

THE NSORO
EDUCATIONAL
FOUNDATION, INC.
Atlanta, Georgia

Financial Statements
June 30, 2022 and 2021

THE NSORO EDUCATIONAL FOUNDATION, INC.
ATLANTA, GEORGIA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Nsoro Educational Foundation, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of The Nsoro Educational Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 The Nsoro Educational Foundation, Inc. as of June 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Nsoro Educational 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 The Nsoro Educational 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.

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 The Nsoro Educational 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 The Nsoro Educational 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.



February 3, 2023

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,297,531	\$ 538,727
Investments	201,237	237,540
Promises to give, net	56,666	78,050
Promises to give - related parties	100,000	226,575
Prepaid expenses	8,000	2,250
Other receivables	<u>24,259</u>	<u>-</u>
Total current assets	<u>1,687,693</u>	<u>1,083,142</u>
PROPERTY AND EQUIPMENT		
Property and equipment	15,404	15,404
Less: accumulated depreciation	<u>(9,417)</u>	<u>(5,955)</u>
Property and equipment, net	<u>5,987</u>	<u>9,449</u>
LONG-TERM ASSETS		
Long-term pledge receivable	<u>-</u>	<u>100,000</u>
Total long-term assets	<u>-</u>	<u>100,000</u>
Total assets	<u><u>1,693,680</u></u>	<u><u>1,192,591</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	3,413	-
Accrued expenses	237,635	46,994
Notes payable - current portion	149,900	3,283
Contract liabilities	<u>-</u>	<u>18,368</u>
Total current liabilities	<u>390,948</u>	<u>68,645</u>
LONG TERM LIABILITIES		
Note payable	<u>-</u>	<u>146,617</u>
NET ASSETS		
Without donor restrictions	1,246,066	572,704
With donor restrictions	<u>56,666</u>	<u>404,625</u>
Total net assets	<u>1,302,732</u>	<u>977,329</u>
Total liabilities and net assets	<u><u>\$ 1,693,680</u></u>	<u><u>\$ 1,192,591</u></u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 104,875	\$ 47,500	\$ 152,375	\$ 852,560	\$ 315,084	\$ 1,167,644
Non-cash contributions	149,219	6,182	155,401	31,248	-	31,248
Event revenue	1,730,690	-	1,730,690	25,000	-	25,000
Employee Retention Credits	24,259	-	24,259	-	-	-
Investment income (loss), net	(31,964)	-	(31,964)	63,182	-	63,182
Total revenue and support	<u>1,977,079</u>	<u>53,682</u>	<u>2,030,761</u>	<u>971,990</u>	<u>315,084</u>	<u>1,287,074</u>
Net assets released from restrictions	<u>401,641</u>	<u>(401,641)</u>	<u>-</u>	<u>85,459</u>	<u>(85,459)</u>	<u>-</u>
EXPENSES						
Program services	913,092	-	913,092	860,416	-	860,416
Supporting services	306,550	-	306,550	169,632	-	169,632
Fundraising	<u>485,716</u>	<u>-</u>	<u>485,716</u>	<u>114,775</u>	<u>-</u>	<u>114,775</u>
Total expenses	<u>1,705,358</u>	<u>-</u>	<u>1,705,358</u>	<u>1,144,823</u>	<u>-</u>	<u>1,144,823</u>
CHANGE IN NET ASSETS	673,362	(347,959)	325,403	(87,374)	229,625	142,251
NET ASSETS, beginning of year	<u>572,704</u>	<u>404,625</u>	<u>977,329</u>	<u>660,078</u>	<u>175,000</u>	<u>835,078</u>
NET ASSETS, end of year	<u>\$ 1,246,066</u>	<u>\$ 56,666</u>	<u>\$ 1,302,732</u>	<u>\$ 572,704</u>	<u>\$ 404,625</u>	<u>\$ 977,329</u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2022 and 2021

	<u>2022</u>				<u>2021</u>			
	<u>Supporting Services</u>				<u>Supporting Services</u>			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Bank / merchant fees	-	20,537	2,005	22,542	-	1,287	11,587	12,874
Computer	12,413	4,137	-	16,550	-	13,819	-	13,819
Contract labor	97,224	14,910	-	112,134	-	375	250	625
Depreciation	-	3,462	-	3,462	-	1,174	-	1,174
Donations	-	-	-	-	106	-	-	106
Insurance	2,632	175	702	3,509	2,195	146	585	2,926
Interest	-	14,093	-	14,093	-	4,383	-	4,383
Marketing	-	-	11,984	11,984	11	-	10,736	10,747
Meeting expense	-	3,582	-	3,582	-	3,434	-	3,434
Office expenses	-	9,420	-	9,420	-	16,664	-	16,664
Payroll taxes	11,744	783	3,131	15,658	9,714	648	2,590	12,952
Professional fees	-	40,145	-	40,145	-	92,240	-	92,240
Programs	128,015	-	-	128,015	64,433	-	-	64,433
Rent	-	17,144	-	17,144	-	27,000	-	27,000
Salaries	147,541	7,854	49,418	204,813	126,255	8,417	33,668	168,340
Scholarships awarded	503,651	-	-	503,651	653,315	-	-	653,315
Special events	6,831	-	417,666	424,497	3,711	-	55,179	58,890
Telephone	3,041	203	810	4,054	676	45	180	901
Uncollectible promises to give	\$ -	\$ 170,105	\$ -	\$ 170,105	\$ -	\$ -	\$ -	\$ -
Total expenses	<u>\$ 913,092</u>	<u>\$ 306,550</u>	<u>\$ 485,716</u>	<u>\$ 1,705,358</u>	<u>\$ 860,416</u>	<u>\$ 169,632</u>	<u>\$ 114,775</u>	<u>\$ 1,144,823</u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 325,403	\$ 142,251
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash donations of investments	(134,194)	(26,305)
Depreciation expense	3,462	1,174
Bad debt expense	170,105	-
Investment income (loss), net of fees	31,966	(63,182)
(Increase) decrease in assets:		
Promises to give	77,854	(229,625)
Prepaid expenses	(5,750)	(1,000)
Other receivables	(24,259)	-
Increase (decrease) in liabilities:		
Accounts payable	3,413	-
Accrued expenses	190,641	(45,605)
Contract liabilities	<u>(18,368)</u>	<u>18,368</u>
Total adjustments	<u>294,870</u>	<u>(346,175)</u>
Net cash provided by (used in) operating activities	<u>620,273</u>	<u>(203,924)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(10,033)
Purchase of investments	(28,549)	(1,788)
Redemption of investments	<u>167,080</u>	<u>26,074</u>
Net cash provided by (used in) investing activities	<u>138,531</u>	<u>14,253</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on loan	<u>-</u>	<u>149,900</u>
Net cash provided by financing activities	<u>-</u>	<u>149,900</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	758,804	(39,771)
Cash and cash equivalents, beginning of year	<u>538,727</u>	<u>578,498</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,297,531</u></u>	<u><u>\$ 538,727</u></u>

SUPPLEMENTAL DISCLOSURES:

Interest paid	\$ 10,176	\$ -
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See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Nsoro Educational Foundation, Inc., (the "Foundation"), is a nonprofit corporation organized under the laws of the State of Georgia on February 8, 2006. The Nsoro Foundation is designed exclusively for charitable and educational purposes, specifically to create educational opportunities and mentoring situations that will enhance the lives of foster children.

Basis of Accounting

The Foundation recognizes revenue and expenses on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*. Accordingly, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Foundation. As of June 30, 2022 and 2021, net assets without donor restrictions were \$1,246,066 and \$572,704, respectively.

Net assets with donor restrictions are amounts subject to donor-imposed stipulations that may, or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires or the Foundation has satisfied the restriction, donor restricted net assets are reclassified to non-donor restricted net assets. Net assets with donor restrictions were \$56,666 and \$4,803 for the years ended June 30, 2022 and 2021 respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Foundation generates revenue from contributions, and from exchange transactions with customers such as auction and ticket sales. Contributions may be recognized as conditional contributions, restricted or unrestricted contributions, or exchange transactions. When contributions are determined to be conditional contributions, they are recognized in revenue when those conditions have been met. Contributions received for which conditions have not yet been met are reported as liabilities on the Statement of Financial Position. Contributions determined to be restricted or unrestricted contributions are recognized in revenue when the contribution promise is made.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

For contributions determined to be exchange transactions, as well as for auction and ticket sales, the Foundation recognizes revenue from auction sales and ticket sales under Contracts with Customers in accordance with ASC Topic 606 Revenue from Contracts with Customers. ASC 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

Revenue is disaggregated based on the timing of the transfer of goods and services and the type of goods and services transferred. The transaction price is the amount of consideration to which the Foundation expects to be entitled in exchange for transferring goods and services to the customer. The transaction price generally includes fixed amounts but may from time to time include variable amounts to the extent that a significant reversal of revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved, that is, it is probable and estimable.

Generally, the Foundation's contracts with customers contain one performance obligation. Performance obligations related to contracts with customers for auction and ticket sales revenue are satisfied at a point in time because the performance of the contract typically creates or enhances an asset that the customer controls as the asset is delivered to the customer. Revenue is recognized as performance obligations are satisfied and control of the promised goods and / or service is transferred to the customer. Revenue is recognized at a point in time as control is transferred to the customers by measuring the progress toward complete satisfaction of the performance obligation using the units delivered, or, milestone output method which is generally the best depiction of transfer of control when the event occurs.

Subsequent to the inception of a contract, the transaction price could change for various reasons, including a credit that can be applied to amounts owed, or that will be owed, or a full or partial refund. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis at contract inception. Otherwise, changes are accounted for as separate performance obligations and the separate transaction price is allocated as discussed above.

Contract costs include costs directly related to contract performance, such as the rental of the venue, decor, purchase of goods for auction, food and beverage service, etc., and those indirect costs related to contract performance, such as indirect labor and supplies. Both direct and indirect contract costs are charged to their functional expense category as they are incurred.

Contract assets represent costs incurred and reimbursable under contracts. Based on historical experience, collection risk related to contract assets is low. When events or conditions indicate that it is probable that amounts outstanding become unbillable, the transaction price and associated contract asset are reduced. There have been no contract assets for the years ended June 30, 2022 and 2021. There were also no contract assets as of January 1, 2021.

Contract liabilities include amounts received for ticket sales for which the event has not yet taken place. Contract liabilities as of January 1, 2021 were \$0.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, all investments purchased with a maturity date of three months or less are considered to be cash equivalents because they are highly liquid.

Promises to Give

Promises to give are recorded at the amount the Foundation expects to collect on donations and pledges made. Unconditional promises to give are recognized in the statement of activities in the period received. Pledges to be received after one year are discounted at an appropriate discount rate based on management's estimate of the risks involved. The effective interest rate for calculating the discount is the treasury rate. Amortization of the discount is recorded annually as additional contribution revenue. Management closely monitors promises to give and writes off, as of year end, any balances that are considered to be uncollectible. All promises to give are expected to be collected within one year. The Foundation has determined there are no significant financing components for promises to give for the years ended June 30, 2022 and 2021. Based on the history of collecting these promises to give, the allowance for doubtful accounts as of June 30, 2022 and 2021 was \$1,478,048 and \$1,083,330, respectively.

Employee Retention Credits

Employee Retention Credits (ERCs) were established under the CARES Act in March 2020. ERCs are refundable tax credits applied against certain employment taxes of up to \$5,000 per employee for eligible employers for payroll and health insurance benefits incurred in 2020 and 2021, provided certain conditions are met under the guidelines.

The Foundation is accounting for the ERCs on a prospective basis, and as such, the ERCs have been accounted for as a receivable, if uncollected before year end, and other income when eligibility conditions have been substantially met. Total ERCs recognized for the year ended June 30, 2022 are \$24,259 of which \$24,259 were included receivables at year end.

Contributed Services

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individual possessing those skills and are services which would be typically purchased if not provided by donation. The Foundation recorded contributed services revenue and related expense for the years ended June 30, 2022 and 2021 of \$27,389 and \$25,000, respectively for financial statement audit work.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the determination of the change in net assets.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the useful lives of the assets which have useful lives of three years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the current year's changes in net assets. Repairs and maintenance charges, which do not significantly extend the useful lives of the assets, are charged to expense as incurred, while major replacements and betterments are capitalized.

Marketing

Marketing costs are expensed as they are paid. Marketing costs for the year ended June 30, 2022 and 2021 were \$11,984 and \$10,747, respectively.

SBA Paycheck Protection Program Loan

During the year ended June 30, 2021 the Foundation received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan has conditions that must be met within a specified time from the date of receipt in order to be considered for forgiveness. This loan has been recorded as a restricted government grant. The transaction records related to funds spent by the Foundation are subject to examination by the SBA and the SBA Inspector General for six years after the loan was approved.

Income Taxes

The Foundation is a nonprofit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for examination for a period of three years after the respective filing deadlines of those returns.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The statement of functional expenses reports certain categories of 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. Personnel costs are allocated on the basis of time and effort. Other operating expenses are allocated based on the percentage of those items used for each activity.

Fair Value of Financial Instruments

The Foundation's financial instruments, including cash and cash equivalents, promises to give and notes payable, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Foundation's investments are carried at fair value at year end.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. ACCOUNTING POLICY CHANGES

The Financial Accounting Standards Board (FASB) released ASU 2021-21 Government Assistance in November 2021. This amendment increases the transparency of government assistance by implementing several required disclosures for entities receiving such assistance. The amendment is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. The Foundation has adopted this amendment for the year ended June 30, 2022.

3. FAIR VALUE MEASUREMENTS

The Foundation applies the provisions of *Fair Value Measurements and Disclosures* (FASB ASC 820) to its recurring and nonrecurring measurements. Non-recurring assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances and on a period basis. In accordance with FASB ASC 820, the fair value of financial instruments is based on market trading information, where available. Absent published market values for an instrument or other assets, management uses observable market data to arrive at its estimates of fair value.

Fair value is defined as an exit price, representing the amount 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. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three level fair value hierarchy that prioritizes the inputs 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 unobservable inputs (level 3 measurements). These tiers include:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All of the investments held by the Foundation for the years ended June 30, 2022 and 2021 are considered Level 1 investments. There have been no changes in the methodologies used, and no transfers in or out of Level 1 within the fair value hierarchy for the years ended June 30, 2022 and 2021. The Foundation's investments consist of stocks, which are valued at the closing price of the active market in which the security is traded, and is valued on a recurring basis.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in a different fair value measurement at the reporting date.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

4. INVESTMENT INCOME (LOSS)

Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses)	\$ (30,606)	\$ 64,834
Dividends and interest	<u>4,380</u>	<u>3,151</u>
Total investment income (loss)	<u>\$ (26,226)</u>	<u>\$ 67,985</u>

Fees paid on the investments are netted against the income earned. Total expenses paid for the years ended June 30, 2022 and 2021 were \$5,738 and \$4,803, respectively.

5. PROMISES TO GIVE

Promises to give consist of the following:

	<u>2022</u>	<u>2021</u>
Promises to give - due in less than one year	\$ 1,534,714	\$ 1,161,380
Promises to give - due between one and five years	-	100,000
Less: allowance for doubtful pledges	<u>(1,478,048)</u>	<u>(1,083,330)</u>
Total promises to give, net	<u>\$ 56,666</u>	<u>\$ 178,050</u>

6. REVENUE RECOGNIZED FROM CONTRACTS WITH CUSTOMERS

Revenue recognized under ASC 606 Revenue from Contracts with Customers was the following for the years ended June:

	<u>2022</u>	<u>2021</u>
Ticket revenue	\$ 92,350	\$ -
Auction revenue	<u>192,941</u>	<u>-</u>
Total	<u>\$ 285,291</u>	<u>\$ -</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 5,370	\$ -
Assets held but not in use	<u>10,034</u>	<u>-</u>
Total cost	15,404	-
Less: accumulated depreciation	<u>(9,417)</u>	<u>(5,955)</u>
Property and equipment, net	<u>\$ 5,987</u>	<u>\$ (5,955)</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,462 and \$1,174, respectively.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

8. NOTE PAYABLE

Note payable consists of the following:

	<u>2022</u>	<u>2021</u>
SBA - Economic Injury Disaster Loan at 2.75% interest, in monthly installments of \$641 through June 2051. Unsecured.	\$ 149,900	\$ 149,900
Less: current portion	<u>(149,900)</u>	<u>(3,283)</u>
Total long-term debt	\$ <u>-</u>	\$ <u>146,617</u>

The following is a schedule of future minimum principal payments under the notes payable:

2023	\$ <u>149,900</u>
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9. SBA PAYCHECK PROTECTION LOAN

During the year ended June 30, 2021, the Foundation received a Paycheck Protection Program loan in the amount of \$35,959 from the Small Business Administration (SBA) applied for under the CARES Act. This is a forgivable loan as long as the following condition is met during the specified period: the Foundation is required to spend a minimum of 75% of the loan proceeds on payroll costs, interest on mortgages, rent, and utilities. Loan payments are deferred to either the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The loan has a maturity date of two years from the date of receipt, and an interest rate of 1% if not forgiven. The loan is unsecured. As of June 30, 2021, the loan was forgiven and included in restricted income during that period.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Promises to give	\$ <u>56,666</u>	\$ <u>404,625</u>

Net assets released from donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Scholarship funds and other direct program expenses	\$ 53,682	\$ 49,500
Payroll	-	35,959
Promises to give	<u>347,959</u>	<u>-</u>
Total	\$ <u>401,641</u>	\$ <u>85,459</u>

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

11. OPERATING LEASE

The Foundation entered into a lease agreement during May 2027 for its office space in Atlanta, Georgia. The agreement was effective on July 1, 2021 for three years ending on June 30, 2024. The lease agreement contains a rent-free period and an escalation clause. Straight-lined rent expense per month is \$992. Future minimum rental commitments under this operating lease are as follows:

2023	\$ 12,240
2024	<u>12,480</u>
Total	\$ <u>24,720</u>

12. RELATED PARTY TRANSACTIONS

Contributions received from members of the Board of Directors during the years ended June 30, 2022 and 2021 were \$100,479 and \$295,781, respectively. Promises to give as of June 30, 2022 and 2021 from members of the Board of Directors were \$100,000 and \$226,575, respectively.

13. NET ASSETS LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,297,531	\$ 538,727
Investments	201,237	237,540
Promises to give - short-term	<u>56,666</u>	<u>78,050</u>
Total	\$ <u>1,555,434</u>	\$ <u>854,317</u>

The Foundation has a goal to maintain a cash balance to meet several months of operating expenses (excluding non-cash expenses) which were on average \$144,107 and \$97,387 for the years ended June 30, 2022 and 2021, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

There were no internally-directed restrictions on net assets for the years ended June 30, 2022 and 2021.

14. CONCENTRATIONS

Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalents with federally insured financial institutions. At times during the year, the balances at these financial institutions exceeded the FDIC insured limit of \$250,000.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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14. CONCENTRATIONS *(continued)*

Contributions

For the year ended June 30, 2021, two donors contributed 29% of revenue. These donors were 6% of promises to give at year end. For the year ended June 30, 2022, there were no significant donors.

Revenue from one special event generated 72% of total revenues for the year ended June 30, 2022.

15. RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2021 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

16. UNCERTAINTY

During the year ended June 30, 2020, there was a worldwide public health emergency declared relating to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time. These closures and the health emergency affected normal day to day operations of the Foundation, its donors, its vendors, and its ability to execute its program during that period.

17. DATE OF MANAGEMENT'S REVIEW

The Foundation is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that require adjustment to the financial statements or disclosure in the notes to the financial statements. Management has evaluated subsequent events as of February 3, 2023, the date the financial statements were available for issue.