Constitutional Rights Foundation

Financial Statements

December 31, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Constitutional Rights Foundation
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Constitutional Rights Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, 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 Constitutional Rights 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 Constitutional Rights 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 these 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 Constitutional Rights 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 Constitutional Rights 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 Constitutional Rights 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.

Armanino LLP

Armanino LLP
Los Angeles, California

September 6, 2023

Constitutional Rights Foundation
Statement of Financial Position
December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	$ 1,269,748
Investments available for operations	1,135,302
Accounts receivable, net	82,335
Contributions and grants receivable, net	88,923
Prepaid and other current assets	13,164
Total current assets	2,589,472
Other assets	
Board-designated investments	2,623,241
Beneficial interest in charitable remainder trust	75,207
Right-of-use lease assets - operating	18,891
Property and equipment, net	1,360,933
Intangibles	31,896
Total other assets	4,110,168
Total assets	$ 6,699,640

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	$ 115,828
Deferred program fees	41,250
Current portion of note payable	3,668
Current portion of operating lease liability	5,093
Total current liabilities	165,839
Long-term liabilities	
Notes payable, net of current portion	144,323
Operating lease liability, net of current portion	13,987
Total long-term liabilities	158,310
Total liabilities	324,149
Net assets	
Without donor restrictions	
General	2,034,440
Board-designated	2,623,241
Invested in property and equipment	1,360,933
Total without donor restrictions	6,018,614
With donor restrictions	356,877
Total net assets	6,375,491
Total liabilities and net assets	$ 6,699,640

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

Constitutional Rights Foundation
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions and private grants	$ 361,864	$ 383,368	$ 745,232
Contributed professional services	682,992	-	682,992
Annual celebration event	1,029,805	-	1,029,805
Program fees	319,943	-	319,943
Government grants and contract revenue	278,847	-	278,847
Other income	36,614	-	36,614
Sales of publications	13,822	-	13,822
Investment income appropriated for operations	185,068	-	185,068
Net assets released from restriction	480,569	(480,569)	-
Total revenues, gains and other support	3,389,524	(97,201)	3,292,323
Functional expenses			
Program services	2,176,319	-	2,176,319
Support services			
Management and general	535,036	-	535,036
Fundraising	238,050	-	238,050
Total functional expenses	2,949,405	-	2,949,405
Change in net assets from operations	440,119	(97,201)	342,918
Non-operating			
Investment loss, net	(643,518)	-	(643,518)
Unrealized loss on beneficial interest in charitable remainder trust	-	(20,119)	(20,119)
Investment income appropriated for operations	(185,068)	-	(185,068)
Total non-operating	(828,586)	(20,119)	(848,705)
Change in net assets	(388,467)	(117,320)	(505,787)
Net assets, beginning of year	6,407,081	474,197	6,881,278
Net assets, end of year	$ 6,018,614	$ 356,877	$ 6,375,491

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

Constitutional Rights Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Personnel expenses				
Compensation	$ 998,295	$ 199,446	$ 114,446	$ 1,312,187
Benefits and payroll taxes	237,341	26,178	23,407	286,926
Total personnel expenses	1,235,636	225,624	137,853	1,599,113
Conferences, travel, staff development	34,171	4,793	51,886	90,850
Contract services	46,268	168,545	-	214,813
Data processing	2,580	26,479	128	29,187
Depreciation	36,925	9,078	4,038	50,041
Occupancy	58,874	9,950	14,579	83,403
Office administration	55,656	20,552	12,770	88,978
Printing and materials	17,903	459	10,565	28,927
Processing fees	3,014	23,573	5,853	32,440
Professional services	5,275	33,500	-	38,775
Professional services - contributed	661,065	12,483	-	673,548
Teacher and student stipends	18,952	-	378	19,330
	$ 2,176,319	$ 535,036	$ 238,050	$ 2,949,405

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

Constitutional Rights Foundation
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	
Change in net assets	$ (505,787)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	50,041
Contributed intangible assets	(9,969)
Reinvested interest and dividends	(75,950)
Realized loss on sales of investments	678,563
Unrealized loss on investments	52,832
Unrealized loss on beneficial interest in charitable remainder trust	20,120
Reduction in carrying amount of right-of-use lease asset - operating	4,260
Changes in operating assets and liabilities	
Increase in accounts receivable, net	(48,678)
Decrease in contributions and grants receivable, net	114,784
Decrease in prepaid and other current assets	11,808
Decrease in accounts payable and accrued expenses	(15,205)
Increase in deferred program fees	3,040
Decrease in operating lease liability	(4,071)
Net cash provided by operating activities	275,788
Cash flows from investing activities	
Proceeds from sales of investments	4,773,198
Purchases of investments	(5,373,198)
Purchases of property and equipment	(190,057)
Net cash used in investing activities	(790,057)
Cash flows from financing activities	
Principal payments on note payable	(3,569)
Net cash used in financing activities	(3,569)
Net decrease in cash and cash equivalents	(517,838)
Cash and cash equivalents, beginning of year	1,787,586
Cash and cash equivalents, end of year	$ 1,269,748

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 4,123

1. NATURE OF OPERATIONS

Constitutional Rights Foundation ("CRF" or the "Foundation") is a California nonprofit organization with the mission to inspire lifelong civic engagement through interactive programs and resources for teachers and youth because our democracy depends on informed participation by all. The Foundation does this by leveraging the commitment of teachers and amplifying the voice of young people. The Foundation's civic education resources are interactive, non-partisan, and emphasize civil discourse. They are research-based and aligned to standards.

The Foundation is dedicated to removing barriers, especially for underserved communities, to assure equity and justice in access to civic education.

The Foundation is a national and community-serving organization. The Foundation's Board of Directors ("Board") is comprised of professionals and thought leaders from the fields of law, business, government, education, entertainment, media, and the community. The Foundation's staff include educators, lawyers, community organizers, fundraisers, designers, writers, and editors.

Annual impact

- 3.1 million unique visitors to the CRF website
- Hundreds of thousands of educators, students, and families in all 50 states where CRF resources are used
- More than 100,000 youth across the country who participate in CRF's Civic Action Project
- 31,000 *Bill of Rights in Action* subscribers
- Thousands of students who participate in the California Mock Trial competition
- Up to 100 first-generation college bound students who receive guidance and are placed in internships in Southern California counties through Expanding Horizons Institute

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions, general*: Includes grants and contracts, program fees, contributions, sales and other forms of revenue without donor restrictions, and expenditures related to the general operations and fundraising efforts of the Foundation. Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support.

- *Net assets without donor restrictions, board-designated* - (See Note 8): Includes net assets designated by the Foundation's Board of Directors as quasi-endowments, with earnings to be used for programs, to meet the specification of a challenge grant, or as reserves.

- *Net assets without donor restrictions, invested in property and equipment*: Includes net assets the Foundation currently has invested in property and equipment, net of accumulated depreciation.

- *Net assets with donor restrictions* - (See Note 9): Includes net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income tax status

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Foundation considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents totaled $610,541 as of December 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the first-in, first-out method.

Concentrations of risk

Occasionally the Foundation's bank and investment balances exceed FDIC- and SIPC-insured limits. The Foundation has not experienced and does not anticipate any losses related to these accounts.

The Foundation's accounts and contributions and grants receivable are unsecured and the Foundation is at-risk to the extent that such amounts become uncollectible. The Foundation estimates its allowances for doubtful accounts and potentially uncollectible contributions and grants based on known facts and historical trends.

Accounts receivable, net

Accounts receivable consist of amounts earned and not yet collected from the Foundation's contracts, program fees, and sales. Accounts receivable are written off when uncollectible. Management has determined that no allowance was necessary as of December 31, 2022.

Contributions and grants receivable, net

Unconditional promises to give cash and other assets to the Foundation are reported at the fair value of the promise at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the conditions are met.

Beneficial interest in charitable remainder trust

The Foundation is a named beneficiary of a charitable remainder trust. Management receives an annual beneficiary report which reports the valuation of the Foundation's interest based on the value of the portfolio, trustor's age, the payout rate and a discount rate of 1.6%. The annual fluctuation is reported as an unrealized gain or loss on the accompanying statement of activities.

Property and equipment, net

Property and equipment are reported at cost. Donated items are carried at estimated fair value when received. Depreciation of both purchased and donated items are computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 years
Furniture and equipment	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net (continued)

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

Intangible assets

The Company capitalizes costs associated with obtaining patents and trademarks that have been successfully approved by the US Patent and Trademark Office.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Foundation during the year.

Endowments

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions

Contributions are reported either as with or without donor restrictions depending on the existence of donor-imposed restrictions that limit the use of the support to a particular purpose. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

We recognize contributions 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.

Program fees

Program fees consist of amounts earned by the Foundation from the California and Los Angeles Mock Trial competitions. Amounts paid but not yet earned are reported as deferred program fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed professional services

Materials and use of facilities contributed to the Foundation are recognized and recorded at fair value as of the contribution date. Contributed services are recognized and recorded at fair value when all criteria for recording such services are met.

Contributed materials, services and use of facilities during the year were recognized as follows:

Professional services in connection with Mock Trials	$	630,805
Professional services in connection with various programs		42,743
		673,548
Professional services in connection with a trademark		9,444
	$	682,992

Functional expenses

The Foundation allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Personnel costs are allocated on the basis of estimates of time and effort. Shared costs, such as occupancy, are allocated based on the ratios of the other costs among the three functional categories.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, Accounting Standards Codification Topic 842 ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its balance sheet as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

The Foundation adopted ASC 842, with an initial application date of January 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*. The Foundation did not restate prior periods as presented under ASC 840 and, instead, evaluated whether a cumulative impact adjustment to retained earnings as of January 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to retained earnings as of January 1, 2022, was necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The Foundation elected the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease components associated with the lease component as a single lease component.
- Election whereby the lease and nonlease components will not be separated for leases of office space, warehouses, and vehicles.
- Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

The Foundation evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities, the Foundation includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

Subsequent events

The Foundation has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 6, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

The Foundation reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

3. INVESTMENTS (continued)

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

	Level 1	Level 2	Level 3	Fair Value
Equity funds	$ 2,657,609	$ -	$ -	$ 2,657,609
Bond funds	1,072,869	-	-	1,072,869
Short-term reserves	28,065	-	-	28,065
	$ 3,758,543	$ -	$ -	$ 3,758,543

Investments are presented in the statement of financial position as follows:

Investments available for operations	$ 1,135,302
Board-designated investments	2,623,241
	$ 3,758,543

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 3,813,988
Reinvested dividends and interest	75,950
Purchases of investments	5,373,198
Proceeds from sales of investments	(4,773,198)
Realized loss on sales of investments	(678,563)
Unrealized loss on investments	(52,832)
Balance, end of year	$ 3,758,543

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

Accounts receivable	$ 88,275
Allowance for doubtful accounts	(5,940)
	$ 82,335

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Land	$ 617,157
Buildings and improvements	1,316,746
Furniture and equipment	152,970
	2,086,873
Accumulated depreciation	(725,940)
	$ 1,360,933

6. INTANGIBLE ASSETS

Intangible assets consisted of the following:

Trademarks	$ 31,896

Trademarks are treated as having indefinite useful lives and are not amortized.

7. NOTE PAYABLE

In June 2020, the Foundation received a coronavirus ("COVID-19") Economic Injury Disaster Loan ("EIDL") from the U.S. Small Business Administration ("SBA") in the amount of $150,000. The loan matures in 30 years, is secured by substantially all of the assets of the Foundation and accrues interest at 2.75% per annum, with monthly principal and interest payments of $641 beginning June 2021.

The future maturities of the note payable are as follows:

Year ending December 31,	
2023	$ 3,668
2024	3,770
2025	3,875
2026	3,983
2027	4,094
Thereafter	128,601
	147,991
Current portion	(3,668)
	$ 144,323

8. NET ASSETS WITHOUT DONOR RESTRICTIONS, BOARD-DESIGNATED

The Foundation's Board has designated portions of its net assets without donor restrictions as quasi-endowments (see Note 10) with earnings to be used specifically for certain programs, to meet the specifications of a challenge grant, or for emergency purposes.

Board-designated net assets consisted of the following:

General Reserve	$ 1,000,000
Creative Kids Internship Program Endowment Fund	512,012
Keck Challenge Grant Fund (see Note 9)	200,000
Robert and Phyllis Henigson Fund	366,139
Alan I. Rothenberg Endowment Fund	248,159
James A. Cobey Endowment Fund	111,599
Jack Stutman Endowment Fund	99,802
Jerome C. Byrne Fund	85,530
	$ 2,623,241

9. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose	
Service learning	$ 148,781
Capital Improvements	32,888
	181,669
Donor-restricted endowment funds	
Cash reserve fund	100,000
Charitable remainder trust	75,208
	175,208
	$ 356,877

Donor-restricted endowment funds include a $100,000 grant to establish a cash reserve fund subject to certain restrictions. One of these restrictions is a stipulation the Foundation obtain matching funds on a 2-to-1 basis. A second restriction is the principal balance of the grant be used only to alleviate cash flow difficulties and, if used, that it must be replenished from other private contributions by the end of each calendar year. The matching $200,000 has been included in net assets without donor restrictions, board-designated (see Note 8).

10. ENDOWMENT AND RESERVE FUNDS

The Foundation's endowment consists of eight individual funds designated by the Board to function as quasi-endowments for the purposes disclosed in Note 8. The donor-restricted endowment funds referenced in Note 9 were donor-directed to be deposited and serve as a floor for the Foundation's checking account, and do not meet the reporting standards of an endowment.

Interpretation of relevant law

The Foundation's Board of Directors has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the executive committee of the Board, the endowment assets are invested in a manner intended to assume a moderate level of investment risk and to provide an annual rate of return of approximately 5% plus inflation. Actual returns in any given year may vary from this amount.

10. ENDOWMENT AND RESERVE FUNDS (continued)

Spending policy and how investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year not more than 3% of its quasi-endowment fund's average fair value over the prior 12 quarters through the third quarter preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its quasi-endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its quasi-endowment to grow at an annual rate equal to or greater than inflation. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Foundation also manages distributions from the reserve investments to allow for the smooth operation of the Foundation between years of surpluses and losses. The Foundation targets limiting distribution from this fund to not more than 6%, but will make extra distributions when necessary for special circumstances.

Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies of this nature as of December 31, 2022.

For the year ended December 31, 2022, the Foundation's quasi-endowment net assets changed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 2,940,654	$ 195,327	$ 3,135,981
Investment return			
Net realized and unrealized gain/(loss)	(346,465)	(20,120)	(366,585)
Dividends and interest	29,052	-	29,052
Balance, end of year	$ 2,623,241	$ 175,207	$ 2,798,448

10. ENDOWMENT AND RESERVE FUNDS (continued)

Funds (continued)

For the year ended December 31, 2022, the Foundation's quasi-endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated quasi-endowment funds	$ 1,423,241	$ -	$ 1,423,241
Board designated reserve funds	1,200,000	-	1,200,000
Cash reserve fund	-	100,000	100,000
Charitable remainder trust	-	75,207	75,207
	$ 2,623,241	$ 175,207	$ 2,798,448

11. PAYCHECK PROTECTION PROGRAM

In February 2021, the Foundation received loan proceeds totaling $247,735 from a promissory note issued by a bank under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the PPP loan is five years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Management recognized the revenue related to the PPP loan forgiveness in 2021, as the Foundation had met the criteria for forgiveness. On March 24, 2022, the Foundation's loan forgiveness application for the $247,735 of loan proceeds received in 2021 was fully approved by the SBA.

12. PENSIONS

The Foundation has a defined-contribution IRC Section 403(b) pension plan, covering substantially all employees of the Foundation who meet the minimum service requirement of one year. Employees are permitted to contribute the maximum amount allowed by the IRC. Employee contributions are fully vested immediately upon contribution to the plan. The plan requires annual contributions by the Foundation ranging from 3% to 4% of eligible employees' compensation, with the employer portion vesting after three years. The Foundation made contributions totaling $41,459 during the year ended December 31, 2022.

13. LEASES

In January 2022, the Foundation adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the accompanying statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases"). The Foundation has no financing leases as of December 31, 2022.

The Foundation has certain office equipment under non-cancelable operating leases that were previously recognized under the prior standard, ASC 840, as operating leases at December 31, 2021. Upon adoption of ASC 842, the qualifying leases have been recognized as right-of-use lease assets on the accompanying statement of financial position at December 31, 2022. The leases carry separate terms and expire at various dates through May 2027. The adoption of ASC 842 resulted in the recognition of right-of-use lease assets and liabilities - operating totaling $23,151.

Right-of-use lease assets consists of the following:

Right-of-use lease assets - operating	$ 18,891

Operating lease liabilities are as follows at December 31, 2022:

Operating lease liability, current	$ 5,093
Operating lease liability, net of current portion	13,987
	$ 19,080

Lease costs consisted of the following at December 31, 2022:

Operating	
Monthly scheduled rent	$ 4,501
Month to month rent	8,904
	$ 13,405

The weighted-average lease terms and discount rates are the following at December 31, 2022:

Weighted-average remaining lease term - operating lease	4 years
Weighted-average discount rate - operating lease	2.67%

13. LEASES (continued)

Future maturities of operating lease liabilities are as follows:

Year ending December 31,		
2023	$	5,548
2024		5,208
2025		4,188
2026		4,188
2027		2,094
		21,226
Less: imputed interest		(2,146)
Operating lease liability, net of imputed interest		19,080
Current portion		(5,093)
	$	13,987

14. LIQUIDITY AND AVAILABILITY

The Foundation is significantly supported by contributions with donor restrictions. The Foundation maintains sufficient resources to meet its responsibilities to its donors. The Foundation's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects the Foundation's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor-restrictions (see Note 9) as of December 31, 2022.

Liquidity of financial assets as of December 31, 2022 is as follows:

Cash and cash equivalents	$	1,269,748
Investments available for operations		1,135,302
Accounts receivable, net		82,335
Contributions and grants receivable, net		88,923
		2,576,308
Donor restricted net assets with liquidity horizons greater than one year (Note 9)		(356,877)
	$	2,219,431