SPIRIT OF AMERICA WORLDWIDE

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Spirit of America Worldwide

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Independent Auditor's Report

To the Board of Directors
Spirit of America Worldwide
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of the **Spirit of America Worldwide** (a California nonprofit public benefit corporation), which comprise the Statements of Financial Position as of December 31, 2022 and 2021 and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of **Spirit of America Worldwide** as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Spirit of America Worldwide** 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 as of December 31, 2021 were audited by Aronson LLC, who merged with Aprio, LLP as of January 1, 2023, and whose report dated August 23, 2022 expressed an unmodified opinion on those financial statements.

Adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842)

As discussed in Note 1 to the financial statements, **Spirit of America Worldwide** changed its method of accounting for leases due to the adoption of Topic 842 as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Independent Auditor's Report (Continued)

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 **Spirit of America Worldwide'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 **Spirit of America Worldwide'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 **Spirit of America Worldwide'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.

Aprio, LLP

Rockville, Maryland
May 12, 2023

Spirit of America Worldwide

Statements of Financial Position

December 31,	2022	2021
Assets		
Current assets		
Cash and cash equivalents	**$ 12,623,295**	$ 9,866,462
Investments	**9,885**	-
Grants and pledges receivable	**4,500,000**	1,501,500
Prepaid expenses and other current assets	**82,496**	48,778
Total current assets	**17,215,676**	11,416,740
Other assets		
Cash held for endowment	**4,095**	3,281
Investments held for endowment	**110,749**	133,521
Grants and pledges receivable, net of current portion and discount	**8,132,247**	-
Property and equipment, net	**54,336**	120,583
Right of use asset - operating lease	**65,839**	-
Right of use asset - finance leases	**70,916**	-
Total other assets	**8,438,182**	257,385
Total assets	**$ 25,653,858**	$ 11,674,125

The accompanying Notes to Financial Statements are an integral part of these financial statements.

December 31,		**2022**		**2021**
Liabilities and Net Assets				
Current liabilities				
Accounts payable	**$**	**191,580**	$	256,817
Accrued liabilities		**173,541**		128,493
Lease liabilities - finance leases, current portion		**35,798**		-
Lease liability - operating lease		**71,156**		-
Total current liabilities		**472,075**		385,310
Lease liabilities - finance leases, net of current portion		**35,331**		-
Total long-term liabilities		**35,331**		-
Total liabilities		**507,406**		385,310
Net assets				
Without donor restrictions		**10,819,415**		7,439,455
With donor restrictions		**14,327,037**		3,849,360
Total net assets		**25,146,452**		11,288,815
Total liabilities and net assets	**$**	**25,653,858**	$	11,674,125

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Spirit of America Worldwide

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	$ 13,619,357	$ 32,102,144	$ 45,721,501
Contributed goods and professional services	3,110,276	1,584,505	4,694,781
Investment income	10,943	-	10,943
Net assets released from restrictions	23,208,972	(23,208,972)	-
Total support and revenue	39,949,548	10,477,677	50,427,225
Expenses			
Program services	30,368,459	-	30,368,459
Management and general	888,827	-	888,827
Fundraising	5,312,302	-	5,312,302
Total expenses	36,569,588	-	36,569,588
Change in net assets	3,379,960	10,477,677	13,857,637
Net assets, beginning of year	7,439,455	3,849,360	11,288,815
Net assets, end of year	$ 10,819,415	$ 14,327,037	$ 25,146,452

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Spirit of America Worldwide

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	$ 5,472,608	$ 4,176,079	$ 9,648,687
Contributed goods and professional services	13,730	30,720	44,450
Investment income	17,693	-	17,693
Net assets released from restrictions	4,116,746	(4,116,746)	-
Total support and revenue	9,620,777	90,053	9,710,830
Expenses			
Program services	5,186,820	-	5,186,820
Management and general	671,596	-	671,596
Fundraising	1,055,177	-	1,055,177
Total expenses	6,913,593	-	6,913,593
Change in net assets	2,707,184	90,053	2,797,237
Net assets, beginning of year	4,732,271	3,759,307	8,491,578
Net assets, end of year	$ 7,439,455	$ 3,849,360	$ 11,288,815

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Year Ended December 31, 2022	**Program Services**	**Management and General**	**Fundraising**	**Total Expenses**
Salaries and fringe benefits	$ 2,283,531	$ 624,210	$ 817,100	**$ 3,724,841**
Goods distributed	26,974,286	-	-	**26,974,286**
Travel	481,566	72,254	95,113	**648,933**
Consulting services	148,155	31,140	841,177	**1,020,472**
Office expenses	157,646	36,772	330,319	**524,737**
Occupancy	89,108	24,195	31,796	**145,099**
Legal and accounting services	4,844	47,929	1,728	**54,501**
Information technology	116,129	30,455	62,168	**208,752**
Depreciation and amortization	40,155	10,902	14,328	**65,385**
Insurance	73,039	8,326	10,941	**92,306**
In-kind contributions	-	2,644	3,107,632	**3,110,276**
Total Expenses	**$ 30,368,459**	**$ 888,827**	**$ 5,312,302**	**$ 36,569,588**
Percent of total expenses	***83.1%***	***2.4%***	***14.5%***	***100.0%***

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Year Ended December 31, 2021	Program Services	Management and General	Fundraising	Total Expenses
Salaries and fringe benefits	$ 1,777,245	$ 492,686	$ 559,994	$ 2,829,925
Goods distributed	2,481,855	-	-	2,481,855
Travel	163,158	18,138	42,059	223,355
Consulting services	418,565	54,583	244,581	717,729
Office expenses	76,659	20,189	127,234	224,082
Occupancy	80,993	22,453	24,008	127,454
Legal and accounting services	33,739	28,088	88	61,915
Information technology	70,356	18,725	39,320	128,401
Depreciation	37,358	10,357	11,074	58,789
Insurance	46,892	6,377	6,819	60,088
Total Expenses	$ 5,186,820	$ 671,596	$ 1,055,177	$ 6,913,593
Percent of total expenses	*75.0%*	*9.7%*	*15.3%*	*100.0%*

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Spirit of America Worldwide

Statements of Cash Flows

Years Ended December 31,	**2022**	**2021**
Cash flows from operating activities		
Change in net assets	**$ 13,857,637**	$ 2,797,237
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**37,582**	58,789
Amortization of right of use assets - finance leases	**27,803**	-
Realized and unrealized loss (gain) on investments	**23,942**	(12,502)
Donated securities	**(66,982)**	(163,042)
Forgiveness of Paycheck Protection Program Loans	**-**	(791,074)
Change in present value discount on grants and pledges receivable	**367,753**	(36,585)
Decrease (increase) in:		
Grants and pledges receivable	**(11,498,500)**	1,853,063
Prepaid expenses and other current assets	**(33,718)**	(18,763)
Right-of-use asset - operating lease	**71,830**	-
Increase (decrease) in:		
Accounts payable	**(36,972)**	212,052
Accrued liabilities	**45,048**	25,032
Lease liability - operating lease	**(66,513)**	-
Net cash provided by operating activities	**2,728,910**	3,924,207
Cash flows from investing activities		
Purchase of property and equipment	**(2,592)**	(41,325)
Purchase of investments	**(68,186)**	(45,847)
Proceeds from sales of investments	**124,113**	222,827
Net cash provided by investing activities	**53,335**	135,655

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Years Ended December 31,		**2022**		**2021**
Cash flows from financing activities				
Payments on lease liabilities - finance leases		**(24,598)**		-
Proceeds from Paycheck Protection Program Loan		**-**		373,399
Net cash (used) provided by financing activities		**(24,598)**		373,399
Net change in cash and cash equivalents		**2,757,647**		4,433,261
Cash and cash equivalents, beginning of year		**9,869,743**		5,436,482
Cash and cash equivalents, end of year	**$**	**12,627,390**	$	9,869,743
Supplemental information				
Recognition of right-of-use asset - finance leases	**$**	**64,537**	$	-
Recognition of lease liability - finance leases	**$**	**(64,537)**	$	-

The accompanying Notes to Financial Statements are an integral part of these financial statements.

1. Organization and significant accounting policies

Organization: Spirit of America Worldwide ("SOA" or the "Organization") is a 501(c)(3) California nonprofit public benefit corporation headquartered in Arlington, Virginia. Spirit of America's mission is to engage citizens in preserving the promise of a free and better life. SOA does this by working alongside troops and diplomats to support their safety and success, promoting values shared by Americans and our allies, strengthening relationships with allies, friends and partners, and demonstrating that friendship with the United States is the best path to a better life.

SOA makes a promise that 100% of a donation is used for the purpose specified by the donor, and, if it is not needed for the specified purposes, the donor will be offered a refund. For example, those who donate to projects featured on SOA's web site are assured that all their funds will be used to pay for the needed assistance. Other SOA expenses (for example, salaries and administrative expenses) are funded by donors who make unrestricted gifts. The accompanying financial statements reflect SOA's adherence to the 100% promise.

Basis of accounting: The accompanying financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates: The preparation of financial statements in conformity with general accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent 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.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk. The Organization maintains a cash balance at two commercial banks, its balance can exceed the Federal Deposit Insurance Corporation (FDIC) insured deposit limit of $250,000 per financial institution. At December 31, 2022 and 2021, the Organization's cash balances held at these commercial banks exceeded the FDIC limit by approximately $11,758,000 and $8,224,000, respectively. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

On the Statements of Financial Position, cash and cash equivalents are presented separately from cash held for endowment, which has donor imposed restrictions. The following table provides a reconciliation of cash and cash equivalents and cash held for endowment reported within the Statements of Financial Position that sum to the totals of the same such amounts in the Statements of Cash Flows.

	2022	2021
Cash and cash equivalents	**$ 12,623,295**	$ 9,866,462
Cash held for endowment	**4,095**	3,281
Total cash and cash equivalents	**$ 12,627,390**	$ 9,869,743

Investments: Investments represent marketable securities that are stated at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Organization's net realized and unrealized gains and losses on investments bought and sold as well as held during the year.

Fair value measurement: The Organization values its investments at fair value in accordance with a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2022 or 2021.

Grants and pledges receivable: Grants and pledges receivable are recorded when unconditionally awarded and are stated at the amount management expects to collect. For grants and pledges receivable collectible more than one year after the financial statement date, a discount is recorded against the face amount of the receivable. Management provides an allowance for uncollectible amounts through a provision of bad debt expense and an adjustment to valuation allowance based on its assessment of the current status of individual receivables. The Organization has determined that no allowance against grant and pledges receivable is necessary at December 31, 2022 and 2021.

Grants and pledges receivable are anticipated to be paid as follows at December 31:

	2022	2021
Within one year	**$ 4,500,000**	$ 1,501,500
One to five years	**8,500,000**	-
Total grants and pledges receivable	**13,000,000**	1,501,500
Less: discount	**(367,753)**	-
Grants and pledges receivable, net	**$ 12,632,247**	$ 1,501,500

For the years ended December 31, 2022 and 2021, the discount was calculated using rates between 1.04% and 4.37%. Rates are determined using a risk-adjusted treasury borrowing rate on the date the grant or pledge is awarded. The discount is amortized over the grant or pledge payment period to contribution revenue using the effective interest method.

Property and equipment: Acquisition of property and equipment in excess of $1,000 is capitalized at cost or, if donated, at approximate fair value at the date of donation. Repairs and maintenance are charged to operations as incurred. Depreciation expense for property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Depreciation expense for the years ended December 31, 2022 and 2021 was $37,582 and $58,789 respectively.

Leases: Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from finance leases are disclosed as right-of-use assets – finance leases and the related liabilities are included in lease liabilities – finance leases in the Statements of Financial Position. The ROU assets resulting from operating leases are disclosed as right-of-use asset – operating lease and the related liabilities are included in lease liability – operating in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Impairment of long-lived assets: Long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. Long-lived assets held for sale are to be stated at the lower of cost or fair market value less costs to sell. The Organization has determined that no events occurred during the years ended December 31, 2022 and 2021 that would give rise to impairment of its long-lived assets.

Classification of net assets: Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets without donor restrictions represent the portion of expendable funds that are available to support the Organization's operations and are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in either temporary or permanent restrictions. Temporary donor restrictions expire either by passage of time or when used for specified purposes. Permanent donor restrictions represent restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. At December 31, 2022 and 2021, the Organization had net assets with temporary donor restrictions of $14,227,037 and $3,749,360, respectively. At December 31, 2022 and 2021, the Organization had net assets with permanent donor restrictions of $100,000. The net assets with permanent donor restrictions consist of one endowed gift.

Revenue recognition:

Contributions: Contributions are recognized when they are received, or unconditionally promised, or when conditions related to the contribution are satisfied. The Organization reports such support as donor-restricted if it is subject to time or donor-imposed purpose restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is satisfied, or both.

Contributed goods and professional services: The Organization receives contributed professional services and goods from corporations and individuals.

Contributed services are recognized if the services received a) increase or enhance long-lived assets or b) require specialized skills and would otherwise need to be purchased by the Organization if not contributed. Contributed services are recognized at the estimated fair value of the services received.

Contributed goods are recognized when received at management's estimate of their fair value. Upon distribution, the goods are recorded as a decrease in either net assets with donor restrictions or net assets without donor restrictions, depending on the presence of any donor-imposed restrictions on their use.

Income taxes: The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization generated no unrelated business income during 2022 and 2021. Management has concluded that the Organization has maintained their exempt status.

Uncertainty in income taxes: The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2022 and 2021, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2019 through the current year remain open for examination by tax authorities.

Allocation of functional expenses: The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the supporting services benefited. Such allocations are determined by management on an equitable basis.

Expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries and fringe benefits	Time and effort
Consulting services	Time and effort
Rent	Time and effort
Legal services	Time and effort
Information technology	Time and effort
Depreciation	Time and effort
Insurance	Time and effort

Subsequent events: Management has evaluated subsequent events for disclosure in the financial statements through May 12, 2023, which is the date the financial statements were available to be issued.

Recent accounting pronouncements adopted: The Organization adopted Accounting Standards Codification Update (ASU) 842, *Leases* (842) effective January 1, 2022. This standard requires lessees to recognize leases on the Statement of Financial Position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Organization elected to use the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs. As a result of implementing ASC 842, the Organization recognized right-of-use assets of $171,851 and lease liabilities totaling $168,859 in its Statement of Financial Position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities and Cash Flows for the year ended December 31, 2022.

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021. The Organization adopted the standard on January 1, 2022. The standard did not have a material impact on the financial statements. The non-cash contributions are presented separately on the Statements of Activities and Changes in Net Assets and disclosed in Note 9.

2. Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position comprised the following at December, 31:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	**$ 12,627,390**	$ 9,869,743
Investments	**120,634**	133,521
Grants and pledges receivable, net	**12,632,247**	1,501,500
Total financial assets	**25,380,271**	11,504,764
Less amounts not available to be used within one year:		
Donor restrictions:		
Temporary purpose restrictions	**(6,094,791)**	(2,249,360)
Temporary time restrictions (long-term)	**(8,132,246)**	-
Permanent restrictions	**(100,000)**	(100,000)
Total	**(14,327,037)**	(2,349,360)
Financial assets available to meet general expenditures over the next twelve months	**$ 11,053,234**	$ 9,155,404

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Organization maintain an adequate level of cash to meet ongoing operational and liquidity requirements.

3. Investments

The fair value of the Organization's investments is as follows:

		Fair Value Measurements		
December 31, 2022	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices in Active Markets nor Observable Inputs (Level 3)
Common stocks	**$ 9,885**	**$ 9,885**	**$ -**	**$ -**
Mutual funds – fixed income	**39,672**	**39,672**		
Mutual funds – equities	**71,077**	**71,077**	**-**	**-**
Total	**$ 120,634**	**$ 120,634**	**$ -**	**$ -**

		Fair Value Measurements		
December 31, 2021	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices in Active Markets nor Observable Inputs (Level 3)
Mutual funds – fixed income	$ 62,444	$ 62,444	$ -	$ -
Mutual funds – equities	71,077	71,077	-	-
Total	$ 133,521	$ 133,521	$ -	$ -

The Organization invests in various investment securities that are exposed to different risks such as interest rate, credit, and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the Statements of Financial Position.

4. Property and equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Field operations equipment	**$ 30,231**	$ 34,810
Furniture and equipment	**76,944**	105,611
Leasehold improvements	**6,755**	6,755
Software and website	**221,574**	221,574
Total property and equipment	**335,504**	368,750
Less: accumulated depreciation	**(281,168)**	(248,167)
Property and equipment, net	**$ 54,336**	$ 120,583

Depreciation expense for the years ended December 31, 2022 and 2021 was $37,582 and $58,789, respectively and included in depreciation and amortization in the accompanying Statements of Functional Expenses.

5. Net assets with donor restrictions

Restricted contributions consist of contributions earmarked by donors for specific project funds and long-term grants that are allocated to multiple years of operations. Project funds are purpose restricted for the direct expenses of the project selected by the donor. Category/country funds are purpose restricted for the direct expenses of various projects in the funding category or country. When projects are overfunded, the Organization's policy is to offer the donor a refund or to reallocate their donation to another project. No such refunds were requested in 2022 or 2021 but rather, donors requested their funds be reallocated to other priority areas.

The Organization had net assets restricted by donors related to the following specific purposes or time restrictions at December 31:

		2022		2021
Temporary purpose restrictions	**$**	**1,844,791**	$	2,249,360
Temporary time restrictions		**12,382,246**		1,500,000
Permanent restrictions:				
Endowment (see Note 6)		**100,000**		100,000
Total net assets with donor restrictions	**$**	**14,327,037**	$	3,849,360

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended December 31:

		2022		2021
Time restrictions	**$**	**-**	$	2,000,000
Africom regional projects		**189,796**		1,136
Centcom regional projects		**278,576**		576,941
Eucom regional projects		**20,233,324**		827,807
Pacom regional projects		**373,021**		363,744
Southcom regional projects		**-**		8,398
Grassroots marketing		**706,665**		104,951
Afghanistan fund		**-**		12,740
Other purposes		**1,427,590**		221,029
Total amount released from restriction	**$**	**23,208,972**	$	4,116,746

6. Endowment

Permanently restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with temporary donor restrictions or net assets without donor restrictions, in accordance with the donor's intent, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

During 2015, the Organization received one donor-restricted endowment fund which is held in an investment account. Correlating net assets are classified as permanently restricted. Investment income and gains from these investments are available to be appropriated for general operational use. The donor has requested the nominal value of the gift be retained in perpetuity to support the Organization's activities. The Organization's policy is to appropriate earnings from this endowment to support its program purpose activities.

There were no new endowments, gifts to the existing endowment, or other changes to permanently restricted endowment net assets during 2022 or 2021. Permanently restricted endowment net assets totaled $100,000 at December 31, 2022 and 2021. The singular endowment gift's donor has allotted all income on the endowment to be used for unrestricted purposes. Accordingly, all endowment income during 2022 and 2021 was classified as unrestricted income.

Endowment assets were held in an investment portfolio composed of the following at December 31:

		2022		2021
Cash and cash equivalents	**$**	**4,095**	$	7,631
Investments		**110,749**		133,521
Total endowment assets	**$**	**114,844**	$	141,152

The following is a summary of changes in the endowed cash and investment accounts during the years ended December 31:

		2022		2021
Endowment net assets, beginning of year	**$**	**141,152**	$	132,752
Dividend and interest income		**3,252**		1,235
Realized and unrealized (losses) gains		**(23,760)**		8,750
Appropriated for expenditure		**(5,800)**		(1,405)
Endowment net assets, end of year	**$**	**114,844**	$	141,152

7. Leases under ASC 842

The Organization leases office space in Arlington, Virginia under an operating lease agreement which extends through June 2023. The lease agreement is cancellable with 90 days advance notice and a $5,000 penalty.

During 2020, 2021 and 2022, the Organization entered into various finance lease agreements which extend through 2025 for various IT equipment.

The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU asset and lease liability from the operating lease and finance leases were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate, in lieu of its incremental borrowing rate to discount future lease payments.

The following table summarizes the components of lease cost for the year ended December 31, 2022:

Finance lease cost:		
Amortization of right of use assets	**$**	**27,803**
Interest expense on lease liabilities		**899**
Operating lease cost		**145,099**
Total lease cost	**$**	**173,801**

Amortization of right of use assets is included in depreciation and amortization in the accompanying Statement of Functional Expenses. Interest expense is included in office expenses in the accompanying Statement of Functional Expenses. Operating lease costs is included in occupancy in the accompanying Statement of Functional Expenses.

Weighted average remaining lease terms and discount rates were as follows for the year ended December 31, 2022:

Weighted average lease term (years):	
Operating lease	**.50**
Finance lease	**2.00**
Weighted average discount rate:	
Operating lease	**0.78%**
Finance lease	**1.86%**

Future maturities of lease liabilities under the operating and finance leases were as follows as of December 31, 2022:

Year ending December 31,		Operating lease		Finance leases
2023	$	71,829	$	35,798
2024		-		25,408
2025		-		12,255
Total lease payments		71,829		73,461
Less: imputed interest		(673)		(2,332)
Present value of lease liabilities	**$**	**71,156**	**$**	**71,129**

8. Office lease under ASC 840

The Organization leases office space in Arlington, Virginia under an agreement which extends through June 2023. The lease agreement is cancellable with 90 days advance notice and a $5,000 penalty. The following is a schedule of future minimum lease commitments as of December 31, 2021:

Year ending December 31		Total
2022	$	140,896
2023		71,829
Total	**$**	**212,725**

Due to the effects of the coronavirus (“COVID-19”) pandemic, the Organization’s landlord offered a lease concession in the form of a 15% discount on monthly required lease payments. The concession was effective for rental payments due on or after September 1, 2020 and lasted until the office building was permitted to reopen in early 2021. Because the concession did not result in an increase of total rental payments, the Organization has elected to not account for the concession as a lease modification. As a result, the rent concession was recorded as a credit to rent expense.

Occupancy expense under the operating lease was $127,454 for the year ended December 31, 2021.

9. Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

		2022		2021
Legal services	**$**	**2,644**	$	27,450
Airtime		**3,107,632**		-
Food		**1,465,830**		-
Clothing		**84,925**		5,000
Electronics		**32,250**		12,000
Other		**1,500**		-
Total	**$**	**4,694,781**	$	44,450

10. Retirement plan

The Organization sponsors a qualified 403(b) defined contribution plan that covers substantially all full-time employees meeting certain eligibility requirements. Employees may contribute a portion of their annual compensation to the plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service. The Organization may also make a discretionary employer match contribution to the plan, calculated as up to 4.0% of each eligible employee's annual compensation. Plan participants are fully vested in all employer match contributions. During the years ended December 31, 2022 and 2021, the Organization contributed $105,604 and $76,978, respectively, in discretionary employer match to the plan.

11. Concentration

For the years ended December 31, 2022 and 2021, three and two donors accounted for 57% and 34% of all contributions recognized, respectively. At December 31, 2022 and 2021, three and two donors accounted for 100% and 99% of grants and pledges receivable outstanding, respectively.

12. Paycheck Protection Program loan

In April 2020, the Organization received a loan from the United States Small Business Administration (the "SBA") in the amount of $417,675, pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP loan had a two-year term and bears interest at a rate of 1.00% per annum. Monthly principal and interest payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lending financial institution, or 12 months after the end of the covered period for loan forgiveness. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. During 2021, the Organization applied for and received full forgiveness of the PPP loan in March 2021.

In February 2021, the Organization received a second PPP loan from the SBA in the amount of $373,399, pursuant to the PPP under the CARES Act. The second PPP loan had a five-year term and bears interest at a rate of 1.00% per annum. Monthly principal and interest payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lending financial institution, or 12 months after the end of the covered period for loan forgiveness. The second PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the second PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. During 2021, the Organization applied for and received full forgiveness of the PPP loan in November 2021.

The Organization elected *ASC 470 – Debt* to account for the initial proceeds of the PPP loans. Accordingly, the PPP loans were initially recorded as a liability. Upon notification of full loan forgiveness of the first and second PPP loans, the Organization recorded contributions during 2021 totaling $791,074 to reflect the nonreciprocal legal release of the obligation as required by ASC 958 – *Not-for-profit Entities.* Contributions associated with the forgiveness of the PPP loans are included in contributions and grants on the accompanying Statement of Activities and Changes in Net Assets.

13. Subsequent event

On April 4, 2023 the Organization executed an amendment to the operating lease agreement to extend the term of the lease through August 31, 2024 unless earlier terminated in accordance with the terms of the lease. The Organization has recorded a right of use asset – operating lease and a corresponding lease liability – operating upon execution of the lease.