DEFY VENTURES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

DEFY VENTURES
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Defy Ventures
New York, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Defy Ventures (the Organization), which comprise the statements 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 Defy Ventures as of December 31, 2022 and 2021, and the changes of its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Defy Ventures and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter Regarding Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Defy Ventures' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Defy Ventures' 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 Defy Ventures' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
March 17, 2023

DEFY VENTURES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,740,754	$ 2,111,415
Investments	-	50,056
Pledges Receivable, Net of Current Portion	242,508	451,593
Prepaid Expenses and Other Assets	106,589	67,982
Operating Right-of-Use Asset	50,007	-
Total Current Assets	3,139,858	2,681,046
NONCURRENT ASSETS		
Pledges Receivable, Net	115,745	29,845
Total Assets	$ 3,255,603	$ 2,710,891
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 168,060	$ 146,432
Deferred Rent	-	5,408
Deferred Revenue	90,909	-
Loans Payable	97,839	146,894
Operating Lease Liability	50,007	-
Total Current Liabilities	406,815	298,734
LONG-TERM LIABILITIES		
Accounts Payable and Accrued Expenses	64,491	60,585
Deferred Revenue	90,909	-
Loans Payable	294,390	342,229
Total Long-Term Liabilities	449,790	402,814
Total Liabilities	856,605	701,548
NET ASSETS		
Without Donor Restrictions	822,467	613,596
With Donor Restrictions	1,576,531	1,395,747
Total Net Assets	2,398,998	2,009,343
Total Liabilities and Net Assets	$ 3,255,603	$ 2,710,891

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation Contributions	$ 276,889	$ 640,024	$ 916,913
Corporate Contributions	305,209	548,522	853,731
Individual Contributions	419,247	219,000	638,247
Government Grants	(2,000)	446,792	444,792
Contributed Nonfinancial Assets	126,712	45,000	171,712
Gain on Forgiveness of Debt	50,000	-	50,000
Contract Services	68,524	-	68,524
Asset Transfer- Contribution	-	217,000	217,000
Other Revenue	50,142	-	50,142
Net Assets Released from Restrictions	1,935,554	(1,935,554)	-
Total Public Support and Revenue	3,230,277	180,784	3,411,061
EXPENSES AND LOSSES			
Program Services Expense	2,395,934	-	2,395,934
Supporting Services Expense:			
Management and General	374,409	-	374,409
Fundraising and Development	251,063	-	251,063
Total Supporting Services Expenses	625,472	-	625,472
Total Expenses and Losses	3,021,406	-	3,021,406
CHANGE IN NET ASSETS	208,871	180,784	389,655
Net Assets - Beginning of Year	613,596	1,395,747	2,009,343
NET ASSETS - END OF YEAR	$ 822,467	$ 1,576,531	$ 2,398,998

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation Contributions	$ 307,711	$ 924,600	$ 1,232,311
Corporate Contributions	113,032	253,983	367,015
Individual Contributions	451,032	3,000	454,032
Government Grants	(681)	369,964	369,283
Contributed Nonfinancial Assets	-	45,000	45,000
Gain on Forgiveness of Debt	-	-	-
Paycheck Protection Program Loan Forgiveness	268,285	-	268,285
Contract Services	225,157	-	225,157
Other Revenue	48,456	-	48,456
Net Assets Released from Restrictions	1,234,600	(1,234,600)	-
Total Public Support and Revenue	2,647,592	361,947	3,009,539
EXPENSES AND LOSSES			
Program Services Expense	1,610,470	-	1,610,470
Supporting Services Expense:			
Management and General	347,650	-	347,650
Fundraising and Development	189,873	-	189,873
Total Supporting Services Expenses	537,523	-	537,523
Total Expenses and Losses	2,147,993	-	2,147,993
CHANGE IN NET ASSETS	499,599	361,947	861,546
Net Assets - Beginning of Year	113,997	1,033,800	1,147,797
NET ASSETS - END OF YEAR	$ 613,596	$ 1,395,747	$ 2,009,343

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Salaries	$ 1,523,405	$ 260,428	$ 166,080	$ 1,949,913
Payroll Taxes and Benefits	281,991	42,036	23,456	347,483
Consultant and Professional Fees	130,941	43,918	7,256	182,115
Postage and Shipping	6,985	336	589	7,910
Printing Expense	1,257	323	171	1,751
Rent Expense	62,065	92	-	62,157
Stipends and Grants	54,430	-	600	55,030
Participant Training	92,588	-	950	93,538
Software Subscriptions	13,147	11,488	6,779	31,414
Travel and Meetings	40,286	1,373	4,414	46,073
Telephone Expense	5,008	350	550	5,908
Insurance	44,602	1,632	-	46,234
Bank and Payroll Fees	1,311	915	15,077	17,303
Events	45,584	176	19,770	65,530
Office Expenses	52,118	1,674	404	54,196
Constituent Development	19,396	623	4,700	24,719
Interest Expense	-	7,432	-	7,432
Staff Recruitment	1,387	312	-	1,699
Training Center	3,246	743	-	3,989
Other Expense	16,187	558	267	17,012
Total Expenses	$ 2,395,934	$ 374,409	$ 251,063	$ 3,021,406

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 1,115,491	$ 252,044	$ 146,287	$ 1,513,822
Payroll Taxes and Benefits	206,002	39,628	20,089	265,719
Consultant and Professional Fees	12,850	30,395	-	43,245
Postage and Shipping	6,616	175	518	7,309
Printing Expense	362	515	-	877
Rent Expense	58,724	-	-	58,724
Stipends and Grants	33,813	420	250	34,483
Participant Training	44,957	231	-	45,188
Software Subscriptions	13,388	9,673	9,153	32,214
Travel and Meetings	8,597	688	598	9,883
Telephone Expense	5,045	600	597	6,242
Insurance	37,157	-	-	37,157
Bank and Payroll Fees	1,802	130	11,023	12,955
Events	10,205	217	67	10,489
Office Expenses	41,580	2,059	60	43,699
Constituent Development	2,512	1,922	1,126	5,560
Interest Expense	-	8,358	-	8,358
Staff Recruitment	-	-	105	105
Training Center	96	-	-	96
Other Expense	11,273	595	-	11,868
Total Expenses	$ 1,610,470	$ 347,650	$ 189,873	$ 2,147,993

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 389,655	$ 861,546
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Amortization of Right-Of-Use Asset	52,087	-
Gain on Forgiveness of Debt	(50,000)	-
Gain on Paycheck Protection Program Loan Forgiveness	52,087	(268,285)
Changes in Assets and Liabilities		
Stock Donation	50,056	(50,056)
Pledges Receivable	123,185	(60,243)
Prepaid Expenses and Security Deposits	(38,607)	(45,921)
Accounts Payable and Accrued Expenses	25,534	40,801
Lease Liability	(52,087)	-
Deferred Revenue	181,818	-
Deferred Rent	(5,408)	(4,720)
Net Cash Provided (Used) by Operating Activities	286,578	(388,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	268,285
Repayment of Loans Payable	(46,894)	(45,967)
Net Cash Provided (Used) by Financing Activities	(46,894)	222,318
NET CHANGE IN CASH AND CASH EQUIVALENTS	629,339	695,440
Cash and Cash Equivalents - Beginning of Year	2,111,415	1,415,975
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,740,754	$ 2,111,415
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 7,432	$ 8,358
Stock Donation	$ -	$ 50,056

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF ACTIVITIES

Defy Ventures Inc. (the Organization) is a nonprofit entrepreneurship, leadership, employment, and character development training program for currently and formerly incarcerated men, women, and youth.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid financial instruments with original maturities of three months or less. All of the amounts reported as cash equivalents for the years ended December 31, 2022 and 2021 consist of deposits with financial institutions. At times during the year and at year-end, cash balances exceeded federally insured limits; however, the Organization has not experienced any losses due to the failure of any of these financial institutions.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Pledges Receivable

Pledges receivable represent unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectible. At December 31, 2022 and 2021, management has determined that an allowance is not necessary as it believes all pledges receivable are fully collectible.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free discount rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and nonlease complement as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 certain grantor) restrictions.

Net Assets With Donor Restrictions – 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. The Organization has no net assets that must be held in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Revenue Recognition – Contracts with Customers

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 606, the Organization recognizes revenue at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for transferring goods and services to its customers using the following five-step process:

1. Identify the contract(s) with custom.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to performance obligations in the contract.
5. Recognize revenue when (or as) the Organization satisfies a performance obligation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Contracts with Customers (Continued)

The Organization has the following types of revenue derived from contracts with customers that are shown as contract services revenue in the statements of activities.

- Contracts revenue consists of contracts with third parties to provide various contracted services for a period of time. Revenue is recognized ratably over time during the contract service period as services are provided since there are no distinct performance obligations and the services are considered a bundled group of performance obligations that are delivered through the contract term.

- Sales of books and licenses consist of fees collected from customers upon purchase of specific items. Revenue is recognized point-in-time when the when the items are purchased.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits presented as deferred revenue (contract liabilities) on the statements of financial position. The Organization sometimes receives advances or deposits from our customers, before revenue is recognizes, resulting in contract liabilities. The deposits are liquidated when revenue is recognized.

Revenue Recognition – Contributions

In accordance with FASB ASC 958-605, the Organization records unconditional contributions in accordance with the requirements of accounting principles generally accepted in the United States of America for nonprofit entities. The Organization recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and the promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

Payments received for conditional contributions and grants for which conditions have not been satisfied as of December 31, 2022 and 2021 are recorded as refundable advances in the statements of financial position.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes, or are restricted for future periods, are reported as increases in net assets with donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets - Donated Services and In-Kind Contributions

A substantial number of unpaid volunteers and board member have made significant contributions of their time to develop the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements because the services do not require specialized skills. Contributed nonfinancial assets consist of items and services donated for use by the entity. Donated professional services (which include professional and legal services) are reflected in the statements of activities at their estimated fair value. Contributed goods and services are recorded at fair value at the date of donation. At December 31, 2022 and 2021 the Organization has recorded $171,712 and $45,000 of contributed nonfinancial assets, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Costs that are directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Certain other costs that benefit multiple functional areas have been allocated across program and supporting services based on time recorded and classified by employees and management's best estimate of the functions that benefit from the cost.

Management Estimates

The presentation of financial statements in accordance 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, and those differences could be material.

Accounting for Uncertainty of Income Taxes and Tax-Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a). The Organization has been classified by the IRS as a nonprofit organization other than a private foundation. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated income. There was no income from business unrelated to the Organization's exempt purpose during the years ended December 31, 2022 and 2021. Since it has no income from business unrelated to its exempt purpose, no liability for federal income taxes has been recorded. The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for federal recognition or disclosure in the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

During 2022, the Organization changed its method of reporting donor restricted contributions received and satisfied in the same reporting period in the statements of activities. Previously the Organization reported donor restricted contributions received and satisfied in the same reporting period as without donor restrictions as available under a simultaneous release option described in ASC 958-605. The Organization has elected to report all donor restricted contributions 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. The Organization believes the new method of reporting presents donor restricted activity more clearly. The effect of the change did not have an impact on net assets for 2022 or 2021.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standards

In September 2020, the FASB issued ASU Number 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about noncash contributions nonprofit organizations receive or make, known as gifts-in-kind (GIKs). Contributed nonfinancial assets are required to be reported by category within the statements of activities, and additional disclosures are required for each category, including whether nonfinancial assets were monetized or utilized during the reporting period, the policy for monetizing nonfinancial contributions, and descriptions of the fair value techniques used to arrive at a fair value measurement. The entity adopted the requirements of the new ASU as of January 1, 2022, utilizing the retrospective method of transition. The adoption of this ASU did not result in a material impact on the entity’s financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The entity adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

As described below, the entity has elected to adopt the package of practical expedients available in the year of adoption as it relates to its office building lease described in Note 9. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

On January 1, 2022, the entity had one existing lease for an office building with a remaining term of 23 months. As such, the Organization determined that this lease was to be recorded within ASC 842 and is reflected as an operating right to use asset and operating lease liability within the statements of financial position.

The standard had a material impact on the statement of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of a ROU asses and a lease liability for an operating lease, while the Organization's accounting for finance leases remained substantially unchanged. As such, there was no cumulative effect adjustment as the implementation of ASC 842 did not have a material impact on the financial statements.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are due as follows:

Year Ending December 31,	2022	2021
2022	N/A	$ 451,593
2023	$ 242,508	20,000
2024	70,500	10,000
2025	34,500	-
2026	19,500	-
Subtotal	367,008	481,593
Less: Discount to Present Value at 1%	(8,755)	(155)
Total	$ 358,253	$ 481,438

NOTE 4 LOANS PAYABLE

As of December 31, 2022 and 2021, the Organization has two outstanding loans that total $392,229 and $489,123, respectively. The terms of the loans are as follows:

White Horse Foundation Loan

On May 20, 2014, The Organization obtained a $500,000 Program Related Investment loan agreement from the White Horse Foundation. The original loan called for repayment of principal beginning in March 2019 with quarterly payments of $20,000. In 2019, the White Horse Foundation agreed to forgive $50,000 and the loan was amended; whereby, the loan balance was reduced to $450,000 with quarterly principal and interest payments beginning on December 31, 2019. In 2020, the lender agreed to forbear the loan payments due for the first three quarters of 2020, while still accruing the interest due for those three quarters, adding $6,629 to the balance of the loan, with quarterly principal and interest payments re-commencing on December 31, 2020. Both the original and amended loans bear an annual interest rate of 2%. As of December 31, 2022 and 2021, the loan balance due to the White Horse Foundation was $342,229 and $398,123, respectively.

Kapor Foundation Loan

On June 19, 2015, the Organization obtained a $200,000 Program Related Investment loan agreement from the Kapor Foundation. The repayment of principal begins in September 2019 with quarterly payments of $16,667. Any remaining balance will be due on June 30, 2023. In 2019, the Kapor Foundation agreed to forgive the first three payments totaling $50,000. During 2020, the Kapor Foundation agreed to forgive an additional $50,000. During 2021, no additional forgiveness was received. During 2022, an additional $50,000 of forgiveness was received. The loan bears interest at 2%. As of December 31, 2022 and 2021, the loan balance due to the Kapor Foundation was $50,000 and $100,000.

Principal repayment will be as follows:

Year Ending December 31,	White Horse Foundation	Kapor Foundation	Total
2023	$ 47,839	$ 50,000	$ 97,839
2024	48,803	-	48,803
2025	49,786	-	49,786
2026	50,790	-	50,790
2027	51,813	-	51,813
Thereafter	93,198	-	93,198
Total	$ 342,229	$ 50,000	$ 392,229

NOTE 5 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

Second Draw PPP Loan (2021)

On February 8, 2021, The Organization received proceeds in the amount of $268,285 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Organization has classified this loan as a conditional contribution for accounting purposes, in accordance with ASC 958-605. On September 27, 2021, the Organization was notified that the SBA approved full forgiveness for the entire amount of its PPP loan. Accordingly, the Organization recognized $268,285 of Paycheck Protection Program Loan Forgiveness revenue related to this agreement during the year ended December 31, 2021, which represents the entire amount of the PPP loan as management believes that all the related performance barriers have been met.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 6 BUSINESS PITCH COMPETITION PRIZES PAYABLE

The Business Pitch Competitions are an opportunity for entrepreneurs-in-training (EIT's) who have completed the Organization's CEO of Your New Life program to receive feedback on the viability of their business ideas and earn seed capital for their future businesses, ranging from $100 to $500. As the prison systems prohibit the Organization from making payments to incarcerated individuals, the Organization reflects a payable at the time the award has been promised to the EITs. Based on a review of historical payouts and estimated release dates, the Organization has reflected $64,491 and $60,585 of these awards payable as long-term payables as of December 31, 2022 and 2021, respectively.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The activity of net assets with donor restrictions consists of the following as of and for the years ending:

	December 31, 2022			
	Balance 1/1/2022	Contributions	Released From Restrictions	Balance 12/31/2022
Program Restrictions:				
Northern California Chapter Operations	$ -	$ 53,447	$ (53,447)	$ -
Northern California Career and Re-Entry Program	-	33,432	(33,337)	95
Northern California Men's Prisons	89,655	91,875	(35,690)	145,840
Southern California Volunteer Program	20,000	-	(20,000)	-
Southern California Chapter Operations	25,000	186,522	(139,670)	71,852
Southern California In-Prison Programs	324,983	57,500	(220,478)	162,005
Southern California Career and Re-Entry Program	291,320	146,771	(297,122)	140,969
Southern California Entrepreneurship Program	-	11,650	(4,344)	7,306
Tri-State Chapter Operations	25,000	86,722	(111,722)	-
Tri-State In-Prison Program	7,000	60,000	(7,682)	59,318
Tri-State (NY/NJ/CT) Post-Release Chromebooks	6,132	-	-	6,132
Tri-State (NY/NJ/CT) Entrepreneurship Program	-	13,350	(4,850)	8,500
Tri-State (NY/NJ/CT) Career and Re-Entry Program	-	57,300	(56,865)	435
Illinois Chapter Operations	42,624	164,722	(150,409)	56,937
Illinois In-Prison Program	62,577	190,069	(201,842)	50,804
Illinois Entrepreneurship Program	-	6,650	(2,447)	4,203
Pennsylvania Chapter Operations	-	217,000	(21,700)	195,300
Wisconsin Program & Support Chapter Operations	95,211	125,000	(86,575)	133,636
Washington Chapter Entrepreneurship Program	-	5,300	(1,981)	3,319
Washington Chapter Operations	-	50,222	(50,222)	-
Curriculum for Ages 50 and Over	67,199	-	(34,209)	32,990
Venture Fund	122,867	22,222	(28,988)	116,101
Curriculum for Accelerator Program	29,179	-	(29,179)	-
Legal Zoom (In-Kind)	42,000	45,000	(6,500)	80,500
Curriculum for Fair Chance Housing	-	25,000	-	25,000
National Entrepreneurship Program	-	28,050	(8,726)	19,324
Texas Exploration Program	-	15,000	(326)	14,674
National General Operations	-	13,889	(13,889)	-
National Well-Being Program	-	50,000	(50,000)	-
National Career and Re-Entry Program	-	129,810	(128,854)	956
Total Program Restrictions	1,250,747	1,886,503	(1,801,054)	1,336,196
Time Restrictions	145,000	229,835	(134,500)	240,335
Total Restrictions	$ 1,395,747	$ 2,116,338	$ (1,935,554)	$ 1,576,531

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	December 31, 2021			
	Balance 1/1/2021	Contributions	Released From Restrictions	Balance 12/31/2021
Program Restrictions:				
Northern California Chapter Operations	$ 3,519	$ 1,000	$ (4,519)	$ -
Northern California Men's Prisons	26,873	90,000	(27,218)	89,655
Northern California Career and Re-Entry Program	19,709	102,148	(121,857)	-
Southern California Volunteer Program	25,000	-	(5,000)	20,000
Southern California Chapter Operations	-	25,000	-	25,000
Southern California In-Prison Programs	119,226	295,652	(89,895)	324,983
Southern California Career and Re-Entry Program	166,327	384,664	(259,671)	291,320
Tri-State Chapter Operations	202	52,500	(27,702)	25,000
Tri-State In-Prison Program	-	17,000	(10,000)	7,000
Tri-State (NY/NJ/CT) Chapter Career and Re-Entry Program	19,315	58,324	(77,639)	-
Tri-State (NY/NJ/CT) Post-Release Chromebooks	6,869	-	(737)	6,132
Illinois Chapter Operations	55,321	111,100	(123,797)	42,624
Illinois In-Prison Program	-	114,262	(51,685)	62,577
Wisconsin Program & Support Chapter Operations	135,247	155	(40,191)	95,211
Washington Chapter Operations	10,000	-	(10,000)	-
Washington Career and Re-Entry Program	-	20,000	(20,000)	-
Curriculum for Ages 50 and Over	133,420	-	(66,221)	67,199
Venture Fund	23,787	107,500	(8,420)	122,867
Curriculum for Accelerator Program	-	60,000	(30,821)	29,179
Legal Zoom (In-Kind)	-	45,000	(3,000)	42,000
National Career and Re-Entry Program	-	112,242	(112,242)	-
New Case Management System	18,985	-	(18,985)	-
Total Program Restrictions	763,800	1,596,547	(1,109,600)	1,250,747
Time Restrictions	270,000	-	(125,000)	145,000
Total Restrictions	$ 1,033,800	$ 1,596,547	$ (1,234,600)	$ 1,395,747

NOTE 8 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization maintains cash on hand to be available for its general expenditures, liabilities, other obligations, and for ongoing operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

The following reflects the Organization's financial assets at December 31, 2022 and 2021 that are available to meet cash needs for general expenditures within one year:

	2022	2021
Cash and Cash Equivalents	$ 2,740,754	$ 2,111,415
Investments	-	50,056
Pledges Receivable Due Within One Year	242,508	451,593
Total Current Financial Assets	2,983,262	2,613,064
Less: Contributions with Purpose Restrictions	(1,336,196)	(1,250,747)
Total Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 1,647,066	$ 1,362,317

NOTE 9 LEASES - ASC 842

The Organization leases office space under a long-term, noncancelable lease agreement. The lease expires in 2023 and provides for no renewal options. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease. Additionally, the agreement requires the Organization to pay real estate taxes, insurance, repairs and certain operating expenses.

The following table provides quantitative information concerning the Organization's lease. The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. The remaining balance on the operating lease liability of $50,007 is current.

	2022
Lease Costs (Included in Rent Expense)	
Operating Lease Costs	$ 55,614
Short-term Lease Costs	6,543
Total Lease Costs	$ 62,157
Other Information:	
Operating Cash Flows from Operating Leases	$ 52,087
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	102,095
Weighted-Average Remaining Lease Term - Operating Leases	0.8 Years
Weighted-Average Discount Rate - Operating Leases	4.75%

NOTE 9 LEASES - ASC 842 (CONTINUED)

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

Years Ending December 31,	Operating Leases
2023	$ 51,197
Total Lease Payments	51,197
Less: Interest	(1,190)
Present Value of Lease Liabilities	$ 50,007

NOTE 10 LEASES - ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance FASB ASC 840.

The Organization has rental agreements for virtual office space in New York City and Denver, Colorado, each on a month-to-month basis.

Additionally, the Organization has a lease agreement for office space in Los Angeles, California that expires on November 30, 2022. The office lease required the Organization to pay monthly rent payments of $4,635 through November 30, 2022, the expiration of the lease. The Organization paid $55,614 under the lease for the year ended December 31, 2021. During 2022, this lease was extended for one additional year with an expiration date of November 30, 2023.

NOTE 11 RETIREMENT PLAN

The Organization administers a retirement plan under section 401(k) of the Internal Revenue Code. This plan offers employees an opportunity to contribute pre-tax dollars up to statutory limits. All employees over the age of 21 are eligible. Eligible employees can receive an employer profit sharing contribution, discretionary in the amount as determined by the Organization. The Organization did not make any contributions to this plan during the years ended December 31, 2022 and 2021.

NOTE 12 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

NOTE 12 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

All of the Organization's investment assets are classified within Level 1 because they comprise corporate equities with readily determinable fair values based on daily redemption values.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31:

	2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Domestic Equities	$ -	$ -	$ -	$ -

	2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Domestic Equities	$ 50,056	$ -	$ -	$ 50,056

NOTE 13 CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

Contributed nonfinancial assets recognized within the statements of activities are as follows for the year ended December 31:

Nonfinancial Asset	2022 Revenue Recognized	2021 Revenue Recognized	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Donated Legal Services Vouchers	$ 45,000	$ 45,000	Utilized	Program Service	Yes	Market Value of Comparable Services
Donated Legal Services	126,712	-	Utilized	Program Service	No	Market Value of Comparable Services
Total	$ 171,712	$ 45,000				

NOTE 14 RELATED PARTY TRANSACTIONS

Contributions from board members during the years ended December 31, 2022 and 2021 totaled $173,883 and $48,207, respectively.

As of December 31, 2022 and 2021, pledges receivable outstanding from board members totaled $180,000 and $100,000, respectively.

NOTE 15 CONTINGENCIES

From time-to-time claims may be made against the Organization in the normal course of business. The Organization does not believe that there are any claims that are in excess of insurance levels at year-end and has not recorded any reserves for such matters.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events through March 17, 2023, which is the date that the financial statements were available to be issued and has determined there are no events requiring disclosure.