

**HAMPTON ROADS
ECONOMIC DEVELOPMENT ALLIANCE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hampton Roads Economic Development Alliance

Opinion

We have audited the accompanying financial statements of Hampton Roads Economic Development Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and the related statement of activities and changes in net assets, statement of functional expenses and cash flows for the year 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 the changes in net assets and cash flows for the year 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. 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 Organizations 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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.

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 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 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.

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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.

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.

Jones CPA Group, P.C.

Norfolk, Virginia
July 31, 2024

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS	
	2023
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,139,098
Investments	1,790,921
Accounts Receivable	17,604
Prepaid Expenses	48,270
TOTAL CURRENT ASSETS	3,995,893
 NET PROPERTY AND EQUIPMENT (Net)	 125,191
 TOTAL ASSETS	 \$ 4,121,084
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 277,702
Deferred Revenue	7,500
TOTAL CURRENT LIABILITIES	285,202
 NET ASSETS	
Without Donor Restrictions	
Invested in Property & Equipment	125,191
Undesignated	3,710,691
TOTAL NET ASSETS	3,835,882
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,121,084

See independent auditors' report and accompanying notes.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2023

	2023
REVENUE, SUPPORT, AND OTHER	
Government Appropriations	\$ 1,813,197
Private Support	1,535,403
Grants	166,797
Investment Return	24,981
Other	35,552
TOTAL REVENUE, SUPPORT, AND OTHER	3,575,930
 EXPENSES	
Program Services:	
Marketing	494,342
Business Intelligence	577,444
Business Development	1,985,814
Investor Relations	431,389
757 Recovery	5,436
Fundraising	243,724
TOTAL PROGRAM SERVICES	3,738,149
Supporting Services:	
Administration	407,025
TOTAL EXPENSES	4,145,174
 CHANGE IN NET ASSETS	(569,244)
NET ASSETS, BEGINNING OF YEAR	4,405,126
NET ASSETS, END OF YEAR	\$ 3,835,882

See independent auditors' report and accompanying notes.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services						Supporting Services	Total
	Marketing	Business Intelligence	Business Development	Investor Relations	Fund - Raising	757 Recovery	Administration	
Administration Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,600	\$ 45,600
Auditing and Accounting	-	-	-	-	-	-	17,255	17,255
Consulting Services	-	-	86,875	-	-	-	-	86,875
Depreciation	5,948	5,776	15,403	3,679	-	-	3,576	34,382
Dues and Subscriptions	500	2,110	15,258	592	-	-	1,858	20,318
Equipment Services	12,453	12,822	28,941	7,234	-	-	10,911	72,361
Fundraising	-	-	-	-	243,724	-	-	243,724
Insurance	-	-	3,186	-	-	-	8,713	11,899
Legal Fees	-	-	-	-	-	-	14,952	14,952
Meetings	-	-	2,407	33,392	-	-	123	35,922
MIS Services	7,014	2,750	5,729	983	-	-	11,332	27,808
Miscellaneous	-	-	731	-	-	-	-	731
Offices Supplies	2,780	1,733	3,994	956	-	-	4,972	14,435
Postage	-	-	349	160	-	-	214	723
Printing	2,847	642	1,365	1,984	-	-	361	7,199
Professional Development	55	330	32,978	-	-	-	-	33,363
Programs	148,734	160,152	756,210	42,196	-	5,436	-	1,112,728
Rent	23,397	22,720	60,588	14,471	-	-	14,065	135,241
Research Materials	-	12,000	-	-	-	-	-	12,000
Salaries and Benefits	282,729	345,977	924,132	315,890	-	-	259,924	2,128,652
Taxes	249	-	-	-	-	-	3,757	4,006
Telephone	4,847	6,318	17,571	3,387	-	-	4,582	36,705
Travel and Meals	2,789	4,114	30,097	6,465	-	-	4,830	48,295
	<u>\$ 494,342</u>	<u>\$ 577,444</u>	<u>\$ 1,985,814</u>	<u>\$ 431,389</u>	<u>\$ 243,724</u>	<u>\$ 5,436</u>	<u>\$ 407,025</u>	<u>\$ 4,145,174</u>

See independent auditors' report and accompanying notes.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Asset	\$ (569,244)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	34,382
Change in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	316,352
Prepaid Expenses	7,932
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	210,819
Deferred Revenue	7,500
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,741
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(38,663)
Purchase of Investments	(24,708)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(63,371)
NET INCREASE (DECREASE) IN CASH	(55,630)
CASH - BEGINNING OF YEAR	2,194,728
CASH - END OF YEAR	\$ 2,139,098

See independent auditors' report and accompanying notes.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hampton Roads Economic Development Alliance (the "Alliance") was organized to market the Hampton Roads area of Virginia as the primary region of choice for economic investment and business expansion. The Alliance was exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC") through March 24, 2019. As of March 25, 2019, the Alliance obtained exempt status under Section 501(c)(3) of the IRC.

Basis of Accounting

The Alliance's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Alliance reports information regarding its financial position and activities according to two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Alliance and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Revenues, expenses, gains, and losses not limited by donor-imposed restrictions are reported in the classification.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed stipulations which expire by the passage of time or can be fulfilled by action of the Alliance pursuant to those stipulations.

Revenue Recognition and Contributions Received

Contributions and government appropriations are recorded in accordance with the provisions of ASC Topic 958, *Not-for-Profit Entities*. Contributions are recognized as revenues in the period received and are recorded as increases in net assets either with or without donor restrictions depending on the existence and nature of any donor restrictions. Government appropriations are recorded when earned. All contributions and government appropriations received by the Alliance consist solely of non-exchange, non-reciprocal transactions, and contain no donor-specified conditions or barrier that would cause contributions to be considered conditional in nature.

Donor-imposed conditions are separate from donor-imposed restrictions. The Alliance records contributions of cash and other assets with donor-imposed restrictions as contributions with donor restrictions within the statements of activities if they are received with donor stipulations that restrict the use of donated assets. 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 period as net assets without donor restrictions. All other contributions and government appropriations that lack specific donor restrictions are recorded as contributions without donor restrictions.

See independent auditors' report.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Alliance occasionally receives gifts of land, building, and equipment, and records such contributions as net assets without donor restrictions unless explicit donor stipulations specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash as other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Expenses and Allocations

Program expenses include those costs that can be specifically identified with programs, as well, as portions of certain indirect costs that, in management's estimation, are attributable to programs. Administrative expenses include those expenses that are not directly identifiable with any other specific program but provide for the overall support and direction of the Alliance. Accordingly, certain costs have been allocated among the programs, administrative, and fundraising expenses. Personnel services and other expenses are allocated to administrative expenses based on a percentage of budgeted employee pay by department. The financial statements report expenses by function in the statements of functional expenses.

Cash, Cash Equivalents, and Restricted Cash

The Alliance considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments

Short term investments in certificates of deposit and money market investments are stated at cost, which approximates fair market value.

Accounts Receivable, Net and Allowance for Credit Losses

Accounts receivable represents billed amounts uncollected prior to December 31, 2023. The Company may experience credit losses on its accounts receivable balances. The Company estimates credit losses by considering historical credit loss information, the current economic environment, customer credit ratings, collections on past due amounts, legal disputes, and bankruptcies, as well as reasonable and supportable forecasts to develop its allowance for credit losses. Management reviews these factors annually to determine if any adjustments are needed to the allowance.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ended December 31, 2023. There was no allowance at December 31, 2023.

See independent auditors' report.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated property and equipment are capitalized at fair market value. The Alliance capitalizes purchases over \$500 with an estimated life greater than one year. Depreciation is provided over the estimated useful lives that range from 3 to 12 years using the straight-line-method.

Donated Services

No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

Income Taxes

The alliance is exempt from income taxes under Section 501(c)(3) of the IRC. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Alliance has determined it does not have any material unrecognized tax benefits or obligations as of December 31, 2023.

Advertising

The Alliance had no advertising costs for the year ended December 31, 2023.

Adoption of New Accounting Standard

ASC TOPIC 326, Financial Instruments - Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivables.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Alliance's financial assets as of and for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date are as follows:

See independent auditors' report.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Cont.)

	2023
Cash and Cash Equivalents	\$ 2,139,098
Investments	1,790,921
Accounts Receivable	17,604
Other Current Assets	48,270
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 3,995,893

The Alliance is substantially supported by contributions without donor restrictions. As part of the Alliance's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Alliance's liquidity management, the Alliance generally maintains a cash and cash investments reserve equal to approximately five to six months of cash expenses in order to minimize the effects of a negative economic downturn.

NOTE 3 - INVESTMENTS

	2023
Certificates of Deposit	\$ 398,738
Insurance and Annuities	238,969
Money Market Funds	1,153,214
	\$ 1,790,921

Investment return consists of interest earned which was \$24,981 for the year ended December 31, 2023.

NOTE 4 - COMMITMENTS

The Alliance had a lease for office space in Norfolk which expired in 2023, and signed a new lease for office space in Norfolk through 2024. The Alliance currently has no leases that extend past twelve (12) months and therefore is not subject to *Accounting Standards Update ("ASC") 2016-02, Leases (Topic 842)*. Total lease commitments for the succeeding year are as follows:

Year Ending December 31, 2024	\$ 135,241
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Total rent expense was \$135,241 for the year ended December 31, 2023.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

The Alliance places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Alliance from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2023, the Alliance had \$2,628,263 which exceed these insured amounts.

See independent auditors' report.

HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

NOTE 6 - RELATED PARTIES

The Hampton Roads Chamber Foundation (the "Foundation") may receive funds from the public and government entities on behalf of the Alliance. Total funds transferred from the Foundation to the Alliance were \$0 for the year ended December 31, 2023.

The Hampton Roads Chamber of Commerce (the "Chamber") provides certain services such as accounting and administrative functions. The amount related to these services for 2023 was \$21,600 for December 31, 2023. The Chamber is reimbursed for expenses paid on behalf of the Alliance. Accounts payable included \$657 due to the Chamber at December 31, 2023.

NOTE 7 - PROPERTY AND EQUIPMENT

At December 31, 2023 property and equipment consisted of:

Autos	\$ 71,453
Furniture and Fixtures	128,901
	<hr/> 200,354
Less Accumulated Depreciation	75,163
Property and Equipment, net	<hr/> <hr/> \$ 125,191

Depreciation expense for the year 2023 was \$34,382.

Note 8 - SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through July 31, 2024, which is the date the financial statements were available to be issued. No events have occurred that would require additional accrual or disclosure.