# National Veterans Foundation, Inc.

## Financial Statements

## As of and for the Year Ended December 31, 2022

## and

## Independent Auditor's Report

# National Veterans Foundation, Inc.
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# As of and for the Year Ended December 31, 2022

# Independent Auditor's Report

Board of Directors
National Veterans Foundation

**Opinion**

We have audited the accompanying financial statements of National Veterans Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 National Veterans Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Veterans Foundation'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, including omissions, 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 National Veterans Foundation'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 National Veterans Foundation'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.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
*A Professional Corporation*
El Segundo, California

October 16, 2023

# National Veterans Foundation, Inc.
# Statement of Financial Position
# December 31, 2022

## Assets

| **Current assets:** | **Amount** |
|---|---|
| Cash | $ 544,748 |
| Receivables | 74,196 |
| Investments | 1,552,607 |
| Total current assets | 2,171,551 |
| | |
| **Property and equipment** | |
| Property and equipment, net | 64,981 |
| | |
| **Other assets** | |
| Security deposit | 5,545 |
| Right-of-use assets - operating | 190,393 |
| Total other assets | 195,938 |
| | |
| Total assets | $ 2,432,470 |

## Liabilities and Net Assets

| **Current liabilities:** | |
|---|---|
| Accounts payable | 7,941 |
| Accrued and other current liabilities | 8,782 |
| Current portion of lease liabilities - operating | 75,627 |
| Total current liabilities | 92,350 |
| | |
| **Long-term liabilities:** | |
| Lease liabilities - operating | 112,214 |
| | |
| Total liabilities | 204,564 |
| | |
| **Net assets:** | |
| Without donor restrictions | 1,981,979 |
| With donor restrictions | 245,927 |
| Total net assets | 2,227,906 |
| | |
| Total liabilities and net assets | $ 2,432,470 |

The accompanying notes are an integral part of these financial statements.

# National Veterans Foundation, Inc.
# Statements of Activities and Changes in Net Assets
# For the Year Ended December 31, 2022

| | Donor restrictions | | |
|---|---|---|---|
| | Without | With | Amount |
| **Public support:** | | | |
| Contributions | $ 1,017,098 | $ - | $ 1,017,098 |
| In-kind contributions | 97,907 | - | 97,907 |
| Grant income | | - | - |
| | 1,115,005 | - | 1,115,005 |
| **Net assets released from restriction** | 666,376 | (666,376) | - |
| **Other income (losses):** | | | |
| Dividend and interest income | 28,874 | - | 28,874 |
| Loss on sale of donated asset | (3,000) | - | (3,000) |
| Realized and unrealized gains (losses) on investments | (435,874) | - | (435,874) |
| | (410,000) | - | (410,000) |
| Total public support and other income | 1,371,381 | (666,376) | 705,005 |
| **Operating expenses:** | | | |
| Program services | 731,703 | - | 731,703 |
| Support services: | | | |
| Management and general | 72,905 | - | 72,905 |
| Fundraising | 28,002 | - | 28,002 |
| Total support services | 100,907 | - | 100,907 |
| Total operating expenses | 832,610 | - | 832,610 |
| Net change in net assets | 538,771 | (666,376) | (127,605) |
| **Net assets:** | | | |
| Net assets, beginning of year | 1,443,208 | 912,303 | 2,355,511 |
| Net assets, end of year | $ 1,981,979 | $ 245,927 | $ 2,227,906 |

The accompanying notes are an integral part of these financial statements.

# National Veterans Foundation, Inc.
# Statement of Functional Expenses
# For the Year Ended December 31, 2022

| Description | Program Services | Support Services: Mgt. & General | Support Services: Fund Raising | Support Services: Subtotal | Total |
|---|---|---|---|---|---|
| Salaries and wages | $ 355,611 | $ 23,188 | $ 5,169 | $ 28,357 | $ 383,968 |
| Payroll taxes and employee benefits | 46,573 | 3,037 | 677 | 3,714 | 50,287 |
| Insurance | 17,506 | 3,282 | 1,094 | 4,376 | 21,882 |
| Miscellaneous | 4,421 | 1,556 | 1,650 | 3,206 | 7,627 |
| Facilities | 65,749 | 8,616 | 2,872 | 11,488 | 77,237 |
| Postage and delivery | 2,431 | 456 | 152 | 608 | 3,039 |
| Professional fees and contract services | 34,700 | 20,105 | 626 | 20,731 | 55,431 |
| Investment expense | 17,200 | - | - | - | 17,200 |
| Telephone | 32,101 | 4,316 | 4,467 | 8,783 | 40,884 |
| Travel | 473 | 1,008 | 9,316 | 10,324 | 10,797 |
| Auto expenses | 8,693 | 1,534 | - | 1,534 | 10,227 |
| Office expense | 25,716 | 3,950 | 1,317 | 5,267 | 30,983 |
| Promotion and marketing | 1,345 | - | 662 | 662 | 2,007 |
| Outreach services | 4,559 | - | - | - | 4,559 |
| Depreciation expense | 16,718 | 1,857 | - | 1,857 | 18,575 |
| Subtotals | 633,796 | 72,905 | 28,002 | 100,907 | 734,703 |
| Donated materials | 97,907 | - | - | - | 97,907 |
| | 731,703 | 72,905 | 28,002 | 100,907 | 832,610 |
| | 88% | 9% | 3% | 12% | 100% |

The accompanying notes are an integral part of these financial statements.

**National Veterans Foundation, Inc.**
**Statement of Cash Flows**
**For the Year Ended December 30, 2022**

| **Cash flows from operating activities:** | **Amount** |
|---|---|
| Change in net assets | $ (127,605) |
| **Adjustments to reconcile change in net assets to net cash provided by operating activities:** | |
| Depreciation expense | 18,575 |
| Reinvested interest and dividend income | (28,874) |
| Realized and unrealized gain on investments | 435,874 |
| Investment expense | 17,200 |
| Loss on sale of donated asset | 3,000 |
| Amortization of operating leased assets | 70,617 |
| **Decrease in:** | |
| Receivables | 4,098 |
| **Increase (decrease) in:** | |
| Accounts payable | 331 |
| Accrued and other current liabilities | (5,784) |
| Lease liabilities | (73,169) |
| Total adjustments | 441,868 |
| Net cash provided by operating activities | 314,263 |

| **Cash flows from investing activities:** | |
|---|---|
| Sale of asset held for sale | 5,000 |
| Purchases of property and equipment | (43,758) |
| Purchases and settlements of investments (net) | 29,945 |
| Net cash used by investing activities | (8,813) |
| Net decrease in cash | 305,450 |
| Cash at beginning of year | 239,298 |
| Cash at end of year | $ 544,748 |

| **Supplemental disclosures of cash flow information:** | |
|---|---|
| *Cash paid during year for:* | |
| Interest | $ - |
| Income taxes | $ - |

| **Supplemental disclosures of noncash investing and financing activities:** | |
|---|---|
| *Impact of change in accounting principle as of January 1, 2022 (Notes 1 and 7):* | |
| Right-of-use assets - operating | $ 261,010 |
| Lease liabilities - operating | (261,010) |
| | $ - |

The accompanying notes are an integral part of these financial statements.

## 1. Summary of significant accounting policies

This summary of significant accounting policies of National Veterans Foundation, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements.

### *Nature of the Organization*

National Veterans Foundation, Inc. is a California nonprofit corporation operating a national crisis and information hotline for veterans and their families throughout the United States, implementing public awareness programs that consistently draw attention to the needs of America's veterans and providing outreach services that provide veterans in need with food, clothing, transportation, employment and other essential services. The Organization's support comes primarily from individual and corporate donor contributions.

### *Basis of accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### *Net Assets*

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

- *With Donor Restrictions:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. 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. Contributions restricted by donors are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

**1. Summary of significant accounting policies (continued)**

***Net Assets (continued)***

- *Without Donor Restrictions:* Net assets not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

***Revenue and revenue recognition***

*Contributions*

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

*Donated goods and services*

Contributions of noncash assets are recorded at their fair values in the period received. The Organization recognizes donated services and materials, that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization receives donated goods used in connection with its service programs. During the year ended December 31, 2022, the Organization received donated goods valued at $97,907 utilized for Village for Veterans program.

***Cash and cash equivalents***

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2022.

***Receivables***

Contributions and grants receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2022, there were no allowance for uncollectible accounts.

**1. Summary of significant accounting policies (continued)**

***Credit risk***

*Temporary cash investments*

The Organization places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts frequently exceed the FDIC federally insured amount of $250,000. The Organization has approximately $246,000 of uninsured cash deposits at December 31, 2022.

*Receivables*

Credit risk with respect to receivables is also limited due to the fact that the Organization's grants and contract receivables are from reputable foundations.

***Property and equipment***

Property and equipment are recorded at cost. The Organization's policy is to capitalize assets with a cost of $2,500 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are also capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets.

Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

| | |
|---|---|
| Office equipment | 5-7 years |
| Transportation equipment | 5 years |

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization then reclassifies temporarily restricted net assets to unrestricted net assets at that time.

## 1. Summary of significant accounting policies (continued)

### *Investments*

The Organization carries all investments in debt securities and investments in equity securities and equity funds and fixed income funds with readily determinable fair values at their fair values based on quoted prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is accrued as earned, and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

### *Income tax status*

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended December 31, 2022, the Organization had no income subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

### *Functional expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization. The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Payroll related expenses | Time and effort |
| Insurance | Function and usage |
| Facilities | Asset usage - utilization by square feet |
| Postage and shipping | Function and usage |
| Telephone | Function and usage |
| Auto expense | Function and usage |
| Office expense | Function and usage |
| Promotion and marketing | Function and usage |
| Depreciation expense | Function and usage |

## 1. Summary of significant accounting policies (continued)

***Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

***New accounting standards***

*Gifts In-Kind*

In September 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

The Organization adopted and implemented this pronouncement on January 1, 2022 using the prospective method of application. The adoption of ASU 2020-07 resulted in no material changes to the recognition of collections.

*Leases*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (ASC 842). This new standard is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities on the statement of financial position for the rights and obligations created by leases that extend more than 12 months. This accounting standard also requires additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. ASC 842 is effective for private companies for annual periods beginning after December 15, 2021, with early adoption permitted.

The Organization adopted ASC Topic 842 as of January 1, 2022 using the modified retrospective method. The Organization has elected the practical expedients permitted in ASC 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as financing leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC 842, (b) whether classification of the leases would be different in accordance with ASC 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC 842 at lease commencement. The Organization also elected the hindsight practical expedient, which allows entities to use hindsight when determining the lease term and impairment of right-of-use assets. This standard did not have a material impact on the Organization's cash flows from operations or operating results. The most significant impact was the recognition of right-of-use assets and lease obligations for operating leases (see Note 7).

## 1. Summary of significant accounting policies (continued)

***Credit risk***

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables.

***Subsequent events***

The Organization has evaluated subsequent events through October 16, 2023, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

## 2. Receivables

Following is a summary of receivables at December 31, 2022:

| | Amount |
|---|---|
| Grants and contracts receivable | $ 74,196 |
| Less: Allowance for bad debt | - |
| | 74,196 |

## 3. Investments

Following is a summary of investments at December 31, 2022:

| | Security | Cost | Fair Value | Unrealized Gain/(Loss) |
|---|---|---|---|---|
| *Mutual funds:* | | | | |
| 32 | Blackrock CR Allocation Income Com | $ 403 | $ 325 | $ (78) |
| 8 | AB Small Cap Growth Port Advisor Class | 462 | 400 | (62) |
| 17 | American Century Emerging Mrkts CL1 | 227 | 168 | (59) |
| 33 | BlackRock Equity Dividend FD-INSTL | 691 | 594 | (97) |
| 25 | Columbia Seligman Comm & Info CL I | 2,173 | 2,337 | 164 |
| 32 | Edgewood Growth Fund INSTL CL | 1,017 | 1,013 | (4) |
| 12 | Hartford Growth Opport FD CL I | 524 | 393 | (131) |
| | Subtotal mutual funds *(continued next page)* | $ 5,497 | $ 5,230 | $ (267) |



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**National Veterans Foundation, Inc.**
**Notes to the Financial Statements**
**As of and for the Year Ended December 31, 2022**

**3. Investments (continued)**

| Units | Security | Cost | Fair Value | Unrealized Gain/(Loss) |
|---|---|---|---|---|
| | *Mutual funds (continued from previous page):* | $ 5,497 | $ 5,230 | $ (267) |
| 50 | Hartford Schrooders INTL Mult Cap CL I | 496 | 438 | (58) |
| 7 | Invesco Oppenheimer Intl Growth Y | 281 | 221 | (60) |
| 27 | JP Morgan Growth ADV Fund Class I | 544 | 621 | 77 |
| 15 | MFS Value Fund Class I | 611 | 727 | 116 |
| 17 | Oakmark INTL Investor CL | 468 | 392 | (76) |
| 60 | Eaton Vance Floating Rate Advantage CL I | 648 | 577 | (71) |
| 46 | Lord Abbett Bond Debenture Fund CL | 368 | 319 | (49) |
| 68 | Lord Abbett Floating Rate Inc FD CL F | 618 | 537 | (81) |
| 36 | Mainstay Macakay Convertible CL I | 621 | 618 | (3) |
| 69 | Mainstay Macakay High Yield Corp BD CL I | 382 | 338 | (44) |
| 119 | Mainstay Macakay Short Duration High Yield I | 1,173 | 1,090 | (83) |
| 71 | The Hartford Float Rate FO CL I | 613 | 543 | (70) |
| 1,963 | Global X US Infrastructure Development ETF | 50,343 | 51,988 | 1,645 |
| 69 | Invesco QQQ ETF | 25,032 | 18,283 | (6,749) |
| 249 | Invesco S&P Midcap Momentum ETF | 20,203 | 18,787 | (1,416) |
| 1,302 | Invesco Dynamic Leisure & Entertainment ETF | 55,907 | 47,407 | (8,500) |
| 653 | Ishares Silver Trust | 15,639 | 14,379 | (1,260) |
| 46 | Ishares Semiconductor ETF | 20,256 | 15,939 | (4,317) |
| 66 | Ishares Russell 2000 ETF | 14,368 | 11,527 | (2,841) |
| 484 | Ishares US Aerospace & Defense ETF | 50,996 | 54,205 | 3,209 |
| 637 | Ishares US Medical Devices ETF | 34,228 | 33,536 | (692) |
| 396 | Ishares 0-5 Year Tips Bond ETF | 41,892 | 38,438 | (3,454) |
| 1,338 | Ishares Self Driving EV& Tech ETF | 62,143 | 45,241 | (16,902) |
| 84 | SPDR Gold Trust Gold Shares | 15,625 | 14,250 | (1,375) |
| 41 | SPDR S&P Mid Cap 400 ETF | 20,073 | 18,082 | (1,991) |
| 629 | Sector Materials Select Sector SPDR ETF | 51,811 | 48,859 | (2,952) |
| 567 | Sector Industrial Select Sector SPDR ETF | 55,312 | 55,667 | 355 |
| 1,270 | Select Sector TR Real Estate SPDR ETF | 50,962 | 46,923 | (4,039) |
| 213 | Vanguard High End Dividend Yield ETF | 22,700 | 23,065 | 365 |
| 1,040 | Vanguard Short Term Inflation Protected Sec ETF | 52,557 | 48,568 | (3,989) |
| 262 | Vanguard Consumer Staples ETF | 49,484 | 50,120 | 636 |
| 825 | Vanguard Financials ETF | 72,802 | 68,262 | (4,540) |
| | Subtotal mutual funds *(continued next page)* | $ 794,653 | $ 735,177 | $ (59,476) |

**3. Investments (continued)**

| Units | Security | Cost | Fair Value | Unrealized Gain/(Loss) |
|---|---|---|---|---|
| *Mutual funds (continued from previous page):* | | $ 794,653 | $ 735,177 | $ (59,476) |
| 517 | Wisdomtree Trust Europe Hedged Equity Fund E | 38,236 | 36,125 | (2,111) |
| 4 | Ishares TR Rus 1000 Grw ETF | 516 | 881 | 365 |
| 14 | Select Sector SPDR TR Financial | 346 | 479 | 133 |
| | Subtotal mutual funds | 833,751 | 772,662 | (61,089) |
| *Equities:* | | | | |
| 60 | Adobe Inc | 34,738 | 20,192 | (14,546) |
| 233 | Advanced Micro Devices Inc | 24,999 | 15,091 | (9,908) |
| 200 | Alphabet Inc | 27,300 | 17,746 | (9,554) |
| 180 | Amazon.com Inc | 29,164 | 15,120 | (14,044) |
| 388 | Apple Inc | 50,722 | 50,455 | (267) |
| 158 | Applied Materials Inc | 20,269 | 15,393 | (4,876) |
| 190 | Best Buy Company Inc | 20,737 | 15,255 | (5,482) |
| 83 | Boeing Company | 20,076 | 15,811 | (4,265) |
| 121 | Caterpillar Inc | 25,789 | 29,068 | 3,279 |
| 112 | Costco Wholesale Corp | 41,273 | 51,289 | 10,016 |
| 67 | Deere& Co | 25,181 | 28,714 | 3,533 |
| 588 | Freeport McMoran Inc | 20,374 | 22,346 | 1,972 |
| 113 | Home Depot Inc | 36,258 | 35,745 | (513) |
| 51 | Lululemon Athletica Inc | 19,966 | 16,339 | (3,627) |
| 39 | Martin Marietta Materials Inc | 14,565 | 13,046 | (1,519) |
| 225 | McDonalds Corp | 47,368 | 59,292 | 11,924 |
| 146 | Microsoft Corp | 40,389 | 35,041 | (5,348) |
| 118 | Nike Inc CL B | 20,161 | 13,904 | (6,257) |
| 257 | Nucor Corp | 30,696 | 33,845 | 3,149 |
| 281 | Otis Worldwide Corp | 25,449 | 22,052 | (3,397) |
| 40 | Salesforce.com Inc | 9,917 | 5,304 | (4,613) |
| 436 | Southwest Airlines Co | 20,056 | 14,680 | (5,376) |
| 153 | Block Inc Cl A | 37,286 | 9,615 | (27,671) |
| 220 | Starbucks Corp | 25,578 | 21,915 | (3,663) |
| 317 | Target Corp | 41,508 | 47,296 | 5,788 |
| 207 | Tesla Inc | 33,331 | 25,498 | (7,833) |
| 161 | 3M Company | 30,649 | 19,217 | (11,432) |
| | Subtotal equities *(continued next page)* | $ 773,799 | $ 669,269 | $ (104,530) |



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**3. Investments (continued)**

| Units | Security | Cost | Fair Value | Unrealized Gain/(Loss) |
|---|---|---|---|---|
| *Equities (continued from previous page):* | | $ 773,799 | $ 669,269 | $ (104,530) |
| 87 | United Rentals Inc | 29,900 | 30,919 | 1,019 |
| 478 | Verizon Communications Inc | 26,453 | 18,815 | (7,638) |
| 327 | Walmart Inc | 45,976 | 46,342 | 366 |
| 114 | Yum Brands Inc | 15,310 | 14,600 | (710) |
| | Subtotal equities | 891,438 | 779,945 | (111,493) |
| | Total investments | $ 1,725,189 | $ 1,552,607 | $ (172,582) |

**4. Fair value measurements**

Fair value measurements are performed in accordance with the guidance provided by ASC 820, "Fair Value Measurements and Disclosures." ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### 4. Fair value measurements (continued)

Following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Equity (stock) funds listed or traded on any national market or exchange: Valued at the last sales price as of the close of the principal securities exchange on which such securities are traded.

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual funds | $ 772,662 | $ - | $ - | $ 772,662 |
| Equities | 779,945 | - | - | 779,945 |
| | $ 1,552,607 | $ - | $ - | $ 1,552,607 |

The following table sets forth a summary of changes in the fair value of the Organization's investments for the year ended December 31, 2022:

| | Amount |
|---|---|
| Balance, beginning of year | $ 2,006,752 |
| Interest and dividend income | 28,874 |
| Realized and unrealized gains (losses) | (435,874) |
| Investment expense | (17,200) |
| Purchases, sales, and settlements (net) | (29,945) |
| Balance, end of year | $ 1,552,607 |

**5. Property and equipment**

Following is a summary of property and equipment – at cost, less accumulated depreciation, at December 31, 2022:

| | Amount |
|---|---|
| Office equipment | $ 32,327 |
| Transporation equipment | 124,025 |
| | 156,352 |
| Less: Accumulated depreciation | (91,371) |
| | $ 64,981 |

Depreciation expense charged to operations was $18,575 for the year ended December 31, 2022.

**6. Net assets with donor restrictions and endowment funds**

Net assets with donor restrictions consist of an endowment the Organization received during the years ended June 30, 2005, 2006 and 2007, from a donor's estate. The total amount of the contribution was $4,939,072.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), a federal law that was adopted as California law in September 2008, the Organization has classified as net assets with donor restrictions the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, net assets with donor restrictions include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. The donor permits the Organization to withdraw 5% of the original principal contributed each year. In addition, the Organization may withdraw income earned on the principal of the endowment fund. However, the terms of the endowment specify that income does not include appreciation on the principal.

The primary long-term financial objective for the Organization's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets. The endowments are also managed to optimize the long run total rate of return on invested assets assuming a prudent level of risk. The goal for this rate of return is one that funds the Organization's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

From time to time, certain donor-restricted endowment funds may have fair values less than the principal donation (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law.

## 6. Net assets with donor restrictions and endowment funds (continued)

At December 31, 2022, funds included in the net assets with donor restrictions were as follows:

| | Amount |
|---|---|
| Remaining value of original gift | $ 1,289,822 |
| Accumulated appreciation (depreciation) | (149,309) |
| Undistributed principal and dividends | (894,586) |
| Balance, end of year | $ 245,927 |

The following table sets forth a summary of changes in the fair value of the Organization's net assets with donor restrictions for the year ended December 31, 2022:

| | Amount |
|---|---|
| Balance, beginning of year | $ 912,303 |
| Undistributed 5% principal distribution | (247,788) |
| Interest and dividend income | 9,544 |
| Realized and unrealized losses on investments | (404,214) |
| Change in undistributed dividend income | (23,918) |
| Balance, end of year | $ 245,927 |

## 7. Leases

The Organization determines if an arrangement is a lease at inception, and properly classifies it as either an operating or financing lease. Right-of-Use (ROU) lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

With the adoption of ASC 842, operating lease arrangements are required to be recognized on the statement of financial position as a ROU asset and a corresponding lease liability. Operating leases are included in ROU lease assets – operating, net, current portion of lease liabilities – operating and long term lease liabilities – operating on the Organization's statement of financial position. Financing leases are included in ROU lease assets – financing, net, current portion of lease liabilities – financing, and long-term lease liabilities – financing on the Organization's statement of financial position. Operating and financing ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating leases is recorded on a straight-line basis over the lease term by adding interest expense determined using the effective interest method to the amortization of the ROU asset. Lease amortization expense for financing leases is recognized on a straight-line basis over the lease term. Interest expense for financing leases is recognized using the effective interest method. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are not material.

**7. Leases (continued)**

Prior to the adoption of ASC 842, the Organization's operating facility lease was classified as an operating lease, and therefore, was not previously recognized on the Organization's statement of financial position. In connection with the Organization's operating facility lease, the adoption of ASC 842 resulted in $261,010 of operating lease right-of-use asset and operating lease liabilities being recorded on January 1, 2022.

The Organization leases its operating and administrative and warehouse facilities under non-cancellable operating lease agreements that expire in March and August 2025. The lease agreements do not include options to purchase the leased properties or any residual value guarantees. Following is a summary of long-term operating leases and renewal options at December 31, 2022:

| Description of Property | Minimum Annual Rental | Expiration Date | Renewal Option Term | Renewal Option Rent |
|---|---|---|---|---|
| Operating and administrative facility | $ 55,837 | March 2025 | None | N/A |
| Warehouse facility | 21,476 | August 2025 | None | N/A |
| | $ 77,313 | | | |

Following is a summary of the balance sheet classification of the Organization's ROU assets and lease liabilities as of December 31, 2022:

| | Amount |
|---|---|
| Operating lease assets: | |
| Operating lease right-of-use assets | $ 190,393 |
| Operating lease liabilities: | |
| Current portion of lease liabilities - operating | $ 75,627 |
| Lease liabilities - operating | 112,214 |
| Total operating lease liabilities | $ 187,841 |

Following are lease cost components for the year ended December 31, 2022:

| Lease costs | Classification | Amount |
|---|---|---|
| *Operating leases:* | | |
| Fixed lease cost | Facilities | $ 77,237 |
| *Weighted average remaining lease term:* | | |
| Operating leases | | 29 months |
| *Weighted average discount rate:* | | |
| Operating leases | | 1.11% |

## 7. Leases (continued)

Following is the estimated future lease payments as of December 31, 2022:

| *Year ending* | **Amount** |
|---|---|
| 2023 | $ 77,313 |
| 2024 | 79,196 |
| 2025 | 33,943 |
| Thereafter | - |
| Total | 190,452 |
| Interest component | (2,611) |
| Present value of lease obligations | $ 187,841 |

## 8. Liquidity and reserves

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general expenditures within one year.

| | **Amount** |
|---|---|
| Cash | $ 544,748 |
| Receivables | 74,196 |
| Investments | 1,552,607 |
| Total financial assets | 2,171,551 |
| Less: financial assets unavailable for general expenditure within one year due to purpose and time restrictions | (245,927) |
| Financial assets available to meet cash needs for general general expenditure within one year | $ 1,925,624 |

## 9. Concentrations

During the year ended December 31, 2022, the Organization received contributions from two organizations which constituted 50% (43% and 7%) of total public support and other income. At December 31, 2022, there were no receivable balances from these organizations.



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