Gary Sinise Foundation and Subsidiary

Consolidated Financial Statements

December 31, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Sinise Foundation and Subsidiary
Franklin, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Gary Sinise Foundation and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gary Sinise Foundation and Subsidiary as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gary Sinise Foundation 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gary Sinise Foundation'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 consolidated 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 consolidated 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 consolidated 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 Gary Sinise Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gary Sinise Foundation'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.

Report on Summarized Comparative Information

We have previously audited Gary Sinise Foundation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino LLP
Woodland Hills, California

November 16, 2023

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,651,092	$ 29,277,265
Investments	37,046,795	43,536,326
Contributions and grants receivable, current portion	7,478,339	4,641,382
Inventory	353,495	307,453
Prepaid expenses and other current assets	392,180	357,064
Total current assets	77,921,901	78,119,490
Property and equipment, net	1,347,383	1,548,435
Other assets		
Contributions and grants receivable, net of current portion and discount	1,307,314	-
Right-of-use assets, net	3,260,803	-
Deposits	47,255	47,255
Total other assets	4,615,372	47,255
Total assets	$ 83,884,656	$ 79,715,180
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,161,540	$ 864,307
Current portion of operating lease liabilities	966,280	-
Deferred rent	-	158,113
Total current liabilities	7,127,820	1,022,420
Operating lease liabilities, net of current portion	2,486,318	-
Total liabilities	9,614,138	1,022,420
Net assets		
Without donor restrictions		
General or undesignated	51,811,935	56,073,924
Board-designated endowment	14,375,836	16,722,709
Total without donor restrictions	66,187,771	72,796,633
With donor restrictions	8,082,747	5,896,127
Total net assets	74,270,518	78,692,760
Total liabilities and net assets	$ 83,884,656	$ 79,715,180

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

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains/(losses), and other support				
Bequests	$ 2,292,406	$ 250,000	$ 2,542,406	$ 4,312,710
Foundations	4,947,883	3,540,025	8,487,908	6,241,668
Individuals	34,802,902	1,556,514	36,359,416	37,807,959
Corporations	6,457,843	2,585,222	9,043,065	4,182,218
In-kind donations	6,352,708	-	6,352,708	2,275,282
Board contributions	-	-	-	101,228
Government grants	-	100,896	100,896	90,364
Indirect public support	1,926,575	-	1,926,575	1,694,511
Merchandise sales	195,790	-	195,790	142,974
Other income	12,223	-	12,223	-
Investment (loss) income, net of investment management fees of $131,572	(5,915,812)	-	(5,915,812)	2,437,271
Net assets released from restriction	5,846,037	(5,846,037)	-	-
Total revenues, gains/(losses), and other support	56,918,555	2,186,620	59,105,175	59,286,185
Functional expenses				
Program services	52,542,411	-	52,542,411	30,235,960
Management and general	6,507,601	-	6,507,601	5,283,442
Fundraising	4,477,405	-	4,477,405	2,019,394
Total functional expenses	63,527,417	-	63,527,417	37,538,796
Non-operating				
Decrease in value of contributions and grants receivable	-	-	-	(2,000,000)
Extraordinary expense	-	-	-	(795,606)
Total non-operating	-	-	-	(2,795,606)
Change in net assets	(6,608,862)	2,186,620	(4,422,242)	18,951,783
Net assets, beginning of year	72,796,633	5,896,127	78,692,760	59,740,977
Net assets, end of year	$ 66,187,771	$ 8,082,747	$ 74,270,518	$ 78,692,760

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	R.I.S.E.	Relief and Resiliency	Community Outreach and Education	First Responders Outreach	Military Support Concerts	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries, payroll taxes, and employee benefits	$ 531,445	$ 840,710	$ 832,090	$ 145,604	$ 65,295	$ 2,415,144	$ 1,429,211	$ 2,116,639	$ 5,960,994	$ 4,806,268
Accounting	-	-	-	-	-	-	276,429	8,700	285,129	434,965
Advertising and promotion	6,086	8,672	4,637	320	-	19,715	338,300	-	358,015	312,890
Computer	16,842	29,882	51,542	4,767	2,771	105,804	439,719	128,060	673,583	1,009,048
Construction costs	8,353,236	101,850	-	991	-	8,456,077	-	-	8,456,077	7,492,113
Contributions	1,516,326	14,716,736	2,132,124	3,634,955	-	22,000,141	29,368	1,877	22,031,386	12,965,254
Depreciation and amortization	44,431	70,021	64,000	12,577	5,633	196,662	110,081	178,840	485,583	496,788
Equipment rental	1,916	196,076	-	3,552	-	201,544	1,658	74	203,276	217,005
Furnishings - in-kind	1,618,160	90,387	-	-	-	1,708,547	196,456	-	1,905,003	1,330,925
Insurance	9,455	14,900	13,619	2,676	8,477	49,127	23,433	38,046	110,606	72,268
Legal	485,919	-	-	-	-	485,919	1,760,686	542,357	2,788,962	699,901
Merchandise cost	-	-	394	-	-	394	72,663	17,612	90,669	57,437
Merchant fees	21,784	11,053	5,154	21,188	761	59,940	404,437	560	464,937	404,880
Miscellaneous	5,526	10,752	9,449	1,564	701	27,992	208,457	26,082	262,531	213,229
Occupancy	86,804	136,799	125,035	24,571	11,005	384,214	262,433	349,396	996,043	585,408
Outside services	1,511,111	3,035,014	1,250,618	38,023	59,187	5,893,953	607,982	456,095	6,958,030	4,572,047
Postage	4,329	26,233	4,045	2,177	346	37,130	50,249	71,503	158,882	284,645
Printing	8,322	12,901	15,194	2,297	864	39,578	24,040	244,136	307,754	195,283
Repairs and maintenance	25,715	18,389	14,671	2,101	941	61,817	30,387	29,871	122,075	104,690
Supplies	34,092	3,408	221,034	2,009	299	260,842	82,448	14,932	358,222	273,566
Snowball express	-	5,339,209	-	-	-	5,339,209	-	-	5,339,209	-
Taxes and licenses	81,672	13,805	-	-	302	95,779	15,284	-	111,063	158,258
Telephone	4,704	7,413	6,776	1,331	596	20,820	11,660	18,929	51,409	40,129
Travel and entertainment	222,358	3,969,444	375,876	5,490	48,124	4,621,292	115,844	207,109	4,944,245	700,657
Venue fees	-	26,123	5,404	-	-	31,527	-	-	31,527	50,472
Website	6,607	10,412	9,517	1,870	838	29,244	16,376	26,587	72,207	60,670
	$14,596,840	$28,690,189	$ 5,141,179	$ 3,908,063	$ 206,140	$52,542,411	$ 6,507,601	$ 4,477,405	$63,527,417	$37,538,796

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

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (4,422,242)	$ 18,951,783
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Discount on contributions and grants receivable	125,353	(288,428)
Depreciation and amortization	485,583	496,788
Deferred rent	(158,113)	(24,134)
Realized and unrealized losses (gains)	6,827,999	(1,723,745)
Donated investments	(740,159)	(972,469)
Reduction in carrying amount of right-of-use lease assets - operating	990,749	-
Changes in operating assets and liabilities		
Contribution and grants receivable	(4,269,624)	1,633,415
Inventory	(46,042)	(86,549)
Prepaid expenses and other current assets	(35,116)	95,876
Accounts payable and accrued liabilities	5,297,233	(612,441)
Operating lease liabilities	(798,954)	-
Net cash provided by operating activities	3,256,667	17,470,096
Cash flows from investing activities		
Purchases of property and equipment	(284,531)	(63,934)
Proceeds from sale of investments	6,423,137	8,760,397
Purchases of investments	(6,021,446)	(30,592,650)
Net cash provided by (used in) investing activities	117,160	(21,896,187)
Net increase (decrease) in cash and cash equivalents	3,373,827	(4,426,091)
Cash and cash equivalents, beginning of year	29,277,265	33,703,356
Cash and cash equivalents, end of year	$ 32,651,092	$ 29,277,265

Supplemental schedule of noncash investing and financing activities

	2022	2021
Right-of-use lease assets obtained in exchange of lease obligations	$ 4,251,552	$ -

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

1. NATURE OF OPERATIONS

Gary Sinise Foundation ("GSF"), a Delaware charitable nonstock corporation, was formed in April 2010 with a mission to serve America by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build communities. In December 2021 the Organization moved office locations from Woodland Hills, California to Franklin, Tennessee.

GSF believes the cost of providing the blanket of freedom at home and abroad leaves an indelible impact on all service members, veterans, first responders and their families. It furthermore believes it is the individual responsibility of each citizen to support America's defenders. GSF is committed to ensuring the sacrifices made by all of our nation's heroes are honored and remembered.

R.I.S.E. (Restoring Independence Supporting Empowerment) builds mortgage-free, specially adapted smart homes for our most severely wounded heroes and their loved ones. In addition, the program provides adapted vehicles, mobility devices, wheelchairs, and home modifications for our injured, wounded, ill and/or aging defenders. Through *R.I.S.E.*, GSF provides our heroes with the resources necessary to overcome their new life challenges and reclaim their independence.

Relief and Resiliency lifts spirits and provides complete support to injured, wounded (visible and invisible), ill and/or aging veterans, their loved ones, and gold star families as they cope with trauma and loss during their time of urgent need. GSF is also hosting day-long *Invincible Spirit Festivals* at America's military centers to boost the morale and spirits of the patients, families and staff. GSF's *Mentorship Program* is a seven-day retreat pairing post-9/11 heroes at the beginning of their rehabilitation with wounded veterans from the Vietnam and Korean Wars who have successfully overcome similar struggles. Heal, Overcome, Persevere and Excel, the *H.O.P.E.* initiative, provides complete support to those who have experienced trauma, illness, injury, or loss during their times of urgent need, sometimes with assistance as simple as help paying bills or buying groceries. Snowball Express focuses on serving the children and surviving spouses or guardians of our fallen military heroes by providing guilt-free, fun and beneficial resources in a stress-free environment, we are creating a community to learn, grow, and make lasting memories with new friends.

1. NATURE OF OPERATIONS (continued)

GSF's *Community Outreach and Education* programs honor our active duty service members as well as the generations that have served before us. Serving Heroes shows appreciation by serving hearty, classic American meals to our defenders all across the world. *Arts and Entertainment Outreach* offers free dinner and performances to local veterans at the Steppenwolf Theatre in Chicago and additional theatres across the country. *Soaring Valor* provides WWII veterans a chance to visit The National WWII Museum and sponsors a historian to document their first-hand accounts of the war. In 2017, the program expanded by inviting students to join the veterans for an educational experience. With an impressive panel of individuals, the *Ambassador Council* inspires, educates, and reminds communities to remember the sacrifices made by all American defenders. A small fraction of our population volunteers to protect our nation, the *Education and Outreach Center* provides a place to bring civilians and defenders together. The Center will host educational speaking series, workshops, and summits with character building exercises for civilians, students, injured heroes, first responders, and their families/caregivers.

First Responder Outreach provides grants for equipment, training, and wellness to ensure our firefighters, police, and EMTs have the tools they need to perform to the best of their abilities.

The Lt. Dan Band ("LDB"), a Delaware limited liability company, is wholly owned by GSF and was formed in March 2011. Its proceeds help support GSF's mission. Gary Sinise and the Lt. Dan Band continue to bring their exhilarating performances to our nation's service members and their families across the world. Whether boosting morale on military bases at home and abroad or raising awareness and funding through benefit concerts, the band entertains, educates, inspires and builds communities with its explosive live show.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting and financial statement presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 without donor restrictions* - Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Board-designated Endowment* - The Board of Directors, as part of the Organization's long-term strategic plan, has established a board designated endowment fund. All investment earnings and gains/losses for the year are reported as part of the endowment.
- *Net assets with donor restrictions* - Include gifts and grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to net assets without donor restrictions. Restricted gifts and grants received are reported as net assets without donor restrictions if the restriction is met in the same reporting period.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of risk

Occasionally the Organization's cash balances exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

Cash and cash equivalents

The Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2022, the Organization's cash and cash equivalents balance includes $3,291,913 in short-term money market funds.

Investments

The Organization accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities* ("ASC 958-320"). ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values be reported at fair market value in the consolidated statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Sales and purchases of securities are recorded on the trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the exdividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the consolidated statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the fiscal year. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Organization's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities. Market values of such investments are routinely reviewed by the finance committee of the Board of Directors.

Fair value measurements

The Organization's consolidated statement of financial position include the following financial instruments: cash and cash equivalents, contributions and grants receivable, accounts payable, and accrued liabilities. The Organization considers the carrying amounts of its assets and liabilities noted herein to approximate fair value because of the relatively short period of time between origination of the instrument and its expected realization.

The Organization follows Accounting Standards Codification No. 820-10, *Fair Value Measurements and Disclosures* ("ASC Topic 820") which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described below:

- *Level 1* - Fair value is determined using quoted market prices in active markets for identical assets and liabilities.
- *Level 2* - Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Fair value is determined using unobservable market prices in a market that is typically inactive.

Contributions and grants receivable, net

Contributions, including unconditional promises to give are recognized as revenue in the period received. Contributions and grants received, including unconditional promises to give, are recorded as net assets with or without donor restrictions depending on the existence or absence of any donor-imposed restrictions and are then reclassified to net assets without donor restrictions upon satisfaction of any restrictions through the net assets released from restriction. Pledges for future contributions, including unconditional promises to give are recorded as receivables and reported at estimated net realizable values. Pledges that are due in future periods are discounted at 3%. Management has reviewed all contributions and grants receivable and determined no allowance for doubtful accounts was necessary at December 31, 2022.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either contribution revenue with or without donor restrictions. There were no unrecognized conditional contributions as of December 31, 2022.

Contributions receivable consisted of the following:

Amounts due in one year	$ 7,478,339
Amounts due in two to five years	1,432,667
	8,911,006
Discount to net present value	(125,353)
	$ 8,785,653

Inventory

Inventory consists of t-shirts and other merchandise and is stated at the lower of cost or market on a first-in, first-out basis.

Smart Homes

Through GSF's *R.I.S.E.* program, GSF builds specially adapted Smart Homes for pre-selected, severely wounded heroes and their families. GSF incurs all expenditures related to the acquisition of the land, and the design, construction, furnishings and fixtures related to the home. The costs are included within the *R.I.S.E.* program expenses as they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Computer equipment	3 years
Furniture and fixtures	3 - 7 years
Website	3 years
Leasehold improvements	Lesser of useful life or life of lease
Vehicle	5 years
Equipment	5 - 7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year ended December 31, 2022.

In-kind donations

In-kind donations consist of contributed assets and contributed services. Contributed assets are recognized at the asset's fair value on the date of contribution. Contributed services are recognized if the services received: a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and c) would typically need to be purchased if not provided by donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind donations (continued)

The amounts recognized as in-kind donations are as follows:

Contributed services	
Construction costs - labor	$ 429,967
Legal fees	483,831
Travel - charter flights and miles	3,533,907
	4,447,705
Contributed assets	
Construction - material and supplies	1,905,003
	1,905,003
	$ 6,352,708

All of these expenses are included within program expenses, except for legal fees which has been included within management and general.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management estimates.

Comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Income tax status

GSF is a charitable nonstock public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

LDB is a single member limited liability company that is a disregarded entity under the Internal Revenue Code. However, LDB is subject to a Delaware state income tax as well as other state and tax jurisdictions. For Delaware income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus $800 annually.

Change in accounting principle

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its statement of financial position as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

The Organization adopted ASC 842, with an initial application date of January 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases, (Topic 842): Targeted Improvements*. The Organization did not restate prior periods as presented under ASC 842 and instead, evaluated whether a cumulative adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to net assets as of January 1, 2022, was necessary.

As part of the allowable transition method, the Organization elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election not to reassess initial direct costs on any existing leases.
- Election whereby the lease and nonlease components will not be separated for leases of facilities and equipment.

The Organization evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities the Organization includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and increases the disclosure requirements around contributed nonfinancial assets. The standard includes disclosures 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 Organization adopted ASU 2020-07 with a date of initial application of January 1, 2022. The adoption of ASU 2020-07 did not have a significant impact on the consolidated financial statements.

Change in fiscal year

In December 2022, the Organization changed its fiscal year end to March 31 effective April 1, 2023.

Subsequent events

Subsequent events have been evaluated through November 16, 2023, which is the date the consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that would require recognition or additional disclosure in the consolidated financial statements.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Land	$ 94,640
Computer equipment	503,013
Furniture and fixtures	711,307
Website	111,410
Leasehold improvements	2,269,672
Vehicle	79,974
Equipment	203,678
	3,973,694
Accumulated depreciation and amortization	(2,626,311)
	$ 1,347,383

Depreciation and amortization expense for the year ended December 31, 2022 was $485,583.

4. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Organization is involved in litigation in the normal course of business. There are no current legal matters in which the Organization is a defendant or that management believes will have a materially adverse financial impact on the Organization.

Smart Home Construction

Through its *R.I.S.E.* program, the Organization is committed to building 16 Smart Homes. The total budgeted cost of those Smart Homes is approximately $15,500,000. As of December 31, 2022, the Organization had expended approximately $13,200,000 on those homes, resulting in a remaining net commitment of approximately $2,300,000.

Gain contingency

The Organization has been named the sole beneficiary of a donor's estate in an executed living trust. The donor passed in February 2022 at which time the living trust became irrevocable. Subsequent to the passing of the donor, the trustee of the living trust has brought litigation to disinherit the Organization and name another non-profit organization as the beneficiary. The Organization is vigorously defending its claim and believes that its claim to the estate is valid and will be upheld. However, since the legal matter has not concluded, the Organization believes that there is sufficient uncertainty around the outcome and has not recorded the bequest in its books and records. The estimated value of the estate is approximately $20,000,000.

5. RELATED PARTY

During 2022, the treasurer of the Organization provided design services and sold furniture and fixtures to the Organization at discounted prices. The total amount of services provided and furniture sold to the Organization during the year ended December 31, 2022 totaled approximately $114,000.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2022:

Smart Homes and Home Modifications *(R.I.S.E. Program)*	$ 3,376,122
Center for Education and Outreach	1,198,944
Relief and Resiliency	2,638,993
First Responders	419,267
Time Restricted	382,627
Other	66,794
	$ 8,082,747

6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Smart Homes and Home Modifications *(R.I.S.E. Program)*	$ 4,303,469
Center for Education and Outreach	623,847
Relief and Resiliency	748,832
First Responders	166,667
Other	3,222
	$ 5,846,037

Contributions and grants receivable includes balances totaling $4,122,000 that are also purpose restricted. Also included within contributions and grants receivable are balances totaling $4,406,379 that were due by December 31, 2022 and are no longer time restricted. The remainder consists of $125,353 in present value discounts and $382,627 in time restricted contributions and grants receivable.

7. BOARD-DESIGNATED ENDOWMENT

In the February 2016, the Board of Directors (the "Board") established a board designated endowment fund in the amount of $10,000,000 as part of the Organization's long-term strategic plan. The Organization has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to maximize the return on invested assets while minimizing risk and expenses. This is to be done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The Organization targets a diversified asset allocation that places an emphasis on fixed income securities and equity investments with approximately 5% to be held in cash and cash equivalents accounts to be available for program expenditures, administrative costs, and other anticipated expenses. Five percent (5%) of the total market value of the fund as of September 30 of each year may be utilized over the course of the following calendar year for the Organization's administrative and overhead expenses. No such allocation was made in 2022.

Activity in the 2022 Board-Designated endowment was as follows:

Balance, beginning of year	$ 16,722,709
Realized and unrealized losses	(2,636,319)
Dividends and interest income	356,880
Investment expenses	(67,434)
Balance, end of year	$ 14,375,836

8. INVESTMENTS

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

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	$ 24,969,637	$ -	$ -	$ 24,969,637
Corporate stocks	5,464,838	-	-	5,464,838
Corporate bonds	-	3,914,960	-	3,914,960
U.S. Treasury notes	2,098,146	-	-	2,098,146
Other marketable security funds	599,214	-	-	599,214
	$ 33,131,835	$ 3,914,960	$ -	$ 37,046,795

Investment (losses) income, net consisted of the following:

Realized and unrealized losses	$ (6,827,999)
Interest and dividends	1,043,759
Management Fees	(131,572)
	$ (5,915,812)

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 43,536,326
Proceeds from sales of investments	(6,423,137)
Purchases of investments	6,021,446
Donated investments	740,159
Realized and unrealized losses	(6,827,999)
Balance, end of year	$ 37,046,795

9. RETIREMENT PLAN

The Organization has a retirement plan providing benefits to all eligible employees. The Organization makes matching contributions of 3% of eligible compensation of those employees who elected to contribute to the plan. Employees are eligible to participate upon start of service and are vested in their accounts upon enrollment. Retirement plan expense for the year ended December 31, 2022 was $25,773.

10. LEASES

In January 2022, the Organization adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the accompanying consolidated statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases").

The adoption of ASC 842 resulted in the recognition of right-of-use asset and liability totaling $4,251,552.

The Organization has various leases which expire at various dates through 2026.

The right-of-use assets is detailed as follows:

Right-of-use assets - operating	$ 3,260,803

The right-of-use lease liabilities are detailed as follows:

Lease liabilities, current portion	
Operating lease liabilities	$ 966,280
Lease liabilities, net of current portion	
Operating lease liabilities	2,486,318
	3,452,598

Lease costs for the year consisted of the following:

Operating lease costs	
Monthly scheduled rent	$ 991,480

10. LEASES (continued)

Future maturities of operating lease liabilities are as follows:

Year ending December 31,		
2023	$	1,031,854
2024		1,097,331
2025		1,039,176
2026		374,046
2027		4,512
		3,546,919
Less: imputed interest		(94,321)
Lease liabilities, net of imputed interest		3,452,598
Current portion		(966,280)
	$	2,486,318

The weighted-average lease terms and discount rates are as follows:

Weighted-average remaining lease term - operating lease	3.34 years
Weighted-average discount rate - operating lease	1.64%

11. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets reported on the consolidated statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor restrictions as of December 31, 2022.

Liquidity of financial assets as of December 31, 2022 is as follows:

Cash and cash equivalents	$	32,651,092
Investments		37,046,795
Contributions and grants receivable, current portion		7,478,339
		77,176,226
Net assets with donor restrictions (Note 6)		(7,700,120)
Board designated endowment (Note 7)		(14,375,836)
	$	55,100,270