

DEFY VENTURES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises total public support, revenue and expense breakout of the prior year audited financial statements but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Directors
Defy Ventures

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
April 1, 2024

DEFY VENTURES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,095,506	\$ 2,740,754
Pledges Receivable, Net of Current Portion	978,916	242,508
Prepaid Expenses and Other Assets	120,705	106,589
Operating Right-of-Use Asset	-	50,007
Total Current Assets	3,195,127	3,139,858
NONCURRENT ASSETS		
Other Assets	47,000	-
Pledges Receivable, Net	74,538	115,745
Total Noncurrent Assets	121,538	115,745
Total Assets	\$ 3,316,665	\$ 3,255,603
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 254,674	\$ 168,060
Deferred Revenue	90,909	90,909
Loans Payable	48,803	97,839
Operating Lease Liability	-	50,007
Total Current Liabilities	394,386	406,815
LONG-TERM LIABILITIES		
Accounts Payable and Accrued Expenses	84,860	64,491
Deferred Revenue	-	90,909
Loans Payable	245,587	294,390
Total Long-Term Liabilities	330,447	449,790
Total Liabilities	724,833	856,605
NET ASSETS		
Without Donor Restrictions	1,171,666	822,467
With Donor Restrictions	1,420,166	1,576,531
Total Net Assets	2,591,832	2,398,998
Total Liabilities and Net Assets	\$ 3,316,665	\$ 3,255,603

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Foundation Contributions	\$ 656,444	\$ 412,336	\$ 1,068,780
Corporate Contributions	393,167	396,654	789,821
Individual Contributions	195,519	256,467	451,986
Government Grants	-	920,708	920,708
Contributed Nonfinancial Assets	44,000	15,000	59,000
Gain on Forgiveness of Debt	50,000	-	50,000
Contract Services	116,139	-	116,139
Other Revenue	165,413	-	165,413
Employee Retention Credit	482,271	-	482,271
Net Assets Released from Restrictions	2,157,530	(2,157,530)	-
Total Public Support and Revenue	<u>4,260,483</u>	<u>(156,365)</u>	<u>4,104,118</u>
 EXPENSES AND LOSSES			
Program Services Expense	3,054,480	-	3,054,480
Supporting Services Expense:			
Management and General	559,926	-	559,926
Fundraising and Development	296,878	-	296,878
Total Supporting Services Expenses	<u>856,804</u>	<u>-</u>	<u>856,804</u>
 Total Expenses	<u>3,911,284</u>	<u>-</u>	<u>3,911,284</u>
 CHANGE IN NET ASSETS	349,199	(156,365)	192,834
 Net Assets - Beginning of Year	<u>822,467</u>	<u>1,576,531</u>	<u>2,398,998</u>
 NET ASSETS - END OF YEAR	<u>\$ 1,171,666</u>	<u>\$ 1,420,166</u>	<u>\$ 2,591,832</u>

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>3,230,277</u>	<u>180,784</u>	<u>3,411,061</u>
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	<u>625,472</u>	<u>-</u>	<u>625,472</u>
Total Expenses	<u>3,021,406</u>	<u>-</u>	<u>3,021,406</u>
CHANGE IN NET ASSETS	208,871	180,784	389,655
Net Assets - Beginning of Year	<u>613,596</u>	<u>1,395,747</u>	<u>2,009,343</u>
NET ASSETS - END OF YEAR	<u>\$ 822,467</u>	<u>\$ 1,576,531</u>	<u>\$ 2,398,998</u>

See accompanying Notes to Financial Statements.

DEFY VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 1,966,318	\$ 315,113	\$ 211,549	\$ 2,492,980
Payroll Taxes and Benefits	377,962	50,286	31,347	459,595
Consultant and Professional Fees	34,555	141,567	4,101	180,223
Postage and Shipping	9,826	197	580	10,603
Printing Expense	3,078	725	-	3,803
Rent Expense	79,622	1,486	-	81,108
Stipends and Grants	72,242	511	-	72,753
Participant Training	92,962	273	865	94,100
Software Subscriptions	19,684	14,796	8,897	43,377
Travel and Meetings	69,119	10,154	5,326	84,599
Telephone Expense	8,634	1,700	600	10,934
Insurance	61,441	4	-	61,445
Bank and Payroll Fees	-	2,583	11,455	14,038
Events	72,087	451	17,259	89,797
Office Expenses	40,260	9,480	557	50,297
Constituent Development	61,021	1,794	4,329	67,144
Interest Expense	-	6,487	-	6,487
Bad Debts	23,169	2,319	13	25,501
Other Expense	62,500	-	-	62,500
Total Expenses	\$ 3,054,480	\$ 559,926	\$ 296,878	\$ 3,911,284

See accompanying Notes to Financial Statements.

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

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 192,834	\$ 389,655
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Noncash Lease Expense	50,007	52,087
Gain on Forgiveness of Debt	(50,000)	(50,000)
Changes in Assets and Liabilities		
Stock Donation	-	50,056
Pledges Receivable	(695,201)	123,185
Prepaid Expenses and Security Deposits	(61,116)	(38,607)
Accounts Payable and Accrued Expenses	106,983	25,534
Lease Liability	(50,007)	(52,087)
Deferred Revenue	(90,909)	181,818
Deferred Rent	-	(5,408)
Net Cash Provided (Used) by Operating Activities	(790,243)	286,578
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Loans Payable	(47,839)	(46,894)
Net Cash Used by Financing Activities	(47,839)	(46,894)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(645,248)	629,339
Cash and Cash Equivalents - Beginning of Year	2,740,754	2,111,415
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,095,506	\$ 2,740,754
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 6,487	\$ 7,432
Stock Donation	\$ -	\$ 50,056

See accompanying Notes to Financial Statements.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 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.

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, 2023 and 2022, management has determined that an allowance is not necessary as it believes all pledges receivable are fully collectible.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 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.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 the Organization has recorded \$59,000 and \$171,712 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, 2023 and 2022. 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.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

At the beginning of 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. There was no cumulative net asset adjustment as the implementation of Topic 326 did not have a material impact on the financial statements.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are due as follows:

<u>Year Ending December 31,</u>	<u>2023</u>	<u>2022</u>
2023	N/A	\$ 242,508
2024	978,916	70,500
2025	59,500	34,500
2026	19,500	19,500
2027	-	-
Subtotal	1,057,916	367,008
Less: Discount to Present Value at 1%	(4,462)	(8,755)
Total	<u>\$ 1,053,454</u>	<u>\$ 358,253</u>

NOTE 4 LOANS PAYABLE

As of December 31, 2023 and 2022, the Organization has two outstanding loans that total \$294,390 and \$392,229, 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 recommencing on December 31, 2020. Both the original and amended loans bear an annual interest rate of 2%. As of December 31, 2023 and 2022, the loan balance due to the White Horse Foundation was \$294,390 and \$342,229, respectively.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 LOANS PAYABLE (CONTINUED)

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 and 2023, an additional \$50,000 of forgiveness was received in each fiscal year. The loan bears interest at 2%. As of December 31, 2023 and 2022, the loan balance due to the Kapor Foundation was \$-0- and \$50,000, respectively.

Principal repayment will be as follows:

<u>Year Ending December 31.</u>	<u>White Horse Foundation</u>	<u>Kapor Foundation</u>	<u>Total</u>
2024	\$ 48,803	\$ -	\$ 48,803
2025	49,786	-	49,786
2026	50,790	-	50,790
2027	51,813	-	51,813
2028	52,857	-	52,857
Thereafter	40,341	-	40,341
Total	<u>\$ 294,390</u>	<u>\$ -</u>	<u>\$ 294,390</u>

NOTE 5 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 \$84,860 and \$64,491 of these awards payable as long-term payables as of December 31, 2023 and 2022, respectively.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 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, 2023			
	Balance 1/1/2023	Contributions	Released From Restrictions	Balance 12/31/2023
Program Restrictions:				
Northern California Chapter Operations Northern California	\$ -	\$ 2,500	\$ (2,500)	\$ -
Career and Re-Entry Program	95	59,081	(59,176)	-
Northern California Men's Prisons	145,840	200,718	(263,340)	83,218
Southern California				
Chapter Operations	71,852	67,900	(139,752)	-
Southern California				
In-Prison Programs	162,005	177,326	(192,498)	146,833
Southern California				
Career and Re-Entry Program	140,969	395,514	(323,144)	213,339
Southern California				
Entrepreneurship Program	7,306	-	(7,306)	-
Tri-State In-Prison Program	59,318	92,000	(93,582)	57,736
Tri-State (NY/NJ/CT)				
Post-Release Chromebooks	6,132	3,043	(9,175)	-
Tri-State (NY/NJ/CT)				
Entrepreneurship Program	8,500	12,839	(14,149)	7,190
Tri-State (NY/NJ/CT)				
Career and Re-Entry Program	435	53,842	(54,277)	-
Illinois Chapter Operations	56,937	103,287	(160,224)	-
Illinois In-Prison Program	50,804	182,090	(188,301)	44,593
Illinois Entrepreneurship Program	4,203	-	(4,203)	-
Pennsylvania Chapter Operations	195,300	-	(91,496)	103,804
Pennsylvania Entrepreneurship Program	-	55,373	-	55,373
Wisconsin Program and Support				
Chapter Operations	133,636	-	(97,503)	36,133
Washington Chapter Entrepreneurship Program	3,319	-	(3,319)	-
Curriculum for Ages 50 and Over	32,990	-	(18,590)	14,400
Venture Fund	116,101	-	(5,234)	110,867
Legal Zoom (In-Kind)	80,500	15,000	(13,500)	82,000
Curriculum for Fair Chance Housing	25,000	-	(25,000)	-
National Entrepreneurship Program	19,324	6,787	(26,111)	-
Texas Exploration Program	14,674	-	-	14,674
National Well-Being Program	-	80,336	(13,585)	66,751
National Texbooks	-	5,000	-	5,000
National Career and Re-Entry Program	956	123,481	(124,437)	-
Total Program Restrictions	<u>1,336,196</u>	<u>1,636,117</u>	<u>(1,930,402)</u>	<u>8/26/4752</u>
Time Restrictions	240,335	365,048	(227,128)	378,255
Total Restrictions	<u>\$ 1,576,531</u>	<u>\$ 2,001,165</u>	<u>\$ (2,157,530)</u>	<u>\$ 1,420,166</u>

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	December 31, 2022			
	Balance 1/1/2022	Contributions	Released From Restrictions	Balance 12/31/2022
Program Restrictions:				
Northern California Chapter Operations Northern California	\$ -	\$ 53,447	\$ (53,447)	\$ -
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 Southern California	25,000	186,522	(139,670)	71,852
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 and 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	<u>1,250,747</u>	<u>1,886,503</u>	<u>(1,801,054)</u>	<u>1,336,196</u>
Time Restrictions	145,000	229,835	(134,500)	240,335
Total Restrictions	<u>\$ 1,395,747</u>	<u>\$ 2,116,338</u>	<u>\$ (1,935,554)</u>	<u>\$ 1,576,531</u>

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 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, 2023 and 2022 that are available to meet cash needs for general expenditures within one year:

	2023	2022
Cash and Cash Equivalents	\$ 2,095,506	\$ 2,740,754
Pledges Receivable Due Within One Year	978,916	242,508
Total Current Financial Assets	<u>3,074,422</u>	<u>2,983,262</u>
Less: Contributions with Purpose Restrictions	<u>(1,041,911)</u>	<u>(1,336,196)</u>
Total Financial Assets Available to Meet Cash		
Needs for General Expenditure Within One Year	<u>\$ 2,032,511</u>	<u>\$ 1,647,066</u>

NOTE 8 LEASES - ASC 842

The Organization leases office space under a long-term, noncancelable lease agreement. The lease expired in November 2023 and was renewed in December 2023 on a month-to-month basis through 2024. Additionally, the agreement requires the Organization to pay real estate taxes, insurance, repairs and certain operating expenses. The renewed December 2023 month-to-month lease is excluded from ASC 842 treatment.

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. As of December 31, 2022, the remaining balance on the operating lease liability of \$50,007 is current. As of December 31, 2023, there is a \$-0- remaining balance on the operating lease liability.

	2023	2022
Lease Costs (Included in Rent Expense)		
Operating Lease Costs	\$ 50,980	\$ 55,614
Short-term Lease Costs	5,998	6,543
Total Lease Costs	<u>\$ 56,977</u>	<u>\$ 62,157</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 50,007	\$ 52,087
Right-of-Use Assets Obtained in Exchange for New		
Operating Lease Liabilities	-	102,095
Weighted-Average Remaining Lease Term -		
Operating Leases	N/A	0.8 Years
Weighted-Average Discount Rate - Operating Leases	N/A	4.75%

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 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, 2023 and 2022.

NOTE 10 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	2023 Revenue Recognized	2022 Revenue Recognized	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Donated Legal Service Vouchers	\$ 15,000	\$ 45,000	Utilized	Program Service	Yes	Market Value of Comparable Services
Donated Recruiting Services	44,000	-	Utilized	Program Service	No	Market Value of Comparable Services
Donated Legal Services	-	126,712	Utilized	Program Service	No	Market Value of Comparable Services
Total	<u>\$ 59,000</u>	<u>\$ 171,712</u>				

NOTE 11 RELATED PARTY TRANSACTIONS

Contributions from board members during the years ended December 31, 2023 and 2022 totaled \$23,008 and \$173,883, respectively.

As of December 31, 2023 and 2022, pledges receivable outstanding from board members totaled \$100,500 and \$180,000, respectively.

NOTE 12 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.

DEFY VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 EMPLOYEE RETENTION CREDIT

During the year, the entity claimed the Employee Retention Credit (ERC) for the second, third and fourth quarters of 2020 and the first, second, and third quarters of 2021. The ERC is a refundable payroll tax credit, provided under the CARES Act of 2020, and amended by the Relief Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act. The purpose of the ERC is to encourage employers to keep employees on their payroll. In order to be eligible for the ERC, the entity must satisfy certain conditions under the law. Therefore, the entity has classified this ERC as a conditional contribution for accounting purposes in accordance with ASC 958-605.

The entity has determined that it has satisfied all of the conditions to be eligible for the ERC as of December 31, 2023, and therefore, recognized \$482,271 of Employee Retention Credit revenue in the statements of activities. The credit is also shown as a receivable as of December 31, 2023, as the entity had not yet received payment.

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events through April 1, 2024, which is the date that the financial statements were available to be issued and has determined there are no events requiring disclosure.



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