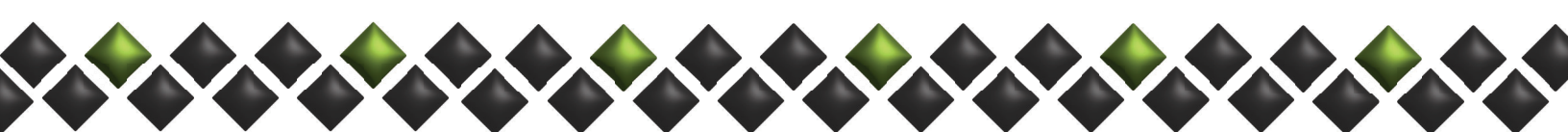


THE NSORO
EDUCATIONAL
FOUNDATION, INC.
Atlanta, Georgia

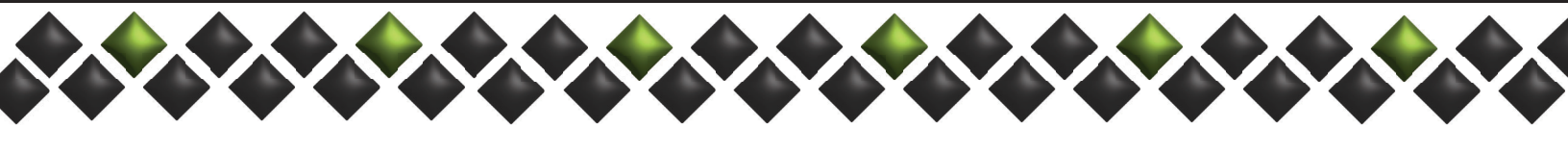
Financial Statements
June 30, 2023 and 2022

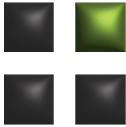
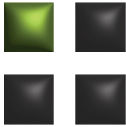


THE NSORO EDUCATIONAL FOUNDATION, INC.
ATLANTA, GEORGIA

FINANCIAL STATEMENTS

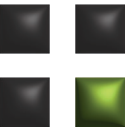
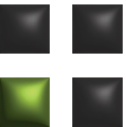
JUNE 30, 2023 AND 2022





CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to the financial statements	7 - 18





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, 2023 and 2022, 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, 2023 and 2022, 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.

Wilson Lewis

March 27, 2024

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 554,038	\$ 1,297,531
Investments	219,410	201,237
Promises to give, net	245,500	56,666
Promises to give - related parties	172,500	100,000
Prepaid expenses	1,000	8,000
Other receivables	<u>26,801</u>	<u>24,259</u>
Total current assets	<u>1,219,249</u>	<u>1,687,693</u>
PROPERTY AND EQUIPMENT		
Property and equipment	15,404	15,404
Less: accumulated depreciation	<u>(12,762)</u>	<u>(9,417)</u>
Property and equipment, net	<u>2,642</u>	<u>5,987</u>
Total assets	<u>1,221,891</u>	<u>1,693,680</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	9,570	3,413
Accrued expenses	122,633	237,635
Notes payable - current portion	<u>-</u>	<u>149,900</u>
Total current liabilities	<u>132,203</u>	<u>390,948</u>
NET ASSETS		
Without donor restrictions	594,887	1,121,807
With donor restrictions	<u>494,801</u>	<u>180,925</u>
Total net assets	<u>1,089,688</u>	<u>1,302,732</u>
Total liabilities and net assets	<u>\$ 1,221,891</u>	<u>\$ 1,693,680</u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 285,639	\$ 361,334	\$ 646,973	\$ 105,354	\$ 147,500	\$ 252,854
Non-cash contributions	33,066	-	33,066	149,219	6,182	155,401
Event revenue	840,902	-	840,902	1,630,211	-	1,630,211
Employee Retention Credits	-	2,542	2,542	-	24,259	24,259
Investment income (loss), net	<u>30,783</u>	<u>-</u>	<u>30,783</u>	<u>(31,964)</u>	<u>-</u>	<u>(31,964)</u>
Total revenue and support	<u>1,190,390</u>	<u>363,876</u>	<u>1,554,266</u>	<u>1,852,820</u>	<u>177,941</u>	<u>2,030,761</u>
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>401,641</u>	<u>(401,641)</u>	<u>-</u>
EXPENSES						
Program services	1,135,814	-	1,135,814	913,092	-	913,092
Supporting services	100,679	-	100,679	306,550	-	306,550
Fundraising	<u>530,817</u>	<u>-</u>	<u>530,817</u>	<u>485,716</u>	<u>-</u>	<u>485,716</u>
Total expenses	<u>1,767,310</u>	<u>-</u>	<u>1,767,310</u>	<u>1,705,358</u>	<u>-</u>	<u>1,705,358</u>
CHANGE IN NET ASSETS	(526,920)	313,876	(213,044)	549,103	(223,700)	325,403
NET ASSETS, beginning of year	<u>1,121,807</u>	<u>180,925</u>	<u>1,302,732</u>	<u>572,704</u>	<u>404,625</u>	<u>977,329</u>
NET ASSETS, end of year	<u>\$ 594,887</u>	<u>\$ 494,801</u>	<u>\$ 1,089,688</u>	<u>\$ 1,121,807</u>	<u>\$ 180,925</u>	<u>\$ 1,302,732</u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2023 and 2022

	<u>2023</u>				<u>2022</u>			
	<u>Supporting Services</u>				<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank / merchant fees	-	2,663	23,967	26,630	-	20,537	2,005	22,542
Computer	20,389	6,796	-	27,185	12,413	4,137	-	16,550
Contract labor	68,027	-	-	68,027	97,224	14,910	-	112,134
Depreciation	-	3,344	-	3,344	-	3,462	-	3,462
Donations	-	250	-	250	-	-	-	-
Insurance	2,345	156	626	3,127	2,632	175	702	3,509
Interest	-	-	-	-	-	14,093	-	14,093
Lease expenses - short term leases	-	12,240	-	12,240	-	11,000	-	11,000
Lease expenses - variable costs	-	6,906	-	6,906	-	6,144	-	6,144
Marketing	1,617	-	28,530	30,147	-	-	11,984	11,984
Meeting expense	-	11,331	-	11,331	-	3,582	-	3,582
Office expenses	-	10,197	-	10,197	-	9,420	-	9,420
Payroll taxes	11,677	778	3,114	15,569	11,744	783	3,131	15,658
Professional fees	-	43,280	-	43,280	-	40,145	-	40,145
Programs	258,838	-	-	258,838	128,015	-	-	128,015
Salaries	141,077	2,573	53,528	197,178	147,541	7,854	49,418	204,813
Scholarships awarded	621,919	-	-	621,919	503,651	-	-	503,651
Special events	4,737	-	419,669	424,406	6,831	-	417,666	424,497
Telephone	5,188	346	1,383	6,917	3,041	203	810	4,054
Uncollectible promises to give	\$ -	\$ (181)	\$ -	\$ (181)	\$ -	\$ 170,105	\$ -	\$ 170,105
Total expenses	<u>\$ 1,135,814</u>	<u>\$ 100,679</u>	<u>\$ 530,817</u>	<u>\$ 1,767,310</u>	<u>\$ 913,092</u>	<u>\$ 306,550</u>	<u>\$ 485,716</u>	<u>\$ 1,705,358</u>

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (213,044)	\$ 325,403
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Non-cash donations of investments	-	(134,194)
Depreciation expense	3,344	3,462
Bad debt expense	(1,153)	170,105
Investment income (loss), net of fees	(28,242)	31,966
(Increase) decrease in assets:		
Promises to give	(262,723)	77,854
Prepaid expenses	7,000	(5,750)
Other receivables	-	(24,259)
Increase (decrease) in liabilities:		
Accounts payable	6,159	3,413
Accrued expenses	(115,003)	190,641
Contract liabilities	-	(18,368)
Total adjustments	<u>(390,618)</u>	<u>294,870</u>
Net cash provided by (used in) operating activities	<u>(603,662)</u>	<u>620,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,630)	(28,549)
Redemption of investments	<u>12,699</u>	<u>167,080</u>
Net cash provided by investing activities	<u>10,069</u>	<u>138,531</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on loan	<u>(149,900)</u>	<u>-</u>
Net cash used by financing activities	<u>(149,900)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(743,493)</u>	<u>758,804</u>
Cash and cash equivalents, beginning of year	<u>1,297,531</u>	<u>538,727</u>
Cash and cash equivalents, end of year	<u>\$ 554,038</u>	<u>\$ 1,297,531</u>

SUPPLEMENTAL DISCLOSURES:

Interest paid	\$ 8,300	\$ 10,176
---------------	----------	-----------

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023 and 2022, net assets without donor restrictions were \$594,887 and \$1,121,807, 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 \$494,801 and \$180,925 for the years ended June 30, 2023 and 2022 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. Significant estimates for the year ended June 30, 2023 include valuation of the short term lease.

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, 2023 and 2022

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, 2023 and 2022. There were also no contract assets as of January 1, 2022.

Contract liabilities include amounts received for ticket sales for which the event has not yet taken place. There have been no contract liabilities for the years ended June 30, 2023 and 2022. There were also no contract liabilities as of January 1, 2022.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023 and 2022. Based on the history of collecting these promises to give, the allowance for doubtful accounts as of June 30, 2023 and 2022 was \$1,461,714 and \$1,478,048, 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 years ended June 30, 2023 and 2022 are \$0 and \$24,259 of which \$26,801, including interest, and \$24,259, were included in receivables as of June 30, 2023 and 2022, respectively.

Contributed Goods and Services

Donated goods are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Donated services are reported at the estimated costs reported by the donor. Donated goods are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated services are used by the Foundation. Donated goods may be sold depending upon their nature and use to the Foundation.

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, 2023 and 2022

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.

Leases

The Foundation determines if an arrangement is a lease at inception. The Foundation uses the following primary accounting provisions to classify transactions as financing or operating leases. Leases meeting any of these conditions are accounted for as financing leases, those that meet none, as operating leases.

1. Review of the lease term to determine if it's for a major part of the economic life of the underlying asset.
2. Review of the present value of the lease payments to determine if they are equal to, or greater than, substantially all of the fair market value of the underlying asset at the inception of the lease.
3. Review of the lease agreement to determine if there is an option to purchase the underlying asset that the Foundation is reasonably certain to exercise, or, if the ownership of the underlying asset transfers to the Foundation at the end of the lease term.
4. Review of the underlying asset to determine if it is highly specialized or would have no alternative use to the lessor after the lease term.

Right-of-use (ROU) assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Variable lease payments represent expenses incurred for the lease because of changes in facts or circumstances occurring after the commencement date.

Lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets are recorded starting with lease liability amount and include adjustments as required under the standard. ROU assets are amortized over the lease term. Amortization of the ROU assets are recorded as lease expense under operating leases and as amortization expenses under finance leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term. Interest expense included in lease payments under financing leases is recognized as expenses when incurred. Variable lease costs not included in the calculation of the ROU asset and lease liability at the commencement date are recognized as expenses when incurred.

The Foundation has elected, by class of underlying asset, to not separate non-lease components from lease components and instead, to account for each separate lease component and the non-lease component(s) as a single lease component. This election applies to all of the Foundation's leases.

The Foundation elects to use the risk-free discount rate for all leases that don't already have an explicit or implicit rate included in the lease, and to use this rate instead of the Foundation's incremental borrowing rate. The risk-free rate is determined using a comparable period with that of the lease term and is elected by class of underlying assets. The Foundation is applying this policy to all of its leases.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation has elected for short-term leases, defined as leases with a term of twelve months or less, to recognize the lease payments in profit or loss on a straight-line basis over the lease term and associated variable lease payments (if any) in the period in which the obligation for those payments is incurred. This policy election is made by class of underlying asset to which the right of use relates. The Foundation has a short term lease for office space.

Costs incurred to bring a leased asset to the condition and location necessary for its intended use are expensed as incurred.

Where the Foundation is leasing a portion of a larger asset, the Foundation estimates the fair value of the portion of the underlying asset being leased when applying the lease classification criteria.

Marketing Costs

Marketing costs are expensed as they are paid. Marketing costs for the year ended June 30, 2023 and 2022 were \$30,147 and \$11,984, respectively.

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.

2. ACCOUNTING POLICY CHANGES

Leases

The Financial Accounting Standards Board (FASB) issued ASC 842 Leases in February 2016 and has subsequently amended the standard various times through additional Accounting Standard Updates with

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. ACCOUNTING POLICY CHANGES *(continued)*

the same effective dates as the original pronouncement. This new standard fundamentally changes the accounting for leases for lessees, requiring all leases longer than twelve months in length to be capitalized on the balance sheet along with a corresponding lease liability. The standard also requires companies to disclose additional information regarding all leases. This new standard is effective for annual periods beginning after December 15, 2021 and is applied retrospectively using one of two methods. The Foundation has elected for the standard to be applied retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment as of July 1, 2022, subject to the following practical expedients elected.

The Foundation has elected the following practical expedients in the application of ASC 842:

- The Foundation will not reassess whether any expired or existing contracts contain leases.
- The Foundation will not reassess the lease classification for any expired or existing leases.
- The Foundation will not reassess initial direct costs for any existing leases.

As a result of the transition, the Foundation did not recognize any right-of-use asset or liability. Adoption of the standard did not have a material impact on the financial statements.

Government Assistance

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.

Contributed Non-Financial Assets

The Financial Accounting Standards Board (FASB) issued ASU 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* in September 2020. This new standard changes the presentation and disclosure requirements for contributions of nonfinancial assets. This new standard is effective for annual periods beginning after June 15, 2022, is applied on a retrospective basis and early adoption is permitted. Adoption did not have a significant impact on the financial statements, with the exception of increased disclosure.

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,

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. FAIR VALUE MEASUREMENTS *(continued)*

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, 2023 and 2022 are considered Level 1 and Level 2 investments. There have been no changes in the methodologies used, and no transfers in or out of the levels within the fair value hierarchy for the years ended June 30, 2023 and 2022. The Foundation's investments consist of mutual funds and exchange traded funds, 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, 2023 and 2022

3. FAIR VALUE MEASUREMENTS (continued)

The following tables set forth a summary of the Foundation's investments that were measured at fair value on a recurring basis as of:

Fair Value Measurements at the End of the Reporting Period Using:

	<u>6/30/2023</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Recurring fair value measurements:				
Mutual Funds	\$ 42,348	\$ 42,348	\$ -	\$ -
Exchange Traded Funds	<u>177,062</u>	<u>-</u>	<u>177,062</u>	<u>-</u>
Total recurring fair value measurements	<u>\$ 219,410</u>	<u>\$ 42,348</u>	<u>\$ 177,062</u>	<u>\$ -</u>

Fair Value Measurements at the End of the Reporting Period Using:

	<u>6/30/2022</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Recurring fair value measurements:				
Mutual Funds	\$ 51,690	\$ 51,690	\$ -	\$ -
Exchange Traded Funds	<u>149,547</u>	<u>-</u>	<u>149,547</u>	<u>-</u>
Total recurring fair value measurements	<u>\$ 201,237</u>	<u>\$ 51,690</u>	<u>\$ 149,547</u>	<u>\$ -</u>

4. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of the following:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gains (losses)	\$ 25,266	\$ (30,606)
Dividends and interest	<u>10,413</u>	<u>4,380</u>
Total investment income (loss)	<u>\$ 35,679</u>	<u>\$ (26,226)</u>

Fees paid on the investments are netted against the income earned. Total expenses paid for the years ended June 30, 2023 and 2022 were \$4,896 and \$5,738, respectively. Included in dividends and interest income for the year ended June 30, 2023 was \$2,542 in interest on the employee retention credits.

5. CONTRIBUTED GOODS AND SERVICES

For the years ended June 30, 2023 and 2022, the Foundation received contributed professional services of \$33,066 and \$27,389, respectively, based on costs incurred by the donor.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

5. CONTRIBUTED GOODS AND SERVICES (continued)

For the years ended June 30, 2023 and 2022, the following contributions of goods and services were received:

	<u>2023</u>	<u>2022</u>
Stock	\$ -	\$ 128,012
Professional fees	<u>33,066</u>	<u>27,389</u>
Total	<u>\$ 33,066</u>	<u>\$ 155,401</u>

The Foundation's policy on monetizing or utilizing contributed non-financial assets varies based on the type of asset received. There were no donor-imposed restrictions on any of the nonfinancial assets received during the years ended June 30, 2023 and 2022.

The following valuation methodologies are followed for the various contributed goods and services:

Professional Services – Based on standard pricing provided by the donor.

Stock – Converted to cash by the Foundation's investment bank.

6. PROMISES TO GIVE

Promises to give consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Promises to give - due in less than one year	\$ 1,707,214	\$ 1,534,714
Less: allowance for doubtful pledges	<u>(1,461,714)</u>	<u>(1,478,048)</u>
Total promises to give, net	<u>\$ 245,500</u>	<u>\$ 56,666</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 5,370	\$ 5,370
Leasehold improvements	<u>10,034</u>	<u>10,034</u>
Total cost	15,404	15,404
Less: accumulated depreciation	<u>(12,762)</u>	<u>(9,417)</u>
Property and equipment, net	<u>\$ 2,642</u>	<u>\$ 5,987</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$3,344 and \$3,462, respectively.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

8. NOTE PAYABLE

Note payable consists of the following:

	<u>2023</u>	<u>2022</u>
SBA - Economic Injury Disaster Loan at 2.75% interest, in monthly installments of \$641 through June 2051. Unsecured.	\$ -	\$ 149,900
Less: current portion	<u>-</u>	<u>(149,900)</u>
Total long-term debt	\$ <u>-</u>	\$ <u>-</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Promises to give	\$ 418,000	\$ 180,925
Employee Retention Credits receivable	26,801	-
Program expenses	12,000	-
Salaries	24,000	-
Student - food and transportation	14,000	-
Total	\$ <u>494,801</u>	\$ <u>180,925</u>

Net assets released from donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Scholarship funds and other direct program expenses	\$ 50,000	\$ 53,682
Payroll	-	-
Promises to give	-	347,959
Total	\$ <u>50,000</u>	\$ <u>401,641</u>

10. LEASES

The Foundation leases office space in Atlanta, Georgia under a rental agreement with a third party. The lease agreement contains a rent-free period and an escalation clause. The agreement expires on June 30, 2024 and does not contain any renewal options. The lease also includes variable lease payments for such costs as utilities and common area maintenance. The Foundation's lease agreement does not contain material residual value guarantees or material restrictive covenants.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023 and 2022

10. LEASES (continued)

Lease costs consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Lease Costs:		
Short term lease cost	\$ 12,240	\$ 11,000
Variable lease cost	<u>6,906</u>	<u>6,144</u>
Total lease costs	<u>\$ 19,146</u>	<u>\$ 17,144</u>

Short term lease expense above excludes expenses relating to leases with a lease term of one month or less.

11. RELATED PARTY TRANSACTIONS

Contributions received from members of the Board of Directors during the years ended June 30, 2023 and 2022 were \$275,000 and \$100,479, respectively. Promises to give as of June 30, 2023 and 2022 from members of the Board of Directors were \$172,500 and \$100,000, respectively.

12. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 554,038	\$ 1,297,531
Investments	219,410	201,237
Promises to give - short-term	<u>245,500</u>	<u>56,666</u>
Total	<u>\$ 1,018,948</u>	<u>\$ 1,555,434</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 \$144,242 and \$139,542 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

13. 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

June 30, 2023 and 2022

13. CONCENTRATIONS *(continued)*

Contributions

For the years ended June 30, 2023 and 2022, there were no significant donors.

Revenue from one special event generated 69% and 72% of total revenues for the years ended June 30, 2023 and 2022, respectively.

14. RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2022 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.

15. 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 March 27, 2024, the date the financial statements were available for issue.