

FINANCIAL STATEMENTS

**PARTNERSHIP FOR PUBLIC
SERVICE, INC.**

FOR THE YEAR ENDED DECEMBER 31, 2023

PARTNERSHIP FOR PUBLIC SERVICE, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2023	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2023	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2023	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2023	7
NOTES TO FINANCIAL STATEMENTS	8 - 19



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partnership for Public Service, Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the Partnership for Public Service, Inc. (the Partnership), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, 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 Partnership as of December 31, 2023, and the change in its net assets and its 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 Partnership 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 the Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 Partnership'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 Partnership'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.



May 9, 2024

PARTNERSHIP FOR PUBLIC SERVICE, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,581,031
Investments	20,327,373
Accounts receivable, net	2,319,261
Pledges receivable	1,140,500
Prepaid expenses	<u>415,192</u>

Total current assets	<u>30,783,357</u>
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NET PROPERTY AND EQUIPMENT

	<u>2,353,681</u>
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OTHER ASSETS

Deposits	214,273
Right-of-use asset, net	<u>11,721,574</u>

Total other assets	<u>11,935,847</u>
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TOTAL ASSETS	<u>\$ 45,072,885</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 548,742
Deferred revenue	3,931,572
Operating lease liability	<u>998,713</u>

Total current liabilities	<u>5,479,027</u>
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NONCURRENT LIABILITIES

Operating lease liability, net	<u>16,093,321</u>
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Total liabilities	<u>21,572,348</u>
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NET ASSETS

Without donor restrictions:	
Board designated	19,953,790
Undesignated	<u>433,041</u>

Total without donor restrictions	20,386,831
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With donor restrictions	<u>3,113,706</u>
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Total net assets	<u>23,500,537</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 45,072,885</u>
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PARTNERSHIP FOR PUBLIC SERVICE, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,484,748	\$ 970,221	\$ 3,454,969
Grant revenue	3,347,760	2,368,184	5,715,944
Fee for service revenue	12,322,796	-	12,322,796
Net investment interest, dividends and realized	864,474	-	864,474
Contributed nonfinancial assets	290,927	-	290,927
Sponsorship revenue	2,139,279	-	2,139,279
Rental income	167,084	-	167,084
Other revenue	54,144	-	54,144
Net assets released from donor restrictions	<u>3,993,758</u>	<u>(3,993,758)</u>	<u>-</u>
Total support and revenue	<u>25,664,970</u>	<u>(655,353)</u>	<u>25,009,617</u>
EXPENSES			
Program Services:			
Center for Presidential Transition	1,196,952	-	1,196,952
Communications	2,586,188	-	2,586,188
Federal Executive Networks	280,047	-	280,047
Government Affairs	1,000,232	-	1,000,232
Modern Government	1,088,407	-	1,088,407
Public Service Leadership Institute	7,198,702	-	7,198,702
Research and Evaluation	629,376	-	629,376
Society's Commitment to Government	1,602,344	-	1,602,344
Workforce	<u>4,867,499</u>	<u>-</u>	<u>4,867,499</u>
Total program services	<u>20,449,747</u>	<u>-</u>	<u>20,449,747</u>
Supporting Services:			
Development	1,328,959	-	1,328,959
Operations	<u>5,791,505</u>	<u>-</u>	<u>5,791,505</u>
Total supporting services	<u>7,120,464</u>	<u>-</u>	<u>7,120,464</u>
Total expenses	<u>27,570,211</u>	<u>-</u>	<u>27,570,211</u>
Change in net assets before other items	(1,905,241)	(655,353)	(2,560,594)
OTHER ITEMS			
Cumulative-effect of expected credit loss at beginning of year			
	(81,964)	-	(81,964)
Net unrealized appreciation in fair value of investments	<u>1,994,139</u>	<u>-</u>	<u>1,994,139</u>
Change in net assets after other items	6,934	(655,353)	(648,419)
Net assets at beginning of year, as restated	<u>20,379,897</u>	<u>3,769,059</u>	<u>24,148,956</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,386,831</u>	<u>\$ 3,113,706</u>	<u>\$ 23,500,537</u>

PARTNERSHIP FOR PUBLIC SERVICE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services								Supporting Services				Total Expenses	
	Center for Presidential Transition	Communications	Federal Executive Networks	Government Affairs	Modern Government	Public Service Leadership Institute	Research and Evaluation	Society's Commitment to Government	Workforce	Total Program Services	Development	Operations		Total Supporting Services
Personnel	\$ 1,032,949	\$ 2,246,200	\$ 245,343	\$ 925,355	\$ 900,236	\$ 3,914,674	\$ 581,477	\$ 1,077,646	\$ 3,117,788	\$ 14,041,668	\$ 1,193,886	\$ 3,343,826	\$ 4,537,712	\$ 18,579,380
Stipends	-	-	-	-	-	-	-	-	1,178,831	1,178,831	-	-	-	1,178,831
Consultants	55,000	58,334	-	-	30,000	2,023,261	-	9,950	74,377	2,250,922	6,076	457,995	464,071	2,714,993
Office	697	7,256	1,336	141	4,466	27,074	394	11,591	14,416	67,371	846	253,113	253,959	321,330
Travel	2,056	547	715	431	54,312	70,811	567	4,785	46,713	180,937	12,925	43,399	56,324	237,261
Lease expense	65,546	143,942	15,128	54,044	58,814	384,758	33,998	86,648	264,808	1,107,686	72,863	461,748	534,611	1,642,297
Professional services	163	8,255	38	134	571	6,755	414	2,400	1,574	20,304	13,000	405,929	418,929	439,233
Computer and software	13,683	30,049	3,158	11,282	12,278	80,321	7,097	18,089	55,281	231,238	15,211	96,393	111,604	342,842
Fees	15	191	3	12	14	79,910	8	20	61	80,234	4	218,138	218,142	298,376
Assessment/training	32	121	7	26	29	222,798	17	42	1,170	224,242	-	9,127	9,127	233,369
Dues, membership and subscriptions	170	4,669	17	62	67	18,047	39	329	4,505	27,905	230	148,526	148,756	176,661
Employee	-	7,500	-	-	-	5,533	-	-	780	13,813	-	38,342	38,342	52,155
Marketing	-	-	-	-	-	78,526	-	1,073	17,059	96,658	-	11,056	11,056	107,714
Events	17,175	58,336	12,117	940	19,126	230,667	455	377,257	51,892	767,965	3,395	136,755	140,149	908,114
Depreciation and amortization	9,466	20,788	2,185	7,805	8,494	55,567	4,910	12,514	38,244	159,973	10,523	66,686	77,210	237,183
Credit loss expense	-	-	-	-	-	-	-	-	-	-	-	100,472	100,472	100,472
TOTAL	\$ 1,196,952	\$ 2,586,188	\$ 280,047	\$ 1,000,232	\$ 1,088,407	\$ 7,198,702	\$ 629,376	\$ 1,602,344	\$ 4,867,499	\$ 20,449,747	\$ 1,328,959	\$ 5,791,505	\$ 7,120,464	\$ 27,570,211

See accompanying notes to financial statements.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (648,419)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	237,183
Unrealized gain	(1,994,139)
Realized gain	(9,937)
Receipt of donated stock	(44,187)
Sale of donated stock	42,865
Change in expected credit loss	78,284
Amortization of right-of-use asset	896,131
Decrease (increase) in:	
Accounts receivable	2,327,774
Pledges receivable	1,691,461
Prepaid expenses	(109,434)
(Decrease) increase in:	
Accounts payable and accrued liabilities	(141,383)
Deferred revenue	(526,920)
Operating lease liability	<u>657,961</u>
Net cash provided by operating activities	<u>2,457,240</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(2,652,068)
Proceeds from sale of investments	<u>35,396</u>
Net cash used by investing activities	<u>(2,616,672)</u>
Net decrease in cash and cash equivalents	(159,432)
Cash and cash equivalents at beginning of year	<u>6,740,463</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,581,031</u>

PARTNERSHIP FOR PUBLIC SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Partnership for Public Service, Inc. (the Partnership) was incorporated in 1999 as the Institute for the Reform of Government Service. The Partnership's mission is working to revitalize the Federal Government by inspiring a new generation to serve and by transforming the way government works. The Partnership envisions a dynamic and innovative Federal Government that effectively serves the American people.

Program Services -

Center for Presidential Transition: The Center for Presidential Transition® is the nation's premier nonpartisan source of information and expertise for presidential candidates and their teams. The Center provides critical assistance on how to organize and execute a transition; helps agency career executives prepare for new political leadership; offers guidance to political appointees on the unique aspects of government leadership; and engages with Congress to promote transition reforms. In addition, the Center offers insights to help incumbent presidents prepare for a second term as well as advice on the steps needed for a smooth transfer of power in the event that a new president is elected.

Communications: The Partnership's communication efforts are designed to change public perceptions, educate the public about the need for a high-performing government and help connect citizens to their government. In addition, the Communications team ensures that Partnership programs and activities are heard, understood and actionable.

Federal Executive Networks: The Federal Executive Networks team convenes government executives, current and former, to help them build critical connections with their peers across government, share promising practices and learn from one another.

Government Affairs: The Government Affairs team is the Partnership's voice on Capitol Hill, working to advance the organization's good government agenda by building bridges of understanding between Federal agencies and Congress, promoting useful technologies to improve Federal service delivery, advocating for the modernization of America's civil service system and sharing the Partnership's work with committees, members and their staff.

Modern Government: The Partnership's Modern Government team helps government adopt new approaches and strategies that harness creative thinking to deliver more effective services and better outcomes to the public. We also conduct research and provide programming that highlights best practices and strategies to recruit and retain essential tech experts and train federal leaders to use technology more effectively, both in their services and in the workplace.

Public Service Leadership Institute: The Public Service Leadership Institute is the preeminent source of public service leadership programs, policies and perspectives. It develops government leaders, promotes a single standard of Federal leadership through the Public Service Leadership Model, and amplifies the importance of public service leadership by publishing research, issuing commentary and convening leaders across sectors.

Research and Evaluation: The Partnership's research team advises government on topics such as customer experience, data, recruiting and hiring talent, innovation, employee engagement, generational interest in government, performance management and presidential transition. The evaluation team evaluates the impact of our programs and initiatives.

Society's Commitment to Government: We improve the public perception of our government by promoting the achievements of Federal employees, building their capacity to deliver critical services and engaging others to rebuild trust in our Federal institutions.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Program Services (continued) -

Workforce: We help government address critical talent gaps by advocating for policies that improve the hiring process, administering internship and fellowship programs that inspire young, diverse talent to public service, and helping agencies design and implement new recruitment and retention strategies. Collectively, this work helps fill the Federal talent pipeline and remove the barriers to a career in government.

Development: The Partnership's fundraising efforts extend across the organization and focus on ensuring long-term financial viability. The Development team identifies, cultivates and secures financial and in-kind support from individual donors, corporate sponsors and foundations for the Partnership's programs and activities.

Operations: The Operations team comprises talent and human resources, finance and accounting, administrative support, office management, conference services and IT support to enable the organization to meet its mission.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. 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 Partnership that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Partnership implemented the ASU on January 1, 2023, using a modified retrospective approach.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents -

The Partnership considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Partnership maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Partnership's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to sponsorship revenue and fee for service revenue. Accounts receivable are recorded at their net realizable value which approximates fair value. 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.

Pledges receivable -

Pledges receivable includes unconditional promises to give that are expected to be collected in future years. Pledges receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term pledges receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions. All pledges receivable are expected to be collected within one year, accordingly, no discount has been recorded as of December 31, 2023.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$237,183 for the year ended December 31, 2023.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is to its current value, and a loss is reported in the Statement of Activities and Change in Net Assets, to its current fair value.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Income taxes -

The Partnership is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Partnership is not a private foundation.

Revenue from contracts with customers -

The Partnership's fee for service revenue, sponsorship revenue and rental income are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Partnership has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Partnership's contracts with customers generally have initial terms of one year or less.

Fee for service revenue for open enrollment programs is recognized over the term of the program. Fee for service revenue for other programs, is recognized as the program occurs.

Sponsorship revenue and rental income is recognized when the related event occurs.

Support from contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. The Partnership performs an analysis of the individual contribution or grant agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions and grants with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions and grants are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Partnership had no refundable advances as of December 31, 2023.

In addition, the Partnership may obtain funding source agreements related to conditional contributions, which will be received in future years. However, the Partnership had no conditional contributions to be received in futures years as of December 31, 2023.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed legal and consulting services. Contributed services are valued at the standard hourly rates that would be charged for those services.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributed nonfinancial assets (continued) -

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Partnership. None of the contributed nonfinancial assets were restricted by donors and none of the donated goods were monetized through sale.

Use of estimates -

The preparation of the 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the Partnership's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, occupancy and depreciation, were allocated based on estimated time and effort.

Risks and uncertainties -

The Partnership invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Beginning balance adjustment -

A prior period adjustment was made to reflect write offs of duplicate revenues from 2018-2022, and to adjust revenue recognition for unconditional grants and contributions that had previously been recorded through deferred revenue. The detail of the adjustment is presented in the table below:

	<u>Accounts Payable and Accrued Expenses</u>	<u>Pledges Receivable</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Net Assets With Donor Restrictions</u>	<u>Net Assets Without Donor Restrictions</u>
December 31, 2022, balance as previously stated and audited by other auditors	\$ 757,344	\$ 1,556,961	\$ 5,325,876	\$ 6,781,188	\$ 3,394,059	\$ 17,690,539
Prior period adjustment	<u>(67,219)</u>	<u>1,275,000</u>	<u>(600,557)</u>	<u>(2,322,696)</u>	<u>375,000</u>	<u>2,689,358</u>
December 31, 2022, Balance as Restated	<u>\$ 690,125</u>	<u>\$ 2,831,961</u>	<u>\$ 4,725,319</u>	<u>\$ 4,458,492</u>	<u>\$ 3,769,059</u>	<u>\$ 20,379,897</u>

PARTNERSHIP FOR PUBLIC SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Partnership has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Partnership has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Partnership are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Partnership are deemed to be actively traded.

US GAAP permits, as a practical expedient, the fair value of investments within scope to be estimated using the net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position. Following is a description of those investments measured at NAV:

- *TIFF* - The Investment Fund of Foundation (TIFF) investment program consists of one mutual fund at present named the TIFF Multi-Asset Fund (MAF). MAF employs a fair value model to adjust prices to reflect events affecting the values of certain portfolio securities that occur between the close of trading on the principal market for such securities (foreign exchange and over the counter markets) and the time at which the net asset value of the fund is determined.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy and those measured at NAV as of December 31, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 2,225	\$ -	\$ -	\$ 2,225
Mutual fund	<u>371,358</u>	<u>-</u>	<u>-</u>	<u>371,358</u>
Sub total investments using fair value hierarchy	373,583	-	-	373,583
Investments measured in NAV per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,953,790</u>
TOTAL INVESTMENTS	<u>\$ 373,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,327,373</u>

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major asset category as of December 31, 2023:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
TIFF Multi-Asset Fund	<u>\$ 19,953,790</u>	<u>\$ -</u>	<u>Quarterly, Annually</u>	<u>30-90 days</u>

Net investment return consisted of the following for the year ended December 31, 2023:

Interest and dividends	\$ 857,415
Unrealized gain	1,994,139
Realized gain	9,937
Investment fees	<u>(2,878)</u>
NET INVESTMENT RETURN	<u>\$ 2,858,613</u>

Beginning June 2, 2017, the Partnership became the fiscal agent for the Rosenthal Fellowship Program (the Program). An amendment was incorporated into the agreement allowing the Partnership to continue as the fiscal agent for the Program through August 31, 2019 or a later date agreed upon between the two parties. Effective October 18, 2019, the Partnership was granted sole control over all the funds held or raised by the Program including the rights and duty to invest such funds. The Partnership had investments for the Rosenthal Fellowship of \$373,583 on December 31, 2023.

3. CONTRACT ASSETS AND CONTRACT LIABILITIES

Accounts receivable consisted of the following revenue streams as of December 31, 2023:

Fee-For-Service	\$ 2,179,402
Sponsorships	216,325
Other	1,818
Less: Expected credit loss	<u>(78,284)</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 2,319,261</u>

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Accounts receivable consisted of the following revenue streams as of January 1, 2023:

Fee-For-Service	<u>\$ 4,725,319</u>
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The allowance for credit losses consisted for the following as of and for the year ended December 31, 2023:

Allowance for credit losses, beginning of year	\$ 81,964
Additions (charges to expenses)	100,472
Deductions (write-offs, net of recoveries)	<u>(104,152)</u>

ALLOWANCE FOR CREDIT LOSSES, END OF YEAR	<u>\$ 78,284</u>
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Deferred revenue consisted of the following revenue streams as of December 31, 2023:

Sponsorships	\$ 940,000
Fee-for-service	2,983,172
Other	<u>8,400</u>

TOTAL DEFERRED REVENUE	<u>\$ 3,931,572</u>
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Deferred revenue consisted of the following revenue streams as of January 1, 2023:

Sponsorships	\$ 1,051,236
Fee-for-service	<u>3,407,256</u>

TOTAL DEFERRED REVENUE	<u>\$ 4,458,492</u>
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4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023:

Leasehold improvements	\$ 2,609,009
Artwork	<u>10,000</u>

Total Property and equipment	2,619,009
Less: Accumulated depreciation and amortization	<u>(265,328)</u>

NET PROPERTY AND EQUIPMENT	<u>\$ 2,353,681</u>
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5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2023:

Subject to expenditure for specified purpose:	
Modern government	\$ 370,930
Workforce	1,848,113
Development	460,815
Research and evaluation	233,848
Subject to passage of time	<u>200,000</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,113,706</u>
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PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended December 31, 2023:

Purpose restrictions accomplished:	
Modern government	\$ 589,070
Workforce	692,465
Development	2,453,665
Research and evaluation	158,558
Expiration of time restrictions	<u>100,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,993,758</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2023:

Cash and cash equivalents	\$ 6,581,031
Investments	20,327,373
Accounts receivable	2,319,261
Pledges receivable	<u>1,140,500</u>
Subtotal financial assets available within one year	30,368,165
Less: Donor restricted funds	(2,913,706)
Less: Board designated funds	<u>(19,953,790)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 7,500,669</u>

The Partnership has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Partnership has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need. In addition, the Partnership invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. The Partnership has money set aside in their TIFP investments for emergencies, if necessary.

7. CONTRIBUTED NONFINANCIAL ASSETS

The Partnership was the beneficiary of certain contributed nonfinancial assets which allowed the Partnership to provide greater resources towards its various programs. All contributed nonfinancial assets benefited the operations of the Partnership.

The contributed nonfinancial assets consisted of the following for the year ended December 31, 2023:

Donated legal services	\$ 215,927
Donated consulting services	<u>75,000</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	<u>\$ 290,927</u>

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

8. LEASE COMMITMENTS

During the year ended December 31, 2021, the Partnership entered into a twelve-year lease agreement, commencing January 1, 2022, for an office space at 600 14th Street NW, Washington D.C. 20005. Monthly rent over the term of the lease averages \$129,508 per month. As part of the lease agreement, the landlord provided the Partnership with an allowance for tenant improvements of \$2,262,275. In addition, the landlord provided the Partnership a rent abatement for the first 24 months of the lease along with a partial rent abatement for months 25 through 30. The Partnership paid an initial security deposit of \$196,432 for the space with lease commencement date of January 2022.

Effective January 1, 2022, the Partnership adopted ASU 2019-01, *Leases* (Topic 842). The Partnership elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Partnership also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Partnership adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Partnership recorded a right-of-use asset in the amount of \$13,539,165, as well as an operating lease liability in the amount of \$15,801,440.

These implementation date amounts were determined by calculating the present value of all future rentals using a risk free discount rate of 3.93%. The operating lease right-of-use asset totaled \$11,721,574 and the operating lease liability totaled \$17,092,034 as of December 31, 2023.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2023:

Year Ending December 31,

2024	\$ 1,652,901
2025	1,934,647
2026	1,983,014
2027	2,032,589
2028	2,083,402
Thereafter	<u>11,224,833</u>
	20,911,386
Less: Imputed interest	(3,819,352)
Less: Current portion	<u>(998,713)</u>
LEASE LIABILITY, NET	<u>\$ 16,093,321</u>

Lease expense related to the operating lease totaled \$1,642,297 for the year ended December 31, 2023.

9. RETIREMENT PLAN

The Partnership provides retirement benefits through a 401(k) savings plan (the Plan) for all employees. Full-time employees are eligible to participate in the Plan on the first month after seven (7) months of service. Employees may contribute from 1% to 15% of their eligible earnings. Under the Plan, the Partnership contributes 100% of the first 4% of each employee's contributions. The Partnership recorded contributions of \$492,967 to the Plan for the year ended December 31, 2023.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

10. RELATED PARTY

The Partnership receives a portion of its support from contributions made by members of the Board of Directors. The Partnership received contributions of approximately \$807,000 from these donors during the year ended December 31, 2023.

11. BOARD DESIGNATED FUNDS

The Board of Directors (the Board) approved the reallocation of operating funds to establish a reserve fund. The Partnership will be able to use the interest income from this reserve fund for partial funding of the Partnership's programs. Since this is an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions.

Interpretation of relevant law -

The Partnership has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the District of Columbia as requiring the preservation of the fair value of the original amount as of the date of the Board designated reserve funds, absent explicit stipulations to the contrary.

In accordance with UPMIFA, the Partnership considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Board designated reserve fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Investment Policies -

The Board of the Partnership is charged with the responsibility of managing the assets of the Partnership. The overall goal in managing these funds is to generate a long-term total rate of return that provides sustainable distributions to support the mission within reasonable levels of risk.

The Board believes its role is one of setting and reviewing policy and retaining, monitoring, and evaluating advisers and investment managers. It is the Board's desire to find ways to invest these funds in accordance with the principles of the Partnership. The Investment Committee will review the investment policy statement at least annually.

The financial objectives of the investment funds (Funds) are to provide a stream of relatively stable and constant earnings in support of annually budgetary needs and preserve and enhance the real (inflation-adjusted) purchasing power of the Funds.

The reserve fund is held in investments in TIFF funds and is included in the investments in the accompanying Statement of Financial Position. It is the intention of the Board that the funds allocated to the reserve fund remain there indefinitely. However, at this time, the funds may, upon approval by the Board, be withdrawn to sustain the Partnership's operations.

The objective of this reserve fund is to provide for long-term financial stability of the Partnership's core mission. To achieve that objective, the Partnership invests in a well-diversified asset mix, which includes equities, debt securities, and cash equivalents which is intended to result in a consistent inflation-protected rate of return while growing the fund is possible. Investment risk is measured in terms of the total reserve fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

PARTNERSHIP FOR PUBLIC SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

11. BOARD DESIGNATED FUNDS (Continued)

Composition and changes in Board designated net assets without donor restrictions consisted of the following as of and for the year ended December 31, 2023:

Board designated, beginning of year	\$ 16,511,964
Contributions	2,000,000
Net investment return	2,597,505
Appropriations	<u>(1,155,679)</u>
BOARD DESIGNATED, END OF YEAR	<u>\$ 19,953,790</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through May 9, 2024, the date the financial statements were issued.