

Gamers Outreach Foundation, Inc.

Financial Statements

December 31, 2022 and 2021

with Independent Auditors' Report

TABLE OF CONTENTS

| | |
|---|------|
| Independent Auditors' Report | 1-2 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities..... | 4-5 |
| Statements of Functional Expenses | 6-7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9-16 |

Independent Auditors' Report

Board of Directors
Gamers Outreach Foundation, Inc.
Ann Arbor, Michigan

Opinion

We have audited the accompanying financial statements of Gamers Outreach Foundation, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gamers Outreach Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Gamers Outreach Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Gamers Outreach Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 Gamers Outreach Foundation, 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 Gamers Outreach Foundation, 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.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
November 15, 2023

Gamers Outreach Foundation, Inc.
Statements of Financial Position
December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 165,758 | 393,664 |
| Accounts receivable | 79,950 | 56,675 |
| Employee receivable | - | 5,754 |
| Prepaid expenses | 733,080 | 12,077 |
| Inventory | <u>477,560</u> | <u>299,205</u> |
| | 1,456,348 | 767,375 |
| Noncurrent Assets | | |
| Property and equipment, net of accumulated depreciation | 49,817 | 55,668 |
| Construction in progress | 39,117 | - |
| Investments at fair value | 2,203,395 | 2,181,553 |
| Right of use asset, net of accumulated amortization | <u>38,316</u> | <u>-</u> |
| | <u>2,330,645</u> | <u>2,237,221</u> |
| Total Assets | \$ <u>3,786,993</u> | <u>3,004,596</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 146,277 | 118,147 |
| Payroll tax payable | - | 498 |
| Accrued expenses | 9,177 | - |
| Accrued interest | 2,557 | 895 |
| Line of credit | 496,752 | 499,220 |
| Operating lease liability, current portion | <u>27,000</u> | <u>-</u> |
| | 681,763 | 618,760 |
| Long-Term Liabilities | | |
| Operating lease liability, net of current portion | <u>11,787</u> | <u>-</u> |
| Net Assets | | |
| Without donor restrictions | 2,765,913 | 2,246,076 |
| With donor restrictions | <u>327,530</u> | <u>139,760</u> |
| | <u>3,093,443</u> | <u>2,385,836</u> |
| Total Liabilities and Net Assets | \$ <u>3,786,993</u> | <u>3,004,596</u> |

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc.
Statement of Activities
Year Ended December 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|------------------------------------|---------------------------------------|------------------------------------|-------------------------|
| Revenues, Gains, and Other Support | | | |
| Contributions | \$ 3,356,398 | 202,770 | 3,559,168 |
| Contributed materials | 216,688 | - | 216,688 |
| Sales | 260,090 | - | 260,090 |
| Investment return, net | <u>(252,627)</u> | <u>-</u> | <u>(252,627)</u> |
| | 3,580,549 | 202,770 | 3,783,319 |
| Net Asset Restriction Transfers | | | |
| Revenue released from restriction | <u>15,000</u> | <u>(15,000)</u> | <u>-</u> |
| | 3,595,549 | 187,770 | 3,783,319 |
| Expenses | | | |
| Program services | 2,421,830 | - | 2,421,830 |
| Management and general | 447,449 | - | 447,449 |
| Fundraising | <u>206,433</u> | <u>-</u> | <u>206,433</u> |
| | <u>3,075,712</u> | <u>-</u> | <u>3,075,712</u> |
| Change in net assets | 519,837 | 187,770 | 707,607 |
| Net assets, beginning of year | <u>2,246,076</u> | <u>139,760</u> | <u>2,385,836</u> |
| Net assets, end of year | \$ <u><u>2,765,913</u></u> | <u><u>327,530</u></u> | <u><u>3,093,443</u></u> |

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc.
Statement of Activities
Year Ended December 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------------|
| Revenues, Gains, and Other Support | | | |
| Contributions | \$ 2,881,044 | 65,000 | 2,946,044 |
| Paycheck Protection Program loan forgiveness | 66,300 | - | 66,300 |
| Contributed materials | 278,322 | - | 278,322 |
| Sales | 448,473 | - | 448,473 |
| Investment return, net | <u>139,283</u> | <u>-</u> | <u>139,283</u> |
| | 3,813,422 | 65,000 | 3,878,422 |
| Net Asset Restriction Transfers | | | |
| Revenue released from restriction | <u>22,684</u> | <u>(22,684)</u> | <u>-</u> |
| | 3,836,106 | 42,316 | 3,878,422 |
| Expenses | | | |
| Program services | 2,390,952 | - | 2,390,952 |
| Management and general | 382,224 | - | 382,224 |
| Fundraising | <u>154,935</u> | <u>-</u> | <u>154,935</u> |
| | <u>2,928,111</u> | <u>-</u> | <u>2,928,111</u> |
| Change in net assets | 907,995 | 42,316 | 950,311 |
| Net assets, beginning of year | <u>1,338,081</u> | <u>97,444</u> | <u>1,435,525</u> |
| Net assets, end of year | \$ <u><u>2,246,076</u></u> | <u><u>139,760</u></u> | <u><u>2,385,836</u></u> |

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|----------------|------------------|
| Cost of goods sold or donated | \$ 988,852 | - | - | 988,852 |
| Contributions | 62,439 | - | - | 62,439 |
| Salaries and wages | 692,364 | 197,818 | 98,909 | 989,091 |
| Payroll taxes | 71,665 | 20,476 | 10,238 | 102,379 |
| Employee benefits | 53,319 | 15,234 | 7,617 | 76,170 |
| Contract management: events and programs | 124,930 | 8,924 | 44,618 | 178,472 |
| Legal services | - | 3,520 | - | 3,520 |
| Accounting services | - | 70,194 | - | 70,194 |
| Advertising and promotion | 79,511 | - | 8,835 | 88,346 |
| Office expenses | 4,982 | 4,982 | 1,107 | 11,071 |
| Information technology | 14,136 | 39,580 | 2,827 | 56,543 |
| Occupancy and storage | 21,005 | 18,905 | 2,101 | 42,011 |
| Travel and related | 65,329 | 3,629 | 3,630 | 72,588 |
| Conferences, conventions, and development | 22,576 | 1,881 | 13,169 | 37,626 |
| Interest expense | 945 | 17,954 | - | 18,899 |
| Depreciation | 15,103 | 839 | 839 | 16,781 |
| Insurance | 2,447 | 22,021 | - | 24,468 |
| Bank fees | 201,182 | 11,177 | 11,177 | 223,536 |
| Storage rental and office space | 1,045 | 523 | 523 | 2,091 |
| Event expenses | - | - | 843 | 843 |
| Miscellaneous expenses | - | 9,792 | - | 9,792 |
| | <u>\$ 2,421,830</u> | <u>447,449</u> | <u>206,433</u> | <u>3,075,712</u> |

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|----------------|------------------|
| Cost of goods sold or donated | \$ 1,298,596 | - | - | 1,298,596 |
| Contributions | 30,982 | - | - | 30,982 |
| Salaries and wages | 494,168 | 141,191 | 70,595 | 705,954 |
| Payroll taxes | 50,272 | 14,363 | 7,182 | 71,817 |
| Employee benefits | 45,972 | 13,135 | 6,567 | 65,674 |
| Contract management: events and programs | 107,782 | 7,699 | 38,494 | 153,975 |
| Legal services | - | 3,983 | - | 3,983 |
| Accounting services | - | 55,695 | - | 55,695 |
| Advertising and promotion | 41,899 | - | 4,655 | 46,554 |
| Office expenses | 7,291 | 7,291 | 1,620 | 16,202 |
| Information technology | 19,710 | 55,187 | 3,942 | 78,839 |
| Occupancy and storage | 20,278 | 18,250 | 2,028 | 40,556 |
| Travel and related | 75,658 | 4,203 | 4,204 | 84,065 |
| Conferences, conventions, and development | 13,793 | 1,149 | 8,046 | 22,988 |
| Interest expense | 672 | 12,760 | - | 13,432 |
| Depreciation | 13,282 | 738 | 738 | 14,758 |
| Insurance | 1,534 | 13,810 | - | 15,344 |
| Bank fees | 123,560 | 6,864 | 6,864 | 137,288 |
| Product development and tooling costs | 45,503 | - | - | 45,503 |
| Bad debt | - | 3,127 | - | 3,127 |
| Miscellaneous expenses | - | 22,779 | - | 22,779 |
| | <u>\$ 2,390,952</u> | <u>382,224</u> | <u>154,935</u> | <u>2,928,111</u> |

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 707,607 | 950,311 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized loss on investment dispositions | 71,323 | 6,515 |
| Unrealized (gain) loss on investments | 190,046 | (141,963) |
| Depreciation | 16,781 | 14,758 |
| Amortization of right of use assets | 15,294 | - |
| Paycheck Protection Program loan forgiveness | - | (66,300) |
| Effects of changes in assets and liabilities | | |
| Accounts receivable | (23,275) | 10,772 |
| Employee receivable | 5,754 | - |
| Prepaid expenses | (721,003) | 2,329 |
| Inventory | (178,355) | 83,919 |
| Accounts payable | 28,130 | (101,776) |
| Payroll tax payable | (498) | (642) |
| Accrued expenses | 9,177 | (8,392) |
| Accrued interest | 1,662 | 16 |
| Operating lease liabilities | <u>(14,823)</u> | <u>-</u> |
| Cash provided by operating activities | 107,820 | 749,547 |
| Cash flows from investing activities: | | |
| Cash paid for property and equipment purchases | (10,930) | (8,599) |
| Cash paid for construction in progress purchases | (39,117) | - |
| Cash proceeds from investment sales | 1,194,354 | 596,349 |
| Cash paid for investment purchases | <u>(1,477,565)</u> | <u>(1,330,934)</u> |
| Cash used in investing activities | (333,258) | (743,184) |
| Cash flows from financing activities: | | |
| Proceeds from line of credit | 16,182 | 10,584 |
| Payments on line of credit | <u>(18,650)</u> | <u>(3,350)</u> |
| Cash provided by (used in) financing activities | <u>(2,468)</u> | <u>7,234</u> |
| Net change in cash and cash equivalents | (227,906) | 13,597 |
| Cash and cash equivalents, beginning of year | <u>393,664</u> | <u>380,067</u> |
| Cash and cash equivalents, end of year | \$ <u>165,758</u> | <u>393,664</u> |

See accompanying notes to the financial statements.

1. Organization and Accounting Policies:

Gamers Outreach Foundation, Inc. (Foundation) is a 501(c)(3) not-for-profit entity organized in 2007 to provide therapeutic recreation opportunities to children in hospitals.

Major Programs

Project GO Kart (GO Karts) is a program that serves thousands of children each year by providing hospitals with medical-grade kiosks outfitted with televisions, video game consoles, and games. These units are made available to children recovering in hospitals, particularly those with longer anticipated stays, to help them cope with the confines of living in a hospital and the stress of recovering from illness and injury. Some units are sold to hospitals, while others are contributed to hospitals at the Foundation's discretion or as a result of donor-restricted contributions.

Player 2 is a program designed to connect volunteer gamers in the community to hospitals hosting GO Karts to provide basic tech support and maintenance, distribute games, and play games with patients.

In addition to programming, the Foundation organizes a large annual fundraising event, Gamers for Giving, that raises several hundred thousand dollars annually, supporting efforts to expand the scope of reach of the GO Kart program and help ensure continued financial stability. Other fundraisers are hosted periodically throughout the year.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Cash and cash equivalents

Cash and cash equivalents are short term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase.

Receivables and Allowance for Bad Debt

The Foundation records receivables for unit sales and promises to give. Amounts expected to be received within one year are recorded at their net realizable value and are recorded as current assets. As of December 31, 2022 and 2021, approximately 74% and 53%, respectively, of the balance in accounts receivable is due from one donor.

The Foundation evaluates each receivable for collectability. All balances were determined to be collectible at December 31, 2022 and 2021. Therefore, no estimated allowance for uncollectible accounts has been recorded.

Property and Equipment

Property and equipment for long-term use by the Foundation is capitalized at cost basis when the purchase price exceeds \$2,500. If such assets are contributed, they are capitalized at fair value if it is greater than \$2,500. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (see Note 3).

Inventory

GO Kart inventory consists of frames and related components such as consoles, monitors, controllers, and game codes. Donated inventory includes consoles, games, controllers, collectibles, and other items that will be sold in bulk to provide additional resources to the Foundation. Intangible inventory consists of digital code donated or purchased that may be used to download fully licensed versions of games to consoles. Inventory is stated at the lower of cost or net realizable value on a first in, first out basis. Donated items are recorded at their estimated fair value on the date it is received. Donated physical inventory is generally not usable in GO Karts and must be sold.

| | 2022 | 2021 |
|-------------------------|-------------------|----------------|
| GO Kart materials - WIP | \$ 299,111 | 255,858 |
| Intangible inventory | <u>178,449</u> | <u>43,347</u> |
| Total Inventory | \$ <u>477,560</u> | <u>299,205</u> |

Investments and Investment Return

Investments are reported at fair value (see Note 2). Investment return, net includes realized gain (loss), unrealized gain (loss), investment income, and direct investment expenses on the statements of activities. Interest income is measured by the amount received or due to be received.

Revenue and revenue recognition – contribution transactions

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

Revenue and revenue recognition – exchange transactions

The Foundation provides GO Karts to hospitals throughout the United States. The performance obligation is providing the GO Karts and shipping them. Revenue is recognized at a point in time once the goods are received.

Financial statement presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Contributions with donor restrictions that are met in the same period that they are received are reported within net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor or 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. No assets are perpetually restricted.

Adoption of ASU 2020-07

The Foundation changed accounting policies related to their financial statement presentation and disclosures of contributed nonfinancial assets, or gifts-in-kind by adopting FASB Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, during the year ended December 31, 2022. The standard requires separate disclosure of non-financial contributed assets on the statement of activities and enhanced disclosures including the Foundation's policy for valuation and monetization of contributed non-financial assets, and any donor-restrictions attached to the assets. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

Adoption of FASB ASC 842

Effective January 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets of \$53,610 and operating lease liabilities of \$53,610 as of June 30, 2022. Results for periods beginning prior to January 1, 2022, continue to be reported in accordance with the Foundation's historical accounting treatment.

Leases

The Organization leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the Foundation's statements of financial position.

Advertising

The Foundation advertises through various print and electronic media. All such costs are expensed as incurred. Advertising expense for 2022 and 2021 totaled \$3,073 and \$3,073, respectively.

Functional Expenses

The financial statements report certain categories of natural expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort. All-natural expense classifications have been allocated using management's estimates except for cost of goods sold or donated, contributions, accounting, production, bad debts, miscellaneous, legal services, depreciation, and certain direct fundraising costs.

Fundraising

The Foundation hosts fundraisers of various sizes throughout the year. Because the Foundation considers these events collectively to be major and ongoing, revenue from such events is reported at the gross amount within the statements of activities within contributions and expenses, including direct expenses, are included in fundraising expenses in the statements of functional expenses.

Contributed Materials and Services

The Foundation recognizes contributed services at their fair value if the services have value to the Foundation and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. Contributed materials are recorded at fair value at the time of contribution. Contributed materials for the years ended December 31, 2022 and 2021 amounted to \$216,688 and \$278,322, respectively. There were no contributed services during December 31, 2022 and 2021.

In addition to the contributed materials and services recorded in the financial statements, the Foundation benefits from volunteers whose services do not meet the criteria for recognition according to generally accepted accounting principles. It is not practicable to estimate the value of these volunteers, which include such services as volunteers for the Player 2 program and assistance at fundraising events.

Income Taxes

The Foundation has been classified as an other than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. The Foundation is subject to a tax on income from any unrelated business (the Foundation has no unrelated business income) as defined by Section 509(a) (1) of the Code.

The Foundation evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of December 31, 2022, the Foundation does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Foundation's tax returns are subject to examination by the appropriate taxing jurisdictions. At December 31, 2022, the Foundation's federal tax returns generally remain open for the last three years.

Liquidity

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | 2022 | 2021 |
|---|---------------------|------------------|
| Cash and cash equivalents | \$ 165,758 | 393,664 |
| Accounts receivables | 79,950 | 56,675 |
| Employee receivable | - | 5,754 |
| Investments at fair value | <u>2,203,395</u> | <u>2,181,553</u> |
| | 2,449,103 | 2,637,646 |
| Less donor restricted net assets | <u>327,530</u> | <u>139,760</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>2,121,573</u> | <u>2,497,886</u> |

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 15, 2023, which is the date the financial statements were available to be issued.

2. Investments and Fair Value:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- 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 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Foundation reports its investment in bonds, stocks, and other investments at fair value. Fair value methods and assumptions for investments in bonds are based on quoted prices in active markets. The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021. The Foundation did not hold any level 2 or level 3 assets as of December 31, 2022 and 2021.

December 31, 2022

| | <u>Total</u> | <u>Level 1</u> |
|---------------------------|---------------------|------------------|
| Corporate Bonds | \$ 275,902 | 275,902 |
| Treasury Bonds | 1,338,358 | 1,338,358 |
| Corporate Stocks | 241,133 | 241,133 |
| Cash | 213,698 | 213,698 |
| Other Investments | <u>134,304</u> | <u>134,304</u> |
| Investments at Fair Value | \$ <u>2,203,395</u> | <u>2,203,395</u> |

December 31, 2021

| | <u>Total</u> | <u>Level 1</u> |
|---------------------------|---------------------|------------------|
| Corporate Bonds | \$ 290,384 | 290,384 |
| Treasury Bonds | 99,807 | 99,807 |
| Corporate Stocks | 709,834 | 709,834 |
| Cash | 972,158 | 972,158 |
| Other Investments | <u>109,370</u> | <u>109,370</u> |
| Investments at Fair Value | \$ <u>2,181,553</u> | <u>2,181,553</u> |

3. Property and Equipment:

Property and equipment consist of the following:

| Description | 2022 | 2021 | Est. Life (in years) |
|-------------------------------|------------------|-----------------|-------------------------|
| Equipment | \$ 79,521 | 72,141 | 5 |
| Software | 16,550 | 13,000 | 3 |
| Less accumulated depreciation | <u>(46,254)</u> | <u>(29,473)</u> | |
| Property and equipment, net | \$ <u>49,817</u> | <u>55,668</u> | |

4. Line of Credit:

The Foundation has a revolving line of credit with a bank, due on demand, allowing for borrowings up to a maximum of \$500,000, has no defined maturity date, and is limited by the balance in the collateral account (see below). The balance of the line of credit at December 31, 2022 and 2021 was \$496,752 and \$499,220, respectively.

Interest-only payments are required monthly on the line of credit at a variable rate (2.08% and 2.15% at December 31, 2022 and 2021, respectively). Borrowings are collateralized by the collateral account and subject to certain covenants. The collateral account is the investment account at Morgan Stanley and includes all assets in that account. The balance in the collateral account as of December 31, 2022 and 2021 was \$2,160,233, and \$2,072,183, respectively.

5. Paycheck Protection Program Loan:

The Foundation received a Paycheck Protection Program (PPP) Loan on May 12, 2020, in the amount of \$66,300. All or a portion of the loan may be forgiven if the Foundation meets certain qualifications. Any unforgiven portion of the PPP loan will bear interest at 1% with a maturity date of January 2026. On May 19, 2021, the full amount of the loan was forgiven by the Small Business Administration.

6. Net Assets with Donor Restrictions:

The Foundation may accept donations with restrictions specified by donors. Net assets with donor restrictions are available for the following purpose as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|----------------|-------------------|----------------|
| GO Kart builds | \$ <u>327,530</u> | <u>139,760</u> |

7. Related Party Transactions:

The Foundation had an advance outstanding to the executive director (labeled "Employee receivable" on the statements of financial position). The advance arose out of corrections made to payroll was settled within one year of the financial statement date. Therefore, no interest was accrued on this advance. It was paid in 2022.

8. Contributed Nonfinancial Assets:

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets were recognized within the statements of activities for GO Kart inventory. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. GO Kart inventory was valued based on estimated values of similar services if purchased.

9. Leases:

The Organization has elected the option to use the risk-free rate to all classes of leased assets determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The Organization has elected the practical expedient to not separate lease and non-lease components for all classes of leased assets.

Total lease costs for the year ended December 31, 2022 are as follows:

| | |
|----------------------|-----------|
| Operating lease cost | \$ 16,161 |
|----------------------|-----------|

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

| | | |
|---|----|--------|
| Right-of-use assets obtained in exchange for lease liabilities: | \$ | 53,610 |
| Operating leases | | |

| | | |
|---|----|--------|
| Cash paid for amounts included in measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ | 15,690 |

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

| | | |
|--|--|------|
| Weighted-average remaining lease terms in years: | | |
| Operating leases | | 1.42 |

| | | |
|---------------------------------|--|-------|
| Weighted-average discount rate: | | |
| Operating leases | | 3.14% |

As of December 31, 2022, maturities of lease liabilities were as follows:

| | | |
|--------------------------------|----|---------------------|
| | | Operating Leases |
| | | <hr/> |
| 2023 | \$ | 27,839 |
| 2024 | | <hr/> 11,880 |
| Total lease payments | | 39,719 |
| Less imputed interest | | <hr/> 932 |
| Total lease obligations | | 38,787 |
| Less current lease obligations | | <hr/> 27,000 |
| Long-term lease obligations | \$ | <hr/> <hr/> 11,787 |

