OPENSECRETS

DECEMBER 31, 2022

OPENSECRETS

DECEMBER 31, 2022

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

7900 Westpark Drive
Suite T420
McLean, VA 22102
Phone: 703-893-2660
Fax: 703-893-2123

INDEPENDENT AUDITOR'S REPORT

Board of Directors
OpenSecrets
Washington, D.C.

Opinion

We have audited the accompanying financial statements of OpenSecrets (the Organization), 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 the Organization 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 the Organization 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.

Emphasis of Matter - Correction of Error

As discussed in Note 13 to the financial statements, an error resulting in the understatement of amounts previously reported for net assets as of December 31, 2021, was discovered by management of the Organization during the current year. Accordingly, amounts reported for beginning net assets have been restated in the December 31, 2022 financial statements now presented, and an adjustment has been made to net assets without donor restrictions as of January 1, 2022, to correct the error. Our opinion is not modified with respect to that matter.

Emphasis of Matter - Adoption of New Accounting Pronouncement

As discussed in Note 14 to the financial statements, in the year ended December 31, 2022, the Organization adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Board of Directors
OpenSecrets
Washington, D.C.

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.

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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.

UHY LLP

McLean, Virginia
May 9, 2024

OPENSECRETS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$ 1,091,481	
Certificates of deposit	1,148,629	
Investments	1,128,123	
Accounts receivable	100,917	
Contributions receivable - current	1,398,350	
Right-of-use leased asset	37,528	
Prepaid expenses	96,350	
TOTAL CURRENT ASSETS		$ 5,001,378
PROPERTY AND EQUIPMENT		
Furniture and equipment	402,694	
Leasehold improvements	445,436	
Less - accumulated depreciation	(777,950)	
TOTAL PROPERTY AND EQUIPMENT - NET		70,180
OTHER ASSETS		
Contributions receivable - noncurrent		852,500
TOTAL ASSETS		$ 5,924,058

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 39,645	
Accrued payroll	133,726	
Deferred revenue	46,178	
TOTAL LIABILITIES		$ 219,549
NET ASSETS		
Without donor restrictions	3,010,759	
With donor restrictions	2,693,750	
TOTAL NET ASSETS		5,704,509
TOTAL LIABILITIES AND NET ASSETS		$ 5,924,058

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

OPENSECRETS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
REVENUE AND SUPPORT			
Contributions	$ 1,478,528	$ 2,541,100	$ 4,019,628
Government grants	284,476	-	284,476
Contract fees	355,832	-	355,832
Library services and other income	25,364	-	25,364
Net investment loss	(239,548)	-	(239,548)
Employee retention credit	95,928	-	95,928
Loss on lease termination	71,005	-	71,005
Released from restrictions - purpose	247,350	(247,350)	-
Released from restrictions - time	3,418,333	(3,418,333)	-
Total revenue and support	5,737,268	(1,124,583)	4,612,685
EXPENSES			
Program services			
Research and analysis	1,862,368	-	1,862,368
Education and outreach	1,241,578	-	1,241,578
Total program services	3,103,946	-	3,103,946
Supporting services			
Management and general	550,595	-	550,595
Fundraising	426,222	-	426,222
Total supporting services	976,817	-	976,817
Total expenses	4,080,763	-	4,080,763
CHANGE IN NET ASSETS	1,656,505	(1,124,583)	531,922
NET ASSETS - BEGINNING OF YEAR - AS PREVIOUSLY STATED	1,406,198	3,818,333	5,224,531
PRIOR PERIOD ADJUSTMENT	(51,944)	-	(51,944)
NET ASSETS - BEGINNING OF YEAR - RESTATED	1,354,254	3,818,333	5,172,587
NET ASSETS - END OF YEAR	$ 3,010,759	$ 2,693,750	$ 5,704,509

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

OPENSECRETS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			
	Research and Analysis	Education and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Accounting	$ -	$ -	$ -	$ 98,794	$ -	$ 98,794	$ 98,794
Computer expense	61,899	41,266	103,165	3,859	13,247	17,106	120,271
Consulting fees	19,542	13,028	32,570	-	31,851	31,851	64,421
Contract service bureaus	37,047	24,698	61,745	2,310	7,928	10,238	71,983
Depreciation and amortization	31,404	20,936	52,340	1,958	6,721	8,679	61,019
Employee benefits	136,742	91,161	227,903	8,525	29,263	37,788	265,691
Insurance	9,466	6,311	15,777	590	2,026	2,616	18,393
Occupancy	70,135	46,757	116,892	326,408	15,009	341,417	458,309
Office	-	-	-	14,879	-	14,879	14,879
Online service	81,669	54,446	136,115	5,091	17,477	22,568	158,683
Payroll taxes	109,691	73,127	182,818	6,838	23,474	30,312	213,130
Postage and delivery	752	501	1,253	47	161	208	1,461
Printing and production	1,727	1,151	2,878	108	370	478	3,356
Repairs and maintenance	795	530	1,325	50	170	220	1,545
Retirement	18,400	12,267	30,667	1,147	3,938	5,085	35,752
Salaries	1,223,566	815,711	2,039,277	76,280	261,847	338,127	2,377,404
Supplies	2,861	1,907	4,768	178	612	790	5,558
Telephone	8,589	5,726	14,315	535	1,838	2,373	16,688
Travel	48,083	32,055	80,138	2,998	10,290	13,288	93,426
Total expenses	$ 1,862,368	$ 1,241,578	$ 3,103,946	$ 550,595	$ 426,222	$ 976,817	$ 4,080,763

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

OPENSECRETS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 531,922
Adjustments to reconcile change in net income to net change in cash from operating activities:		
Depreciation and amortization	$ 61,019	
Operating lease amortization	(40,394)	
Net loss on investments	291,661	
Gain on lease termination including leasehold impairment	(71,005)	
Non-cash stock contributions	(298,240)	
Change in assets and liabilities:		
Accounts receivable	33,483	
Contributions receivable	(1,450,850)	
Prepaid expenses	(49,134)	
Accounts payable	(24,538)	
Accrued payroll	(6,258)	
Deferred revenue	(15,074)	
Refundable advances	(284,476)	
Total adjustments		(1,853,806)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1,321,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,879)	
Purchase of certificates of deposit	(1,132,133)	
Purchase of investments	(594,012)	
Proceeds from sale of investments	3,568,326	
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,829,302
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease		(4,024)
NET CHANGE IN CASH AND CASH EQUIVALENTS		503,394
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		588,087
CASH AND CASH EQUIVALENTS - END OF YEAR		$ 1,091,481
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Stock contributions		$ 298,240

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NOTE 1 - THE ORGANIZATION

OpenSecrets (the Organization) is a nonprofit corporation that educates the American public on money's role in politics and policy by conducting and distributing its nonpartisan research and reporting on campaign finance and other money-in-politics issues. The Organization derives its support primarily from contributions. The Organization's program areas are:

Research and Analysis - The Organization's research and reporting teams compile the Organization's data and put it into context, pointing out trends in campaign finance and lobbying, and adding a money-in-politics angle to ongoing news stories and policy debates.

Education and Outreach - The Organization's website (www.opensecrets.org) allows users to explore connections between money, politics and policy. Freely available, easy-to-use databases track federal campaign contributions, lobbying and other data sets in a variety of illuminating ways, such as by industry and interest group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative accounting principles generally accepted in the United States of America (GAAP). The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents, excluding cash balances in the investment accounts.

Investments

Investments are carried at fair value based on quoted market prices. The Organization invests in professionally managed investments that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements. The certificates of deposit are stated at cost plus accrued interest.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Property and equipment purchased with a cost greater than $500 is capitalized. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of three to five years. Leasehold improvements are amortized over the life of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses and the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, rent, and depreciation and amortization. These expenses are allocated on the basis of management's estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

Income Taxes

The Organization is recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Code and has been determined by the IRS not to be a private foundation within the meaning of Section 509(a) of the Code. The Organization believes its operations are consistent with the nature of its exempt status. There is no current liability for income taxes and there are no temporary differences resulting in deferred taxes as of December 31, 2022.

The Organization is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions the Organization has taken in the tax years that remain subject to examination or expects to take on an income tax return. The Organization recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. The Organization recorded no liability for uncertain income tax positions for any open tax years.

Accounts Receivable

Accounts receivable consists primarily of amounts unconditionally due for services for which payment had not been received at year end. Generally they are due upon receipt. If needed, an allowance for doubtful accounts would be provided for potentially uncollectible amounts. Management estimates the allowance for doubtful accounts based on aging of receivables. If actual collection experience changes, revisions to the allowance may be necessary. Amounts are charged off against the allowance in the period in which they are deemed uncollectible. At December 31, 2022, management considered all receivables collectible and determined there was no allowance for doubtful accounts necessary. Accounts receivable at December 31, 2021 was $134,400.

Promises to Give

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met. Unconditional promises to give are recognized initially at fair value as contribution revenue in the period the promise is made by the donor. The fair values of the promises are estimated based on anticipated future cash receipts (net of an allowance for uncollectible amounts), discounted using risk-adjusted rates commensurate with the duration of the payment plans. The noncurrent portion of promises to give totaling $852,500 reflects the second half of annual increments that are expected to be collected within two years. As of December 31, 2022 no allowance for uncollectible accounts was considered necessary by management.

Subsequent Events

The Organization has evaluated subsequent events through May 9, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Unconditional contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. 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 statement of activities as net assets released from restrictions.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met.

Contract Fees

Contract fees are recognized over time as performance obligations are satisfied using the input method. The political environment affects the revenue and collections. Deferred revenue at December 31, 2021 was $61,252.

The Organization has disaggregated its contract revenue by type as follows for the year ended December 31, 2022:

Education	$ 226,263
News	129,569
Total	$ 355,832

Classes of Net Assets

Accounting standards require that resources be classified for accounting and reporting purposes into two classes of net assets according to the existence or absence of donor-imposed restrictions. The net asset classes are: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in the Organization's operations. All revenue that is not restricted by donors is included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Also included in this category are unconditional promises to give that are due in the future. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

Leases

In the statement of financial position as of December 31, 2022, the Organization recorded an operating right-of-use asset and operating lease liability, initially measured using a risk-free rate that approximates the remaining lease term. The Organization considers the likelihood of exercising renewal or termination clauses in measuring its operating right-of-use assets and operating lease liabilities. Lease costs are calculated and allocated over the lease term on a straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. The Organization expenses non-lease and variable components as they are incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Such estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31, 2022:

In banks	$ 530,714
Three month certificate of deposit	560,767
Total	$ 1,091,481

NOTE 4 - INVESTMENT RETURN

Investment return consisted of the following for the years ended December 31, 2022:

Dividends, interest and other income	$ 59,799
Net realized and unrealized losses	(291,661)
Investment management expenses	(7,686)
Total	$(239,548)

NOTE 5 - RETIREMENT PLAN

The Organization maintains a qualified defined contribution retirement plan for its employees. All employees of the Organization are eligible to participate by electing to make salary deferrals up to the maximum allowed by law. Employees completing six months of service qualify for employer contributions up to two percent of employee's salary. The employer contributions are at the discretion of the Board of Directors. The retirement expense for the year ended December 31, 2022, was approximately $35,752 and is included in retirement in the accompanying statement of functional expenses.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization measures and reports financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)

GAAP establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

Level 1 - quoted prices in active markets for identical assets or liabilities as of the reporting date;
Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves); and
Level 3 - uses inputs that are unobservable, supported by little or no market activity and reflect significant judgment.

Exchange traded funds are valued at quoted market prices of the net asset value (NAV) of shares held by the Organization at year-end.

The tables below summarize investments, by level, for items measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,468	$ -	$ -	$ 2,468
Stocks	341,781	-	-	341,781
Exchange traded funds - bonds	350,051	-	-	350,051
Exchange traded funds - equities	433,823	-	-	433,823
Total investments at fair value	$ 1,128,123	$ -	$ -	$ 1,128,123

NOTE 7 - LEASE COMMITMENTS

The Organization elected to exercise the tenant's termination option in their lease agreement and terminated the lease on January 28, 2022. The Organization paid a termination fee of $322,036. As a result of the early termination, there was an impairment loss on the leasehold improvements totaling $222,717, which is included in the loss on lease termination, based on the estimated remaining useful life for the remainder of the lease term through January 2023. The lease includes provisions for annual rent increases, periods of rent abatement, and a landlord-provided improvement allowance. The lease is supported by a bank issued irrevocable letter of credit for approximately $29,000. The letter of credit is secured by the Organization's certificate of deposit in the same amount. There are no future minimum rentals for base rent under this lease for the year ending December 31, 2022, with a remaining weighted-average lease term of one month. The Organization has recorded an operating right-of-use asset of $28,165 and an operating lease liability of $0 as of December 31, 2022, based on a weighted-average discount rate of 1.54 percent. The Organization also has a month to month membership for space sharing in Montana which has a monthly cost of $1,800.

Rent expense, which includes storage space is reported as occupancy in the statement of activities, totaled $355,312 during the year ended December 31, 2022:

NOTE 8 - FINANCE LEASE

The Organization leases computer equipment totaling $14,928 under a finance lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it was recorded in the Organization's assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term. Accumulated amortization was $14,928 as of December 31, 2022. There are no additional future minimum payments required under the lease.

Amortization of assets held under the finance lease is included with depreciation expense.

NOTE 9 - CONCENTRATION RISK

The Organization maintains cash balances in a financial institution which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2022, the Organization had $84,176 cash in excess of FDIC limits. Assets held in broker managed accounts are insured by the Securities Investor Protection Corporation (SIPC), which protects investors for up to $500,000, including a maximum of $250,000 for claims of cash equivalents, if the brokerage firm holding the assets becomes insolvent, but it does not insure the underlying assets of $1,128,123. The Organization believes its credit risk is not significant.

Approximately 37 percent of contributions was from one donors for the year ended December 31, 2022. Approximately 79 percent of contributions receivable was due from three donors for the year ended December 31, 2022. Should these donors cease provide funding in the future, the Organization believes funding could be obtained from other sources.

NOTE 10 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets available for general expenditure within one year consist of the following as of December 31, 2022:

Cash and cash equivalents	$ 1,091,481
Investments	1,128,123
Certificates of deposit	1,148,629
Accounts receivable	100,917
Contributions receivable due in one year	1,398,350
Total financial assets	4,867,500
Less - amounts unavailable for general expenditures due to restrictions by donors	(2,693,750)
Total financial assets and liquidity resources available	$ 2,173,750

The Organization manages its financial assets to be available as its operating expenditures, liabilities, and other obligations become due.

NOTE 11 - REFUNDABLE ADVANCES

In 2021, the Organization received a second SBA loan under the Paycheck Protection Program (PPP) in the amount of $284,476. The Organization accounted for this SBA loan as a conditional contribution. During 2022, this PPP loan was granted forgiveness.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022, net assets with donor restrictions were available for the following purposes:

Research and analysis	$ 1,793,750
General support, time restricted	900,000
Total	$ 2,693,750

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Organization has determined that deferred revenue resulting from the Transition Agreement with the National Institute of Money in State Politics (NIMP) was recorded as income during the year ending December 31, 2021. This correction decreased the change in unrestricted net assets and unrestricted net assets by $51,944 for the year ending December 31, 2021.

NOTE 14 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The Organization implemented Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 requires lessees to report a right-of-use asset along with a lease liability. The Organization recorded an operating right-of-use asset totaling $897,368 net of deferred rent of $296,589 and an operating lease liability of $1,193,957 as of January 1, 2022, the date of the lease implementation. There was no effect on the beginning net assets from the implementation of this standard. The Organization elected to apply all practical expedients available under the ASU, allowing it to (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases, (3) not reassess initial direct costs for any existing leases, and (4) to use hindsight in determining the lease term.

NOTE 15 - DESIGNATED NET ASSETS

The Board of Directors designated $1,597,222 of net assets related to the 2021 Grant from the Hewlett Foundation during 2022. The Board of Directors intends to use $798,611 of funds over the next two years.

NOTE 16 - CONTINGENCIES

On April 28, 2020, the Organization received loan proceeds in the amount of $285,100 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). Under the terms of the loan, funds were eligible to be forgiven if they were used for specific covered expenses including payroll and occupancy. The loan was fully forgiven on August 24, 2021. On February 14, 2021, the Organization received a second loan with proceeds in the amount of 284,476 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The loan was fully forgiven on March 8, 2022. The SBA has the right to audit whether a borrower qualified for a PPP loan and met the conditions necessary for forgiveness of the loan up to six years after forgiveness is received. The Organization believes the risk of noncompliance is not significant.

NOTE 17 - PENDING ACCOUNTING STANDARD

A recent Accounting Standards Update (ASU) 2022-02, *Financial Instruments – Credit Losses* will be effective for the 2023 annual financial statements. Under this new standard, current expected credit losses (CECL) will be required to be based on historical information, current conditions, and reasonable and supportable forecasts. This new pronouncement may have an impact on the Organization as management is currently analyzing it's potential financial impact.