# MIRACLES FOR KIDS AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

# MIRACLES FOR KIDS AND AFFILIATE
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HOLTHOUSE | CARLIN | VAN TRIGT LLP

# INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Miracles for Kids:

## Opinion

We have audited the accompanying consolidated financial statements of Miracles for Kids (a non-profit organization) and its affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated 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 their net assets and their 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 Consolidated 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.

## Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Holthouse Carlin & Van Trigt LLP

Irvine, California
May 26, 2023

# MIRACLES FOR KIDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| AS OF DECEMBER 31, | | 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ | 3,542,025 |
| Pledges receivable | | 1,537,057 |
| Pledges receivable - related party | | 126,717 |
| Prepaid expenses and other current assets | | 66,989 |
| Program inventory | | 29,246 |
| **Total current assets** | | 5,302,034 |
| Property, net | | 141,157 |
| Pledges receivable - related party, net of current portion and discount | | 198,971 |
| Right-of-use asset | | 1,934,139 |
| Other assets | | 39,131 |
| **Total assets** | $ | 7,615,432 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current liabilities:** | | |
| Accounts payable | $ | 18,529 |
| Accrued expenses and other current liabilities | | 107,379 |
| **Total current liabilities** | | 125,908 |
| Lease liability | | 2,036,247 |
| **Total liabilities** | | 2,162,155 |
| Commitments and contingencies (see Notes) | | |
| **Net assets** | | |
| Without donor restrictions | | 5,453,277 |
| **Total net assets** | | 5,453,277 |
| **Total liabilities and net assets** | $ | 7,615,432 |

*See accompanying notes to consolidated financial statements.*

**MIRACLES FOR KIDS**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

| **FOR THE YEAR ENDED DECEMBER 31,** | | | **2022** |
|---|---|---|---|
| **Support, revenue and gains - without donor restrictions:** | | | |
| Contributions - individuals | | $ | 279,371 |
| Contributions - corporations and foundations | | | 1,253,837 |
| Grants - corporations | | | 263,897 |
| Donated supplies and program inventory | | | 833,323 |
| Special event revenue | 4,398,286 | | |
| Less: direct cost of benefits provided to donors | (1,198,372) | | 3,199,914 |
| Rental income, net of concessions of $185,945 and vacancy loss of $31,548 | | | 125,155 |
| **Total support, revenue and gains - without donor restrictions** | | | 5,955,497 |
| **Expenses and losses:** | | | |
| Program services | | | 3,561,844 |
| Supporting services: | | | |
| Management and general | | | 286,368 |
| Fundraising | | | 472,259 |
| Subtotal supporting services | | | 758,627 |
| **Total expenses** | | | 4,320,471 |
| **Total expenses and losses** | | | 4,320,471 |
| **Change in net assets without donor restrictions** | | | 1,635,026 |
| Net assets without donor restrictions - beginning of the year | | | 3,818,251 |
| **Net assets without donor restrictions - end of the year** | | $ | 5,453,277 |

*See accompanying notes to consolidated financial statements.*

**MIRACLES FOR KIDS**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

| FOR THE YEAR ENDED DECEMBER 31, 2022 | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Grants | Housing | Wellness and Support | Subtotal | Management and General | Fundraising | Subtotal | Total |
| Salaries, benefits, and taxes | $ 623,988 | $ 207,996 | $ 34,666 | $ 866,650 | $ 120,831 | $ 323,416 | $ 444,247 | $ 1,310,897 |
| Occupancy | 66,035 | 354,885 | 26,414 | 447,334 | 18,010 | 50,027 | 68,037 | 515,371 |
| Grants | 1,188,598 | - | - | 1,188,598 | - | - | - | 1,188,598 |
| Special events - facilities, rentals, fees and other production expenses | - | - | - | - | - | 1,198,372 | 1,198,372 | 1,198,372 |
| Professional services | 47,493 | - | 4,525 | 52,018 | 136,685 | - | 136,685 | 188,703 |
| Insurance | 17,147 | 5,716 | 953 | 23,816 | 814 | 2,824 | 3,638 | 27,454 |
| Program supplies | 111,267 | 149,357 | 609,540 | 870,164 | - | - | - | 870,164 |
| Meals, travel and entertainment | 20,853 | 6,951 | 1,159 | 28,963 | 990 | 3,434 | 4,424 | 33,387 |
| Licenses, dues and other fees | 36,744 | 12,248 | 2,041 | 51,033 | 1,744 | 6,051 | 7,795 | 58,828 |
| Other expenses | 63,844 | 17,296 | 2,883 | 84,023 | 2,587 | 8,545 | 11,132 | 95,155 |
| Depreciation and amortization | 75,673 | 25,224 | 4,204 | 105,101 | 3,591 | 12,461 | 16,052 | 121,153 |
| Advertising and marketing | 21,664 | 7,221 | 1,204 | 30,089 | 1,028 | 3,567 | 4,595 | 34,684 |
| Bank and other fees | - | - | - | - | 88 | 61,934 | 62,022 | 62,022 |
| **Total expenses** | $ 2,273,306 | $ 786,894 | $ 687,589 | $ 3,747,789 | $ 286,368 | $ 1,670,631 | $ 1,956,999 | $ 5,704,788 |
| **Less: rental concessions granted to tenants** | (185,945) | - | - | (185,945) | - | - | - | (185,945) |
| **Less: direct costs of benefits provided to donors** | - | - | - | - | - | (1,198,372) | (1,198,372) | (1,198,372) |
| **Total functional expenses** | $ 2,087,361 | $ 786,894 | $ 687,589 | $ 3,561,844 | $ 286,368 | $ 472,259 | $ 758,627 | $ 4,320,471 |

*See accompanying notes to consolidated financial statements.*

## MIRACLES FOR KIDS

CONSOLIDATED STATEMENT OF CASH FLOWS

| FOR THE YEAR ENDED DECEMBER 31, | | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets without donor restrictions | $ | 1,635,026 |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities: | | |
| Depreciation | | 121,153 |
| Amortization of operating lease | | 2,316 |
| Discount on pledges receivable | | 11,218 |
| In-kind contributions included in program inventory | | 212,128 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | | (1,121,600) |
| Prepaid expenses and other current assets | | 7,658 |
| Program inventory | | 2,350 |
| Accounts payable | | (4,232) |
| Accrued expenses and other current liabilities | | 9,807 |
| **Net cash provided by operating activities** | | 875,824 |
| **Cash flows from investing activities:** | | |
| Purchases on property | | (6,197) |
| **Cash used in investing activities** | | (6,197) |
| **Net change in cash and cash equivalents** | | 869,627 |
| Cash and cash equivalents at beginning of year | | 2,672,398 |
| **Cash and cash equivalents at end of year** | $ | 3,542,025 |

*See accompanying notes to consolidated financial statements.*

## 1. ORGANIZATION AND NATURE OF BUSINESS

Miracles for Kids (Miracles) helps families with critically-ill children battle bankruptcy, homelessness, hunger and depression so they can concentrate on what is most important – fighting for their child's life. As one of the only organizations on the West Coast dedicated to alleviating these stressors, Miracles for Kids' focuses on helping through its major programs:

- ***Grants Program*** Monthly grants pay rent, help keep the lights on, food on the table, the water running and so much more.

- ***Housing Program*** Families at risk of homelessness have an affordable and safe place to call home with Miracle Manor, a 12-unit apartment complex located in Orange County, CA, only a few blocks away from Children's Hospital of Orange County (CHOC).

- ***Wellness and Basic Needs Program***

    - Mental health services, educational sessions and outdoor wellness activities help families better cope with trauma and stress associated with life-threatening diseases.

    - The Basket of Miracles and Box of Miracles programs help provide food, clothing, home goods, and other essential items to ensure families in crisis are getting necessities.

These programs serve families living at or near the poverty level, with a critically-ill child in treatment at one of the eight leading children's hospitals: CHOC, Children's Hospital Los Angeles, Mattel Children's Hospital UCLA, UCSF Benioff Children's Hospital in the Bay Area, Rady Children's Hospital in San Diego, Loma Linda Children's Hospital, and City of Hope. The monthly financial assistance, subsidized housing, mental health services and wellness activities provided by Miracles for Kids help to create stability when families are crumbling from the financial and emotional devastation of fighting for their child's life.

In 2022, Miracles for Kids helped 1,600 family members remain housed, fed, and stable. The children battle over 85 unique illnesses and conditions. Although 75% of the patients served have been diagnosed with a type of pediatric cancer, the remaining patients have blood-based diseases and rare medical conditions where few, if any, support services are available. Specific support in 2022 included:

- 282 families received monthly financial assistance for 2,757 essential bills covered by Bill Pay.

- 12 families were provided 17,302 nights of sleep in stable, subsidized housing at Miracle Manor.

- 154 Wellness sessions were held and 250 unique individuals participated in one or more therapy sessions.

- 2,903 Basic Needs deliveries were provided to 365 families.

Based in Southern California, Miracles for Kids was founded in 2002 and incorporated in California as a nonprofit organization. The organization continues to advance its mission through the leadership of the Co-Founder and Chief Executive Officer, Autumn Strier, and a team of 20 employees. They operate a main office in Irvine, CA and a subsidized housing complex, Miracle Manor, in Orange, CA. To learn more about how Miracles for Kids has joined forces with parents and loved ones, visit miraclesforkids.org.

***Miracle Manor, LLC*** Miracle Manor, LLC (Miracle Manor), formed on December 18, 2014, was originally formed to own and operate a 12-unit apartment complex used to provide subsidized housing to families with critically-ill children. The housing program was operated by Miracles for Kids, which is the sole member of the Subsidiary. Miracles for Kids and Miracle Manor are collectively the "Organization." During 2019, Miracle Manor, LLC sold all of its property and concurrently entered into a master lease agreement with the new property owner. The LLC was dissolved in February 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** The Organization maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

***Principles of Consolidation*** The consolidated financial statements include the accounts of Miracles for Kids and Miracle Manor. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

- *With Donor Restrictions* Resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources must be maintained in perpetuity. When a donor restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

- *Without Donor Restrictions* Net assets available to support operations and not subject to donor-imposed stipulations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specific in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

***Functional Allocation of Expenses*** The consolidated statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation and amortization (allocated on a square footage basis), as well as wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other (all of which are allocated on the basis of estimates of time and effort).

The allocation methodology is periodically reviewed by management for relevancy and accuracy.

The functional classifications are defined as follows:

- Program expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

***Use of Estimates*** In preparing consolidated financial statements in conformity with US GAAP, management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the collectability of pledges receivable during the year ended December 31, 2022. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** Cash and cash equivalents consist primarily of cash on hand and short term investments, which mature within three months from the date of original purchase. The Organization did not have any cash equivalents as of December 31, 2022.

***Concentration of Business and Credit Risk*** The Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not experienced any losses in these accounts and does not believe it is exposed to significant credit risk with respect to cash at December 31, 2022.

The Organization had 2 donors that accounted for more than 10% of revenues for the year ended December 31, 2022, of which 1 donor's pledge accounted for more than 10% of total receivables.

***Marketing Costs*** Marketing costs are charged to expense as incurred. Total marketing costs for the year ended December 31, 2022 were $36,684.

***Property*** Property consists of long-lived assets of the Organization acquired for use in the Organization's normal business operations and are not intended for resale. These assets are recorded at cost, net of accumulated depreciation and amortization. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred. Cost and accumulated depreciation and amortization applicable to assets retired or otherwise disposed of are eliminated from the accounts, and any gain or loss on such dispositions are reflected in the consolidated statement of activities and change in net assets.

Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets as follows:

| **Description** | **Years** |
|---|---|
| Office furniture and fixtures | 10 |
| Computers and other equipment | 5 |
| Leasehold Improvements | 2 – 3 |
| Software | 5 |

Donations of property are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization reviews its property for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2022.

***Contributions and Pledges Receivable*** Unconditional contributions are recorded at estimated fair value and are recognized as revenue in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as donor-restricted revenue. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance recorded as of December 31, 2022.

***Leases*** The Organization accounts for its leases under Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). ASC 842 requires the recognition of right-of-use (ROU) assets and lease liabilities for leases classified as operating leases. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the future minimum lease payments over the lease term. When the rate implicit in the lease is not determinable, ASC 842 prescribes the use of the Organization's incremental borrowing rate at the commencement date of the lease to determine the present value of the minimum lease payments. The Organization elected the practical expedient allowing the use of the risk-free discount rate in lieu of their incremental borrowing rate at the commencement date of the lease. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term and is included in occupancy expenses in the accompanying consolidated statement of functional expenses.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payments made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization of the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term.

The Organization has elected not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Differences between variable lease payments included in the measurement of lease liabilities and actual payments are recognized during the period in which they are incurred. Variable lease payments were immaterial for the year ended December 31, 2022. The expense associated with both short-term and variable leases is immaterial and is included in general and administrative expenses on the accompanying consolidated statement of functional expenses.

To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately. The transaction price is allocated to the lease and non-lease components based on a relative stand-alone price basis.

***Donated Supplies, Facilities and Services*** Donated noncash assets, such as use of facilities and supplies, are recorded at their fair values in the period received. Contributed goods consist primarily of silent auction items and supplies, such as clothing, cleaning, and personal hygiene necessities, which are used in the Organization’s programs at the time of donation. The use of contributed goods are recorded in the functional expense classification for the program in which the goods were used. The Organization received $833,323 in contributed supplies and program inventory during the year ended December 31, 2022, of which, approximately $29,246, was included in program inventory as of December 31, 2022. Program inventory is expected to be used in the wellness and support program during 2022.

Donations of services are recognized in the consolidated financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the accompanying consolidated financial statements as there is no objective basis for deriving their value. The Organization did not receive any donated services of for the year ended December 31, 2022.

***Pledges Payable*** Pledges to other organizations are recognized when the Organization makes a promise to give that is, in substance, unconditional. Such pledges that are authorized but unpaid as of the end of the year are recognized as liabilities. Unconditional promises to give that are expected to be paid in more than one year are recorded at the present value of the future cash flows. The discounts on those amounts are recorded using risk-free interest rates applicable to those years in which the promises are received. There were no pledges payable at December 31, 2022.

***Income Taxes*** The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Organization does not have any income which management believes would subject the Organization to unrelated business income taxes. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure. The Organization is required to file tax returns with the Internal Revenue Service (IRS) and other state taxing authorities. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for fiscal years before 2018. There are no current tax examinations pending.

No provision for income taxes has been made for the consolidated LLC (Miracle Manor) as any income or loss is included in the tax returns of the member and there are no other tax positions which must be considered for disclosure. The federal tax status as a pass-through entity is based on its legal status as an LLC. Miracle Manor is required to file tax returns with the IRS and other taxing authorities and is required to pay an $800 fee to the California Franchise Tax Board. With few exceptions, Miracle Manor is no longer subject to income tax examinations by tax authorities for years before 2018. The final tax return for Miracle Manor was filed in February 2023. There are no current tax examinations pending.

***Recently Adopted Accounting Pronouncement*** In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). The amendments in this update make improvements to information presented in the not-for-profit entity's financial statements including specific disclosure requirements about its contributed nonfinancial assets. The Organization adopted ASU 2020-07 on January 1, 2022, which did not have a significant impact on the consolidated financial statement.

## 3. PROPERTY

Property consists of the following:

| **As of December 31, 2022** | | **Amount** |
|---|---|---|
| Office furniture and fixtures | $ | 110,101 |
| Computers and other equipment | | 104,820 |
| Leasehold Improvements | | 254,347 |
| Software | | 50,000 |
| Total property | | 519,268 |
| Less: accumulated depreciation and amortization | | (378,111) |
| **Property, net** | $ | 141,157 |

Depreciation and amortization expense related to property amounted to $121,153 for the year ended December 31, 2022.

## 4. PLEDGES RECEIVABLE

During the year ended December 31, 2022, the Organization received pledges of $1,537,057, originally due in 2022, which are expected to be received in 2023.

## 5. RELATED PARTY TRANSACTIONS

***Pledge Receivable – Related Party*** The Organization has received pledges from various related parties, including members of the board of directors, due through 2027. Pledges receivable from other related parties totaled $336,906 as of December 31, 2022, and have been discounted at rates ranging from 0.16% to 2.45%.

Future pledges receivables from related parties to be collected are as follows:

| **Years Ending December 31,** | | **Amount** |
|---|---|---|
| 2023 | $ | 126,717 |
| 2024 | | 84,649 |
| 2025 | | 36,290 |
| 2026 | | 6,000 |
| 2027 | | 83,250 |
| Total pledges receivable – related party | | 336,906 |
| Less: discount | | (11,218) |
| **Pledges receivable – related party, net** | $ | 325,688 |

***Related Party Contributions*** During 2022, the Organization received approximately $785,675 in contributions from board members.

## 6. COMMITMENTS AND CONTINGENCIES

***Miracle Manor Master Lease*** Effective June 15, 2019, the Organization entered into the Master Lease with an unrelated party to lease the Miracle Manor building. The Master Lease requires base monthly rent of $22,917, escalating annually, for a term of 10 years with an option to extend for 2 consecutive 5-year periods. Under ASC 842, the Master Lease is classified as an operating lease and a ROU asset of $1,910,811 and lease liability of $2,010,564 were recorded as of December 31, 2022.

***Office Leases*** In January 2020, the Organization entered into a new office lease for 3 years under a non-cancellable operating lease, commencing in March 2020 (Office Lease). Base monthly rent consists of monthly payments of approximately $12,000, increasing annually, and the Organization received lease incentives of approximately $30,000 in 2020. Under ASC 842, the Office Lease is classified as an operating lease and a ROU asset of $23,328 and lease liability of $25,683 were recorded as of December 31, 2022.

Operating lease expenses included in occupancy in the accompanying consolidated statement of functional expenses for the year ended December 31, 2022 were approximately $455,289.

Future minimum payments on the Organization's operating leases as of December 31, 2022 are as follows:

| Years Ending December 31, | | Amount |
|---|---|---|
| 2023 | $ | 330,702 |
| 2024 | | 314,160 |
| 2025 | | 323,586 |
| 2026 | | 333,294 |
| 2027 | | 343,290 |
| Thereafter | | 532,992 |
| **Total** | $ | 2,178,024 |

***Litigation*** In the ordinary course of doing business, the Organization, from time to time, becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Organization which may have an impact on changes in net assets. The Organization does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying consolidated financial statements.

## 7. LIQUIDITY AND AVAILABILITY

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets without donor restrictions or other restrictions limiting their use that can be readily made available within one year of the consolidated statement of financial position date, comprise the following:

| At December 31, 2022 | | Amount |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ | 3,542,025 |
| Pledges receivable | | 1,537,057 |
| Pledges receivable – related party | | 126,717 |
| **Financial assets available to meet general expenditures within one year** | $ | 5,205,799 |

As part of its policy to manage liquidity and availability, the Organization holds in its operating checking account a balance equal to at least three months of operating expenses that can be readily liquidated to pay for operating needs.

Short-term pledges receivable consists of unconditional promises to give expected to be received within one year from December 31, 2022. Unrestricted short-term pledges receivable will be available to support general operations of the Organization.

## 8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as discussed in Notes 1 and 2.