SHOES AND CLOTHES FOR KIDS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

SHOES AND CLOTHES FOR KIDS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Shoes and Clothes for Kids, Inc.
Cleveland, Ohio

Opinion

We have audited the accompanying financial statements of Shoes and Clothes for Kids (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Shoes and Clothes for Kids as of December 31, 2023 and 2022, and the change 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shoes and Clothes for Kids, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Shoes and Clothes for Kids, Inc.'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 Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Shoes and Clothes for Kids, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shoes and Clothes for Kids, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Zinner & Co. LLP

Beachwood, Ohio

June 5, 2024

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 875,758	$ 487,530
Unconditional promises to give:		
Without donor restrictions, net	301,317	121,592
With donor restrictions	50,000	73,364
Prepaid expenses	9,160	16,114
Inventory	1,491,691	1,454,394
Operating right-of-use assets	423,476	17,039
Construction in progress	6,120	0
Property and equipment	384,384	103,936
Less: Accumulated depreciation	(20,735)	(97,591)
Deposits	7,605	0
Investments	1,165,594	1,488,704
Total Assets	$ 4,694,370	$ 3,665,082
Liabilities		
Accounts payable	$ 77,725	$ 65,437
Accrued expenses	396,466	17,012
Operating lease obligations	423,476	17,039
Total Liabilities	897,667	99,488
Net Assets		
Without donor restrictions		
Operating	2,202,512	1,881,371
Operating - Inventory	1,491,691	1,454,394
	3,694,203	3,335,765
With donor restrictions	102,500	229,829
Total Net Assets	3,796,703	3,565,594
Total Liabilities and Net Assets	$ 4,694,370	$ 3,665,082

The accompanying notes are an integral part of these financial statements.

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues			
Contributions:			
Foundations	$ 612,000	$ 79,136	$ 691,136
Individuals	198,740	0	198,740
Corporate and other organizations	70,637	0	70,637
Government support	329,964	0	329,964
Special events, net	114,515	0	114,515
Interest income	40	0	40
Net assets released from restrictions			
Satisfaction of program restrictions	210,616	(210,616)	0
Total operating support and revenues before in-kind contributions	1,536,512	(131,480)	1,405,032
In-kind rent, goods and materials	41,829	0	41,829
In-kind inventory and gift cards	2,482,734	0	2,482,734
	2,524,563	0	2,524,563
Total operating support and revenues	4,061,075	(131,480)	3,929,595
Operating expenses			
Program services	3,188,568	0	3,188,568
Administration	549,200	0	549,200
Fundraising	143,957	0	143,957
Total operating expenses	3,881,725	0	3,881,725
Change in net assets before non-operating revenues and expenses	179,350	(131,480)	47,870
Non-operating revenues and expenses:			
Net realized/unrealized gain on investments	179,088	4,151	183,239
Change in Net Assets	358,438	(127,329)	231,109
Net Assets at Beginning of Year	3,335,765	229,829	3,565,594
Net Assets at End of Year	$ 3,694,203	$ 102,500	$ 3,796,703

The accompanying notes are an integral part of these financial statements.

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues			
Contributions:			
Foundations	$ 345,495	$ 73,364	$ 418,859
Individuals	451,529	0	451,529
Corporate and other organizations	47,266	0	47,266
Government support	416,317	0	416,317
Special events, net	129,069	0	129,069
Interest income	39	0	39
Net assets released from restrictions			
Satisfaction of program restrictions	175,684	(175,684)	0
Total operating support and revenues before in-kind contributions	1,565,399	(102,320)	1,463,079
In-kind rent, goods and materials	50,126	0	50,126
In-kind inventory and gift cards	2,340,620	0	2,340,620
	2,390,746	0	2,390,746
Total operating support and revenues	3,956,145	(102,320)	3,853,825
Operating expenses			
Program services	3,285,515	0	3,285,515
Administration	456,371	0	456,371
Fundraising	180,101	0	180,101
Total operating expenses	3,921,987	0	3,921,987
Change in net assets before non-operating revenues and expenses	34,158	(102,320)	(68,162)
Non-operating revenues and expenses:			
Net realized/unrealized loss on investments	(206,352)	(36,798)	(243,150)
Change in Net Assets	(172,194)	(139,118)	(311,312)
Net Assets at Beginning of Year	3,507,959	368,947	3,876,906
Net Assets at End of Year	$ 3,335,765	$ 229,829	$ 3,565,594

The accompanying notes are an integral part of these financial statements.

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services		
	Program	**Administration**	**Fundraising**	**Total**
Distributions of clothing and school supplies				
School uniforms and clothing distributed to students/teachers	$ 2,866,445	$ 0	$ 0	$ 2,866,445
Total distributions	2,866,445	0	0	2,866,445
Staff and personnel costs	197,542	350,905	105,667	654,114
In-kind rent, goods and materials	40,170	1,659	0	41,829
Governance and administration	8,998	140,775	5,627	155,400
Facility expenses	41,857	23,039	0	64,896
Development and communication	0	24,341	32,663	57,004
Other distribution expenses	33,556	0	0	33,556
Depreciation	0	8,481	0	8,481
Total	$ 3,188,568	$ 549,200	$ 143,957	$ 3,881,725
	82%	14%	4%	100%

The accompanying notes are an integral part of these financial statements.

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		
	Program	**Administration**	**Fundraising**	**Total**
Distributions of clothing and school supplies				
School uniforms and clothing distributed to students/teachers	$ 2,964,004	$ 0	$ 0	$ 2,964,004
Total distributions	2,964,004	0	0	2,964,004
Staff and personnel costs	199,742	349,694	145,094	694,530
In-kind rent, goods and materials	40,170	9,956	0	50,126
Governance and administration	4,204	72,714	3,121	80,039
Facility expenses	36,107	9,790	0	45,897
Development and communication	3,669	7,769	31,886	43,324
Other distribution expenses	37,619	0	0	37,619
Depreciation	0	6,448	0	6,448
Total	$ 3,285,515	$ 456,371	$ 180,101	$ 3,921,987
	84%	12%	4%	100%

The accompanying notes are an integral part of these financial statements.

SHOES AND CLOTHES FOR KIDS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	$ 231,109	$ (311,312)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	8,481	6,448
Net realized/unrealized (gains)losses on investments	(183,239)	243,150
Forgiveness of Paycheck Protection Program loan	0	(83,218)
(Increase) decrease in:		
Unconditional promises to give, net	(156,361)	(150,048)
Prepaid expenses	6,954	(4,921)
Inventory	(37,297)	70,939
Deposits	(7,605)	0
Increase (decrease) in:		
Accounts payable	12,288	42,430
Accrued expenses	29,733	16,429
Net Cash Used by Operating Activities	(95,937)	(170,103)
Cash Flows from Investing Activities		
Net change in investments	506,349	82,052
Construction in progress	(6,120)	0
Purchase of fixed assets	(16,064)	0
Net Cash Provided by Investing Activities	484,165	82,052
Net Increase (Decrease) in Cash and Cash Equivalents	388,228	(88,051)
Cash and Cash Equivalents at Beginning of Year	487,530	575,581
Cash and Cash Equivalents at End of Year	$ 875,758	$ 487,530

The accompanying notes are an integral part of these financial statements.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Shoes and Clothes for Kids, Inc. (the Organization) is a 54 year-old not-for-profit corporation whose mission is to reduce the barriers to school attendance among income-eligible students in Cuyahoga county. The Organization does this by providing new school appropriate shoes, clothes, and school supplies through a network of neighborhood distribution partners and eligible schools.

During 2023, the Organization served more than 28,000 kids in need with new shoes, school clothing, winter coats and school supplies through its two distinct programs. The school supply program, an affiliate of the national Kids in Need Foundation, served more than 1,321 teachers from 281 schools in 40 districts. The partner program served 58 partner organizations in 48 communities. In total, Shoes and Clothes for Kids programs distributed items with an estimated retail value of over $3.5 million during the year ended December 31, 2023.

During 2022, the Organization served more than 26,000 kids in need with new shoes, school clothing, winter coats and school supplies through its four distinct programs. The school supply program, an affiliate of the national Kids in Need Foundation, served more than 2,700 teachers from 306 schools in 42 districts. In total, Shoes and Clothes for Kids programs distributed items with an estimated retail value of nearly $3.1 million during the year ended December 31, 2022.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, 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.

ASC 958-205 requires board-designated funds to be reported as part of net assets without donor restrictions; accordingly, the Organization reports designations of voluntary board-approved segregations of net assets without donor restrictions for specific purposes as a classification of net assets without donor restrictions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all unrestricted highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statement of Activities.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance for uncollectible pledges, is based on prior experience and management's analysis of specific promises made. Management has determined an allowance for uncollectible pledges of $14,827 and $4,120 as of the years ended December 31, 2023 and 2022, respectively.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from the balances outstanding at year end. The Organization establishes an allowance based on the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the assets. If management determines that a balance is no longer collectable it is written-off to credit loss expense at that time. Accounts receivable are reported net of allowance for credit losses. As of December 31, 2023 and 2022 management has determined that an allowance for credit losses is not necessary.

Inventory

Inventory consists of purchased or donated uniform and clothing items for children, and purchased and donated school supplies. Inventory has been valued at estimated fair value at the date of purchase or donation.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments
Investments are valued at fair value.

Donated investments are reflected as contributions at their fair values at date of receipt. Dividend and interest income and gains and losses on investments are reflected in current without donor restriction activities unless with donor restriction, either by law or explicit donor stipulation, in which case they would be reported in with donor restriction.

Valuation of Long-Lived Assets
The Organization reviews for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated future cash flows are less than the carrying amount of the asset. No impairment losses were recognized in 2023 or 2022.

Donated Equipment
Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing with donor restriction net assets. The Organization reclassifies to net assets without donor restriction each year for the amount of the donated property and equipment's depreciation expense.

Fixed Assets
Fixed assets are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000.

The following lives are assigned to the various assets:

	Life
Office equipment and webpage	3-5 years
Office furniture	5-10 years
Warehouse equipment	3-5 years

Deferred Revenue
Funds received by the Organization prior to the recognition of revenue are recorded as deferred revenue.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

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. 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 are reported in the Statement of Activities as net assets released from restrictions.

Paycheck Protection Program Funding

The Organization received loans during both the years ended December 31, 2021 and 2020, pursuant to the Paycheck Protection Program (the PPP Loan) as further described in Note F. The Organization applied for forgiveness of the PPP Loans with respect to the covered expenses. Management considered the bank and U.S. Small Business Administration (SBA) approval of forgiveness to be administrative requirements and not a barrier; however, it is the policy of the Organization to recognize the funds as a loan upon receipt and then recognize the subsequent forgiveness of debt upon official notification from the lending source of the debt forgiveness.

Revenue Recognition for Contracts with Customers

The Organization's revenue stream under contracts with customers consists primarily of revenue under the following category:

> Special event revenues: The Organization runs fundraising events throughout the year, a portion of which include benefits granted to participants. The fair value of the benefit received by participants is considered revenue from contracts with customers and recognized at the time the event is held.

Revenue recognition for the revenue stream identified above is subject to the satisfaction of performance obligations. Revenue is recognized when performance obligations are satisfied over a period of time or at a point in time. Revenue is measured as the amount of consideration the Organization expects to receive in exchange for providing services. Any payments received in advance of satisfaction of performance obligations are recorded as deferred revenue until the obligation is met.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support With and Without Donor Restrictions
The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. In situations where the Organization meets all donor-imposed restrictions on amounts contributed for a specific purpose in the same reporting period in which the contribution was received, the contribution is reported as without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. Funds received related to conditional grants are classified as refundable advances until expended for the purposes of the grants.

Advertising
Advertising costs are expensed when incurred.

Functional Expense Allocation
Costs of providing various programs and supporting services are allocated based on specific identification, if practical. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Distributions of clothing and school supplies and other distribution expenses are directly allocated to program. All other expenses benefit multiple functional areas and have been allocated across programs, support and fundraising based on the proportion of time and effort across each function.

Use of Estimates
Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk
Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and equivalents and promises to give. The Organization maintains its cash and equivalents with financial institutions and although at times they have invested amounts in excess of any federal insurance limits, management does not feel that it is exposed to any substantial credit risk. Concentrations with respect to promises to give are limited due to the large number of donors comprising the Organization’s donor base and the variety of the Organization’s funding sources. As of December 31, 2023 and 2022, the Organization had no other significant concentrations of credit risk.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by leases for those leases classified as operating leases under previous generally accepted accounting principles (GAAP). In June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective dates of two Updates, one of which is ASU 2016-02. Lease rules will now be applied for fiscal years beginning after December 15, 2021. During 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The adoption of the standard resulted in new recognition, presentation and disclosure requirements for lease assets and lease liabilities by entities for those leases classified as operating leases under previous generally accepted accounting principles (GAAP). The ASU was adopted prospectively for fiscal 2022. The adoption of this standard had significant impacts throughout the financial statements and footnote disclosures, as further described in Note K.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the Statements of Activities as the amounts expected to be collected change. ASU 2016-13 was effective for fiscal years beginning after December 15, 2022. The Organization adopted this standard on January 1, 2023 using a modified-retrospective approach. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. The adoption of this standard did not have any significant impact on the financial statements.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

The Organization has evaluated subsequent events through, June 5, 2024, the date the financial statements were available to be issued, and all relevant subsequent information is included within the applicable notes to the financial statements.

NOTE B - PROMISES TO GIVE

Unconditional promises to give at December 31, 2023 and 2022 consist of:

	2023	2022
Without donor restrictions	$ 301,317	$ 121,592
Restricted for programming	50,000	75,000
Gross unconditional promises to give	351,317	196,592
Less: Unamortized discount	0	1,636
Net Unconditional Promises to Give	$ 351,317	$ 194,956
Amounts due in:		
Less than one year	$ 351,317	$ 171,592
One to five years	0	25,000
Total Amounts Due	$ 351,317	$ 196,592

Conditional promises to give at December 31, 2023 and 2022 consist of:

	2023	2022
Matching contribution	$ 0	$ 25,000
Total Conditional Promises to Give	$ 0	$ 25,000

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC 820-10, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access. These include investments that are recorded at fair value on a recurring basis and fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on an active exchange and other exchange trade securities.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for subsequently the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization participates in a pooled fund held and managed by the Cleveland Foundation. The Cleveland Foundation provides the fair value of the Organization's interest in the pooled fund. The underlying assets in the pooled fund consist of securities, whose fair value is based on reported market prices, in addition to alternative investments for which a readily determined fair value does not exist. The fair value of the alternative investment portfolio is determined based on valuations received by the Cleveland Foundation from the underlying fund manager. Interest and dividend income and realized and unrealized investment gains and losses are reported as increases or decreases in the Statement of Activities as net assets without donor restrictions.

The following table presents the Organization's fair value hierarchy by level for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022.

	2023			
	Total	Level 1	Level 2	Level 3
Investments - pooled funds	$ 1,165,594	$ 0	$1,165,594	$ 0

	2022			
	Total	Level 1	Level 2	Level 3
Investments - pooled funds	$ 1,488,704	$ 0	$1,488,704	$ 0

NOTE D - FIXED ASSETS

Fixed assets consist of the following as of December 31, 2023 and 2022:

	2023	2022
Computer equipment	$ 16,063	$ 21,853
Leasehold improvements	349,721	38,021
Office furniture	0	25,462
Website	18,600	18,600
	384,384	103,936
Less: Accumulated depreciation	(20,735)	(97,591)
	$ 363,649	$ 6,345

NOTE E - SPECIAL EVENTS, NET

For the years ended December 31, 2023 and 2022, special events activity consists of the following:

	2023		
	Revenue	Expense	Net
Night at the Shoreby	$ 106,154	$ 20,782	$ 85,372
Golf Classic	70,473	41,330	29,143
Total	$ 176,627	$ 62,112	$ 114,515

	2022		
	Revenue	Expense	Net
Night at the Shoreby	$ 122,736	$ 28,378	$ 94,358
Golf Classic	65,109	30,398	34,711
Total	$ 187,845	$ 58,776	$ 129,069

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law. The CARES Act legislation provided relief for small businesses that have been negatively impacted by the COVID-19 pandemic. In April of 2020, the Organization received the first round of PPP funding in the amount of $70,300 and received formal forgiveness for this loan in 2021 which the Organization recorded as revenue within the government support caption in the Statement of Activities.

During the year ended December 31, 2021, the Organization applied for and received proceeds from the second round of PPP funding in the amount of $83,218. During the year ended December 31, 2022, the Organization received formal forgiveness for this loan and recorded the forgiveness of this debt within the government support caption in the Statement of Activities.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets at December 31, 2023 and 2022 are available for the following purposes or periods:

	2023	2022
Charter and Parochial School Programs	$ 50,000	$ 73,364
School Attendance Program	5,000	0
Supplies and distributions in future years	42,000	0
Shopping cart naming rights	5,500	0
50th Anniversary Program Growth Fund	0	156,465
Total	$ 102,500	$ 229,829

NOTE H - ENDOWMENT FUNDS WITHOUT DONOR RESTRICTIONS

The Organization's endowment consists of certain net assets that have been designated by the Board of Directors to function as an endowment. The endowment does not currently include net assets with donor restriction, but in the event that it did, the Organization would follow the following rules:

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds, (2) purposes of the institution and the endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

NOTE H - ENDOWMENT FUNDS WITHOUT DONOR RESTRICTIONS (CONTINUED)

Interpretation of Relevant Law (Continued)
Changes in endowment net assets for the years ended December 31, 2023 and 2022:

	Without Donor Restrictions
Beginning balance at December 31, 2022:	$ 1,405,177
Distributions made	(417,721)
Investment income	178,138
Ending balance at December 31, 2023:	$ 1,165,594
Beginning balance at December 31, 2021:	$ 1,611,696
Investment loss	(206,519)
Ending balance at December 31, 2022:	$ 1,405,177

Return Objectives and Risk Parameters
The Organization has adopted an investment policy for endowment assets that attempts to maximize long-term return from interest and dividends, yet maintaining the liquidity necessary to meet cash flow needs. Under this policy, as approved by the Board of Directors, the endowment assets are invested assuming a low level of risk to maximize long-term returns.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a policy to preserve the board-designated endowment fund. However, if there is a need or organizational challenge, the Finance Committee shall take its recommendations to the Board of Directors for approval. Distributions may be made in accordance with a 5% spending policy, multiplied by the average market value of the fund for the twelve consecutive calendar quarters ending the previous June 30th.

NOTE I - DONATED GOODS AND SERVICES

The value of donated goods and services included in the financial statements for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Inventory and gift cards	$ 2,482,734	$ 2,340,620
Warehouse space	40,170	40,170
Vehicles usage	1,659	9,956
Total	$ 2,524,563	$ 2,390,746

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, development, and administration. These services do not meet the criteria for recognition under ASC 958-605.

NOTE J - INCOME TAXES

The Organization qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. The Organization has not been classified as a private foundation within the meaning of Section 509(a) and does qualify for deductible contributions as provided in Section 170(b)(1)(A)(vi).

As of January 1, 2022 and for the years ended December 31, 2023 and 2022, the Organization had not engaged in any activity which management considers to be activity that could result in a loss of its 501(c)(3) IRS designation.

The FASB provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are more-likely-than-not or being sustained when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the years ended December 31, 2023 and 2022, management has determined there are no uncertain tax positions.

As well, management does not consider any of the activity of the Organization to be considered unrelated business income that could result in income tax. For the years ended December 31, 2023 and 2022, there was no tax interest or penalties reflected in the Statement of Activities or in the Statement of Financial Position.

NOTE K - OPERATING LEASES

The Organization leases office space, warehouse space, and office equipment under non-cancelable operating leases expiring in various years through 2028. During 2022, the Organization implemented FASB Accounting Standards Update (ASU) 2016-02 related to leases. ASU 2016-02 requires the recognition of right-of-use assets and corresponding lease liabilities, initially measured at the present value of the lease payments. The Organization adopted the ASU on January 1, 2022 using a prospective approach, and as such recorded operating right-of-use assets and operating lease obligations totaling $40,555.

The net present value of the lease commitments were calculated using the risk free rate practical expedient resulting in discount rates ranging from 0.96% to 4.328%. The operating right-of-use assets and operating lease obligations are being amortized over the respective lives of the leases. As of December 31, 2023 and 2022, the unamortized operating right-of-use assets were valued at $423,476 and $17,039, respectively and the unamortized operating lease obligations were valued at $423,476 and $17,039, respectively.

At December 31, 2023, minimum future rental payments for the next five years and thereafter, separately and in the aggregate, are:

2024	$ 95,840
2025	95,840
2026	95,840
2027	95,840
2028	86,963
Thereafter	192
Total Future Minimum Payments	470,515
Less: Imputed Interest	47,039
Total operating lease obligation	$ 423,476

Rent expense, including lease expense and other costs, for office space and leased equipment, amounted to $27,300 and $23,800 for the years ended December 31, 2023 and 2022, respectively.

NOTE L - RETIREMENT PLAN

The Organization has established a SIMPLE IRA plan which covers all employees. The plan includes a match of 3% of the employees' compensation.

NOTE M – LIQUIDITY

The Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of Board of Directors' designations or other contractual or donor imposed restrictions within one year of the statement of Financial Position date are as follows:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 875,758	$ 487,530
Investments	1,165,594	1,488,704
Unconditional promises to give	351,317	194,956
Total financial assets	2,392,669	2,171,190
Less amounts not available to be used for general expenditures within one year:		
Restricted by donors to the 50th Anniversary Program Growth Fund	0	156,465
Restricted by donors with purpose restrictions	50,000	73,364
Board designated for endowment, less designation for future operations	1,165,594	1,332,239
Financial assets not available to be used within one year	1,215,594	1,562,068
Financial assets available to meet general expenditures within one year	$ 1,177,075	$ 609,122

Availability of resources: The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations. Support is solicited annually from private foundations, corporate sponsors and individual donors. A significant portion of the clothing, shoe and school supply inventory distributed through its programs is obtained from in-kind donations, which was $2,482,734 for the year ended December 31, 2023.

Liquidity management: The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization strives to maintain operating reserves to support its operations. The current spending policy permits that during the annual budget process the Board of Directors may authorize the expenditure of 5% of the funds functioning as endowment for the following year's operations, if the three-year average endowment balance exceeds the current year cash needs.

In 2018, the Board of Directors authorized the creation of a 50th Anniversary Program Growth Fund with a goal of raising additional support to serve additional students beyond its current program capacity. These funds were held in a separate account at the Cleveland Foundation and disbursements from this fund for additional programming were approved by the Board of Directors to occur over five years. During 2023, the 5-year period expired and all funds were considered spent, and as such the restrictions on net assets were released.