Delivering Good, Inc.

Financial Statements

December 31, 2022 and 2021

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors
Delivering Good, Inc.

Opinion

We have audited the accompanying financial statements of Delivering Good, Inc. (the "Organization"), which comprise the statement 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 the Organization as of December 31, 2022 and 2021, and the changes in its 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 audits 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

PKF O'Connor Davies, LLP

June 22, 2023

Delivering Good, Inc.

Statement of Financial Position

	December 31, 2022	December 31, 2021
ASSETS		
Cash	$ 916,973	$ 702,889
Accounts receivable, net	411,900	1,211,437
Prepaid expenses and other assets	115,733	23,500
Investments	949,840	1,041,858
Property and equipment, net	4,436	6,678
Endowment investments	790,603	992,719
	$ 3,189,485	$ 3,979,081
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 221,699	$ 353,728
Net Assets		
Without donor restrictions	1,537,275	1,911,523
With donor restrictions	1,430,511	1,713,830
Total Net Assets	2,967,786	3,625,353
	$ 3,189,485	$ 3,979,081

See notes to financial statements

Delivering Good, Inc.

Statement of Activities

	Year Ended December 31,					
SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Contributed merchandise, in-kind	$ 154,884,459	$ -	$ 154,884,459	$ 229,584,336	$ -	$ 229,584,336
Contributed professional services, in-kind	437,194	-	437,194	429,826	-	429,826
Contributions	840,117	347,500	1,187,617	1,642,619	530,400	2,173,019
Employee retention credit	-	-	-	69,338	-	69,338
Disaster relief support	6,380	344,287	350,667	-	4,205	4,205
Special events, net of direct costs of $481,265 and $374,583 in 2022 and 2021, respectively	2,093,661	-	2,093,661	1,183,792	-	1,183,792
Investment return	(285,332)	-	(285,332)	62,199	104,241	166,440
Other	1,507	-	1,507	18,486	-	18,486
Net assets released from restrictions	975,106	(975,106)	-	401,108	(401,108)	-
Total Support and Revenue	158,953,092	(283,319)	158,669,773	233,391,704	237,738	233,629,442
EXPENSES						
Programs	157,258,268	-	157,258,268	231,784,871	-	231,784,871
Management and general	1,039,588	-	1,039,588	960,957	-	960,957
Fundraising	1,029,484	-	1,029,484	776,789	-	776,789
Total Expenses	159,327,340	-	159,327,340	233,522,617	-	233,522,617
Change in Net Assets	(374,248)	(283,319)	(657,567)	(130,913)	237,738	106,825
NET ASSETS						
Beginning of year	1,911,523	1,713,830	3,625,353	2,042,436	1,476,092	3,518,528
End of year	$ 1,537,275	$ 1,430,511	$ 2,967,786	$ 1,911,523	$ 1,713,830	$ 3,625,353

See notes to financial statements

Delivering Good, Inc.

Statement of Functional Expenses

	Year Ended December 31,									
	Programs	Management and General	Fundraising	Cost of Direct Benefits To Donors	2022 Total	Programs	Management and General	Fundraising	Cost of Direct Benefits To Donors	2021 Total
Merchandise donated	$ 154,884,459	$ -	$ -	$ -	$ 154,884,459	$ 229,584,336	$ -	$ -	$ -	$ 229,584,336
Contributed professional services	-	218,597	218,597	-	437,194	-	206,316	223,510	-	429,826
Freight charges	697,324	-	-	-	697,324	669,480	-	-	1,750	671,230
Salaries and wages	800,048	444,471	533,365	-	1,777,884	931,672	474,626	351,574	-	1,757,872
Payroll taxes and employee benefits	158,883	88,268	105,922	-	353,073	170,090	86,650	64,185	-	320,925
Merchandise purchased	380,259	-	-	-	380,259	163,721	-	-	-	163,721
Professional fees	26,966	10,786	16,180	-	53,932	59,987	23,994	35,992	-	119,973
Consulting fees	107,280	42,912	64,368	150,293	364,853	76,188	30,474	45,713	103,003	255,378
Advertising and promotion	7,928	-	5,285	55,384	68,597	2,132	-	1,422	104,812	108,366
Office expenses	14,726	8,181	9,818	12,006	44,731	16,929	8,624	6,388	8,788	40,729
Information technology	35,824	19,904	23,884	-	79,612	45,444	23,150	17,149	-	85,743
Occupancy	34,798	19,332	23,199	-	77,329	25,875	13,181	9,764	-	48,820
Travel and entertainment	16,719	-	4,180	225,223	246,122	3,323	-	831	132,773	136,927
Meetings	305	83	167	-	555	6,154	1,679	3,357	-	11,190
Gift cards (disaster relief)	-	-	-	-	-	1,773	-	-	-	1,773
Bad debt	-	104,831	-	-	104,831	-	74,672	-	-	74,672
Depreciation and amortization	1,495	831	997	-	3,323	2,859	1,457	1,079	-	5,395
Insurance	-	8,584	-	-	8,584	-	8,281	-	-	8,281
State registration fees	9,005	-	7,367	-	16,372	7,727	-	6,321	-	14,048
Bank fees	7,250	1,813	9,063	36,914	55,040	3,462	865	4,327	22,457	31,111
Recruiting	65,086	65,086	-	-	130,172	567	567	-	-	1,134
Miscellaneous	9,913	5,909	7,092	1,445	24,359	13,152	6,421	5,177	1,000	25,750
Total Functional Expenses	157,258,268	1,039,588	1,029,484	481,265	159,808,605	231,784,871	960,957	776,789	374,583	233,897,200
Less: cost of direct benefitts to donors	-	-	-	(481,265)	(481,265)	-	-	-	(374,583)	(374,583)
Total Expenses Reported by Function on the Statement of Activities	$ 157,258,268	$ 1,039,588	$ 1,029,484	$ -	$ 159,327,340	$ 231,784,871	$ 960,957	$ 776,789	$ -	$ 233,522,617

See notes to financial statements

Delivering Good, Inc.

Statement of Cash Flows

	Year Ended December 31 2022	Year Ended December 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (657,567)	$ 106,825
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized and realized loss on investments	312,028	60,097
Depreciation and amortization	3,322	5,395
Endowment contribution	-	(12,311)
Bad debt	104,831	74,672
Change in operating assets and liabilities		
Accounts receivable	694,706	(789,994)
Prepaid expenses and other assets	(92,233)	38,996
Accounts payable and accrued expenses	(132,029)	36,157
Net Cash from Operating Activities	233,058	(480,163)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,080)	(5,968)
Proceeds from sale of investments	449,398	1,387,891
Purchase of investments	(467,292)	(501,661)
Net Cash from Investing Activities	(18,974)	880,262
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contribution	-	12,311
Net Change in Cash	214,084	412,410
Cash, beginning of the year	702,889	290,479
Cash, end of the year	$ 916,973	$ 702,889

See notes to financial statements

1. Organization and Tax Status

Delivering Good, Inc. (the "Organization") was incorporated on December 10, 1985 under the laws of the State of New York and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Organization is a public charity that receives, administers and expends products for charitable, educational, and disaster relief purposes to poor, distressed, and underprivileged children, individuals, and families. The Organization maintains its office at 266 West 37th Street, New York, New York.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

As of January 1, 2022, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however provides matters related to presentation and disclosure.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Leases (Topic 840). Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the balance sheet for operating leases. The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. As of January 1, 2022, adoption of Topic 842 did not result in any material adjustments to statement of financial position accounts related to lessee accounting.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An estimated allowance for doubtful accounts is provided when necessary, based upon management's assessment of historical and expected net collections and other business and economic conditions. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a reduction in accounts receivable. As of December 31, 2022 and 2021, the allowance for doubtful accounts totaled $45,100 and $24,572, respectively.

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives that range from 3 to 5 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or related lease period. The Organization capitalizes amounts over $1,000 with a useful life greater than a year.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of the asset to aggregate future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There is no such impairment for the years ended December 31, 2022 and 2021.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits and information technology, which are allocated on the basis of estimates of time and effort as well as office expenses, occupancy, depreciation and amortization and miscellaneous, which are allocated on a square-footage basis.

2. Summary of Significant Accounting Policies *(continued)*

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating expenses.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some net assets include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of the donor-imposed stipulations.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Contributions and Promises to Give

Contributions and unconditional promises to give are measured at their net realizable values when received and are classified as either with or without donor restricted support, based on donor-imposed stipulations, if any.

Contributed Non-Financial Assets

The Organization receives donated merchandise as part of program services and recognizes such materials as support and expense in the statement of activities when the Organization has been granted explicit unilateral authority to dispose of such materials by transferring them to donee organizations. This merchandise is recorded in the accompanying financial statements at its fair value, as estimated by the donor and management on the date of use or receipt to the extent that such amounts can be reasonably estimated.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

Donated services rendered by volunteers are not recorded as support and expense because they do not meet the criteria for recognition in the financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of cost of direct benefits to donors.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to December 31, 2019.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 22, 2023 and has determined that there were no subsequent events or transactions which would require recognition and disclosure in the financial statements.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2022	2021
Grants and contributions receivable	$ 260,600	$ 1,034,228
Event revenue receivables	196,400	201,781
	457,000	1,236,009
Allowance for doubtful accounts	(45,100)	(24,572)
	$ 411,900	$ 1,211,437

Delivering Good, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Leasehold improvements	$ 220,431	$ 220,431
Furniture and fixtures	805	805
Office equipment	53,430	52,350
	274,666	273,586
Accumulated depreciation and amortization	(270,230)	(266,908)
	$ 4,436	$ 6,678

5. Liquidity and Availability of Resources

The financial assets to meet cash needs for general expenditures within one year are as follows at December 31:

	2022	2021
Financial assets:		
Cash	$ 916,973	$ 702,889
Accounts receivable, net	411,900	1,211,437
Investments	949,840	1,041,858
Endowment investments	790,603	992,719
Total financial assets	3,069,316	3,948,903
Less amounts unavailable for general expenditure due to:		
Net assets with donor restrictions	639,908	721,111
Donor restricted amounts held in endowment investments	790,603	992,719
Financial assets available to meet cash needs for general expenditures within one year	$ 1,638,805	$ 2,235,073

Amounts not available include amounts set aside for long-term investing from donor-restricted endowments, the income of which could be drawn upon if the governing board approves that action. However, amounts already appropriated from donor-restricted endowments for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

The Organization strives to maintain liquid financial assets sufficient to cover six months of general expenditures. As part of its liquidity plan, excess cash is included in either checking or money market accounts. In addition, the Organization also maintains investments without donor restrictions that can be used to fund expenditures as deemed appropriate by the Board.

Delivering Good, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

6. Assets Held at Fair Value

The following are major categories of assets measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy:

	2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investments at Cost	Total
Equity mutual funds	$ 94,691	$ -	$ 94,691
Fixed income mutual funds	416,348	-	416,348
Other	10,633	-	10,633
	521,672	-	521,672
Temporary cash investments	-	428,168	428,168
Total Investments without Donor Restrictions	521,672	428,168	949,840
Equity mutual funds	413,647	-	413,647
Fixed income mutual funds	323,005	-	323,005
Other	53,951	-	53,951
Total Endowment Investments	790,603	-	790,603
Total Investments	$ 1,312,275	$ 428,168	$ 1,740,443

	2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investments at Cost	Total
Equity mutual funds			
Fixed income mutual funds	$ 186,440	$ -	$ 186,440
Other	806,791	-	806,791
	21,747	-	21,747
Temporary cash investments	1,014,978	-	1,014,978
Total Investments without	-	26,880	26,880
Donor Restrictions			
	1,014,978	26,880	1,041,858
Equity mutual funds			
Fixed income mutual funds	559,322	-	559,322
Other	378,499	-	378,499
Total Endowment Investments	54,898	-	54,898
	992,719	-	992,719
Total Investments			
	$ 2,007,697	$ 26,880	$ 2,034,577

7. Retirement Plan

The Organization maintains a 401(k) employee benefit plan (the "Plan"), which is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), and is intended to be a qualified plan under Section 401(k) of the Internal Revenue Code of 1986 (the "Code"). Participants in the Plan may contribute up to 100% of pretax income, subject to the legal limitations, except for participants who were age 50 or older who may make an additional "catch-up" contribution. The Organization makes discretionary contributions to the Plan, which vest ratably over 2-6 years of service to the Organization. For the years ended December 31, 2022 and 2021, the discretionary contributions to the Plan totaled $44,318 and $42,087, respectively.

8. Concentration of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk consist principally of cash, investments and accounts receivable. Accounts receivable are expected to be collected in the normal course of business. There are no significant concentrations with regard to receivables due to the broad donor base of the Organization.

At times, cash and investment accounts may be in excess of the federal and securities protection insurance limits. Investments are managed by professional investment advisors and managers, with an objective of diversifying by type of investments and industry concentrations in order that no individual investment or group of investments represents a significant concentration or market risk.

9. Contributed Non-Financial Assets

The Organization received contributed non-financial assets as follows for the year ended December 31, 2022:

	Amount	Usage in Program/Activities	Donor Restriction
Merchandise	$154,884,459	Programs	None
Professional services	437,194	Management and fundraising	None
	$155,321,653		

The Organization received contributed non-financial assets as follows for the year ended December 31, 2021:

	Amount	Usage in Program/Activities	Donor Restriction
Merchandise	$229,584,336	Programs	None
Professional services	429,826	Management and fundraising	None
	$230,014,162		

9. Contributed Non-Financial Assets *(continued)*

The value of the merchandise was recorded at its fair value as of the date of receipt and is based on the estimated values that would have been received by the donors for selling similar products. The value of the services was recorded at its fair value on the date the service was provided and is based on established rates for those services.

10. Related Party Transactions

Members of the Board of Directors are affiliated with companies that donate products and cash to the Organization. Donated products from these companies for 2022 and 2021 totaled $70,511,009 and $129,129,986, respectively, and are included and reported as in-kind contributions on the accompanying statement of activities. Cash contributions from these companies and individuals are included primarily within special events in the accompanying statement of activities in the amounts of $1,088,726 and $1,044,258 in 2022 and 2021, respectively.

11. Commitments and Contingencies

Operating Lease

The Organization leased its office space under a seven-year lease, which expired in September 2020, and has continued to operate on a month-to-month basis. At December 31, 2022, rent expense was $8,000 per month plus utility costs. The Organization is currently investigating options with the current lessor as well as other opportunities for obtaining a new lease for office space.

For 2022 and 2021, total rent expense was $77,329 and $48,820, respectively.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2022	2021
Purpose restrictions:		
Disaster Relief	$ 163,067	$ 13,954
Time restrictions:		
Program time restrictions	479,989	710,305
Endowment investment returns	(202,116)	93,871
Perpetual restrictions:		
Endowment fund	895,700	895,700
	$ 1,336,640	$ 1,713,830

Net assets with donor restrictions released from restrictions consisted of the following for the years ended December 31:

	2022	2021
Purpose restrictions	$ 772,991	$ 401,108
Time restrictions	202,115	-
	$ 975,106	$ 401,108

13. Endowment

Interpretation of Law

The Organization follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, the Organization retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment returns to the 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 retained in perpetuity is subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Organization has one donor-restricted endowment fund: Students Going the Extra Mile Endowment Fund (also known as the Lari Stanton Fund). All investment income from this fund is to be spent for specified charitable purposes. The Organization does not have any funds designated by the Board of Directors that function as an endowment.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

The Organization utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. Endowment return objectives are to provide adequate funding over the long term with a moderate level of risk. In order to achieve this objective, the Organization follows the strategy of weighing the asset allocation to higher return asset classes, including equities, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board of Director's interpretation of State law.

Spending Rate Methods

The Organization invests its endowment fund and allocates the related earnings for expenditure in accordance with the total return concept. The endowment usage is determined in accordance with the policy adopted by the Organization.

For 2021 and beyond, the annual spending rate will be calculated based on the rolling average of the fund's quarter-end market values over the past twelve (12) quarters (in 2021 and 2022, the formula will be based on all quarters since inception). Barring extraordinary changes in the economic and investment environments, the spending rate will be between 3% and 5%, with a long-term target of 4%.

13. Endowment *(continued)*

Spending Rate Methods (continued)

The following is a reconciliation of the activity in the endowment fund:

	December 31,	
	2022	2021
	With Donor Restrictions	With Donor Restrictions
Balance, beginning of year, endowment funds	$ 992,719	$ 921,436
Addition: contribution	-	12,311
Less: annual spend	(35,726)	(34,899)
Investment return, net	(166,390)	93,871
Balance, end of year, endowment funds	$ 790,603	$ 992,719

Underwater Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization does not have any funds with deficiencies.

14. Employee Retention Credit

During 2021, the Organization qualified for the Employee Retention Credit ("ERC") which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. The Organization recognized $69,338 of income for the year ended December 31, 2021. The payment for these funds was received by the Organization in February 2022.

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