$ (229,187)	\$ 6,046,041	\$ 1,568,507	\$ 7,614,548

See accompanying Notes to Financial Statements.

**CONNECT HUMANITY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 149,502	\$ 599,901
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Impairment Expense on Loan Loss	59,977	86,327
Allowance for Credit Loss	-	1,979,384
Changes in Operating Assets and Liabilities:		
Grants and Program Receivables	(111,032)	13,059
Contract Receivables	(94,558)	-
Interest Receivable	(41,785)	(54)
Accounts Payable	(259,710)	107,544
Accrued Expenses	(14,858)	40,535
Unearned Revenue	-	-
Contract Liabilities	(232,360)	(824,350)
Deferred Compensation	(67,708)	67,708
Grants Payable	-	(200,000)
Net Cash Provided by Operating Activities	(612,532)	1,870,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances Made on Notes Receivable	(842,998)	(805,267)
Payments Received on Notes Receivable	315,856	49,408
Net Cash Used by Investing Activities	(527,142)	(755,859)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,139,674)	1,114,195
Cash and Cash Equivalents - Beginning of Year	4,447,102	3,332,907
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,307,428	\$ 4,447,102

See accompanying Notes to Financial Statements.

**CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Connect Humanity (the Organization) is presented to assist in the understanding of the Organization's financial statements. The policies reflect industry practices and conform to the accounting principles generally accepted in the United States of America.

Organization

The Organization's mission is to advance digital equity in low-income, rural, and BIPOC communities. The Organization combines tailored financing, strategic advice, grant management, and technical guidance to empower the communities they work with to access the capital, knowledge, and partners they need to get connected to the internet and fully participate in a digital society.

In 2021, the Organization incorporated as a 501(c)(3) nonprofit Organization. In 2022, the name of the Organization was changed from Partnership for Universal Access to Connect Humanity.

Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board (FASB). The FASB establishes standards for financial reporting by nonprofit Organization's and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. A description of the two net asset categories is as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor-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 and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Program Receivables

Grants and program receivable represent expenditures for which reimbursement has been requested but not yet received. The Organization considers grants and contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made. At June 30, 2025, four grantors accounted for 100% of grants and program receivables. At June 30, 2024, one grantor accounted for approximately 80% of grants and program receivables. Grants and program receivables as of June 30, 2025 and 2024 is \$355,000 and \$243,968, respectively.

Client Loans Receivable

Client loans are stated at the amount of unpaid principal. Interest on loans is calculated in accordance with the provisions of the various underlying loan documents. The maximum term on notes receivable is ten years and interest is charged at rates ranging from 5.5% to 12%. Loan fees and interest are recognized when earned.

A loan is considered impaired when it is probable the creditor will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impairment of loans is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Cash collections on impaired loans are credited to the loan receivable balance and no interest income is recognized on those loans until the principal balance is current. There were no impaired loans as of June 30, 2025 and 2024.

Loans receivable are summarized as the following at June 30:

	<u>2025</u>	<u>2024</u>
Hawk Network	\$ 449,181	\$ 369,181
Macon County Economic Development Authority	441,255	461,374
Peak to Peak Communications	122,804	131,641
Wave 7 Communications	206,880	117,347
VP Net	987,651	601,086
Subtotal	<u>2,207,771</u>	<u>1,680,629</u>
Less: Allowance for Loan Losses	173,003	113,026
Loans Receivable, Net	<u>\$ 2,034,768</u>	<u>\$ 1,567,603</u>
Current Portion	\$ 1,239,635	\$ 632,074
Noncurrent Portion, Gross	<u>968,136</u>	<u>1,048,555</u>
Total	<u>\$ 2,207,771</u>	<u>\$ 1,680,629</u>

**CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Client Loans Receivable (Continued)

Management established an allowance for loan losses that estimates losses inherent in the loan portfolio. The allowance for loan losses is established as a percentage of probability of default multiplied by given loss default percentage and exposure to default percentage. Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the loan portfolio has not changed significantly. The loans are charged against the allowance quarterly upon reporting of revenue, interest and deemed uncollectible. Any recoveries charged off loans are recorded to the allowance to offset the charge-off. The Organization had no modified loans as of June 30, 2025 and 2024. In addition, the Organization did not have any net loan charge-offs for the years ending June 30, 2025 and 2024.

A summary of the activity in the allowance for loan losses for the years ended June 30 is as follows:

	2025	2024
Beginning Balance	\$ 113,026	\$ 26,753
Change in provision for loan losses	59,977	86,273
Allowance for loan losses	\$ 173,003	\$ 113,026

Management also has established any loan greater than 90 days delinquent are recorded in non-accrual status. As of June 30, 2025 and 2024, all loans were performing, and no loan was recorded in non-accrual status.

Contributions

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is measured based on the amount of consideration specified in a contract with a customer or grantor. Revenue is recognized when earned and as our performance obligations under the terms of the contract are satisfied which generally occurs when the services are provided.

Grants and Contracts - For grants and contracts where the Organization has the right to consideration from the customer or grantor in an amount that corresponds directly with the value received by the customer or client based on our performance to date, revenue is recognized when services are performed and contractually billable. For all other types of grants and contracts, revenue is recognized over time, as performance obligations are satisfied and related reimbursable expenses are incurred, in accordance with the terms of applicable grant awards or contracts. Contract costs include all direct costs and an allocation of indirect costs related to contract performance.

Revenue and Revenue Recognition (Continued)

Under the typical payment terms of the Organization's contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly, quarterly, or annually), upon achievement of contractual milestones, or when services are provided. From time to time, the Organization may require the customer or grantor to make advance payments as well as interim payments as work progresses. The advance payment generally is not considered a significant financing component as the Organization expects to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation. The Organization has conditional grants in the amount of \$445,705 and \$2,673,697 that have not been recognized as of June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of \$6,095 and \$238,455, respectively, recognized in the statements of financial position as contract liabilities.

Program Fees - Revenues from program fees are recognized over the terms of the program and the period of service provided.

Contract Assets and Liabilities - When billing occurs subsequent to revenue recognition, resulting in unbilled revenue, a contract asset ensues and is presented under the caption "Contract Assets" in the consolidated statements of financial position. This represents unbilled revenues which arise when revenue has been earned, but the amount will not be billed until a later date. When advances or deposits from our customers or grantors are received, resulting in deferred revenue, a contract liability ensues and is presented under the caption "Contract Liabilities" in the consolidated statements of financial position. This represents deferred revenue when the Agency has billed a customer or grantor in excess of revenue recognized to date or when payments are received in advance.

CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on the statement of activities and functional expenses based on their natural classification. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The Organization allocates indirect expenses among programs and administrative services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit. The expenses that are allocated include payroll, taxes and benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

Under applicable laws and regulations, the Organization has been determined to be exempt from federal and California income taxes as an Organization described in Section 501(c)(3) of the Internal Revenue Code and the related California Revenue and Taxation Code. Accordingly, no provision for income taxes has been recorded in these financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

Management have evaluated subsequent events through December 11, 2025, the date the financial statements were available to be issued.

CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	2025	2024
Financial Assets at Year-End:		
Cash	\$ 3,307,428	\$ 4,447,102
Grants and Program Receivables	355,000	243,968
Contract Receivables	94,558	-
Interest Receivable	74,562	32,777
Loans Receivable	1,239,635	632,074
Total Financial Assets	\$ 5,071,183	\$ 5,355,921
Less Amounts Not Available to be Used Within One Year:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose Restriction	4,341,551	4,354,618
Contract Liabilities	6,095	238,455
Subtotal	4,347,646	4,593,073
Financial Assets Available to Meet General Expenditures Within One Year	\$ 723,537	\$ 762,848

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 3 CONTRACT BALANCES

Contract liabilities are summarized as follows at June 30:

	2025	2024
Deferred Revenue - Appalachian Regional Commission	\$ 6,095	\$ 238,455

There were no contract assets as of June 30, 2025 and 2024 and July 1, 2023. In addition, contract liabilities as of July 1, 2023 was \$1,062,805.

**CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2025</u>	<u>2024</u>
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Philanthropic	\$ 860,425	\$ 932,817
Indigenous	48,547	48,547
Investment in Communities	2,563,924	2,747,498
TX RGV	343,389	446,271
Workforce Development	175,985	179,485
International	322,281	-
Appalachia Digital Accelerator	27,000	-
Total Net Assets With Donor Restrictions	<u>\$ 4,341,551</u>	<u>\$ 4,354,618</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

	<u>2025</u>	<u>2024</u>
Purpose Restrictions Accomplished:		
Philanthropic	\$ 453,570	\$ 820,884
Expansion to Latin America	-	304,457
Indigenous	-	672,898
Research on HBCU's	-	91,479
Investment in Communities	228,171	581,587
TX RGV	402,882	49,146
Workforce Development	3,500	170,515
International	142,719	-
Appalachia Digital Accelerator	2,739,231	-
Total Restrictions Released to Net Asset Without Donor Restriction	3,970,073	2,690,966
Restriction Released (Provided to Another Non-Profit, See Note 6)	-	1,979,384
Total Restrictions Released	<u>\$ 3,970,073</u>	<u>\$ 4,670,350</u>

CONNECT HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 CONCENTRATIONS OF CREDIT AND MARKET RISK

Concentration of Credit Risk

The Organization maintains its cash in bank accounts which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Accounts at each financial institution are insured by the FDIC up to \$250,000. At June 30, 2025 and 2024, the Organization's deposits exceeded FDIC limits by \$3,057,423 and \$4,176,491, respectively. The Organization has not experienced losses in any of these accounts and management believes it is not exposed to any significant credit risk related to these accounts.

NOTE 6 RELEASE OF CONTRACT AND NET ASSET RESTRICTION

During the year ended June 30, 2024, the Organization and one of their grantors mutually agreed that another organization was better suited to perform the services in the Net Assets with Donor Restrictions – Indigenous class. This resulted in the Organization writing off a total of \$1,979,384 in receivables and net asset with donor restrictions on the statement of financial position at June 30, 2024. This amount was not utilized by the Organization, therefore, did not increase without donor restricted net assets.

In the ordinary course of its operations, the Organization may be involved in variance claims and litigations. In the opinion of management, there are currently no existing matters which are expected to have a material adverse effect on the financial position or operating results of the Organization.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Connect Humanity
Palo Alto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connect Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Connect Humanity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connect Humanity's internal control. Accordingly, we do not express an opinion on the effectiveness of Connect Humanity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify deficiencies in internal control that we consider to be a material weaknesses or a significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connect Humanity’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
December 11, 2025



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Connect Humanity
Palo Alto, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Connect Humanity's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Connect Humanity's major federal programs for the year ended June 30, 2025. Connect Humanity's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Connect Humanity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Connect Humanity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Connect Humanity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Connect Humanity's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Connect Humanity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Connect Humanity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Connect Humanity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Connect Humanity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Connect Humanity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
December 11, 2025

**CONNECT HUMANITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor Program Title	Federal ALN Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Appalachian Regional Commission				
Appalachian Regional Initiative for Stronger Economies (ARISE)	23.002	MU-21004-23	\$ 416,075	\$ 2,227,992
Total Expenditures of Federal Awards			<u>\$ 416,075</u>	<u>\$ 2,227,992</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CONNECT HUMANITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards programs of Connect Humanity (the Organization) for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule includes the federal grant activity of the Organization and is presented in accordance with accounting principles generally accepted in the United States of America. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 INDIRECT COST RATE

The Organization elected to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance, §200.510(6), requires the Organization to disclose whether or not it elected to use the 10% de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated cost rate.

NOTE 4 ASSISTANCE LISTING NUMBERS (ALN)

The program titles and ALN numbers were obtained from the federal or pass-through grantor or the 2024 Assistance Listing Numbers. When no ALN number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used.

**CONNECT HUMANITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:
 Material Weaknesses Identified? Yes No

Significant Deficiencies Identified? Yes None Reported

Noncompliance Material to Financial Statements
 noted? Yes No

Federal Awards:

Internal Controls over Major Program:
 Material Weaknesses Identified? Yes No

Significant Deficiencies Identified? Yes None Reported

Type of Auditors' Report Issued on Compliance for Major
 Federal Programs: Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a) Yes No

Identification of major programs:

<u>Name of Federal Programs:</u>	<u>Assistance Listing Number</u>
Appalachian Regional Initiative for Stronger Economies (.)	23.002
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**CONNECT HUMANITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in relation to the financial statements.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a) in the current or prior year.

Section IV – Schedule of Prior Year Findings

Audit Period: July 1, 2023 – June 30, 2024

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year:

FINDINGS—FINANCIAL STATEMENT AUDIT

2024-001 – Revenue Recognition

Condition and Context:

During the audit engagement, it was identified that a few grant agreements were improperly recorded as without restriction.

Status:

Corrected.



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