

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**LIBERTY'S PROMISE
(A NON-PROFIT ORGANIZATION)**

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

May 14, 2023

To the Board of Directors of:

Liberty's Promise
Alexandria, VA

Opinion

We have audited the accompanying financial statements of Liberty's Promise (a non-profit 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 Liberty's Promise as of December 31, 2022, and 2021 and the changes in its net assets and its cash flows for the years then ended in conformity 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 Liberty's Promise 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 these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes 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 Liberty's Promise's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 Liberty's Promise'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 Liberty's Promise'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.

Samuel J. King, P.C.

Warren, RI

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
As of December 31,

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 793,762	\$ 730,143
Investment in marketable securities	12,920	13,805
Grant receivable	165,875	286,059
Promises to give	75,000	125,056
Prepaid expenses	14,230	31,624
Total current assets	1,061,787	1,186,687
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	50,264	45,107
Less: accumulated depreciation and amortization	29,611	24,760
Property and equipment, net	20,653	20,347
OTHER ASSETS:		
Grants receivable and promises to give, net of current)	---	25,000
Operating Right of Use Asset, less accumulated amortization	78,831	---
Security deposits	3,187	3,187
Total other assets	82,018	28,187
TOTAL	\$ 1,164,458	\$ 1,235,221

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31,

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 11,547	\$ 9,641
Accrued expenses	27,008	25,222
Current maturities of long-term debt	4,092	132,072
Current operating lease payable	39,057	---
Deferred grant income	40,614	148,448
Total current liabilities	122,318	315,383
LONG-TERM DEBT,		
less current maturities	128,689	148,530
Operating Lease payable	42,805	-
Total long-term debt	171,494	148,530
Total liabilities	293,812	463,913
NET ASSETS:		
Without Donor Restrictions		
Operating	687,419	594,879
Board designated	29,185	64,473
	716,604	659,352
With Donor Restrictions	154,042	111,956
Total net assets	870,646	771,308
TOTAL	\$ 1,164,458	\$ 1,235,221

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Grant income	\$ 860,105	\$ 121,341	\$ 981,446
Contributions	196,782	-	196,782
Foregiveness of Payroll Protection Loan	130,602	-	130,602
Interest and dividend income	1,491	-	1,491
Net unrealized loss	(1,327)	-	(1,327)
Miscellaenous income	5,329	-	5,329
Net assets released from donor restrictions	79,255	(79,255)	-
 Total unrestricted support and reclassifications	 1,272,237	 42,086	 1,314,323
EXPENSES:			
Program services	996,190	-	996,190
Support services			
Management and general	138,851	-	138,851
Fundraising	79,944	-	79,944
 Net expenses	 1,214,985	 -	 1,214,985
 Change in net assets	 57,252	 42,086	 99,338
Net assets, January 1, 2022	659,352	111,956	771,308
Net assets, December 31, 2022	\$ 716,604	\$ 154,042	\$ 870,646

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Grant income	\$ 955,920	\$ 78,521	\$ 1,034,441
Contributions	184,740	-	184,740
Foregiveness of Payroll Protection Loan	100,845	-	100,845
Interest and dividend income	1,073	-	1,073
Net unrealized gain	3,345	-	3,345
Miscellaenous income	1,550	-	1,550
Net assets released from donor restrictions	114,780	(114,780)	-
 Total unrestricted support and reclassifications	 1,362,253	 (36,259)	 1,325,994
 EXPENSES:			
Program services	822,467	-	822,467
Support services			
Management and general	131,826	-	131,826
Fundraising	65,316	-	65,316
 Net expenses	 1,019,609	 -	 1,019,609
 Change in net assets	 342,644	 (36,259)	 306,385
Net assets, January 1, 2021	316,708	148,215	464,923
Net assets, December 31, 2021	\$ 659,352	\$ 111,956	\$ 771,308

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and wages	\$ 561,827	\$ 65,547	\$ 51,656	\$ 117,203	\$ 679,030
Payroll taxes	45,622	4,901	3,973	8,874	54,496
Fringe benefits	56,622	10,639	1,642	12,281	68,903
Total payroll related expenses	<u>664,071</u>	<u>81,087</u>	<u>57,271</u>	<u>138,358</u>	<u>802,429</u>
Civic classes	163,830	-	-	-	163,830
Occupancy	57,180	5,147	1,619	6,766	63,946
Office expenses and supplies	47,563	4,570	256	4,826	52,389
Professional fees	2,125	22,647	17,678	40,325	42,450
Internship	27,675	-	-	-	27,675
Travel	13,162	658	1,414	2,072	15,234
Telephone and internet	10,096	324	-	324	10,420
Insurance	-	8,602	450	9,052	9,052
Depreciation	1,941	2,911	-	2,911	4,852
Interest	-	3,978	-	3,978	3,978
Research	3,968	-	-	-	3,968
Staff training & meetings	913	1,932	757	2,689	3,602
Scholarships	3,000	-	-	-	3,000
Fees	-	2,153	180	2,333	2,333
Marketing	-	2,330	-	2,330	2,330
Payroll processing fee	-	2,267	-	2,267	2,267
Postage and shipping	360	109	93	202	562
Printing & reproduction	-	65	226	291	291
Miscellaneous	306	71	-	71	377
Total	<u>\$ 996,190</u>	<u>\$ 138,851</u>	<u>\$ 79,944</u>	<u>\$ 218,795</u>	<u>\$ 1,214,985</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Support Services			Total Support	Totals
		Management & General	Fundraising			
Salaries and wages	\$ 495,401	\$ 67,585	\$ 47,652	\$ 115,237	\$ 610,638	
Payroll taxes	43,270	5,187	3,668	8,855	52,125	
Fringe benefits	83,916	11,282	1,305	12,587	96,503	
Total payroll related expenses	622,587	84,054	52,625	136,679	759,266	
Civic classes	77,877	-	-	-	77,877	
Occupancy	41,533	3,593	1,553	5,146	46,679	
Internship	24,400	-	-	-	24,400	
Scholarships	22,000	-	-	-	22,000	
Professional fees	282	13,073	3,171	16,244	16,526	
Office expenses and supplies	9,680	4,519	502	5,021	14,701	
Telephone and internet	12,733	341	515	856	13,589	
Interest	-	9,022	-	9,022	9,022	
Insurance	-	8,427	-	8,427	8,427	
Staff training & meetings	3,537	2,320	1,257	3,577	7,114	
Printing & reproduction	186	815	2,916	3,731	3,917	
Research	3,808	-	-	-	3,808	
Travel	2,188	141	66	207	2,395	
Depreciation	956	1,434	-	1,434	2,390	
Fees	-	1,198	973	2,171	2,171	
Payroll processing fee	-	2,091	-	2,091	2,091	
Postage and shipping	59	282	1,643	1,925	1,984	
Miscellaneous	641	516	95	611	1,252	
Total	\$ 822,467	\$ 131,826	\$ 65,316	\$ 197,142	\$ 1,019,609	

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 99,338	\$ 306,385
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,851	2,390
Contribution of equipment	-	(4,536)
Forgiveness of Payroll Protection Loan	(130,602)	(100,845)
Reinvestment of dividends	(442)	(400)
Unrealized & realized loss (gain) on marketable securities	1,327	(3,345)
Decrease (increase) in operating assets:		
Grants receivable	145,184	(123,066)
Promises to give	50,056	(78,806)
Prepaid expenses and security deposits	17,394	(22,755)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,692	2,411
Deferred grant income	(107,834)	89,461
NET CASH PROVIDED BY OPERATING ACTIVITIES	82,964	66,894
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Purchase of furniture and fixtures	(5,157)	(13,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) proceeds from notes payable	(14,188)	130,602
NET CHANGE IN CASH	63,619	183,937
Cash and cash equivalents - January 1,	730,143	546,206
Cash and cash equivalents - December 31,	<u>\$ 793,762</u>	<u>\$ 730,143</u>
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 3,978</u>	<u>\$ 9,000</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Liberty's Promise (a non-profit organization) was incorporated on May 1, 2003 in the District of Columbia. Its purpose is to support young immigrants as they become active participants in American society. The Organization collaborates with government agencies, businesses, and non-profit organizations to offer internships for young immigrants and promotes active community involvement through after-school programs of civic engagement.

2. Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) released ASU2016-14 Not-for-Profit Entities (Topic 958). Under ASU 2016-14, the Organization is required to report 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 with donor restrictions include all assets received with donor designated restrictions whether they are perpetual in nature, or purpose or time restricted.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on each property's estimated life.

Additions and improvements that add materially to productive capacity, or extend the life of an asset, are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Office furniture and equipment	5 to 7 years
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5. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2022 and 2021.

6. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Contributed Services and Occupancy

During the year ended December 31, 2022, the Organization was a recipient of classroom space valued at \$16,240. Additionally, during the year ended December 31, 2021, the Organization was a recipient of classroom space valued at \$16,385 and various computers valued at \$4,536. Various volunteers provided other services to the Organization, but these services do not meet the criteria for recognition.

The donated rent is used for classrooms at various schools in the Washington, DC metropolitan and Baltimore regions. These values are estimated based on information provided by various sources in these regions as to fair market costs to rent such facilities. These classrooms are used to provide program space to the various participants.

The donated computers, to be used by the program coordinators were based on fair market value

8. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

9. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Liquidity

The Organization maintains a liquid cash balance through its checking account in an amount necessary to meet its anticipated expenditures for the next 30 days. The Organization reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Any restricted cash is separately identified and monitored as part of the Organization's monthly financial reporting process.

The Organization's financial assets available within one year to meet cash needs for general expenditures through December 31, 2023 are as follows:

Financial Assets:	
Cash	\$ 793,762
Investment in Marketable Securities	12,920
Grants Receivable	165,875
Promises to Give	<u>75,000</u>
Total Financial Assets	1,047,557
Less amounts not available within one year	<u>-154,042</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 893,515</u>

11. Grants and Contract Awards

The Organization receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued to the extent that unreimbursed expenses have been incurred for the purposes specified by an approved grant or contract. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

14. Uncertain Tax Provisions

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that its tax status as a VA non-profit corporation is its only tax position and is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

15. Subsequent Events

Management has evaluated subsequent events through May 21, 2023, the date which the financial statements were available to be issued.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE B – COMMITMENTS

The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Location/Equipment</u>	<u>Term / Exp. Date</u>	<u>Terms</u>
Angel's Security Corp	2900-A Richmond Hwy., Alexandria, VA 22305-3023	Two year, July 1, 2021, to June 30, 2023.	\$18,360 annual rental due in 12 equal monthly payments effective for the first year and CPI increase for the second year
Knowles Assoc, LLC	Suite#604 10400 Conn. Ave, Kensington, MD 20895	One year, August 1, 2021 to July 31, 2022.	\$16,044 annual rental due in 12 equal monthly payments
Harbor Enterprise Center, LLC	Suite #314 3500 Boston St, Baltimore, MD	One year, renewable. July 1, 2021 to June 30, 2022.	\$7,608 annual rental due in 12 equal monthly payments

The future minimum rental commitments under operating leases as of December 31, 2022 are as follows:

For the year ending December 31, 2023	\$ 32,213
For the year ending December 31, 2024	9,870

NOTE C - CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantors. Although that is a possibility, management deems this contingency remote, since it believes that it has complied with the terms of each grant.

NOTE D - NEW FUTURES

New Futures, a non-profit agency located in Washington, D.C. offers financial and mentoring support to low-income, D.C.-area young people seeking economic self-sufficiency through post-secondary education. The agency has 11 community partners that nominate and mentor scholars. Liberty's Promise is one of these partner organizations.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE E – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2022</u>	<u>2021</u>
Organization	\$75,000	\$150,056
Receivables due in less than one year	\$75,000	\$125,056
Receivables due in one to two years	<u>-0-</u>	<u>25,000</u>
Net unconditional promises to give	<u>\$75,000</u>	<u>\$150,056</u>

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at the end of the year represent grants that have been received and with time or purpose restrictions by the grantor. As these funds are expended, the donor restrictions expire and the net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

Temporarily restricted net assets, by fund, as of December 31, 2022 and 2021 were as follows:

	<u>Balance</u> <u>1/1/22</u>	<u>Additions</u>	<u>Net</u> <u>Assets</u> <u>Released</u>	<u>Balance</u> <u>12/31/22</u>
Time or purpose restrictions:				
Civics	<u>\$111,956</u>	<u>\$121,341</u>	<u>\$ 79,255</u>	<u>\$ 154,042</u>

	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Net</u> <u>Assets</u> <u>Released</u>	<u>Balance</u> <u>12/31/21</u>
Time or purpose restrictions:				
Civics	<u>\$148,215</u>	<u>\$ 78,521</u>	<u>\$114,780</u>	<u>\$ 111,956</u>

NOTE G - RETIREMENT PLAN

The Organization installed a 403(b)-retirement plan on March 31, 2015. For all eligible employees, each participant can defer up to \$15,000 of their gross wages which are immediately invested. The Organization has the option each year to contribute to the plan on behalf of its employees. The retirement plan expense for years ended December 31, 2022 and 2021 were \$8,350 and \$29,388, respectively.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE H – CASH - CONCENTRATION OF RISK

The Organization maintains its cash in bank accounts that, at times, may exceed federally insured limits. The aggregate of all uninsured balances at December 31, 2022 was \$543,762. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

MARKETABLE SECURITIES - CONCENTRATION OF RISK

The Organization maintains an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on cash and cash equivalents. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE I – INVESTMENT IN MARKETABLE SECURITIES

The Organization classifies debt and equity securities into two categories, available-for-sale securities and held-to-maturity securities. All securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

As of December 31, 2022 and 2021, detail of the unrealized gains and losses was as follows:

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair Market <u>Value</u>
Available-for-sale securities				
2022 Equity securities	<u>\$12,171</u>	<u>\$ 944</u>	<u>\$195</u>	<u>\$12,920</u>
2021 Equity securities	<u>\$11,729</u>	<u>\$2,990</u>	<u>\$914</u>	<u>\$13,805</u>

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE I – INVESTMENT IN MARKETABLE SECURITIES (continued)

On January 1, 2009, the Organization adopted certain provisions of ASC Topic 820. ASC Topic 820 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability and establishes the following fair value hierarchy.

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the partners or managers have the ability to access.
- Level 2 inputs may include quoted prices for similar assets and liabilities in active intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall with the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents financial assets that the Organization measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2022 Equity securities	<u>\$12,920</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$12,920</u>
2021 Equity securities	<u>\$13,805</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$13,805</u>

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE J – ADOPTION OF FASB ASC 842

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets (ROU), net of prepaid lease payments and lease incentives, of \$103,615 and operating lease liabilities of \$103,615 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. There are three leases included in the ROU asset. The total lease cost for the year ended December 31, 2022 was \$43,229. The Organization has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2022 was 8.0%. The adoption of FASB ASC 842 did not have a material impact on the Organization's statement of activities, or cash flows.

The adoption of FASB ASC 842, leases resulted in the following impact at December 31, 2022:

Non-current Operating Right of Use Asset	<u>\$ 78,831</u>
Operating current lease payable	<u>\$ 39,057</u>
Non-current operating lease payable	<u>\$ 42,805</u>

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NOTE K – NOTES PAYABLE

As of December 31, 2022 and 2021, the organization was liable on the following notes:

	<u>2022</u>	<u>2021</u>
Paycheck Protection Program Loan (PPP). The note dated January 21, 2021 has a term of 24 months and an interest rate of 1.00%. The Organization has classified the note as a short-term liability because it anticipates forgiveness of the loan within the next year. The loan was forgiven on January 31, 2022.	\$ -0-	\$ 130,602
U.S. Small Business Administration Loan The note date July 13, 2020 has a term of 30 years at the rate of 2.75%. The note calls for monthly payments beginning on July 13, 2021 interest and principal and due on July 13, 2050. Each payment will be applied to accrued interest first and the balance, if any, will be applied to principal. The note is secured by all tangible and intangible property	<u>132,781</u>	<u>150,000</u>
Total	132,781	280,602
Less: current maturities	<u>4,092</u>	<u>132,072</u>
Long-term portion	<u>\$128,689</u>	<u>\$148,530</u>

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NOTE K – NOTES PAYABLE (continued)

Future maturities are as follows:

For the year ended December 31, 2023	\$ 4,092
For the year ended December 31, 2024	4,206
For the year ended December 31, 2025	4,323
For the year ended December 31, 2026	4,443
For the year ended December 31, 2027 and thereafter	<u>115,717</u>
	<u>\$132,781</u>

NOTE L – RECENTLY ADOPTED ACCOUNTING PRONOUCEMENTS

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Standard requires nonprofits to expand their financial presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The standard as amended, is to be applied retrospectively, to annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. The Organization early adopted the standard on January 1, 2021. The Organization has updated disclosures as necessary (See Note A7 Contributed Services and Occupancy).

NOTE M – COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses as well as public schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.