Hearts and Hammers - Twin Cities, Inc.
St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2022 and 2021
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<td>Statement of Functional Expense – For the Year Ended December 31, 2022 with Comparative Totals for 2021</td>
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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Hearts and Hammers - Twin Cities, Inc.
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Hearts and Hammers - Twin Cities, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts and Hammers - Twin Cities, Inc. 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. 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 Hearts and Hammers - Twin Cities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts and Hammers - Twin Cities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.
Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 Hearts and Hammers - Twin Cities, Inc. ’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts and Hammers - Twin Cities, Inc. ’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

[Signature]
Certified Public Accountants

Minneapolis, Minnesota
March 9, 2023
HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<table>
<thead>
<tr>
<th></th>
<th>2022 Without Donor Restrictions</th>
<th>2022 With Donor Restrictions</th>
<th>2022 Total</th>
<th>2021 Without Donor Restrictions</th>
<th>2021 With Donor Restrictions</th>
<th>2021 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Contributions of Financial Assets</td>
<td>$328,765</td>
<td>$</td>
<td>$328,765</td>
<td>$252,177</td>
<td>$</td>
<td>$252,177</td>
</tr>
<tr>
<td>Special Events</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Event Income</td>
<td>98,137</td>
<td>-</td>
<td>98,137</td>
<td>105,865</td>
<td>-</td>
<td>105,865</td>
</tr>
<tr>
<td>Costs of Direct Benefits to Donors</td>
<td>(25,888)</td>
<td>-</td>
<td>(25,888)</td>
<td>(23,190)</td>
<td>-</td>
<td>(23,190)</td>
</tr>
<tr>
<td>Special Events - Net</td>
<td>72,249</td>
<td>-</td>
<td>72,249</td>
<td>82,675</td>
<td>-</td>
<td>82,675</td>
</tr>
<tr>
<td>Investment Income (Loss)</td>
<td>(1,525)</td>
<td>-</td>
<td>(1,525)</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total Support and Revenue</td>
<td>399,489</td>
<td>-</td>
<td>399,489</td>
<td>335,093</td>
<td>-</td>
<td>335,093</td>
</tr>
<tr>
<td>Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expense</td>
<td>248,613</td>
<td>-</td>
<td>248,613</td>
<td>190,422</td>
<td>-</td>
<td>190,422</td>
</tr>
<tr>
<td>Support Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td>27,351</td>
<td>-</td>
<td>27,351</td>
<td>21,401</td>
<td>-</td>
<td>21,401</td>
</tr>
<tr>
<td>Fundraising</td>
<td>48,939</td>
<td>-</td>
<td>48,939</td>
<td>41,082</td>
<td>-</td>
<td>41,082</td>
</tr>
<tr>
<td>Total Support Services</td>
<td>76,290</td>
<td>-</td>
<td>76,290</td>
<td>62,483</td>
<td>-</td>
<td>62,483</td>
</tr>
<tr>
<td>Total Expense</td>
<td>324,903</td>
<td>-</td>
<td>324,903</td>
<td>252,905</td>
<td>-</td>
<td>252,905</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>74,586</td>
<td>-</td>
<td>74,586</td>
<td>82,188</td>
<td>-</td>
<td>82,188</td>
</tr>
<tr>
<td>Net Assets - Beginning of Year</td>
<td>229,654</td>
<td>-</td>
<td>229,654</td>
<td>147,466</td>
<td>-</td>
<td>147,466</td>
</tr>
<tr>
<td>Net Assets - End of Year</td>
<td>$304,240</td>
<td>$</td>
<td>$304,240</td>
<td>$229,654</td>
<td>$</td>
<td>$229,654</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of these statements.

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HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTAL FOR 2021

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th></th>
<th>2021</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Program</td>
<td>Management &amp; General</td>
<td>Fundraising</td>
<td>Support Services</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>$116,142</td>
<td>$17,225</td>
<td>$38,883</td>
<td>$56,108</td>
</tr>
<tr>
<td>Project Expense</td>
<td>50,566</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Occupancy</td>
<td>38,688</td>
<td>4,903</td>
<td>4,836</td>
<td>9,739</td>
</tr>
<tr>
<td>Marketing</td>
<td>18,604</td>
<td>2,326</td>
<td>2,326</td>
<td>4,652</td>
</tr>
<tr>
<td>Office Expense</td>
<td>12,282</td>
<td>1,538</td>
<td>1,535</td>
<td>3,073</td>
</tr>
<tr>
<td>Insurance</td>
<td>7,263</td>
<td>908</td>
<td>908</td>
<td>1,816</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>3,610</td>
<td>451</td>
<td>451</td>
<td>902</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,458</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$248,613</td>
<td>$27,351</td>
<td>$48,939</td>
<td>$76,290</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
<table>
<thead>
<tr>
<th></th>
<th>Total Program</th>
<th>Management &amp; General</th>
<th>Fundraising</th>
<th>Total Support Services</th>
<th>Total All Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
<td>$ 95,717</td>
<td>$ 14,432</td>
<td>$ 34,173</td>
<td>$ 48,605</td>
<td>$ 144,322</td>
</tr>
<tr>
<td>Project Expense</td>
<td>36,563</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,563</td>
</tr>
<tr>
<td>Occupancy</td>
<td>36,282</td>
<td>4,535</td>
<td>4,535</td>
<td>9,070</td>
<td>45,352</td>
</tr>
<tr>
<td>Marketing</td>
<td>1,373</td>
<td>171</td>
<td>172</td>
<td>343</td>
<td>1,716</td>
</tr>
<tr>
<td>Office Expense</td>
<td>7,997</td>
<td>1,061</td>
<td>1,000</td>
<td>2,061</td>
<td>10,058</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,226</td>
<td>654</td>
<td>653</td>
<td>1,307</td>
<td>6,533</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>4,389</td>
<td>548</td>
<td>549</td>
<td>1,097</td>
<td>5,486</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,875</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,875</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$ 190,422</strong></td>
<td><strong>$ 21,401</strong></td>
<td><strong>$ 41,082</strong></td>
<td><strong>$ 62,483</strong></td>
<td><strong>$ 252,905</strong></td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$250,705</td>
<td>$224,102</td>
</tr>
<tr>
<td>Investments</td>
<td>42,161</td>
<td>-</td>
</tr>
<tr>
<td>Contributions Receivable</td>
<td>14,885</td>
<td>6,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>6,470</td>
<td>6,464</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>314,221</td>
<td>236,566</td>
</tr>
<tr>
<td>Prepaid Expenses - Non-Current</td>
<td>2,711</td>
<td>2,711</td>
</tr>
<tr>
<td>Right-Of-Use Asset - Net</td>
<td>48,485</td>
<td>-</td>
</tr>
<tr>
<td>Property and Equipment - Net</td>
<td>563</td>
<td>2,021</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$365,980</td>
<td>$241,298</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$475</td>
<td>$879</td>
</tr>
<tr>
<td>Accrued Personnel Expenses</td>
<td>10,766</td>
<td>10,765</td>
</tr>
<tr>
<td>Lease Liability - Current</td>
<td>22,418</td>
<td>-</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>33,659</td>
<td>11,644</td>
</tr>
<tr>
<td>Long - Term Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease Liability - Long Term</td>
<td>28,081</td>
<td>-</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>61,740</td>
<td>11,644</td>
</tr>
<tr>
<td>Net Assets Without Donor Restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>261,647</td>
<td>183,997</td>
</tr>
<tr>
<td>Board-Designated - Quasi-Endowment</td>
<td>42,593</td>
<td>45,657</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>304,240</td>
<td>229,654</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND NET ASSETS</td>
<td>$365,980</td>
<td>$241,298</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements
are an integral part of these statements.

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HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<table>
<thead>
<tr>
<th>Increase (Decrease) in Cash and Cash Equivalents</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$ 74,586</td>
<td>$ 82,188</td>
</tr>
<tr>
<td>Total Adjustments</td>
<td>(5,410)</td>
<td>2,424</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>69,176</td>
<td>84,612</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Investments</td>
<td>(142,573)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Sale of Investments</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Net Cash (used) by Investing Activities</td>
<td>(42,573)</td>
<td>-</td>
</tr>
<tr>
<td>Cash Flows from Financing Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Increase in Cash and Cash Equivalents</td>
<td>26,603</td>
<td>84,612</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning of Year</td>
<td>224,102</td>
<td>139,490</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - End of Year</td>
<td>$ 250,705</td>
<td>$ 224,102</td>
</tr>
</tbody>
</table>

Supplemental Disclosures of Cash Flow Information

Cash Paid For Amounts Included in Measurement of Lease Liabilities:
- Operating Cash Flows From Operating Leases: $ 23,230
1. **Summary of Significant Accounting Policies**

**Organizational Purpose**

Hearts and Hammers - Twin Cities, Inc. (the Organization) assists deserving homeowners with limited abilities, elderly, and military veterans by organizing teams of volunteers to paint and make exterior repairs and improvements to their homes at no cost to the homeowner so that they may continue living independently.

**Net Assets**

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

- **Net Assets without Donor Restrictions** – Net assets available for use in general operations and not subject to donor-or grantor-imposed restrictions. The board has designated, from net assets without donor restrictions, net assets for Board-Designated - Quasi-Endowment.

- **Net Assets with Donor Restrictions** – Net assets subject to donor-or 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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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 restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable and Doubtful Accounts**

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization does not have an allowance for doubtful accounts at December 31, 2022 and 2021.

**Investments**

The Organization carries its investments at fair value.
1. **Summary of Significant Accounting Policies (continued)**

**Promises-To-Give (Grants Receivable)**

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

**Revenue and Revenue Recognition**

The Organization recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give 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.

A portion of the Organization’s revenue is derived from cost-reimburseable county grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions.

The Organization records special events revenue net of the fair value of direct benefits to donors.

**Income Tax**

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Organization’s policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

**Use of 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 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.

**Contributions of Nonfinancial Assets**

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization’s policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

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1. **Summary of Significant Accounting Policies (continued)**

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on job descriptions and estimates. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

**Property and Equipment**

All major expenditures for property and equipment over $600 are capitalized at cost. Depreciation is provided through the use of the straight-line method over an estimated useful life.

**Subsequent Events**

The Organization has evaluated the effect that subsequent events would have on the financial statements through March 9, 2023, which is the date financial statements were available to be issued.

**New Accounting Pronouncement**

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of $69,546 and lease liabilities totaling $71,438 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

The Organization has also has adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as management believes the standards improve the usefulness and understandability of the Organization’s financial reporting. The ASU has been applied retrospectively for the periods ended December 31, 2022 and 2021, as required.

**Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.
1. **Summary of Significant Accounting Policies (continued)**

**Reclassifications**

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

2. **Significant Concentrations of Credit Risk**

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payers, substantially all of whom are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

3. **Liquidity**

The following represents the Organization’s financial assets at December 31:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$250,705</td>
<td>$224,102</td>
</tr>
<tr>
<td>Investments</td>
<td>42,161</td>
<td>-</td>
</tr>
<tr>
<td>Contributions Receivable</td>
<td>14,885</td>
<td>6,000</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td>307,751</td>
<td>230,102</td>
</tr>
</tbody>
</table>

Less: Assets not available to be used for general expenditures within one year:

<table>
<thead>
<tr>
<th>Board Designated – Quasi-Endowment</th>
<th>42,593</th>
<th>45,657</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets available to be used for general expenditures within one year</td>
<td>$265,158</td>
<td>$184,445</td>
</tr>
</tbody>
</table>

The Organization maintains board designated quasi endowment fund, also known as the Legacy Fund of $45,480 and $45,657 for the periods ended December 31, 2022 and 2021, respectively. The purpose of the Legacy Fund is to generate income to support normal operational activities. Accordingly, the Legacy Fund is not considered available for use for general expenditures within one year. Although the Organization does not intend to spend from the Legacy Fund, these amounts could be made available if necessary.

As part of the Organization’s liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.
4. Investments

The Organization held the following investments as of:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2022</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange - Traded Funds</td>
<td>$45,047</td>
<td>$42,161</td>
</tr>
<tr>
<td></td>
<td>$42,161</td>
<td>$42,161</td>
</tr>
</tbody>
</table>

Investment income included the following as of:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$778</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>$2,303</td>
</tr>
<tr>
<td></td>
<td>$1,525</td>
</tr>
</tbody>
</table>

5. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- **Level 1** – Quoted prices in active markets for identical investments.
- **Level 2** – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- **Level 3** – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2022:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange - Traded Funds</td>
<td>$42,161</td>
<td>$ -</td>
<td>$ -</td>
<td>$42,161</td>
</tr>
</tbody>
</table>

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2021:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>
6. Property and Equipment

The Organization owned the following assets as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
<th>Estimated Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailers</td>
<td>$7,000</td>
<td>$7,000</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>8,500</td>
<td>8,500</td>
<td>4 years</td>
</tr>
<tr>
<td>Less Accumulated Depreciation</td>
<td>15,500</td>
<td>15,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14,937</td>
<td>13,479</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$563</td>
<td>$2,021</td>
<td></td>
</tr>
</tbody>
</table>

There was $1,458 and $2,875 of depreciation expense recorded for the years ended December 31, 2022 and 2021, respectively.

7. Board-Designated Quasi-Endowment

As of December 31, 2022, the Organization has designated $45,657 of net assets without donor restrictions as a general endowment fund (the Fund) to support the mission of the Organization. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Income earned by the Fund shall be distributed to the Organization’s operating account on January 1 of each year unless otherwise determined by the Board. In addition, the Board may vote at any board meeting to transfer up to 5% of the principal balance of the Fund to the Organization operating fund in a given calendar year.

If the Organization requires long-term use of the principal of the Fund, the board shall be allowed to distribute such funds upon unanimous consent of the board.

Composition of and changes in endowment net assets for the year ended December 31, 2022 were as follow:

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-Designated Quasi-Endowment Net Assets, Beginning of Year</td>
<td>$45,657</td>
</tr>
<tr>
<td>Investment Return (Decline)</td>
<td>(3,064)</td>
</tr>
<tr>
<td>Board-Designated Quasi-Endowment Net Assets, End of Year</td>
<td>$42,593</td>
</tr>
</tbody>
</table>

Composition of and changes in endowment net assets for the year ended December 31, 2021 were as follow:

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-Designated Quasi-Endowment Net Assets, Beginning of Year</td>
<td>$45,678</td>
</tr>
<tr>
<td>Investment Return</td>
<td>(21)</td>
</tr>
<tr>
<td>Board-Designated Quasi-Endowment Net Assets, End of Year</td>
<td>$45,657</td>
</tr>
</tbody>
</table>

Board-Designated Quasi-Endowment fund is held in the investment account.
8. Leases

The Organization is a party to one operating lease for office space. As disclosed in Note 1, the Organization adopted FASB ASC 842 for the year ended December 31, 2022. The lease has remaining lease terms of two years.

As of December 31, 2022, the right-of-use (ROU) asset had a balance of $48,485 as shown in noncurrent assets of the statement of financial position; the lease liability is included in other current liabilities $22,418 and other long-term liabilities $28,081. The lease asset and liability were calculated utilizing a risk free rate of 3.82%, which the organization has made an accounting policy to elect to use in lieu of the incremental borrowing rate.

Additional information about the Organization’s lease is as follows for the year ended December 31, 2022:

| Lease Costs (included in occupancy and copying): |       |
| Operating Lease Cost | $ 23,352 |

| Other Information: |
| Cash paid for amounts included in measuring operating Lease liabilities: |
| Operating cash flows from operating leases | $ 23,230 |
| Lease assets obtained in exchange for lease obligations: |
| Operating leases | $ 116,760 |
| Weighted-average remaining lease term (years) | 2.17 |
| Weighted-average discount rate | 3.82% |

Maturities of operating lease liabilities as of December 31, 2022:

| Year Ending December 31: |       |
| 2023 | $ 23,890 |
| 2024 | 24,600 |
| 2025 | 4,120 |
| Total Lease Payments | 52,610 |
| Less: Present Value Discount | (2,111) |
| Present Value of Lease Liabilities | $ 50,499 |
9. **Cash Flow Operating Adjustments**

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of December 31:

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation Expense</td>
<td>$1,458</td>
<td>$2,875</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>2,303</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in Carrying Amount of Right of Use Assets – Operating Lease</td>
<td>21,062</td>
<td>-</td>
</tr>
<tr>
<td>Increases (Decreases) in Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>(404)</td>
<td>550</td>
</tr>
<tr>
<td>Accrued Personnel Expenses</td>
<td>1</td>
<td>5,455</td>
</tr>
<tr>
<td>Lease Liabilities</td>
<td>(20,939)</td>
<td>-</td>
</tr>
<tr>
<td>Decreases (Increases) in Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions Receivable</td>
<td>(8,885)</td>
<td>(5,950)</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>(6)</td>
<td>(506)</td>
</tr>
<tr>
<td><strong>Total Adjustments</strong></td>
<td><strong>$(5,410)</strong></td>
<td><strong>$2,424</strong></td>
</tr>
</tbody>
</table>