

SUPPORT THE ENLISTED PROJECT, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

SUPPORT THE ENLISTED PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Support The Enlisted Project, Inc.

Opinion

We have audited the accompanying financial statements of Support The Enlisted Project, Inc., a nonprofit foundation, which comprise the statements of financial position as of June 30, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Support The Enlisted Project, Inc. as of June 30, 2023 and 2022, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Support The Enlisted Project, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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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 Support The Enlisted Project, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Support The Enlisted Project, Inc.'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.



CONSIDINE & CONSIDINE
An accountancy corporation

December 20, 2023

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 619,783	\$ 210,619
Certificate of deposit	787,781	890,373
Pledges receivable - current (note 3)	303,266	78,500
Prepaid expenses	4,808	3,552
Inventory	<u>450</u>	<u>1,408</u>
	1,716,088	1,184,452
PROPERTY AND EQUIPMENT (note 4)	72,518	81,236
OTHER ASSETS		
Pledges receivable - long-term (note 3)	518,417	-
Investments (note 5)	91,678	85,071
Endowment investments (note 6)	104,658	97,866
Right-of-use assets (note 13)	284,008	-
Security deposits	<u>11,293</u>	<u>11,293</u>
	1,010,054	194,230
TOTAL ASSETS	<u><u>2,798,660</u></u>	<u><u>1,459,918</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	1,928	3,723
Accrued liabilities (note 8)	152,585	168,674
Lease liabilities - current (note 13)	<u>118,871</u>	<u>-</u>
	273,384	172,397
LONG-TERM LIABILITIES		
Lease liabilities - long-term (note 13)	<u>169,987</u>	<u>-</u>
TOTAL LIABILITIES	443,371	172,397
NET ASSETS (note 10)		
Without donor restrictions	836,128	1,201,276
With donor restrictions	<u>1,519,161</u>	<u>86,245</u>
TOTAL NET ASSETS	<u><u>2,355,289</u></u>	<u><u>1,287,521</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,798,660</u></u>	<u><u>\$ 1,459,918</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUE			
Grants	\$ 635,970	\$ 1,100,000	\$ 1,735,970
In-kind goods and services (note 11)	1,546,294	-	1,546,294
Contributions	685,340	640,000	1,325,340
Net gain on investments (note 5)	30,209	-	30,209
Net gain on endowment investments (note 6)	6,792	-	6,792
Gain on sale of donated vehicle	2,067	-	2,067
	<u>2,906,672</u>	<u>1,740,000</u>	<u>4,646,672</u>
Special events			
Special events revenue	108,123	-	108,123
Direct benefits to donors	(29,059)	-	(29,059)
	<u>79,064</u>	<u>-</u>	<u>79,064</u>
Net assets released from restrictions	<u>307,084</u>	<u>(307,084)</u>	<u>-</u>
TOTAL REVENUE	3,292,820	1,432,916	4,725,736
EXPENSES			
Program services	3,080,172	-	3,080,172
Management and general	236,248	-	236,248
Development	341,548	-	341,548
	<u>3,657,968</u>	<u>-</u>	<u>3,657,968</u>
CHANGE IN NET ASSETS	(365,148)	1,432,916	1,067,768
NET ASSETS, BEGINNING	<u>1,201,276</u>	<u>86,245</u>	<u>1,287,521</u>
NET ASSETS, ENDING	<u>\$ 836,128</u>	<u>\$ 1,519,161</u>	<u>\$ 2,355,289</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUE			
In-kind goods and services (note 11)	\$ 1,156,971	\$ -	\$ 1,156,971
Contributions	713,436	170,998	884,434
Grants	817,486	-	817,486
Other income (note 9)	143,669	-	143,669
Net loss on endowment investments (note 6)	(7,663)	-	(7,663)
Net loss on investments (note 5)	(13,856)	-	(13,856)
	<u>2,810,043</u>	<u>170,998</u>	<u>2,981,041</u>
Special events			
Special events revenue	108,805	-	108,805
Direct benefits to donors	(29,722)	-	(29,722)
	<u>79,083</u>	<u>-</u>	<u>79,083</u>
Net assets released from restrictions	<u>231,888</u>	<u>(231,888)</u>	<u>-</u>
TOTAL REVENUE	3,121,014	(60,890)	3,060,124
EXPENSES			
Program services	2,398,545	-	2,398,545
Management and general	240,525	-	240,525
Development	260,434	-	260,434
	<u>2,899,504</u>	<u>-</u>	<u>2,899,504</u>
CHANGE IN NET ASSETS	221,510	(60,890)	160,620
NET ASSETS, BEGINNING	<u>979,766</u>	<u>147,135</u>	<u>1,126,901</u>
NET ASSETS, ENDING	<u><u>\$ 1,201,276</u></u>	<u><u>\$ 86,245</u></u>	<u><u>\$ 1,287,521</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel				
Salaries	\$ 772,032	\$ 152,067	\$ 245,647	\$ 1,169,746
Payroll taxes	811	160	258	1,229
Health benefits	16,343	3,219	5,200	24,762
Active duty assistance				
Auto assistance	97,330	-	-	97,330
Food, furniture and appliance assistance	492,733	-	-	492,733
Housing assistance	67,200	-	-	67,200
Other program assistance	107,094	-	-	107,094
Veterans' assistance				
Auto assistance	16,369	-	-	16,369
Housing assistance	50,598	-	-	50,598
Advertising	18,786	2,899	5,208	26,893
Depreciation	19,629	3,866	6,245	29,740
Employee development	7,028	1,406	937	9,371
Equipment rent and repairs and maintenance	12,141	2,350	1,618	16,109
Information technology	30,101	6,018	4,015	40,134
Insurance	21,837	4,230	2,131	28,198
Meetings and special events	30,957	6	30,930	61,893
Morale support programs	83,798	-	-	83,798
Occupancy (notes 11 and 13)	277,148	23,324	15,549	316,021
Other secondary support programs (note 12)	494,599	-	-	494,599
Outside services	175,287	-	-	175,287
Postage, shipping and delivery	3,333	588	392	4,313
Printing, copying and publications (note 13)	23,070	3,796	2,530	29,396
Professional fees	122,265	16,620	43,686	182,571
Supplies	94,112	6,801	280	101,193
Telephone	6,664	1,333	888	8,885
Travel and meals	38,907	7,565	5,093	51,565
TOTAL EXPENSES	3,080,172	236,248	370,607	3,687,027
Less: direct benefit to donors at special events included in revenue	-	-	(29,059)	(29,059)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 3,080,172</u>	<u>\$ 236,248</u>	<u>\$ 341,548</u>	<u>\$ 3,657,968</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	Total
EXPENSES				
Personnel				
Salaries	\$ 579,758	\$ 158,966	\$ 196,370	\$ 935,093
Payroll taxes	294	81	100	474
Health benefits	11,990	3,288	4,061	19,339
Active duty assistance				
Auto assistance	74,333	-	-	74,333
Food, furniture and appliance	248,914	-	-	248,914
Housing assistance	62,772	-	-	62,772
Other program assistance	139,960	-	-	139,960
Veterans' assistance				
Auto assistance	9,605	-	-	9,605
Food assistance	75	-	-	75
Housing assistance	35,715	-	-	35,715
Advertising	16,564	3,315	2,203	22,082
Depreciation	13,697	3,756	4,639	22,092
Dues and subscriptions	19	4	3	26
Employee development	6,336	1,267	845	8,448
Equipment rent and repairs and maintenance	9,700	1,941	1,293	12,934
Information technology	28,136	5,627	3,752	37,515
Insurance	18,809	3,762	2,508	25,079
Meetings and special events	24,310	-	33,935	58,245
Morale support programs	59,866	-	-	59,866
Occupancy (note 11)	277,984	21,392	14,262	313,638
Other secondary support programs (note 12)	386,025	-	-	386,025
Outside services	143,827	-	-	143,827
Postage, shipping and delivery	2,262	387	258	2,907
Printing, copying and publications	22,545	2,896	9,745	35,186
Professional fees	161,875	14,633	9,756	186,264
Supplies	14,703	10,881	870	26,454
Telephone	8,452	1,690	1,127	11,269
Travel and meals	40,019	6,640	4,430	51,089
TOTAL EXPENSES	2,398,545	240,525	290,156	2,929,226
Less: direct benefit to donors at special events included in revenue	-	-	(29,722)	(29,722)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 2,398,545</u>	<u>\$ 240,525</u>	<u>\$ 260,434</u>	<u>\$ 2,899,504</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,067,768	\$ 160,620
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation expense	29,740	22,092
Operating lease amortization	4,850	-
Sale of donated vehicle	933	-
Net (gain)/loss on endowment investments	(6,792)	7,663
Net (gain)/loss on investments	(30,209)	13,856
Income from loan forgiveness	-	(140,280)
Change in operating assets and liabilities:		
Pledges receivable	(743,183)	(78,500)
Prepaid expenses	(1,256)	2,842
Inventory	25	(408)
Accounts payable	(1,795)	(13)
Accrued liabilities	(16,089)	46,084
	<u>(763,776)</u>	<u>(126,664)</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	303,992	33,956
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Purchase of investments	(64,197)	(86,532)
Proceeds from sale of investments	87,799	86,397
Purchase of certificates of deposit	(1,490,000)	(1,936,000)
Proceeds from sale of certificates of deposit	1,592,592	1,795,649
Purchase of property and equipment	(21,022)	(40,372)
Purchase of endowment investments	-	(40,000)
	<u>105,172</u>	<u>(220,858)</u>
NET INCREASE/(DECREASE) IN CASH	409,164	(186,902)
CASH, BEGINNING OF YEAR	<u>210,619</u>	<u>397,521</u>
CASH, END OF YEAR	<u><u>\$ 619,783</u></u>	<u><u>\$ 210,619</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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NOTE 1 THE ORGANIZATION

Support The Enlisted Project, Inc. (the "Organization") is a California non-profit organization that was incorporated in 2005. The Organization assists junior active duty enlisted members and recently discharged enlisted veterans and their families facing financial crisis achieve long term financial self-sufficiency through counseling, education and grants to alleviate critical near term obligations. The Organization provides aid to those in and from the lower six military pay grades. Many of these active duty military families living on meager incomes and struggle each month trying to make ends meet as they are directed to live and work in areas commonly with high costs of living. The Organization also offers emergency financial assistance to veterans and their immediate families within the first 18 months after honorable discharge from service to assist in their successful reintegration back into civilian life. The Organization offers a multitude of services and programs to strengthen health and well-being for these families who demonstrate verified need. The Organization provides the following services and programs to active duty and recently discharged military families per board approved standard operating procedures:

Emergency Financial Assistance Grants - Emergency food, rent and mortgage, utilities assistance, critical baby items, emergency dental care, vision care, emergency child care and in-home health care, auto repair, auto payment and insurance, emergency travel, essential home items and other emergency financial assistance.

Morale Programs - Holiday assistance, financial planning seminars/classes, and distribution of in-kind goods.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the United States.

Estimates - The preparation of financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial statement presentation - The Organization follows the recommendation of Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restriction - Net assets without donor restriction represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restriction also include amounts designated for certain purposes by the Board of Directors. At June 30, 2023 and 2022 the Organization had \$836,128 and \$1,201,276 of net assets without donor restriction, respectively.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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Net assets with donor restriction - Net assets with donor restriction consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may recognize the funds or the support. At June 30, 2023 and 2022, the Organization had net assets with donor restrictions of \$1,519,161 and \$86,245, respectively.

Cash and cash equivalents - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains two checking accounts at a national bank and a cash account at a national investment firm. At various times, cash balances may exceed federally insured deposit limits. As of June 30, 2023 and 2022, the Organization's cash and cash equivalents were fully insured. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Certificate of deposit - The Organization held certificates of deposit totaling \$787,781 and \$890,373 at June 30, 2023 and 2022, respectively. The certificates of deposit included accrued interest of \$7,609 and \$1,276 for the years ended June 30, 2023 and 2022, respectively. The certificates of deposit held at June 30, 2023 mature between July 2023 and March 2024. Certificates of deposit are insured by the FDIC up to \$250,000.

Pledges receivable - The pledges receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of June 30, 2023 and 2022, all pledges are considered collectible.

Inventory - Inventory is comprised of gift cards and vehicles received, gift cards are stated at cost, and vehicle are stated at fair market value on the date of donation.

Property and equipment - Property and equipment are stated at cost or fair market value at the date of donation, if donated. Depreciation is calculated on a straight line basis over the estimated useful lives of the depreciable assets of 3 to 5 years. Repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize all property and equipment greater than or equal to a cost or fair value of \$1,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Fair value measurement - The Organization follows accounting standards consistent with the FASB Codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Investments - The Organization carries investments in marketable securities with readily determinable values at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets. Investment income is recognized as revenue in the period it is earned.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Revenue recognition - The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned or a donor makes a promise to give that is, in substance, unconditional. Revenue from cost reimbursement of grants is generally recorded when the costs are billed to the granting agency.

The Organization follows the FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

The Organization follows the FASB-issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which provides clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

Conditional grants - During the year ended June 30, 2023, the Organization received a restricted grant of \$2,000,000 that contained donor conditions of which \$1,000,000 has matching fund requirements. Since this grant represents conditional promises to give, it is not recorded as contribution revenue until the donor conditions are met. As of June 30, 2023, the donor conditions have not been met.

Donor-imposed restrictions - All contributions received are considered to be without donor restrictions and available for general use unless designated by the donor for a specific purpose. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as an increase in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets with donor restrictions and then released from restriction in the same period.

In-kind goods - The Organization recognizes the value of donated goods by recording the donations at fair value. The fair value of donated goods has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 11 for additional information.

In-kind services - The Organization follows standards relating to contributions received and contributions made consistent with FASB codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to the activities of the Organization; however, only the services that meet the above requirements are recorded in the financial statements. The fair value of donated services has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 11 for additional information.

SUPPORT THE ENLISTED PROJECT, INC.
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Advertising - Advertising expenses are charged to expense as incurred.

Functional expense allocation - The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Expenses like compensation and benefits, utilities, advertising and marketing and rent are allocated on the basis of estimates of time and effort. Other expenses related to more than one function are charged to program and supporting services on the basis of periodic and expense studies.

Income taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2023, the Organization has no accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Reclassification – Net assets without donor restrictions of \$10,000 have been reclassified to net assets with donor restrictions in the June 30, 2022 financial statements. There is no effect on the total of net assets or total change in net assets.

Recent accounting pronouncements

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The Organization adopted Topic 842 as of July 1, 2022 by recognizing and measuring leases at the adoption date with cumulative effect of initially applying the guidance recognized at the date of initial application and as a result did not restate the prior periods presented in the financial statements.

The Organization elected certain practical expedients permitted under the transitional guidance, including retaining historical lease classification, evaluating whether any expired contracts are or contain leases, and not applying hindsight in determining the lease term. The Organization also elected the practical expedient to not separate lease and non-lease components within the lessee lease transaction for all classes of assets. Lastly, the Organization elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less. Options to renew a lease are only included in the lease term to the extent those options are reasonably certain to be exercised.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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The Organization categorizes long-term leases as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset of its estimated life. The Organization had no finance leases at June 30, 2023.

Leases with a term greater than one year are recognized on the statements of financial position as right-of-use (ROU) assets and short-term and long-term lease liabilities, as applicable. Operating lease liabilities and their corresponding ROU assets are initially recorded based on the present value of lease payments over the term of the lease. The rate implicit in lease contracts is typically not readily determinable and, as a result, the Organization utilizes the Treasury bill rate to discount lease payments.

NOTE 3 PLEDGES RECEIVABLES

Pledges receivable consisted of the following at June 30, 2023:

	<u>2023</u>	<u>2022</u>
Current:		
Due in less than one year	\$ 303,266	\$ 78,500
Noncurrent:		
Due in one to three years	578,334	-
Less: Discount to present value	<u>(59,917)</u>	<u>-</u>
Total noncurrent, net	518,417	-
Total pledges receivable, net	<u><u>\$ 821,683</u></u>	<u><u>\$ 78,500</u></u>

Pledges receivable was discounted to their present value using a discount rate of 4.49% for the year ended June 30, 2023.

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 182,980	\$ 161,958
Office equipment	11,440	11,440
Furniture and fixtures	<u>4,552</u>	<u>4,552</u>
	198,972	177,950
Accumulated depreciation	<u>(126,454)</u>	<u>(96,714)</u>
	<u><u>\$ 72,518</u></u>	<u><u>\$ 81,236</u></u>

Depreciation expense was \$29,740 and \$22,092 for the years ended June 30, 2023 and 2022, respectively.

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NOTE 5 INVESTMENTS

Investments were stated at fair value and consisted of the following at June 30, 2023:

	Cost	Fair value
Mutual funds	\$ 65,548	\$ 61,547
Exchange-traded funds	28,803	30,131
	<u>\$ 94,352</u>	<u>\$ 91,678</u>

The following schedule summarizes the Organization's return on investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 18,350	\$ -	\$ 18,350
Investment fees	(1,032)	-	(1,032)
Realized loss	(6,763)	-	(6,763)
Unrealized gain	19,654	-	19,654
	<u>\$ 30,209</u>	<u>\$ -</u>	<u>\$ 30,209</u>

Investments were stated at fair value and consisted of the following at June 30, 2022:

	Cost	Fair value
Mutual funds	\$ 73,417	\$ 60,696
Exchange-traded funds	24,369	24,375
	<u>\$ 97,786</u>	<u>\$ 85,071</u>

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The following schedule summarizes the Organization's return on investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 4,333	\$ -	\$ 4,333
Investment fees	(989)	-	(989)
Realized loss	(4,412)	-	(4,412)
Unrealized loss	(12,788)	-	(12,788)
	<u>\$ (13,856)</u>	<u>\$ -</u>	<u>\$ (13,856)</u>

NOTE 6 ENDOWMENT FUND

Effective January 1, 2009, California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as net assets without donor restrictions the value of its initial investment.

Amounts are to be given by the Organization to the Rancho Santa Fe Foundation (the "Foundation") for the establishment of an endowment fund to support the mission of the Organization (see note 1). The nature of the promises to give require the amounts to be classified as net assets without donor restrictions. These funds are to help support the general purpose of the Organization. The Foundation makes all investment decisions related to the endowment fund.

The Policy Manual of the Foundation states their primary goals as preservation of capital with appropriate liquidity, sufficient growth of capital to offset the effects of inflation and provide for future needs, and enhancement of the realization of the philanthropic goals of the Foundation and its constituent organizations.

Losses on the investments of the funds reduce the net assets without donor restrictions. The Organization's unrestricted endowment fund investments are held and managed by the Foundation. Investments are stated at fair value, measured at quoted market price, and consist of the long-term pool of investments with the Foundation. Cost basis information is not provided by the Foundation.

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Composition of and changes in endowment net assets for the year ended June 30, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ 97,866	\$ -	\$ 97,866
Realized and unrealized gain, net	5,324	-	5,324
Earnings on investments	2,444	-	2,444
Investments fees	(976)	-	(976)
Ending balance	<u>\$ 104,658</u>	<u>\$ -</u>	<u>\$ 104,658</u>

Composition of and changes in endowment net assets for the year ended June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ 65,529	\$ -	\$ 65,529
Donations	40,000	-	40,000
Earnings on investments	1,155	-	1,155
Investments fees	(634)	-	(634)
Realized and unrealized gain, net	(8,184)	-	(8,184)
Ending balance	<u>\$ 97,866</u>	<u>\$ -</u>	<u>\$ 97,866</u>

NOTE 7 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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Financial assets carried at fair value and measured on a recurring basis at June 30, 2023 were classified below in one of the three levels described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Endowment investments	\$ 104,658	\$ -	\$ -	\$ 104,658
Mutual funds	61,547	-	-	61,547
Exchange-traded funds	30,131	-	-	30,131
	<u>\$ 196,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,336</u>

Financial assets carried at fair value and measured on a recurring basis at June 30, 2022 were classified below in one of the three levels described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Endowment investments	\$ 97,866	\$ -	\$ -	\$ 97,866
Mutual funds	60,696	-	-	60,696
Exchange-traded funds	24,375	-	-	24,375
	<u>\$ 182,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,937</u>

Level 1 - Investments in mutual funds and exchange-traded funds are revalued at market prices in active markets and are classified as Level 1. The endowment investments are held and managed by the Foundation. The funds are held in the Foundation's endowment and long-term pool of investments. The values are based on the fair market value of the underlying securities.

NOTE 8 ACCRUED LIABILITIES

Accrued liabilities consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Accrued vacation	\$ 52,752	\$ 41,396
Credit cards payable	36,168	47,713
Accrued payroll	54,934	49,711
Funds held in trust for joint events	3,680	25,387
Accrued payroll taxes	3,547	2,899
Accrued liabilities	1,504	1,568
	<u>\$ 152,585</u>	<u>\$ 168,674</u>

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NOTE 9 NOTE PAYABLE

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). Organizations who met the eligibility requirements set forth by the PPP could qualify for the PPP loans. If the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organizations.

In March 2021, the Organization received a loan totaling \$140,280 under the PPP – second draw. The PPP loans bear interest at 1.00%, with principal and interest payments deferred for the first six months of the loan. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties if the loans are not forgiven under the terms of the PPP.

On November 19, 2021, the Organization received forgiveness for the PPP loan above and hence has decided that the PPP loan should be accounted for as a government grant. As GAAP does not contain guidance on the accounting for government grants, the Organization is following the guidance in International Accounting Standards, or IAS, 20, Accounting for Government Grants and Disclosure of Government Assistance. Under the provisions of IAS 20, "a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." Under IAS 20, government grants are recognized in income as required activities are undertaken. Included in other income on the statement of activities and changes in net assets for the year ended June 30, 2022, is the full amount of the PPP loan, \$140,280, and no liability for the PPP loan is reflected in the statement of financial position as of June 30, 2022 with respect to the second draw.

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NOTE 10 NET ASSETS

Net assets were available for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
With donor restrictions:		
Subject to expenditure for specific purpose:		
General program restrictions	\$ 435,881	\$ 86,245
Capacity building campaign - operations	948,280	-
Capacity building campaign - general	135,000	-
	<u>1,519,161</u>	<u>86,245</u>
Without donor restrictions		
Board designated endowment	104,658	97,866
Unrestricted and undesignated	731,470	1,103,410
	<u>836,128</u>	<u>1,201,276</u>
Total net assets	<u>\$ 2,355,289</u>	<u>\$ 1,287,521</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Emergency financial assistance	\$ 175,364	\$ 210,390
Operational assistance	80,000	21,498
Capacity building campaign - operations	51,720	-
	<u>\$ 307,084</u>	<u>\$ 231,888</u>

During the year ended June 30, 2023, the Organization commenced a capacity building capital campaign. The campaign will raise funds for three purposes:

- Operations
- Funds to be held in perpetuity in an endowment
- To purchase a building

As donors give or pledge to this campaign, they can identify which purpose or purposes they wish to give to. If they don't identify a purpose, the Organization will be noted as capacity building campaign – general and used appropriately among those three purposes as determined by management and the board of directors.

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NOTE 11 IN-KIND GOODS AND SERVICES

The donations consist of supplies and goods that are distributed to junior active duty enlisted members and recently discharged enlisted veterans and their families and services for program support.

	2023	2022
Food	\$ 485,350	\$ 243,317
Clothing	321,172	79,819
Outside services	175,287	143,827
Space usage	155,675	171,021
Infant items	103,816	130,176
Supplies	91,709	8,438
Toys	68,454	20,065
Household items	57,416	205,163
Legal services	37,704	56,175
Event tickets	32,545	7,732
Gift cards	12,259	71,801
Others	4,907	19,437
	<u>\$ 1,546,294</u>	<u>\$ 1,156,971</u>

NOTE 12 OTHER SECONDARY SUPPORT PROGRAMS

Other secondary support programs consisted of the following:

	2023	2022
Clothing, toys, school and household items	\$ 449,715	\$ 306,492
Event tickets	32,625	7,732
Gift cards	12,259	71,801
	<u>\$ 494,599</u>	<u>\$ 386,025</u>

NOTE 13 LEASES

The Organization has entered into two operating lease agreements for the use of a copier and office space. The leases have thirty-nine and sixty-three month lease terms without an extension option, respectively. Lease expiration dates are March 2025 and October 2025, respectively. The Organization is obligated for utilities, insurance, taxes, and repairs.

As leases do not provide an implicit rate, the Organization uses a risk-free discount rate. For existing leases, the Organization elected to use the remaining lease term Treasury bill rate as of the transition date as the risk-free discount rate.

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The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Operating cash flows for operating leases	\$ 112,648
Right-of-use assets obtained in exchange for operating lease liabilities, due to the adoption of Topic 842	\$ 390,380

Future minimum lease payments related to operating lease liabilities for the years ended June 30, 2023:

2024	\$ 127,104
2025	131,281
2026	44,790
Total undiscounted lease payments	303,175
Less: present value discount	(14,317)
Total lease liability	<u>\$ 288,858</u>

Operating lease costs included in printing, copying, and publication, and occupancy were \$957 and \$111,691 for the year ended June 30, 2023, respectively. Occupancy expense under the office space agreement was \$132,821 for the year ended June 30, 2022.

NOTE 14 RETIREMENT PLAN

The Organization maintains a 403(b) Retirement Plan (the "Plan") for employees. Eligible employees may elect to make salary deferral contributions to the Plan. The Plan may provide discretionary contributions for eligible employees. The total discretionary contribution for the years ended June 30, 2023 and 2022 was \$0. All contributions to the Plan are 100% vested.

NOTE 15 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions without restrictions. Contributions and expenses are monitored on a monthly basis by the Organization's leadership and board. The level of assets are monitored on a quarterly basis. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

Occasionally, the Organization receives donations with restrictions. As of June 30, 2023 and 2022, the Organization had \$2,355,289 and \$1,287,521, respectively, of net assets, of which \$1,519,161 and \$86,245 were classified as net assets with donor restrictions as of June 30, 2023 and 2022, respectively (see note 10). These restricted funds can be used for expenditures within the guidelines established by the donor with time or purpose restrictions. Amounts without restrictions totaled \$836,128 and \$1,201,276 as of June 30, 2023 and 2022.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship

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and stability and maintaining adequate liquid assets to fund near-term operating needs, to provide reasonable assurance that long-term obligations will be discharged. For evaluating financial assets that meet the criteria for general expenditures over the next fiscal year, the Organization considers all expenditures related to its program activities including services performed to facilitate those activities to be general expenditures.

The following reflect the Organization's financial assets as of June 30, 2023 and 2022, reduced by the amounts not available for general expenditures because of donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, at year-end	<u>2023</u>	<u>2022</u>
Cash	\$ 619,783	\$ 210,619
Certificates of deposit	787,781	890,373
Pledges receivable - current	303,266	78,500
Investments	91,678	85,071
Endowment investments	<u>104,658</u>	<u>97,866</u>
	1,907,166	1,362,429
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions		
Donor-restricted to programs	(1,519,161)	(86,245)
Board designated endowment	<u>(104,658)</u>	<u>(97,866)</u>
	(1,623,819)	(184,111)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 283,347</u>	<u>\$ 1,178,318</u>

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2023, the date which the financial statements were available to be issued. There were not material subsequent events which affected the amounts of disclosures in the financial statements.