ONE N TEN

FINANCIAL STATEMENTS

Year Ended December 31, 2022

ONE N TEN

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ONE N TEN

Opinion

We have audited the financial statements of ***One N Ten*** (the "Organization"), which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 ("GAAS"). 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 the Organization 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.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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.

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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 for 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 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 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, 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.

Mayer Hoffman McCann P.C.

August 25, 2023

ONE N TEN

STATEMENT OF FINANCIAL POSITION

December 31, 2022

A S S E T S

CURRENT ASSETS		
Cash and cash equivalents	$	816,284
Contributions and grants receivable		628,635
Prepaid expenses and deposits		70,293
TOTAL CURRENT ASSETS		1,515,212
LONG-TERM CONTRIBUTIONS AND GRANTS RECEIVABLE		223,500
INVESTMENTS		2,156,929
INTEREST IN ARIZONA COMMUNITY FOUNDATION INVESTMENT POOLS		431,877
PROPERTY AND EQUIPMENT, net		405,978
OPERATING RIGHT OF USE ASSET		560,765
TOTAL ASSETS	$	5,294,261

L I A B I L I T I E S A N D N E T A S S E T S

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	66,318
Accrued payroll and related liabilities		54,352
Deferred revenues		105,099
Current portion of operating lease liability		81,030
TOTAL CURRENT LIABILITIES		306,799
OPERATING LEASE LIABILITY, less current portion		536,714
TOTAL LIABILITIES		843,513
NET ASSETS		
Without donor restrictions		3,192,028
With donor restrictions		1,258,720
TOTAL NET ASSETS		4,450,748
TOTAL LIABILITIES AND NET ASSETS	$	5,294,261

ONE N TEN

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and donations	$ 973,981	$ 93,115	$ 1,067,096
Donated materials and services	50,949	-	50,949
Grants	1,189,693	599,858	1,789,551
Investment loss	(76,438)	-	(76,438)
Other income	34,986	-	34,986
Total support and revenue before special events and net assets released from restriction	2,173,171	692,973	2,866,144
Special events:			
Special events revenues	1,253,814	-	1,253,814
Less costs of direct donor benefits	(322,220)	-	(322,220)
Gross profit on special events	931,594	-	931,594
Net assets released from restriction	396,416	(396,416)	-
TOTAL SUPPORT AND REVENUE	3,501,181	296,557	3,797,738
EXPENSES			
Program services	2,170,904	-	2,170,904
Support services:			
Management and general	278,543	-	278,543
Fundraising	324,433	-	324,433
TOTAL EXPENSES	2,773,880	-	2,773,880
CHANGE IN NET ASSETS	727,301	296,557	1,023,858
NET ASSETS, BEGINNING OF YEAR	2,464,727	962,163	3,426,890
NET ASSETS, END OF YEAR	$ 3,192,028	$ 1,258,720	$ 4,450,748

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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

		Support Services		
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,350,564	$ 162,201	$ 204,275	$ 1,717,040
Professional fees	221,414	81,293	70,797	373,504
Travel	32,840	430	1,752	35,022
Facilities	201,842	7,555	2,367	211,764
Group and community support	212,297	1,113	2,564	215,974
Depreciation	56,658	-	-	56,658
In-kind support	19,600	-	31,349	50,949
Marketing and public relations	17,232	11,811	6,994	36,037
Office	58,457	14,140	4,335	76,932
Events	740	-	321,480	322,220
	2,171,644	278,543	645,913	3,096,100
Less: Expenses netted against revenues on the statement of activities and change in net assets				
Direct donor benefit	(740)	-	(321,480)	(322,220)
Total expenses included in the expense section of the statement of activities and change in net asset	$ 2,170,904	$ 278,543	$ 324,433	$ 2,773,880

See Notes to Financial Statements

ONE N TEN

STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,023,858
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	56,658
Realized and unrealized losses on investments	99,091
Non-cash lease expense	86,123
(Increase) Decrease in:	
Contributons and grants receivable	(77,393)
Prepaid expenses and deposits	(38,430)
Increase (Decrease) in:	
Accounts payable and accrued expenses	33,358
Accrued payroll and related liabilities	(1,114)
Change in operating lease liability	(78,443)
Deferred revenue	(18,902)
Net cash provided by operating activities	1,084,806
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(12,578)
Purchase of investments in Arizona Community Foundation investment pools	(121,453)
Purchase of investments	(2,174,706)
Net cash used in investing activities	(2,308,737)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,223,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,040,215
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 816,284
SUPPLEMENT DISCLOSURE OF NON-CASH INFORMATION	
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	$ 646,888

(1) Operations and summary of significant accounting policies

One N Ten (the "Organization") was incorporated in 1993 as a nonprofit 501(c)(3) community based agency dedicated to serving and assisting lesbian, gay, bisexual, transgender, and questioning (LGBTQ) youth in the metropolitan Phoenix area. The Organization's mission is to serve LGBTQ youth and young adults; enhancing their lives by providing empowering social and service programs that promote self-expression, self-acceptance, leadership development and healthy life choices. The Organization provides services ranging from providing weekly discussion groups designed to cover a wide range of social, educational, health, and community issues to offering social networking opportunities appropriate for developing leadership skills. The services are delivered in a variety of formats. The Organization derives program funding from both private donations and contracts and fees.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Organization maintains its accounts on the accrual basis of accounting. Net assets and revenues expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restriction and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Management's use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

(1) Operations and summary of significant accounting policies (continued)

Contributions and grants receivable – Unconditional contributions and grants receivable that are to be collected within one year are recorded at net realizable value. Unconditional contributions and grants receivable that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of contributions and grants receivable, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of any discount is included in support from contributions. At December 31, 2022, the discount on pledges receivable was not material.

Investments – The Organization accounts for its investments in accordance with FASB ASC 958-321, Not-for-Profit Entities – Investments – Equity Securities and FASB ASC 958-320, Not-for-Profit Entities – Investments – Debt Securities. Under FASB ASC 958-320 and 958-321, the Organization reports investments in equity and debt securities at fair value. The fair value of investments are based on quoted market prices.

The Organization determines the fair value of its investments held in the Arizona Community Foundation ("ACF") investment pools based on its investment percentage in the respective investment pools. ACF implements an investment strategy for these pooled funds that includes equity, fixed income, hedge funds and private equity investments. At December 31, 2022, investments are classified as long-term based on management intent.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Fair value measurements - FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Property and equipment and related depreciation – Purchased property and equipment is valued at cost. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of $1,000 is capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

(1) Operations and summary of significant accounting policies (continued)

Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

	Useful Life
Leasehold improvements	12 years
Furniture and equipment	5 - 7 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the year ended December 31, 2022.

Contributions and grants – The Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the resource provider. The transfer of commensurate value from the Organization to the resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional. As of December 31, 2022, the Organization had approximately $366,865 of conditional contributions which had not yet been recognized.

(1) Operations and summary of significant accounting policies (continued)

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Contributions with donor restrictions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to contributions without donor restrictions.

During the year ended December 31, 2022, the Organization received approximately $87,000 in total support from Board members.

Donated materials and services (in-kinds) - In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization adopted ASU 2020-07 during the year ended December 31, 2022 and presents contributed nonfinancial assets separately on the statement of activities and change in net assets.

The Organization receives various in-kind contributions in the form of donated good and services. Donated goods are recorded at their estimated fair value as of the date of donation. Donated services are recognized as contribution 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. The Organization utilizes the services of volunteers to perform a variety of tasks that assist with specific programs. No amounts have been reflected in the financial statements for certain donated volunteer services as they did not qualify for recoding under the guidelines of FAS ASC 958-605.

The Organization received the following donated materials and services for the year ended December 31, 2022:

Donated alcohol and food	$	14,849
Donated medical services		10,000
Donated promotional services		26,100
	$	50,949

Contributed alcohol and food was utilized, and in some cases monetized, for and at the Organization's special events. Donated medical services and promotional services are utilized in the Organization's programs. Donated materials and services are valued and reported at the estimated fair value in the financial statements based on current rates for similar goods or services (Level 2 inputs). During the year ended December 31, 2022, there were no donor restrictions on the in-kind contributions.

Special events revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as special events revenue in the accompanying statement of activities and change in net assets. Any special events revenue received prior to the events would be recorded as deferred revenue in the accompanying statement of financial position until the event occurs, at which time it would be recognized as special events revenue.

(1) <u>Operations and summary of significant accounting policies (continued)</u>

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and support services benefited based on full-time equivalents, physical usage and square footage. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

The expenses that are allocated include the following:

Salaries, personnel costs and employee related expenses	Time incurred
Professional fees and office expenses	Number of full-time employees
Depreciation and facilities expense	Use by program

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was $13,415 for the year ended December 31, 2022.

Income tax status – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Organization's federal Return of Organizations Exempt from Income Tax (Form 990) for 2021, 2020 and 2019 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2022 informational return had not yet been filed.

Going concern – The Organization follows the guidelines in FASB ASC 205-40, *Presentation of Financial Statements – Going Concern*, which requires management to assess an entity's ability to continue as a going concern and to provide related disclosures in certain circumstances. There were no conditions or events, when 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 the financial statements were issued.

Recent accounting pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of activities and change in net assets upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2022 unless the entity adopts the provisions of ASU No. 2020-05. The Organization adopted Topic 842 effective January 1, 2022 under the modified retrospective approach. The Organization adopted the package of practical expedients to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases. The Organization also elected to use the risk-free rate as a practical expedient for the determination of a discount rate for the right-of-use asset and corresponding lease liabilities.

(1) Operations and summary of significant accounting policies (continued)

As a lessee, the adoption of Topic 842 resulted in the recognition of a right-of-use ("ROU") asset and a corresponding lease liability of approximately $642,000 and $691,000, respectively, as of January 1, 2022. See Note 6 for further information on the impact of Topic 842. The Organization does not have any leases classified as finance leases.

Subsequent events – The Organization has evaluated subsequent events through August 25, 2023, which is the date the financial statements were available to be issued.

(2) Contributions and grants receivable

Contributions and grants receivable consist of the following unconditional promises to give at December 31, 2022:

Receivable in less than one year	$ 628,635
Receivable in two to five years	223,500
Total contributions and grants receivable	852,135
Discount to present value	-
Net contributions and grants receivable	852,135
Current portion	(628,635)
Long-term portion	$ 223,500

Credit risk on contributions and grants receivable is considered by management to be limited due to prior collection history with these donors and their standing in the community. However, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions and grants receivable. At December 31, 2022, contributions and grants receivable are considered by management to be fully collectible, and accordingly, an allowance for uncollectible contributions and grants receivable is not considered necessary.

(3) Investments

Investments consist of the following at December 31, 2022:

	Cost	Market	Level 1	Level 2
Cash and money market accounts	$ 401,565	$ 401,565	$ 401,565	$ -
Marketable securities	10,918	3,695	3,695	-
Fixed income mutual funds	446,460	438,961	438,961	-
Treasury bonds	150,249	149,297	149,297	-
Certificates of deposit	1,162,588	1,163,411	-	1,163,411
	2,171,780	2,156,929	$ 993,518	$ 1,163,411
Investments measured at NAV	431,877	431,877		
Total	$ 2,603,657	$ 2,588,806		

(3) Investments (continued)

FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, establishes accounting standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization ("NPO") establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must record the fund as an asset and the community foundation must account for the fund as a liability. The Organization has such funds with ACF. The Organization's funds at ACF are pooled with other funds at ACF to be invested. ACF holds these assets as funds with the income and principal available for distribution to the Organization subject to the Organization's board of director's approval and subject to the Organization advising that the distribution be made in accordance with the provisions of the agreement.

In accordance with FASB ASC 820, the investments in ACF are excluded from the fair value measurements leveling disclosures. The Organization determines the fair value of its investments held by ACF based on its investment percentage in the respective consolidated investment pools. ACF implements an investment strategy for these pooled funds that includes equity and fixed income funds. There are no unfunded commitments associated with the investments held at ACF and redemptions are permitted upon request.

The Organization currently has no other assets and liabilities subject to fair value measurements on a recurring basis.

(4) Property and equipment

Property and equipment consists of the following at December 31, 2022:

Cost and donated value:		
Leasehold Improvement	$	563,933
Furniture and equipment		61,662
Total cost and donated value		625,595
Less: Accumulated depreciation		(219,617)
Net property and equipment	$	405,978

Depreciation expense charged to operations was $56,658 for the year ended December 31, 2022.

(5) Net assets

Net assets with donor restrictions are restricted for the following uses as of December 31, 2022:

Ending the Epidemic	$	374,876
Youth Center		210,000
Workforce		152,780
Digital Programs		151,813
Planned Gift Manager		120,000
Advocacy & Policy		51,071
Scholarship Funds		50,000
Satellites		25,669
Housing		13,636
Healthy Eating Programs		9,294
Holiday Grant Award		4,581
Time Restricted		95,000
Total	$	1,258,720

(5) Net assets (continued)

Net assets released from restrictions totaled $396,416 for the year ended December 31, 2022 and consisted primarily of the passage of time and amounts used for camp and the Workforce program.

(6) Leasing activity

The Organization leases various equipment, program facilities, and office space under the provisions of non-cancelable operating leases expiring through 2033. Many leases include one or more options to renew. The exercise of lease renewal options is at the Organization's sole discretion. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. ROU assets and liabilities for leases that are less than one year are not recorded.

The Organization used risk-free rates ranging from .59% to 3.79% for the leases included in the future commitments below in order to determine the present value of the lease liability. The rates used were the daily yield rate for U.S. Treasury bonds as of January 1, 2022 or the lease commencement date, with terms approximating the lease terms. Lease terms range from 12 to 120 months. Operating lease expense and operating cash flows paid to fulfill operating lease commitments were approximately $95,624 and $87,944, respectively for the year ended December 31, 2022.

Future minimum lease commitments for leases with terms in excess of one year are as follows:

Years Ending December 31,	
2023	$ 81,030
2024	90,591
2025	97,886
2026	100,083
2027	103,335
Thereafter	169,413
Total lease payments	642,338
Less: interest	(24,594)
Present value of lease liabilities	$ 617,744

The following summarizes the weighted average remaining lease term, discount rate, and maturity as of December 31, 2022:

Weighted Average Remaining Lease Term (years)	6.49
Weighted Average Discount Rate	6.54%
Latest maturity	2033

The Organization sublet certain space to an unrelated third-party under a non-cancelable sublease agreement expiring August 2022. Rental income totaled approximately $10,000 for 2022 which is included in other income in the accompanying statement of activities and change in net assets.

(6) Leasing activity (continued)

In February 2022 the Organization entered into a lease agreement for office space. The lease was to commence upon the completion of certain improvements. Due to certain delays, the lease did not commence until January 2023. Additionally, as a result of the delays, an amendment was entered into in January 2023 to revise the minimum monthly rent. The lease has a term of 120 months with a renewal option for an additional three years. The lease requires an $8,698 deposit and monthly payments as follows:

Years Ending December 31,		
2023	$	17,425
2024		47,268
2025		73,084
2026		79,091
2027		85,433
Thereafter		542,889
Total lease payments	$	845,190

The Organization has not yet determined the impact of this lease under Topic 842.

(7) Commitments, contingencies, risk and uncertainties

Litigation – Periodically, the Organization may become involved in litigation and claims arising in the normal course of operations. The Organization is currently not involved in any such litigation which management believes could have a material adverse effect on its financial statements.

COVID-19 – On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which has impacted global business operations. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the individuals it serves, employees and vendors, all of which are uncertain and cannot be predicted. Additionally the outbreak could impact the Organization’s ability to serve individuals and generate revenue and cash flow, current or future funding and collection of receivables.

In response to the pandemic, the U.S. government has enacted fiscal and monetary stimulus measures to counteract the disruption caused by COVID-19. During 2021, the Organization determined that they qualified for the Employee Retention Tax Credit (“ERTC”), as provided for under the CARES Act totaling approximately $84,000. Under the terms of the ERTC program, the Organization must incur qualifying wage or health insurance costs and have either suspended operations under governmental order or experienced specified declines in gross receipts. If conditions are not met, any amount of credit received is refundable to the government and the Organization may be subject to fines and penalties.

The Organization accounts for the tax credits as conditional contributions and the total amount of approximately $84,000 was reported as grants revenue as of December 31, 2021 with a corresponding contributions and grants receivable as of December 31, 2021. The amounts were received in 2022.

As of the date the financial statements were available to be issued, the Organization’s operations have not been significantly negatively impacted. However, the Organization continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Organization could experience a material negative impact to operations, cash flows and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(8) Concentrations

The Organization received approximately 32% of revenues from two donors, 15% and 17% respectively, for the year ended December 31, 2022. Approximately 68% of the contributions and grants receivable balance was due from two donors as of December 31, 2022.

(9) Liquidity and availability of resources

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 are as follows:

Cash and cash equivalents	$ 816,284
Contributions and grants receivable, current	628,635
Total financial assets	1,444,919
Less:	
Net assets with donor restrictions	(1,038,720)
Total financial assets available within one year after restrictions and designations	$ 406,199

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Additionally, while the Organization's investments are classified as long-term in the accompanying statement of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs.

(10) Retirement plan

Effective January 2019, the Organization elected to participate in a multi-employer 401(k) plan. Under the provisions of the plans, employees who are at least 21 years of age and have provided at least one year of service in which they completed 1,000 hours of service are eligible to participate. The Organization matches employee deferrals into the plan at the discretion of management and the Board of Directors. During 2022, the Organization made $23,175 in matching contributions.