# Combined Arms

# Financial Statements

**December 31, 2021**

Combined Arms

December 31, 2021

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
of Combined Arms

**Opinion**

We have audited the accompanying financial statements of Combined Arms (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Prior Period Financial Statements**

The financial statements of the Organization as of December 31, 2020 were audited by other auditors whose report dated August 24, 2021 expressed an unmodified opinion on those statements.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Pannell Kerr Forster of Texas, P.C.

July 13, 2022

Combined Arms

Statements of Financial Position

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 1,273,007 | $ 1,417,570 |
| Investments at fair value | 726,007 | 692,333 |
| Accounts receivable | 168,098 | 41,827 |
| Unconditional promises to give | 396,081 | 67,650 |
| Prepaid expenses | 86,623 | 66,064 |
| Total current assets | 2,649,816 | 2,285,444 |
| Unconditional promises to give, non-current | 25,000 | - |
| Property and equipment, net | 134,560 | 97,989 |
| Total assets | $ 2,809,376 | $ 2,383,433 |
| **Liabilities and Net Assets** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 175,787 | $ 58,706 |
| Deferred rent liability | 98,738 | - |
| Refundable advance | 52,151 | - |
| Deferred revenue | 62,053 | 8,306 |
| Total current liabilities | 388,729 | 67,012 |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | 1,457,309 | 1,549,972 |
| With donor restrictions | 963,338 | 766,449 |
| Total net assets | 2,420,647 | 2,316,421 |
| Total liabilities and net assets | $ 2,809,376 | $ 2,383,433 |

*See notes to financial statements.*

# Combined Arms

## Statements of Activities

### For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support | | | |
| Contributions | $ 2,076,241 | $ 1,189,900 | $ 3,266,141 |
| Program service fees | 219,783 | - | 219,783 |
| Event sponsorships | 199,921 | - | 199,921 |
| Less: direct benefit to donors | (12,223) | | (12,223) |
| Rent and amenities fees | 107,726 | - | 107,726 |
| Investment income, net | 9,337 | - | 9,337 |
| Donated materials | 36,900 | - | 36,900 |
| Other income | 215 | - | 215 |
| Net assets released from restrictions | 993,011 | (993,011) | - |
| Total revenue and support | 3,630,911 | 196,889 | 3,827,800 |
| Expenses | | | |
| Program services | 3,195,911 | - | 3,195,911 |
| Management and general | 284,015 | - | 284,015 |
| Fundraising | 243,648 | - | 243,648 |
| Total expenses | 3,723,574 | - | 3,723,574 |
| Changes in net assets | (92,663) | 196,889 | 104,226 |
| Net assets at beginning of year | 1,549,972 | 766,449 | 2,316,421 |
| Net assets at end of year | $ 1,457,309 | $ 963,338 | $ 2,420,647 |

*See notes to financial statements.*

Combined Arms

Statements of Activities

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support | | | |
| Contributions | $ 976,655 | $ 1,878,026 | $ 2,854,681 |
| Program service fees | 236,422 | - | 236,422 |
| Event sponsorships | 179,155 | - | 179,155 |
| Less: direct benefit to donors | - | - | - |
| Rent and amenities fees | 119,461 | - | 119,461 |
| Investment income, net | 32,377 | - | 32,377 |
| Donated materials | - | - | - |
| Other income | 3,182 | - | 3,182 |
| Net assets released from restrictions | 1,621,371 | (1,621,371) | - |
| Total revenue and support | 3,168,623 | 256,655 | 3,425,278 |
| Expenses | | | |
| Program services | 2,385,638 | - | 2,385,638 |
| Management and general | 341,256 | - | 341,256 |
| Fundraising | 315,591 | - | 315,591 |
| Total expenses | 3,042,485 | - | 3,042,485 |
| Changes in net assets | 126,138 | 256,655 | 382,793 |
| Net assets at beginning of year | 1,423,834 | 509,794 | 1,933,628 |
| Net assets at end of year | $ 1,549,972 | $ 766,449 | $ 2,316,421 |

*See notes to financial statements.*

# Combined Arms

## Statements of Functional Expenses

| | Program Services | Supporting Services: Management and General | Supporting Services: Fundraising | Total Expenditures |
|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | |
| Salaries and related costs | $ 1,645,589 | $ 143,832 | $ 162,893 | $ 1,952,314 |
| Professional and contract services | 614,475 | 87,228 | 37,479 | 739,182 |
| Lease expense | 251,377 | 21,971 | 24,883 | 298,231 |
| Communication and technology | 153,560 | 6,915 | - | 160,475 |
| Utilities | 55,584 | 4,858 | 5,502 | 65,944 |
| Travel and conferences | 95,590 | 970 | 4,182 | 100,742 |
| Marketing | 121,288 | 116 | 498 | 121,902 |
| Office Supplies | 16,965 | 1,483 | 1,679 | 20,127 |
| Veterans activities - food and entertainment | 88,609 | 8,651 | 6,996 | 104,256 |
| Meals and entertainment | 15,593 | 1,504 | 804 | 17,901 |
| Depreciation | 27,965 | 2,444 | 2,768 | 33,177 |
| In-kind donations | 36,900 | - | - | 36,900 |
| Direct assistance | 40,054 | - | - | 40,054 |
| Grants | 18,382 | - | - | 18,382 |
| Other | 13,980 | 4,043 | 8,187 | 26,210 |
| | 3,195,911 | 284,015 | 255,871 | 3,735,797 |
| Less: direct benefit to donors | - | - | (12,223) | (12,223) |
| Total expenses | $ 3,195,911 | $ 284,015 | $ 243,648 | $ 3,723,574 |
| **Year ended December 31, 2020** | | | | |
| Salaries and related costs | $ 1,395,489 | $ 170,460 | $ 220,848 | $ 1,786,797 |
| Professional and contract services | 382,859 | 139,007 | 70,781 | 592,647 |
| Lease expense | 252,931 | 13,672 | 6,836 | 273,439 |
| Communication and technology | 89,693 | 10,723 | 13,746 | 114,162 |
| Utilities | 52,626 | 2,845 | 1,422 | 56,893 |
| Travel and conferences | 46,565 | 1,433 | - | 47,998 |
| Marketing | 39,750 | - | - | 39,750 |
| Office Supplies | 31,218 | 1,755 | 973 | 33,946 |
| Veterans activities - food and entertainment | 33,463 | - | - | 33,463 |
| Depreciation | 25,170 | 1,361 | 680 | 27,211 |
| Direct assistance | 20,383 | - | - | 20,383 |
| Grants | 13,684 | - | - | 13,684 |
| Other | 1,807 | - | 305 | 2,112 |
| Total expenses | $ 2,385,638 | $ 341,256 | $ 315,591 | $ 3,042,485 |

*See notes to financial statements.*

Combined Arms

Statements of Cash Flows

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 104,226 | $ 382,793 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 33,177 | 27,211 |
| Donated securities | (24,341) | - |
| Realized and unrealized (gain) loss | 14,823 | (31,806) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (126,271) | - |
| Unconditional promises to give | (353,431) | (34,150) |
| Prepaid expenses | (20,559) | (32,027) |
| Accounts payable and accrued expenses | 117,081 | (24,120) |
| Deferred rent liability | 98,738 | - |
| Refundable advance | 52,151 | - |
| Deferred revenue | 53,747 | 23,306 |
| Net cash provided by (used in) operating activities | (50,659) | 311,207 |
| Cash flows from investing activities: | | |
| Purchase of equipment | (69,748) | (5,880) |
| Purchase of investment | (111,959) | (569,915) |
| Proceeds from sales of investments | 87,803 | - |
| Net change in cash held as investments | - | (90,612) |
| Net cash used in investing activities | (93,904) | (666,407) |
| Net decrease in cash and cash equivalents | (144,563) | (355,200) |
| Cash and cash equivalents - beginning of year | 1,417,570 | 1,772,770 |
| Cash and cash equivalents - end of year | $ 1,273,007 | $ 1,417,570 |

*See notes to financial statements.*

## Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Combined Arms (the "Organization") is a forward-thinking nonprofit organization whose mission is to unite the community to accelerate and unleash the impact of veterans on Texas. Through streamlined assessments and customized resources based on individual veteran needs, the Organization is simplifying and accelerating the connection point between veterans and resources. The Organization deploys a data-driven approach and a collaborative, connected model of service delivery so that veterans and the community are united, after the uniform.

The organization receives monetary contributions from corporations, foundations and individual donors. During 2021, one donor accounted for approximately 18% of the Organization's revenue. During 2020, two donors accounted for approximately 39% of the Organization's revenue.

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. It recognizes the impact of an uncertain tax position only if that position is more likely than not of being sustained upon examination by the taxing authority based on the technical merits. The Organization accounts for interest and penalties relating to uncertain tax positions in the current period statement of activities, if necessary.

Basis of presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, these financial statements present the financial position, change in net assets, and cash flows of the Organization.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958-205, net assets, revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that specify a use for a contributed asset. When a purpose restriction or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities.

During 2021, the Organization elected an accounting policy change in which donor restricted contributions where the restrictions are met in the same year as received are recorded as unrestricted contributions in the accompanying statement of activities for the year then ended.

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash and have an original maturity of three months or less on the date of acquisition.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value in the statements of financial position. Gains and losses are included in net assets without donor restrictions, unless the gain or loss is restricted by donor or law. See Note 2 for discussion of fair value measurements.

Accounts receivable, program service, rent and amenity fees

Program service fees are derived from contracts with customers to provide workflow efficiency implementation, training and assistance services and tools. Revenue is recognized in the amount of consideration that the Organization expects to be entitled to receive when performance obligations are satisfied either at a point in time or over time depending on the nature of the services provided, which is generally one year or less. Revenue is recognized using the output method as performance obligations are met. Amounts are billed as work progresses in accordance with agreed-upon terms, either at periodic intervals or upon achievement of milestones. Amounts billed that represent the Organization's right to consideration that is conditioned only upon the passage of time, are reported as accounts receivable.

Rent and amenity fees are recognized as space and other services provided to other not-for-profit organizations which serve the veteran community. Revenue is recognized in an amount that reflects the consideration the Organization expects to receive on a month-to-month basis over time when the services have been provided.

Costs incurred related to revenue not yet recognized result in a contract asset. There were no contract assets for the years ended December 31, 2021 and 2020. Payments collected but not yet recognized as revenue result in a contract liability and are reported as deferred revenue. Deferred revenue for program services fees for each of the years ended December 31, 2021 and 2020, was $62,053 and $8,306, respectively.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based upon historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivables are reduced when the receivables are determined to be uncollectible. Management considered all amounts collectible at December 31, 2021 and 2020, and therefore no allowance has been recorded.

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Contributions and unconditional promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in net assets with donor restrictions depending upon the nature of the restriction. 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. Donor restricted contributions in which the restrictions are met in the same year as received are recorded as unrestricted contributions in the accompanying statements of activities. Non-current unconditional promises to give are expected to be collected through 2023 and are reflected at present value. Conditional promises to give have a barrier to overcome and include a right of return, and are not included as support until the promise becomes unconditional. At December 31, 2021 and 2020, the Organization had conditional promises to give of $2,484,076 and $2,383,998, respectively.

During 2021, the Organization applied for and received a $324,157 loan issued pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act with a maturity in January 2026. The loan can be fully or partially forgiven, and requires the funds to be used to pay for designated expenses as defined in the terms of the PPP. The conditions of the loan were met during 2021, fully forgiven and recognized as contribution revenue, in the statement of activities.

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. The Organization considers unconditional promises to give to be fully collectible at December 31, 2021 and 2020, and therefore no allowance has been recorded.

Promises to give at December 31 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Receivable within one year | $ 396,081 | $ 67,650 |
| Receivable in one to five years | 25,000 | - |
| | $ 421,081 | $ 67,650 |

Event sponsorships

Event sponsorships are considered special event revenue and is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

## Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment is recorded at cost, if purchased and at fair value, if donated. The Organization's policy is to capitalize all expenditures for property in excess of $5,000. Depreciation is recognized on a straight-line basis over the estimated useful life. Expenditures for additions and betterments are capitalized, and expenditures for maintenance and repairs are charged to activities as incurred.

Donated materials

Donated noncash assets are recorded as donations at their fair value at the date of the donation. Various individuals donated toys for one of the Organization's program event to provide assistance to the families of veterans. The donated toys, with a fair value of $36,900 at the date of donation, have been included in the accompanying financial statements for the year ended December 31, 2021.

Functional expense allocation

The Organization allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activities are allocated directly according to their natural expenditure classifications. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimated time expenses or usage by function.

Marketing and promotion costs

Marketing and promotion costs are expensed as incurred. The Organization expensed $121,902 and $39,750 in marketing and promotion costs for the years ended December 31, 2021 and 2020, respectively.

Financial instruments, credit risk and concentration of credit risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, investments and unconditional promises to give. Cash and cash equivalents are deposited in demand accounts with federally-insured institutions to minimize risk. From time to time, the balances in these accounts may exceed the federally-insured limits. The Organization has not incurred losses related to these deposits. The investments in marketable securities are exposed to various risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

Unconditional promises to give consist of contributions receivable from individuals, private foundations, and corporations across the United States. Although the Organization is directly affected by the financial stability of its donors, management does not believe significant credit risk exists at December 31, 2021.

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Management believes its estimates are reasonable.

Recent accounting pronouncements

In February 2016, the FASB issued an Accounting Standards Update ("ASU") for leases. The ASU introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in the current accounting guidance as well as the FASB's new revenue recognition standard. However, the ASU eliminates the use of bright-line tests in determining lease classification as required in the current guidance. The ASU also requires additional qualitative disclosures along with specific quantitative disclosures to better enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for annual reporting periods beginning after December 15, 2021, using a modified retrospective approach. The Organization is still evaluating the impact that the ASU will have on its financial statements and related disclosures.

In September 2020, the FASB issued an ASU for contributed nonfinancial assets. The ASU increases the transparency of contributed nonfinancial assets for organizations through enhancement of presentation and disclosure. Organizations must present contributed nonfinancial assets as separate line in the statement of activities along with disclose a disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of assets along with descriptive identifiers for the users of the financial statements. The ASU is effective for annual reporting periods beginning after June 15, 2021, using a retrospective approach. The Organization is still evaluating the impact that the ASU will have on its financial statements and related disclosures.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified in order to conform to the current year presentation. These reclassifications had no effect on total assets, liabilities, net assets or change in net assets for the year ended December 31, 2020.

**Note 2 - Fair Value Measurements**

U.S. GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Note 2 - Fair Value Measurements (Continued)**

These inputs are summarized in the three broad levels listed below

- Level 1 – observable inputs such as quoted prices in active markets at the measurement date for identical assets or liabilities.
- Level 2 – other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

- Corporate and government bonds – valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair value.
- Mutual funds – valued daily using quoted market prices.

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the valuation methods are considered appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes, set forth by level, within the fair value hierarchy, the Organization's investments at fair value:

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 72,066 | $ - | $ - | $ 72,066 |
| Mutual funds | 206,528 | - | - | 206,528 |
| Corporate and government | - | 447,413 | - | 447,413 |
| Total investments | $ 278,594 | $ 447,413 | $ - | $ 726,007 |

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 160,526 | $ - | $ - | $ 160,526 |
| Mutual funds | 107,950 | - | - | 107,950 |
| Corporate and government | - | 423,857 | - | 423,857 |
| Total investments | $ 268,476 | $ 423,857 | $ - | $ 692,333 |

## Note 3 - Property and Equipment

Property and equipment as of December 31, consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Leasehold improvements | $ 167,708 | $ 97,960 |
| Office furniture and equipment | 80,688 | 80,688 |
| Computer equipment and software | 28,843 | 28,843 |
| Total property, at cost | 277,239 | 207,491 |
| Less: accumulated depreciation | (142,679) | (109,502) |
| Property and equipment, net | $ 134,560 | $ 97,989 |

Depreciation expense amounted to $33,177 and $27,211 for the years ended December 31, 2021 and 2020, respectively.

## Note 4 - Line of Credit

The Organization is party to a $620,000 revolving line of credit agreement with a financial institution. Interest is based on the prime rate as published by the Wall Street Journal, which is 4.00% at December 31, 2021. The agreement requires interest only payments until the end of the agreement on June 30, 2022, at which time any unpaid interest and the principal are due. The line of credit had no balance at December 31, 2021 and 2020. In July 2022, the line of credit date of maturity was extended until June 30, 2023.

## Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, consist of the following:

| | 2021 | 2020 |
|---|---|---|
| New market expansion | $ 529,308 | $ 575,967 |
| Call center | 13,561 | - |
| Special immigrant visa | 166,410 | 2,911 |
| Disaster relief and response | 77,509 | 100,306 |
| Veterans entrepreneurship hub | - | 34,061 |
| Community leader program | - | 28,204 |
| Time restricted | 175,000 | 25,000 |
| Other | 1,550 | - |
| Total net assets with donor restrictions | $ 963,338 | $ 766,449 |

During the years ended December 31, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amounts of $1,043,011 and $1,621,371, respectively.

## Note 6 - Commitments and Contingencies

The Organization leases office and retail space under noncancelable operating lease agreements. Related lease expense of $298,231 and $273,439 was recognized during the years ended December 31, 2021 and 2020, respectively. Additionally, the Organization received rental income and amenity fees for the years ended December 31, 2021 and 2020 of $107,726 and $119,461, respectively, related to subleases.

The Organization has the following future lease commitments and minimum future rental income under non-cancelable lease terms as of December 31, 2021:

| Year Ended December 31, | Operating Lease Obligations | Minimum Future Rental Income |
|---|---|---|
| 2022 | $ 307,000 | $ (86,479) |
| 2023 | 313,200 | (87,654) |
| 2024 | 320,200 | (88,614) |
| 2025 | 326,800 | (95,849) |
| 2026 | 279,000 | (1,820) |
| | $ 1,546,200 | $ (360,416) |

## Note 7 - Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure within one year at December 31, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 1,273,007 | $ 1,417,570 |
| Investments at fair value | 726,007 | 692,333 |
| Accounts receivable | 168,098 | 41,827 |
| Unconditional promises to give | 396,081 | 67,650 |
| Total financial assets | 2,563,193 | 2,219,380 |
| Donor-imposed restrictions | (938,338) | (741,449) |
| Time-imposed restrictions | (25,000) | (25,000) |
| Financial assets available to meet general expenditures within one year | $ 1,599,855 | $ 1,452,931 |

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization also has the ability to access funding through the line of credit (see Note 4) through June 30, 2022, if needed.

**Note 8 - Subsequent Events**

Management has evaluated subsequent events as of July 13, 2022, which was the date the financial statements were available for issuance and has determined that there are no other subsequent events to be reported.