

INSPIREDU, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

For the Years Ended
December 31, 2022 and 2021

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HELTON/SCHUETZE

CERTIFIED PUBLIC ACCOUNTANTS, LLC

Lisa D. Helton, CPA
JoAnne D. Schuetze, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Inspiredu, Inc.

Opinion

We have audited the accompanying financial statements of Inspiredu, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inspiredu, Inc. as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Inspiredu, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Inspiredu, 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 the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Inspiredu, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Helton/Schuetze CPA, LLC

Roswell, Georgia
June 5, 2023

INSPIREDU, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 877,963	\$ 962,498
Contracts receivable	3,215	20,000
Unconditional promises to give	37,095	-
Inventory	343,110	515,085
Investments	54,426	62,466
Prepaid expenses	<u>15,274</u>	<u>2,406</u>
Total Current Assets	<u>1,331,083</u>	<u>1,562,455</u>
PROPERTY AND EQUIPMENT		
Machinery and equipment	<u>9,067</u>	<u>9,067</u>
	9,067	9,067
Less: accumulated depreciation	<u>(2,652)</u>	<u>(839)</u>
Total Property and equipment	<u>6,415</u>	<u>8,228</u>
OTHER ASSETS		
Operating lease right-of-use asset	<u>158,657</u>	<u>-</u>
Total Other Assets	<u>158,657</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,496,155</u></u>	<u><u>\$ 1,570,683</u></u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 7,196	\$ 5,149
Accrued expenses	31,846	68,184
Current portion of operating lease liability	70,307	-
Total Current Liabilities	109,349	73,333
NONCURRENT LIABILITIES		
Operating lease liability	91,883	-
Total Noncurrent Liabilities	91,883	-
TOTAL LIABILITIES	201,232	73,333
COMMITMENTS AND CONTINGENCIES		
	-	-
NET ASSETS		
Without donor restrictions	1,169,923	1,297,350
With donor restrictions	125,000	200,000
TOTAL NET ASSETS	1,294,923	1,497,350
TOTAL LIABILITIES AND NET ASSETS	\$ 1,496,155	\$ 1,570,683

INSPIREDU, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions						
Cash	\$ 231,863	\$ -	\$ 231,863	\$ 140,087	\$ -	\$ 140,087
In-kind donations - computer hardware	426,710	-	426,710	749,530	-	749,530
Grants	630,434	25,000	655,434	665,972	200,000	865,972
Special events	399,985	-	399,985	351,917	-	351,917
Recycle revenue	84,491	-	84,491	98,283	-	98,283
Fee for services	48,750	-	48,750	56,142	-	56,142
Investment and other income (loss)	(6,851)	-	(6,851)	678	-	678
Total support and revenues	<u>1,815,382</u>	<u>25,000</u>	<u>1,840,382</u>	<u>2,062,609</u>	<u>200,000</u>	<u>2,262,609</u>
Functional expenses						
Program services	1,231,939	100,000	1,331,939	1,002,046	-	1,002,046
Supporting Services						
Management and general	340,978	-	340,978	295,804	-	295,804
Fundraising	369,892	-	369,892	361,672	-	361,672
Total Functional Expenses	<u>1,942,809</u>	<u>100,000</u>	<u>2,042,809</u>	<u>1,659,522</u>	<u>-</u>	<u>1,659,522</u>
CHANGE IN NET ASSETS	(127,427)	(75,000)	(202,427)	403,087	200,000	603,087
NET ASSETS, BEGINNING OF THE YEAR	<u>1,297,350</u>	<u>200,000</u>	<u>1,497,350</u>	<u>894,263</u>	<u>-</u>	<u>894,263</u>
NET ASSETS, END OF THE YEAR	<u>\$ 1,169,923</u>	<u>\$ 125,000</u>	<u>\$ 1,294,923</u>	<u>\$ 1,297,350</u>	<u>\$ 200,000</u>	<u>\$ 1,497,350</u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

INSPIREDU, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended December 31, 2022				For the Year Ended December 31, 2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 622,473	\$ 133,387	\$ 133,387	\$ 889,247	\$ 497,580	\$ 114,826	\$ 153,101	\$ 765,507
Computer rehab and supplies	642,130	42,650	-	684,780	418,757	32,013	-	450,770
Special events	-	-	188,263	188,263	-	-	162,893	162,893
Rent and occupancy	57,439	13,255	17,674	88,368	64,519	14,889	19,852	99,260
Professional fees	-	77,519	-	77,519	-	51,588	-	51,588
Contractors	-	38,205	-	38,205	17,904	58,231	-	76,135
Miscellaneous	9,897	24,721	173	34,791	3,286	15,100	216	18,602
Marketing and advertising	-	-	30,395	30,395	-	-	25,610	25,610
Bank fees	-	5,778	-	5,778	-	6,435	-	6,435
Insurance	-	3,650	-	3,650	-	1,883	-	1,883
Depreciation	-	1,813	-	1,813	-	839	-	839
Total Functional Expenses	<u>\$ 1,331,939</u>	<u>\$ 340,978</u>	<u>\$ 369,892</u>	<u>\$ 2,042,809</u>	<u>\$ 1,002,046</u>	<u>\$ 295,804</u>	<u>\$ 361,672</u>	<u>\$ 1,659,522</u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

INSPIREDU, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (202,427)	\$ 603,087
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,813	839
Change in operating assets and liabilities		
Decrease (increase) in contributions receivable	(20,310)	28,895
Decrease (increase) in inventory	171,975	(363,380)
Decrease (increase) in prepaid expenses	(9,335)	9,907
Increase (decrease) in accounts payable	2,047	357
Increase (decrease) in accrued expenses	<u>(36,338)</u>	<u>41,862</u>
		-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(92,575)</u>	<u>321,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of dividends reinvested	(1,129)	(339)
Loss on investments	9,169	-
Purchase of investments	-	(62,127)
Purchase of property and equipment, net	<u>-</u>	<u>(9,067)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>8,040</u>	<u>(71,533)</u>
NET INCREASE (DECREASE) IN CASH	(84,535)	250,034
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>962,498</u>	<u>712,464</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 877,963</u></u>	<u><u>\$ 962,498</u></u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

A summary of Inspiredu, Inc.'s significant accounting policies applied in the preparation of the accompanying financial statements follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Inspriedu, Inc. (the Organization) is an independent nonprofit organization that was founded in 2019 and commenced operations on June 30, 2020. The Organization's mission is to help underserved youth develop the skills needed for education and career success through technology-based learning tools and engagement activities with their families, communities, and schools. Inspiredu strives to amplify digital inclusions and promote educational equity for all learners around metro Atlanta and throughout the state of Georgia.

2. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Cash and Cash Equivalents

The Organization considers investments that have original maturity of three months or less, when purchased, to be cash equivalents. Cash equivalents also include amounts in transit from a third-party donor management company that accepts online contributions on behalf of the Organization. These are typically received within 3-5 days of contribution date. The organization has no cash equivalents as of December 31, 2022 and 2021.

4. Inventory

Inventory consists of donated computers and devices that are refurbished and are valued at the lower of cost or net realizable value as of December 31, 2022 and 2021.

5. Revenue Recognition and Receivables

The Organization's revenues from contracts with customers is disaggregated by material revenue category for the years ended December 31, 2022 and 2021 in the statements of activities.

Revenues are recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization and are recognized at a point in time when services are provided to customers, and it is not required to provide additional services.

The Organization has elected to apply the optional exemption in Financial Accounting Standards Board 606-10-50-14(a) *Revenue from Contracts with Customers*, because all of the Organization's performance obligations relate to contracts with a duration of less than one year. Under this exemption, the Organization is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially satisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Revenue Recognition and Receivables - continued

The Organization's revenues primarily consist of corporate, government and foundation grants for direct and indirect program costs associated with specific programs and projects. The grants received may be subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenues from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For conditional grants, revenue is recognized as grant revenue that increases net assets with donor restrictions at the time the grant is received or pledged, and the funds are released from restriction when qualifying expenses have been incurred.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Special events revenues are recognized when earned. Proceeds from ticket sales or event sponsorship received in advance are recorded as deferred revenues until the event occurs. The Organization had no deferred revenue for special events for the years ended December 31, 2022 and 2021.

The Organization also receives revenues for program service fees. Program service fees provide economic benefits to the customer and are therefore accounted for as exchange transactions rather than as contributions. Program service fee revenue is recognized upon completion of the transaction. The Organization had no deferred revenue for program service fees for the years ended December 31, 2022 and 2021.

Management closely monitors outstanding balances throughout the year and does not believe an allowance for uncollectable balances is needed. Restricted contributions received and fully utilized or expiring within the same year are classified as net assets without donor restriction.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. 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 are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

7. Fair Value Measurements and Disclosures

Carrying values of financial instruments, including cash and cash equivalents, contributions receivable, prepaid expenses, accounts payable and accrued expenses, approximated their fair values due to the short-term nature of these financial instruments.

8. Property and Equipment

All purchased equipment is recorded at cost and depreciated over their estimated useful lives using the straight-line method. Major improvements, which extend or improve the lives of existing property and equipment, are capitalized if the cost is greater than \$1,000. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the change of net assets. Repairs and maintenance charges, which do not improve or increase the useful lives of the assets, are included in the change of net assets.

The estimated useful lives of the classes of assets generally are as follows:

Equipment	5 years
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Depreciation expense was \$1,813 and \$839 for the years ended December 31, 2022 and 2021, respectively.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Advertising and Promotion

The Organization follows the policy of charging the costs of advertising and promotion to expense as incurred. Advertising expense was \$30,395 and \$25,610 for the years ended December 31, 2022 and 2021, respectively.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

11. Income Tax Reporting

The Organization is a tax-exempt organization under the provisions of the Internal Revenue Code Section 501(c)(3). The Organization received its Section 501 (c)(3) determination letter from the Internal Revenue Service on February 21, 2020, and is classified as a public charity. Because of the tax-exempt status of the Organization, no provision for income taxes has been included in these financial statements. The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes* and is subject to income tax examinations for the tax periods ending December 31, 2022 and 2021 generally three years after they were filed.

12. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Reclassification

Certain accounts relating to the prior year may have been reclassified to conform to the current year presentation with no effect on previously reported changes in net assets.

14. Date of Management's Review

The Organization evaluated subsequent events through June 5, 2023, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that would have a material impact on the financial statements.

NOTE B – AVAILABILITY AND LIQUIDITY

The Organization's financial assets at December 31, 2022 and 2021 were \$877,963 and \$962,498, respectively, and they are available to meet general expenditures over the next twelve months. The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. Cash in excess of daily needs is held in a savings account.

NOTE C – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB Accounting Standards Codification ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to valuation are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE C – FAIR VALUE MEASUREMENTS - CONTINUED

Level 2 – Inputs to the valuation methodologies include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 must be observable 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 asset or liability’s fair value measurement level within the hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used.

Bond and index funds are valued at fair value based on quoted prices of the debt or equity securities held by the Organization at year end.

The following table sets forth by level, with the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Bond and Index Funds	<u>\$ 54,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,426</u>
Total	<u><u>\$ 54,426</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,426</u></u>

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE C – FAIR VALUE MEASUREMENTS – CONTINUED

Investments are recorded at fair value. The historical cost and fair value at December 31, 2022 are as follows:

Description	Historical Cost	Reinvested Interest/ Gains	Fair Value
Bond and Index Funds	<u>\$ 62,148</u>	<u>\$ (7,722)</u>	<u>\$ 54,426</u>

The following table sets forth by level, with the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
Bond and Index Funds	<u>\$ 62,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,466</u>
Total	<u>\$ 62,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,466</u>

Investments are recorded at fair value. The historical cost and fair value at December 31, 2021 are as follows:

Description	Historical Cost	Reinvested Interest/ Gains	Fair Value
Bond and Index Funds	<u>\$ 62,148</u>	<u>\$ 318</u>	<u>\$ 62,466</u>

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE D -GRANTS

The Organization was awarded grants from various contributors to support programs. Under the terms of these grants, the Organization is required to meet specific reporting requirements. The Organization received \$655,434 and \$865,972 for grants during the years ended December 31, 2022 and 2021, respectively.

NOTE E – RETIREMENT PLAN

The organization sponsors a retirement plan under section 403(b) of the Internal Revenue Code for its employees. Employees may contribute funds up to legal limits. Employer contributions were \$38,473 and \$36,793 for the years ended December 31, 2022 and 2021, respectively.

NOTE F - CONTRIBUTED SERVICES AND EQUIPMENT

The Organization receives services, equipment and materials without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The value of contributed services meeting the requirements for recognition in the financial statements for the years ended December 31, 2022 and 2021 was \$4,800 and \$-0-, respectively, for contributed services related to legal and administrative activities. Contribution revenue from services was measured based on the fair value of those services.

The Organization did not record any in-kind contributions for donated services from unpaid volunteers who performed a variety of tasks that support the Organization's activities in the accompanying statement of activities for the years ended December 31, 2022 and 2021 because the criteria for recognition has not been satisfied.

Equipment and materials and other noncash donations are recorded at cost or estimated fair value determined at the date of donation. For the years ended December 31, 2022 and 2021, the Organization recorded donated computers and other electronic devices that totaled \$421,910 and \$749,530, which is included in in-kind contributions in the statement of activities.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE G – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2022 and 2021, included in support and revenues on the statements of activity are contribution revenue in the amount of \$120,660 and \$46,956, respectively, received from board members (none of this amount was from in-kind donations). The 23-member Board is a working board and supports the Organization financially as well as through volunteer service.

NOTE H – DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to time restrictions	<u>\$ 125,000</u>	<u>\$ 200,000</u>
Total Donor Restricted Net Assets	<u><u>\$ 125,000</u></u>	<u><u>\$ 200,000</u></u>

NOTE I – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balance at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to various limits depending on whether the account is interest bearing or not.

At December 31, 2022 and 2021 the Organization's uninsured cash balance total was \$623,346 and \$709,322, respectively. If the financial institution were not to honor their contractual liability, the Organization could incur losses. It is management's opinion that there is low risk because of the financial strength of the institution involved.

NOTE J – CONTINGENCIES

The Organization is subject to certain contingent liabilities resulting from litigation, claims, and other commitments which arise in the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position, results of operations, or cash flows of the Organization.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE K – OPERATING LEASE

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in an operating lease for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right of use (ROU) asset at the commencement date of the lease. Beginning January 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

Right-of-Use Assets - A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Lease liabilities - A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate. If the implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location.

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE K – OPERATING LEASE – CONTINUED

Accounting policy election for short-term leases -The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term.

The Organization has obligations as a lessee for office space with initial terms in excess of one year. The office space has an initial term of 5 years. The Organization classifies this lease as operating lease. The Organization’s lease does not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants.

Payments due under the lease contract include variable payments. Beginning in 2022, the Organization has elected not to separate non-lease components from lease components in leases for office space. Total operating lease expense charged to operations for the year ended December 31, 2022 was \$88,368.

At December 31, 2022, future minimum lease payments under operating lease agreement with terms in excess of one year are as follows:

Periods Ending December 31,	Amounts
2023	\$ 71,831
2024	73,977
2025	18,628
2026	-
Thereafter	-
Total lease payments	164,436
Less: present value adjustment	<u>(2,246)</u>
Present value of lease liabilities	<u>\$ 162,190</u>

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE L – EFFECTS OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS

The Organization depends heavily on contributions for its support. The ability of certain contributors to the Organization to continue giving may be dependent upon current and future overall economic conditions. While the Organization's board of directors believe the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent upon the above factors.

NOTE M – SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid \$-0- for interest and income taxes for the years ended December 31, 2022 and 2021. Donated equipment was \$421,910 and \$749,530 for the years ended December 31, 2022 and 2021, respectively.

Cash flows from lease activities were as follows:

Cash paid for amounts included in the measurement
of lease liabilities:

Operating cash flows-operating lease	<u>\$ 69,710</u>
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Right-of-use assets obtained in exchange for
lease liabilities:

Operating leases	<u>\$ 229,572</u>
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Reductions to right-of-use assets resulting from
reduction to lease liabilities:

Operating leases	<u>\$ 67,382</u>
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INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE N - CHANGE IN ACCOUNTING POLICY

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958) which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

In February 2016, the Federal Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, as of January 1, 2022 by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*.

The Organization did not restate prior periods presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022 was necessary for the cumulative impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 were the recognition of \$229,572 of operating lease right-of-use assets and a total of \$229,572 of current and long-term operating lease liabilities on the balance sheet as of January 1, 2022. No cumulative effect adjustment to net assets as of January 1, 2022 was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

As part of the transition, the Organization implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- Election not to reassess whether any expired contracts contain leases
- Election not to reassess the lease classification of any expired leases
- Election not to reassess initial direct costs on any existing leases

INSPIREDU, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended December 31, 2022 and 2021

NOTE N - CHANGE IN ACCOUNTING POLICY – CONTINUED

Other Practical expedients:

Election whereby the lease and non-lease components will not be separated for leases of office space.

Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short term lease costs.

NOTE O – RECENTLY ISSUED ACCOUNTING STANDARDS

During 2022 the Financial Accounting Standards Board issued several other updates to the Accounting Standards Codification which have been incorporated into the accounting records and financial statements of the Organization.