IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IMPACT, Alcohol & Other Drug Abuse Services, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As described in Note 1 to the financial statements, on January 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 Organization'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 Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
May 16, 2023

IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 2,134,337	$ 1,833,479
Investments	234,157	267,437
Accounts receivable	11,800	800
Grants receivable	363,418	392,737
Pledges receivable	514,096	457,596
Prepaid expenses	22,959	21,724
Total current assets	3,280,767	2,973,773
Property and Equipment, Net	77,591	91,898
Lease Right-of-Use Asset Operating	606,057	-
Total assets	$ 3,964,415	$ 3,065,671
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 24,152	$ 44,537
Accrued liabilities	443,569	395,686
Refundable grants	304,658	296,525
Current portion of finance lease	2,284	2,160
Current portion of operating lease	232,463	-
Total current liabilities	1,007,126	738,908
Long-Term Liabilities		
Finance lease liability, noncurrent	196	2,480
Operating lease liability, noncurrent	373,594	-
Total liabilities	1,380,916	741,388
Net Assets		
Without donor restrictions	2,069,403	1,871,687
With donor restrictions	514,096	452,596
Total net assets	2,583,499	2,324,283
Total liabilities and net assets	$ 3,964,415	$ 3,065,671

See notes to financial statements

IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Grants	$ 3,141,739	$ -	$ 3,141,739	$ 2,849,863	$ -	$ 2,849,863
Contributions	293,247	152,500	445,747	155,463	-	155,463
United Way	411,352	449,346	860,698	415,254	452,596	867,850
Forgiveness of debt	-	-	-	683,700	-	683,700
Net assets released from restrictions	540,346	(540,346)	-	498,863	(498,863)	-
Total public support	4,386,684	61,500	4,448,184	4,603,143	(46,267)	4,556,876
Revenue						
Program fees	918,118	-	918,118	1,039,223	-	1,039,223
Subcontracts	1,215,893	-	1,215,893	1,031,416	-	1,031,416
Investment return, net	(23,165)	-	(23,165)	42,716	-	42,716
Total revenue	2,110,846	-	2,110,846	2,113,355	-	2,113,355
Total public support and revenue	6,497,530	61,500	6,559,030	6,716,498	(46,267)	6,670,231
Expenses						
Program	5,238,801	-	5,238,801	4,822,987	-	4,822,987
Management and general	982,174	-	982,174	968,486	-	968,486
Fundraising	78,839	-	78,839	200,261	-	200,261
Total expenses	6,299,814	-	6,299,814	5,991,734	-	5,991,734
Change in net assets	197,716	61,500	259,216	724,764	(46,267)	678,497
Net Assets, Beginning	1,871,687	452,596	2,324,283	1,146,923	498,863	1,645,786
Net Assets, Ending	$ 2,069,403	$ 514,096	$ 2,583,499	$ 1,871,687	$ 452,596	$ 2,324,283

See notes to financial statements

IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 259,216	$ 678,497
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	14,307	15,753
Net loss (gain) on investments	37,948	(38,403)
Forgiveness of debt	-	(683,700)
Changes in assets and liabilities:		
Accounts and grants receivables	18,319	6,281
Pledges receivable	(56,500)	41,267
Prepaid expenses	(1,235)	1,289
Accounts payable	(20,385)	(96,005)
Accrued liabilities	47,883	21,604
Refundable grants	8,133	281,100
Net cash flows from operating activities	307,686	227,683
Cash Flows From Investing Activities		
Purchase of investments	(4,668)	(4,118)
Cash Flows From Financing Activities		
Payments on finance lease	(2,160)	(5,282)
Net change in cash and cash equivalents	300,858	218,283
Cash and Cash Equivalents, Beginning	1,833,479	1,615,196
Cash and Cash Equivalents, Ending	$ 2,134,337	$ 1,833,479
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 185	$ 564
Noncash Investing and Financing Activities		
Right-of-use asset obtained in exchange for lease liabilities	$ 791,827	$ -

See notes to financial statements

IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	SUD Services	211	Planning & Evaluation	Coordinated Entry	Homeless Prevention Fund	IMPACT Connect	Total Program	Fundraising	Management and General	Total
Salaries and wages	$ 642,142	$ 1,143,173	$ 225,958	$ 774,010	$ -	$ 100,538	$ 2,885,821	$ 56,991	$ 579,069	$ 3,521,881
Employee benefits	75,183	127,620	42,600	89,149	-	24,615	359,167	8,610	84,231	452,008
Payroll taxes	49,362	88,067	17,362	59,376	-	7,829	221,996	4,384	45,257	271,637
Total salaries and related expenses	766,687	1,358,860	285,920	922,535	-	132,982	3,466,984	69,985	708,557	4,245,526
Professional fees	23,183	10,941	40	4,090	1,039,965	231,087	1,309,306	-	119,725	1,429,031
Supplies	6,812	352	210	412	-	10	7,796	8	8,628	16,432
Telephone	25,437	56,844	444	26,423	-	842	109,990	131	7,974	118,095
Postage and shipping	2,509	4,403	882	2,988	-	500	11,282	498	2,840	14,620
Occupancy	101,800	48,789	14,332	31,062	-	3,273	199,256	6,697	69,139	275,092
Bank charges and interest	31,377	-	-	-	-	-	31,377	-	1,986	33,363
Rental and maintenance equipment	2,328	4,731	35	1,778	-	14	8,886	10	2,978	11,874
Printing and publications	1,163	1,432	43	824	-	2,557	6,019	362	3,710	10,091
Travel	-	254	-	502	-	1,118	1,874	-	625	2,499
Conferences, conventions and meetings	2,187	5,108	130	2,456	-	579	10,460	-	12,451	22,911
Memberships and dues	550	749	580	345	-	-	2,224	-	13,719	15,943
Computer/internet	15,972	16,448	10,563	15,645	-	2,394	61,022	931	28,184	90,137
Other	50	-	-	-	-	-	50	-	(157)	(107)
Depreciation	5,054	3,627	732	2,460	-	402	12,275	217	1,815	14,307
Total expenses	$ 985,109	$ 1,512,538	$ 313,911	$ 1,011,520	$ 1,039,965	$ 375,758	$ 5,238,801	$ 78,839	$ 982,174	$ 6,299,814

See notes to financial statements

IMPACT, Alcohol & Other Drug Abuse Services, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	SUD Services	211	Planning & Evaluation	Coordinated Entry	Shelter	Homeless Prevention Fund	IMPACT Connect	Total Program	Fundraising	Management and General	Total
Salaries and wages	$ 663,810	$ 1,058,709	$ 223,382	$ 662,780	$ -	$ -	$ 88,037	$ 2,696,718	$ 153,096	$ 570,368	$ 3,420,182
Employee benefits	77,318	123,399	44,533	86,144	-	-	16,592	347,986	16,777	83,366	448,129
Payroll taxes	54,220	86,074	17,955	53,936	-	-	7,069	219,254	13,541	46,286	279,081
Total salaries and related expenses	795,348	1,268,182	285,870	802,860	-	-	111,698	3,263,958	183,414	700,020	4,147,392
Professional fees	57,827	8,187	120	5,051	469,000	305,371	236,136	1,081,692	-	104,108	1,185,800
Supplies	6,471	378	210	1,317	-	-	37	8,413	72	7,375	15,860
Telephone	26,306	62,636	441	28,697	-	-	168	118,248	1,273	12,939	132,460
Postage and shipping	2,676	4,512	836	2,885	-	-	318	11,227	2,497	2,687	16,411
Occupancy	103,187	51,023	13,720	31,740	-	-	2,964	202,634	4,072	70,245	276,951
Bank charges and interest	35,978	-	-	-	-	-	-	35,978	-	5,739	41,717
Rental and maintenance equipment	2,659	1,083	67	716	-	-	23	4,548	44	6,522	11,114
Printing and publications	583	1,250	-	441	-	-	15,462	17,736	4,471	5,224	27,431
Travel	87	158	-	31	-	-	-	276	-	97	373
Conferences, conventions and meetings	361	4,049	375	1,570	-	-	450	6,805	1,395	4,957	13,157
Memberships and dues	976	688	292	272	-	-	-	2,228	-	13,417	15,645
Computer/internet	15,472	17,119	5,658	15,488	-	-	2,181	55,918	2,492	32,153	90,563
Other	-	-	-	-	-	-	-	-	-	1,107	1,107
Depreciation	5,158	4,605	727	2,561	-	-	275	13,326	531	1,896	15,753
Total expenses	$ 1,053,089	$ 1,423,870	$ 308,316	$ 893,629	$ 469,000	$ 305,371	$ 369,712	$ 4,822,987	$ 200,261	$ 968,486	$ 5,991,734

See notes to financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

IMPACT, Alcohol & Other Drug Abuse Services, Inc. (the Organization) is committed to changing lives, for good. Our family of services helps restore the health and productivity of individuals, organizations and workplaces leading to an improved quality of life for our entire community. For more than 60 years, the Organization's programs have provided the motivation and means for those looking to take the first step toward regaining stability. Headquartered in Southeastern Wisconsin, the Organization has established a productive collaborative relationship with leading businesses, funders, community stakeholders and other non-profit organizations.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash and cash equivalents held with fund managers are recorded as investments on the statements of financial position.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment return is presented net of investment fees.

Accounts Receivable

The Organization assesses collectibility of amounts due prior to the recognition of revenues. Accounts receivable are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Accounts are written-off through bad debt expense when the Organization has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness. No amounts were written-off in 2022 and 2021.

Grants Receivable

Grants receivable represent the outstanding balance of government grants due to the Organization based upon costs incurred. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary at December 31, 2022 and 2021.

Pledges Receivable

Unconditional pledges receivable made to the Organization are recorded in the year the pledge is made at fair value. Current pledges receivable are expected to be collected during the next year. If a pledge is received that covers multiple years, the pledge is discounted and amortized over the life of the pledge using the rate of applicable U.S. Treasury notes at the time of the pledge. The amortization of this discount is recognized as contribution revenue in future periods. Pledges receivable are reviewed for collectability. An allowance for pledges receivable is determined based on experience. Management deemed no allowance was necessary at December 31, 2022 and 2021.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property, equipment and right-of-use assets in excess of $5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired, or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business cirecumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Refundable Grants

Refundable grants consist of advances received on conditional contributions where the condition or barrier has not yet been met. One grantor will provide $500,000 upon request when funds on hand are depleted, along with an additional $1,500,000 through June 2024.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Organization's Board of Directors (Board) has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board at any time. The Board has not designated any amounts as of December 31, 2022 and 2021.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or that they be maintained in perpetuity by the Organization.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

Grants

The Organization receives grants from public government entities in which the Organization is requested to perform services specific for residents of Southeastern Wisconsin impacted by alcohol and other drug abuse. Revenue is recognized in the accounting period when the allowable expenses for the grant are incurred. The Organization submits requests for reimbursement to the funders or receives payments for services performed at an agreed upon rate. Grant agreements are renewed annually and are conditional upon the performance of services in the period of the agreement.

Contributions

The Organization recognizes all contributions received, including those received from United Way, as income in the period the unconditional contributions are received. Contributions are considered unconditional when the Organization meets any barriers or conditions communicated in the agreement. Contributed support is reported as without donor restrictions or as with donor restrictions depending on the existence of donor stipulations that limit the use of the support. 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 statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Revenue Recognition Policies

Revenue under contracts with customers is recognized when the customer obtains control of the good or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. The Organization identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Organization's performance in transferring control of the promised goods or services to the customer. Contracts with customers do not include a significant financing component.

Program Fees

The Organization principally generates revenue from the intoxicated driver program (IDP) assessment fees. IDP assessment fees are recorded using the portfolio approach since the contracts are uniform. Individuals that are charged with operating while intoxicated offenses are required by the State of Wisconsin to obtain an assessment prior to reinstating the individual's driver's license. Assessments are nonrefundable and paid in full prior to receiving the assessment. To determine the transaction price, management assesses the costs to provide the program and the Board approves the fixed assessment fee through the budget annually. The performance obligation is satisfied upon the completion of the assessment with a counselor and revenue is recognized at that time.

Subcontracts

The Organization generates revenue from subcontracts for planning and evaluation services; 2-1-1 after hours and Wisconsin Addiction Recovery Hotline; and other subcontracts. The subcontracts are recorded using the portfolio approach since the contracts contain uniform terms and conditions. In all cases the transaction price is fixed and outlined in the contract. Amounts are generally nonrefundable.

Subcontracts, Planning and Evaluation

The Organization enters into contracts with customers that are grantees. The customers purchase evaluation services from the Organization to fulfill the grantee's requirement to have the results of the program evaluated by an independent third party. The performance obligation is for the Organization to provide a bundle of services to the customers. The bundle of services provided on an ongoing basis over the term of the contract include, but are not limited to, serving as external evaluators in conducting the process and outcome evaluation, support the collection of data required by the grantee, provide data analysis and reporting including interim reports and a final program evaluation report. Contracts may be signed on varying terms with contracts ranging from two through six years. Payments are generally due monthly in equal amounts over the term of the contract. As the Organization provides the bundle of services noted above, the Organization recognizes revenue ratably over the course of the contract.

Revenue recognized from planning and evaluation for the years ended 2022 and 2021 was $561,953 and $490,668 respectively.

Subcontracts, 2-1-1 After Hours and Wisconsin Addiction Recovery Hotline

Other 2-1-1 operators in Wisconsin are required to stay available all day to receive phone calls. Due to limited resources of the operators, they cannot meet the staffing needs to meet the requirements of the contracts. The services are purchased from the Organization as a subcontractor to be available to answer calls during those hours the operators cannot meet the requirements of the contract. The performance obligation is to be available for a base number of calls during the term of the agreement. An additional performance obligation is satisfied if the agreed base number of calls is exceeded. Payments for the base amount of calls are fixed at the time of the contract and are due monthly. Additional charges for excess phone calls are determined before entering into the contract and applied to the number of calls over base at the end of the contract and are due at that time. The performance obligations are to be available to take calls and fulfill those operator's calls during hours where the operators do not have the infrastructure in place to take the calls. As the performance obligation is satisfied over time, revenue is recognized pro-rata for the agreed upon base volume of calls. If the base volume is exceeded, revenue is recognized at the end of the contract period.

Wisconsin 2-1-1 is required to use the established regional 2-1-1 contact centers for the Wisconsin Addiction Recovery Helpline (WARH). To establish WARH, Wisconsin 2-1-1 purchases services from the Organization as a subcontractor to maintain the WARH database and have staff available for calls on the helpline. Payments are based on the number of hours maintaining the database, the number of calls taken, and an additional amount fixed at the start of the contract for resources to be available to answer phone calls. The hours and number of phone calls taken are satisfied at a point in time and recognized when the services are performed. The fixed amount to be available is satisfied over time and the related revenue is recognized pro-rata over the term of the contract.

Revenue recognized from 2-1-1 after hours and Wisconsin Addiction Recovery Hotline for the years ended 2022 and 2021 was $172,892 and $132,600, respectively. Of this, revenue recognized at a point in time was $49,251 and $55,235 for the years ended December 31, 2022 and 2021, respectively.

Subcontracts, IMPACT Connect

Beginning in 2020, the Organization entered into subcontracts with four (4) health systems in Southeastern Wisconsin to coordinate the provision of a community information exchange. The subscription fees are billed biannually and revenue is recognized over time as services are provided. Revenue recognized in the years ended 2022 and 2021 was $385,815 and $354,267, respectively.

Subcontracts, Other

The Organization enters into other subcontracts with customers to provide services. The contracts generally have terms on a calendar year basis and the revenue is recognized upon completion of the services within the calendar year. Revenue recognized from other subcontracts for the years ended 2022 and 2021 was $95,233 and $53,881, respectively.

	January 1, 2021	December 31, 2021	December 31, 2022
Accounts receivable	$ 164,922	$ 800	$ 11,800
Deferred revenue	-	-	-

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity and Funds Available

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use due to contractual or donor-imposed restrictions:

	2022	2021
Total assets at year end	$ 3,964,415	$ 3,065,671
Less nonfinancial assets:		
Property and equipment, net	(77,591)	(91,898)
Prepaid expenses	(22,959)	(21,724)
Lease right-of-use asset	(606,057)	-
Financial assets, at year end	3,257,808	2,952,049
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(514,096)	(452,596)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,743,712	$ 2,499,453

As part of the Organization's liquidity management, the Organization signs contracts with various grantors prior to the beginning of each year. The grantors are invoiced for expenses incurred on a monthly basis. Regular payments for services performed on the contracts provide sufficient funds as obligations become due. Additionally, the Organization has a line of credit, as described in Note 4, with availability to draw on as necessary.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. The expenses that are allocated include salaries and related expenses, supplies, computer/internet, telephone, postage and shipping, insurance and rent (occupancy). Certain salaries and related expenses are allocated based upon time studies performed monthly or number of computers in the program. Supplies, computer/internet, postage and shipping, and insurance expenses are allocated based on direct program salaries monthly unless they can be identified and directly charged to the program. Telephone is allocated based on the percentage of use unless they can be identified and directly charged to the program. Rent is allocated based on square footage used.

Adopted Accounting Pronouncements

During 2022, the Organization retrospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. *2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Adopting ASU No. 2020-07 did not result in any impact to the amounts reported on the statements of activities for the years ended December 31, 2022 and 2021. No in-kind contributions were received in 2022 and 2021.

Effective January 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Organization's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption the Organization recorded an operating lease right-of-use asset and lease liability of $791,827. There was no effect on net assets as a result of adopting the standard.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs; and

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 6.

Recent Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). Management is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 16, 2023 which is the date that the financial statements were approved and available to be issued.

2. Fair Value of Financial Instruments

As defined in authoritative accounting guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible, the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31.

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Equity securities	$ 179,647	$ 179,647	$ -	$ -
Fixed income securities	54,510	54,510	-	-
Total	$ 234,157	$ 234,157	$ -	$ -

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Equity securities	$ 204,214	$ 204,214	$ -	$ -
Fixed income securities	63,223	63,223	-	-
Total	$ 267,437	$ 267,437	$ -	$ -

The Organization holds investments in equity and fixed income securities that are publicly traded on various exchanges and are therefore classified as Level 1.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

3. Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	**2022**	**2021**
Furniture and fixtures	3-10 yrs.	$ 230,695	$ 230,695
Leasehold improvements	3-10 yrs.	174,100	174,100
Total property and equipment		404,795	404,795
Less accumulated depreciation		(327,204)	(312,897)
Net property and equipment		$ 77,591	$ 91,898

4. Line of Credit

The Organization has a $100,000 line of credit financing agreement with a bank. Interest is payable monthly at 2.75% plus the Bloomberg Short-Term Bank Yield Index rate (BSBY) (4.39% at December 31, 2022). The line of credit matures on June 20, 2024 and is secured by substantially all of the Organization's assets. There were no amounts outstanding on the line of credit at December 31, 2022 and 2021.

5. Long-Term Debt - Paycheck Protection Program Loan Payable

On April 14, 2020, the Organization received loan proceeds in the amount of $683,700 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrowers loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during May of 2021. Legal release was received during July of 2021, therefore, the Organization recorded forgiveness of debt income of $683,700 within its statement of activities for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

6. Leases

The Organization leases facilities and equipment under lease agreements expiring at various dates through September 2025. Two leases require lease payments plus pro-rata increases on real estate taxes and operating expenses.

Leases, Prior to January 1, 2022

Rent expense on the operating leases was $258,122 for the year ended December 31, 2021, and is included in occupancy on the statements of functional expenses.

Leases, January 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. At December 31, 2022, one building lease includes the option to extend the duration of the leases. Due to the Organization not being reasonably certain the extension option will be exercised, it is not included in the recording of the assets and liabilities for the leases.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses the Organization's incremental borrowing rate. The Organization's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Organization's assets. Certain required adjustments, some of which required significant judgment, were then made to this base debt rate to arrive at an estimated incremental borrowing rate.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

The Organization does not have any material leasing transactions with related parties. The Organization has both operating and finance leases.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Right-of-use assets:	
Operating leases	$ 606,057
Finance leases (included in property and equipment, net)	2,231
Total right-of-use assets	$ 608,288
Lease liabilities:	
Current operating lease liabilities	$ 232,463
Current finance lease liabilities	2,284
Long-term operating lease liabilities	373,594
Long-term finance lease liabilities	196
Total lease liabilities	$ 608,537

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

Finance lease expense	
Amortization of right-of-use assets	$ 2,059
Interest on lease liabilities	305
Operating lease expense	234,223
Short-term lease expense	12,365
Total operating lease expense	$ 248,952

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 6.84%. As of December 31, 2022, the weighted average remaining lease term was approximately five years.

The table below summarizes the Organization's schedule future minimum lease payments for years ending after December 31, 2022:

	Operating Leases	Finance Leases
Years ending December 31:		
2023	$ 241,210	$ 2,364
2024	245,010	197
2025	180,352	-
Total lease payments	666,572	2,561
Less present value discount	(60,515)	(81)
Total lease liabilities	606,057	2,480
Less current portion	(232,463)	(2,284)
Long-term lease liabilities	$ 373,594	$ 196

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	234,223
Financing cash flows from finance leases		2,160
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$	791,827

7. Pension Plan

The Organization has a defined contribution retirement savings plan covering substantially all employees. The Organization makes a 3% contribution based on employees' salaries in addition to a discretionary contribution to the plan. Pension expense was $177,012 and $163,788 for the years ended December 31, 2022 and 2021, respectively.

8. Net Assets

Net assets with donor restrictions at year end are composed of:

	2022	2021
Time restrictions	$ 514,096	$ 452,596

9. Concentrations

The Organization received approximately $3,482,508 and $2,159,891 of its funding from two sources during the years ended December 31, 2022 and 2021, respectively. The receivables from these sources amounted to $757,417 and $549,169 at December 31, 2022 and 2021, respectively.

The Organization maintains a balance in one institution that exceeds the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

10. Commitments and Contingencies

Financial Awards From Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.