

FEDERATION OF INTERNATIONAL LACROSSE, INC.

Financial Statements

For the Year Ended December 31, 2022

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Federation of International Lacrosse, Inc.
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Federation of International Lacrosse, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federation of International Lacrosse, Inc. as of December 31, 2022, and the changes in 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 Federation of International Lacrosse, Inc. 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 Federation of International Lacrosse, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Federation of International Lacrosse, Inc.'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 Federation of International Lacrosse, Inc.'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.

Emphasis of Matter

As described in Note A to the financial statements, during the year ended December 31, 2022, Federation of International Lacrosse, Inc. adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited Federation of International Lacrosse, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2022.

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
November 15, 2023

FEDERATION OF INTERNATIONAL LACROSSE, INC.
Statement of Financial Position
December 31, 2022
(With Comparative Totals for December 31, 2021)

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 1,094,151	\$ 508,260
Investments		40,320	46,944
Accounts receivable		79,587	35,807
Contributions and pledges receivable		1,007,005	1,000,000
Note receivable - current		85,000	60,000
Inventory		98,414	38,746
Prepaid expenses		11,410	12,119
Total current assets		2,415,887	1,701,876
OTHER ASSETS - SECURITY DEPOSIT			2,945
LONG-TERM CONTRIBUTIONS AND PLEDGES RECEIVABLE - net		494,105	1,476,313
NOTE RECEIVABLE - noncurrent			85,000
TOTAL ASSETS		<u>\$ 2,909,992</u>	<u>\$ 3,266,134</u>

	<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:			
Accounts payable		\$ 225,216	\$ 211,913
Accrued liabilities			29,206
Deferred revenue		26,236	37,073
Total current liabilities		251,452	278,192
NET ASSETS:			
Without donor restrictions		1,140,205	490,858
With donor restrictions		1,518,335	2,497,084
Total net assets		2,658,540	2,987,942
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,909,992</u>	<u>\$ 3,266,134</u>

See Notes to Financial Statements

FEDERATION OF INTERNATIONAL LACROSSE, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
REVENUE:				
Contributions	\$ 3,000,000	\$ 54,354	\$ 3,054,354	\$
Media rights	250,000		250,000	
Event participation fees	245,872		245,872	750
IOC grants	31,980		31,980	31,980
In-kind contributions		20,395	20,395	
Investment income (loss), net	(6,409)		(6,409)	5,399
PPP grant forgiveness				92,220
Other income				3,339
Satisfied program restrictions	<u>1,053,498</u>	<u>(1,053,498)</u>		
Total revenue	4,574,941	(978,749)	3,596,192	133,688
EXPENSES:				
Program services:				
Events	1,247,639		1,247,639	278,800
Sport development	675,151		675,151	641,235
Media, public relations & branding	446,156		446,156	444,218
International relations	274,302		274,302	358,857
Technical	<u>250,084</u>		<u>250,084</u>	<u>81,302</u>
Total program services	2,893,332		2,893,332	1,804,412
Supporting services:				
Administration & governance	982,122		982,122	699,768
Fundraising	<u>50,140</u>		<u>50,140</u>	<u>157,472</u>
Total supporting services	<u>1,032,262</u>		<u>1,032,262</u>	<u>857,240</u>
Total expenses	<u>3,925,594</u>		<u>3,925,594</u>	<u>2,661,652</u>
CHANGE IN NET ASSETS	649,347	(978,749)	(329,402)	(2,527,964)
NET ASSETS, beginning of year	<u>490,858</u>	<u>2,497,084</u>	<u>2,987,942</u>	<u>5,515,906</u>
NET ASSETS, end of year	<u>\$ 1,140,205</u>	<u>\$ 1,518,335</u>	<u>\$ 2,658,540</u>	<u>\$ 2,987,942</u>

See Notes to Financial Statements

FEDERATION OF INTERNATIONAL LACROSSE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Events	Sport Development	Media, Public Relations & Branding	International Relations	Technical	Total Program Services
Accounting	\$	\$	\$	\$	\$	\$
Administrative & office expenses	983	1,414	946	14,334	792	18,469
Advertising & promotional items			25,056			25,056
Anti-doping expense					93,022	93,022
Broadcasting	717,491		10,298			727,789
Competitions, technical, development & other programs	257,145	32,871	21,600		77,182	388,798
Contract services	5,000		170,587	148,478		324,065
Equipment & apparel	1,284					1,284
Fees						
Grants		206,467				206,467
Insurance						
Meetings & conferences						
Salaries, benefits, & payroll taxes	157,973	387,234	212,780	75,786	40,762	874,535
Travel	105,763	36,131	735	35,685	36,487	214,801
Website & other information technology	2,000	11,034	4,154	19	1,839	19,046
	<u>\$ 1,247,639</u>	<u>\$ 675,151</u>	<u>\$ 446,156</u>	<u>\$ 274,302</u>	<u>\$ 250,084</u>	<u>\$ 2,893,332</u>

	Supporting Services			2022	2021
	Administration & Governance	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Accounting	\$ 21,129	\$	\$ 21,129	\$ 21,129	\$ 23,000
Administrative & office expenses	95,489		95,489	113,958	219,969
Advertising & promotional items	51,063		51,063	76,119	35,539
Anti-doping expense				93,022	40,580
Broadcasting				727,789	124,783
Competitions, technical, development & other programs	471		471	389,269	137,631
Contract services	72,600		72,600	396,665	368,542
Equipment & apparel	23,401		23,401	24,685	15,695
Fees	2,316		2,316	2,316	2,149
Grants				206,467	363,684
Insurance	40,604		40,604	40,604	20,567
Meetings & conferences	59,334		59,334	59,334	
Salaries, benefits, & payroll taxes	430,187	50,140	480,327	1,354,862	1,158,227
Travel	150,078		150,078	364,879	106,273
Website & other information technology	35,450		35,450	54,496	45,013
	<u>\$ 982,122</u>	<u>\$ 50,140</u>	<u>\$ 1,032,262</u>	<u>\$ 3,925,594</u>	<u>\$ 2,661,652</u>

See Notes to Financial Statements

FEDERATION OF INTERNATIONAL LACROSSE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (329,402)	\$ (2,527,964)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in pledge discount	(10,787)	
Net realized and unrealized (gains) losses on investments	7,008	(4,959)
(Increase) decrease in assets:		
Accounts receivable	(43,780)	22,479
Contributions and pledges receivable	985,990	1,000,000
Inventory	(59,668)	(38,746)
Prepaid expenses	709	(9,864)
Other asset - security deposit	2,945	
Increase (decrease) in liabilities:		
Accounts payable	13,303	(80,597)
Accrued liabilities	(29,206)	29,206
Refundable advance		(92,220)
Deferred revenue	(10,837)	1,500
Total adjustments	<u>855,677</u>	<u>826,799</u>
Net cash provided (used) by operating activities	526,275	(1,701,165)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable	60,000	60,000
Investments, net	(384)	(357)
Net cash provided by investing activities	<u>59,616</u>	<u>59,643</u>
NET INCREASE (DECREASE) IN CASH	585,891	(1,641,522)
CASH AND CASH EQUIVALENTS, beginning of year	<u>508,260</u>	<u>2,149,782</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,094,151</u>	<u>\$ 508,260</u>

See Notes to Financial Statements

FEDERATION OF INTERNATIONAL LACROSSE, INC.

Notes to Financial Statements

For the Year Ended December 31, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Federation of International Lacrosse, Inc. (the Corporation) was established on September 30, 2008. It was formed via a Certificate of Amendment name change to its predecessor which was the International Lacrosse Federation, Inc., which was formed on December 1, 1999. The Corporation was established in a merger of both the men's and women's international lacrosse associations. The Corporation is the International Olympic Committee recognized International Federation for the sport of lacrosse. As such, it governs the sport globally working with 70+ Member National Governing Bodies and four currently recognized Continental Federations. The Corporation's Vision is that *lacrosse is recognized and played by all countries worldwide and is an Olympic Sport*. Its mission is to *develop lacrosse throughout the world to positively impact the lives of its participants and their communities*.

On May 6, 2019, the Corporation rebranded as World Lacrosse and the new name, logo, and brand platform will add further momentum to the already rapid growth lacrosse is enjoying worldwide, while generating increased awareness and support for the Corporation.

Income Tax

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Corporation's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking and savings accounts.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - continued

The Corporation maintains its cash and cash equivalents in a commercial bank. In the unlikely event of a bank failure, the Corporation could suffer a loss to the extent its deposits exceed the respective bank's insurance limits.

Supplemental Cash Flow Disclosures

The Corporation paid no interest or income taxes during either of the years ended December 31, 2022 and 2021.

Accounts Receivable

Accounts receivable include amounts from contracts with customers, contributions, and other miscellaneous amounts. They are stated at the amount management expects to collect from balances outstanding at year-end. Receivables from contracts with customers at the beginning and end of 2022 were \$1,205 and \$5,604, respectively.

The Corporation considers its accounts receivable to be fully collectible; accordingly, based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that an allowance for doubtful accounts at December 31, 2022 and 2021, is not necessary.

Pledges Receivable and Pledge Discount

Pledges receivable consist of unconditional promises to give that are expected to be collected in current and future periods. Pledges expected to be collected within one year are recorded at their estimated net realizable values. Pledges receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. The pledges will be received by the Corporation in future years and have been discounted using the risk-free interest rate for the year in which they were received. The interest rates used range from .11% to 4.73%.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges Receivable and Pledge Discount - continued

The amount of pledge discounts recorded as of December 31, 2022 and 2021 are \$12,900 and \$23,687, respectively. Pledges receivable are reported as donor restricted support unless the donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities in the current period. Pledges receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. 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 as satisfied program restrictions. Contributions and grants with donor restrictions are reported as support without donor restrictions if the restriction is met in the same year that the gift is received.

Historically, one donor has provided a significant amount of operating support through respective pledge agreements in past years. The donor is continuing to make scheduled payments.

International Olympic Committee grants and in-kind contributions are treated as contributions by the Corporation.

In-kind Contributions

During the year ended December 31, 2022, the Corporation adopted Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*.

The Corporation recognizes donated services and in-kind use of facilities that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind Contributions - continued

A substantial number of volunteers donated time to the Corporation's program services and its fundraising activities; however, the estimated value was not recorded because they did not meet the criteria described above.

As detailed further in Note F, The Corporation has entered into a lease for office space which initially was partial value-in-kind through December 31, 2024. That lease was rewritten during the year ended December 31, 2022, and adjusted to 100% value-in-kind during the year ended December 31, 2023, with annual auto renewal terms.

To adjust for this to be in accordance with the new value-in-kind standard, the Corporation has recorded the estimated donated future use of facilities that are deemed legally enforceable based on the Corporation's lease for its office space.

The Corporation recorded \$20,395 in donated use of facilities revenue during the year ended December 31, 2022, and has recorded a contribution receivable of \$14,010, which represents the estimated donated use of facilities for 2023 and 2024 under the terms of the lease. The future use of facilities are also considered as net assets with donor restrictions with time restrictions as of December 31, 2022. During the year ended December 31, 2022, the Corporation recognized \$6,385 as occupancy expenses for the respective donated use of facilities calculated for 2022.

During the year ended December 31, 2021 the Corporation did not have in-kind contributions for use of office space. The lease with the value-in-kind portion began during the year ended December 31, 2022.

Inventory

Inventory consists of merchandise and apparel stated at the lower of cost (first-in, first-out method) or net realizable value as of December 31, 2022 and 2021.

Compensated Absences

Employees of the Corporation earn a vested right to compensation for unused vacation. The Corporation considers the amount immaterial as of December 31, 2022 and 2021.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers

Membership subscriptions - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for provided membership and benefits to its members. The amount received is recorded ratably over the membership period.

Media rights - Revenue from contracts for media rights is considered contract with customer revenue. The Corporation provides media and production services at times at various events. Revenue is recognized as the services are provided.

Event participation fees - The Corporation receives revenue from sales related to various events and challenges held for members. Each event has a specified registration fee, varying by type of participant. The revenue is recognized at the time of the event, which recognizes the completion of the Association's performance obligations.

Advertising and Promotional Items

The Corporation uses advertising and promotional items to promote its program services. Advertising costs are expensed as incurred. Advertising and promotional items expense for the years ending December 31, 2022 and 2021 was \$76,119 and \$35,539, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Certain costs and expenses are allocated among the various programs and supporting service expenses based on time and effort estimates.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America.

Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2021, from which the information was derived.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 15, 2023, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation is dedicated to ensuring that all financial operations and transactions are conducted under the highest standards and in the best interest of furthering the Corporation's mission.

As part of the Corporation's liquidity management, the Corporation regularly monitors liquidity required to meet its operating needs and other commitments. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and accounts receivable.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

In addition to financial assets available to meet general cash expenditures over the next 12-months, the Corporation strives to produce a conservative budget and anticipates collecting revenue from conducting its program services as well as receiving support to adequately cover operating expenses.

The following table reflects the Corporation's financial assets as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,094,151	\$ 508,260
Investments	40,320	46,944
Accounts receivable	79,587	35,807
Pledges receivable - current	1,007,005	1,000,000
Note receivable	<u>85,000</u>	<u>60,000</u>
Total financial assets available within one year	2,306,063	1,651,011
Less assets with donor restrictions:		
Current time restrictions	(1,000,000)	(1,000,000)
Member Nation Support	<u>(74,324)</u>	<u>(67,084)</u>
Financial assets available within one year	<u>\$ 1,231,739</u>	<u>\$ 583,927</u>

The Corporation has net assets with both purpose and time restrictions (Note E).

C. FAIR VALUE MEASUREMENTS

The Corporation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Notes to Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2022 and 2021:

<u>Assets at Fair Value as of December 31, 2022</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Delaware Community Foundation Lacrosse Agency Fund	<u>\$</u>	<u>\$ 40,320</u>	<u>\$</u>	<u>\$ 40,320</u>
<u>Assets at Fair Value as of December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Delaware Community Foundation Lacrosse Agency Fund	<u>\$</u>	<u>\$ 46,944</u>	<u>\$</u>	<u>\$ 46,944</u>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses)	\$ (7,008)	\$ 4,959
Interest income	1,204	1,075
Investment fees	(605)	(635)
Total investment income (loss)	<u>\$ (6,409)</u>	<u>\$ 5,399</u>

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue, a liability for contracts with customers, at December 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Event participation fees	\$ <u>26,236</u>	\$ <u>37,073</u>

The Corporation recognizes this revenue as performance obligations are met. The Corporation expects to complete their outstanding obligations during the year ended December 31, 2023.

E. NET ASSETS WITH DONOR RESTRICTIONS: TEMPORARY IN NATURE

Net assets with donor restrictions are available for the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 1,444,011	\$ 2,430,000
Funds held on behalf of members	<u>74,324</u>	<u>67,084</u>
	<u>\$ 1,518,335</u>	<u>\$ 2,497,084</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose or passage of time. Net assets were released from temporary restrictions by satisfying the following restrictions at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 1,017,172	\$ 1,000,000
Funds spent from member balances	<u>36,326</u>	<u></u>
	<u>\$ 1,053,498</u>	<u>\$ 1,000,000</u>

F. LEASES

The Corporation has an operating lease for office space used during the year. The determination of whether an arrangement is a lease is made at the lease's inception. During the year ended December 31, 2022, the Corporation adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*.

Under ASU 2016-02, the Corporation has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with a term of 12 months or less that do not include an option to purchase the underlying asset, are not recorded on the balance sheet as ROU assets or lease liabilities. The

Notes to Financial Statements

F. LEASES - Continued

Corporation has elected to expense the cost of the short-term leases on the straight-line basis; however, there were no short-term leases during the year.

On March 12, 2019, the Corporation entered into a 37-month lease for office space that commenced on April 1, 2019 and continued through April 30, 2022. The lease was made on an absolute net basis, and base rent is not intended to cover taxes, insurance and operating expenses allocable to the premises. The lease commenced with monthly payments of \$1,892 per year with annual increases to \$1,964 and \$2,037. The Corporation reviewed the lease for applicable right-of-use assets and lease liabilities as of adoption on January 1, 2022 and management has determined that the respective right-of-use assets and lease liabilities were immaterial and have therefore not recorded them in the accompanying financial statements.

In May 2022, the Corporation entered into a lease for new office space that officially commenced on May 1, 2022. The term of the original lease ran through December 31, 2024 and required monthly payments of \$429 per month, or \$5,147 per year.

Effective September 2022, the Corporation entered into an amendment on the lease that removed the monthly rent payments, making the cost \$0 per year. This lease is now a 100% gift-in-kind. The new lease term is September 1, 2022, through December 31, 2023. The lease contains an automatic renewal clause for subsequent one-year terms subject to the Landlord's consent 180 days prior to expiration.

During the year ended December 31, 2022, the fair market value of the use of the leased office spaces was higher than the annual rent charge and a donation of facility use in-kind of \$6,385 was determined for the year ended December 31, 2022. Contribution revenue of \$14,010 for 2023 and 2024 has been recognized as revenue with donor restrictions in the accompanying statement of activities and changes in net assets. That amount has been recorded as a contribution receivable in the accompanying statement of financial position.

As previously noted, the Corporation's office space lease has shifted to fully in-kind and consequently, the Corporation does not have any legally enforceable future minimum payments for leases in the upcoming years.

Notes to Financial Statements

F. LEASES - Continued

The following table represents lease expense for the years ended December 31, 2022 and 2021. Variable costs include those specifically mentioned as part of lease agreements mentioned above.

	<u>2022</u>	<u>2021</u>
Operating lease rent, included in supporting service expenses	\$ 9,864	\$ 24,153
Variable payments, included in supporting service expenses	<u>6,298</u>	<u>12,486</u>
Total lease cost	<u>\$ 16,162</u>	<u>\$ 36,639</u>

G. PENSION PLAN

During the year ended December 31, 2019, the Corporation established a SIMPLE 401(k) profit sharing plan to cover eligible employees as outlined in the plan document. Eligible employees may elect to reduce their compensation and make an elective deferral contribution to the plan on a pre-tax basis. The Corporation at its discretion may make a profit-sharing contribution to the plan on behalf of eligible employees.

During the years ended December 31, 2022 and 2021, the Corporation contributed \$32,236 and \$24,157 to the plan, respectively.

H. PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Corporation received a \$92,220 loan from Bank of America through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). A portion or all of the loan may be forgiven by the Small Business Administration if certain performance barriers are met related to payroll and funds are used for payroll, rent, mortgage interest, and/or utilities. Any portion of the loan that is not forgiven has a maturity of no less than two years and an interest rate of 0.98%.

In March 2021, the Corporation met the criteria for forgiveness of the loan and has received confirmation from the SBA that they qualified for full loan forgiveness. The proceeds from the loan have been included in the accompanying statement of activities as PPP grant forgiveness during the year ended December 31, 2021.

Notes to Financial Statements

I. COMMITMENT AND CONTINGENCIES

Occasionally, in the normal conduct of business, the Corporation may be named defendant in a lawsuit or other form of legal action. In the opinion of management, any pending or threatened claims against the Corporation, as of December 31, 2022 and 2021, are either without merit or will not exceed insurance limits.

J. UNCERTAINTIES

The outbreak of a novel strain of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. COVID-19 has had a notable impact on general economic conditions including, but not limited to, uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations, and job losses. The extent to which COVID-19 will continue to affect the operations, collections or financial results of the Corporation is uncertain.

With the rising cost of inflation and potential risk of recession, it is uncertain what effect these factors may have on the operations of the Corporation in the coming years.