Haven Ministries
(a non-profit corporation)
Financial Statements
Year Ended June 30, 2023

Haven Ministries and Related Entities
Financial Statements
Year Ended June 30, 2023

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VANDERSPEK
HOWERZYL
CPAs & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Haven Ministries

Opinion

We have audited the consolidated financial statements of Haven Ministries (a nonprofit organization) and related entities, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expense, 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 Haven Ministries and related entities as of June 30, 2023, and the changes in its net assets and its 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 Consolidated Financial Statements section of our report. We are required to be independent of Haven Ministries and related entities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Haven Ministries and related entities' 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 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 consolidated 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 Haven Ministries and related entities 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 Haven Ministries and related entities 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.

VanderSpek Howerzyl, CPAs

Escondido CA
November 10, 2023

Haven Ministries and Related Entities
Consolidated Statement of Financial Position
June 30, 2023

ASSETS	
Current Assets:	
Cash	$ 1,532,039
Investments	182,932
Accounts receivable	202
Contributions receivable	104,625
ERC receivable	70,974
Inventory	87,432
Prepaid expenses	21,845
Total Current Assets	2,000,049
Property and equipment, net	15,787
Other Assets:	
Investment in film	635,786
Security deposits	5,543
Finance lease right of use	2,263
Operating lease right of use	322,837
Total Other Assets	330,643
Total Assets	$ 2,982,265
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 238,710
Payroll and related liabilities	95,927
Annuity liability - current	19,645
Other liabilities	50
Total Current Liabilities	354,332
Other Liabilities:	
Operating lease liability	325,793
Finance lease liability	2,263
Annuity payment liability	78,888
Revocable trust liability	1,000
Less annuity liability - current	(19,645)
Total Other Liabilities	388,299
Total Liabilities	742,631
Net Assets:	
Net Assets, without donor restrictions	2,132,733
Net assets with donor restrictions	106,900
Total Net Assets	2,239,633
Total Liabilities and Net Assets	$ 2,982,265

See accompanying notes to consolidated financial statements

Haven Ministries and Related Entities

Consolidated Statement of Activities

For theYear Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Contributions	$ 2,744,733	$ 1,300,873	$ 4,045,606
Bequests	392,097		392,097
Grants	117,588		117,588
Investment return	23,616		23,616
Inkind donations	5,181		5,181
Change in value of split interest agreements	(12,443)		(12,443)
Net assets released from			-
restrictions, satisfaction of program restrictions	1,373,271	(1,373,271)	-
Total Support and Revenue	4,644,043	(72,398)	4,571,645
Expenses:			
Program services	3,715,454		3,715,454
Supporting services			
General and administrative	260,143		260,143
Fundraising	305,151		305,151
Total Expenses	4,280,748	-	4,280,748
Change in Net Assets	363,295	(72,398)	290,897
Prior period adjustment (note 11)	70,974		70,974
Net Assets, beginning	1,698,464	179,298	1,877,762
Net Assets, ending	$ 2,132,733	$ 106,900	$ 2,239,633

Haven Ministries and Related Entities
Consolidated Statement of Functional Expense
For the Year Ended June 30, 2023

	Program Services	General and Admin	Fundraising	Total
Salaries, benefits, & related costs	$ 952,691	$ 188,031	$ 112,818	$ 1,253,540
Special projects	193			193
Radio Ministry	1,052,353			1,052,353
Devotional and donor mailings	283,650		70,912	354,562
Premiums/shipping & postage	373,233			373,233
Website	95,231	35,553	99,556	230,340
Office expense	100,845	19,904	11,942	132,691
Interest expense		117		117
Missions outreach	773,466			773,466
Occupancy	83,792	16,538	9,923	110,253
Totals	$ 3,715,454	$ 260,143	$ 305,151	$ 4,280,748

See accompanying notes to consolidated financial statements

Haven Ministries and Related Entities

Consolidated Statement of Cash Flows
For theYear Ended June 30, 2023

Cash Flows from Operating Activities:	
Increase in net assets	$ 290,897
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	23,097
Donated securities	(5,181)
Unrealized gain (loss) on investments, net	17,272
Change in value of split-interest agreements	(12,443)
(Increase) decrease in operating assets:	
Contributions receivable	5,000
Increase in inventory	(17,260)
Increase in prepaid expenses	(12,414)
Increase in investment of film	(635,764)
Change in operating right of use asset	(322,837)
Increase in security deposits	(1,026)
Increase (decrease) in operating liabilities:	
Accounts payable	9,778
Payroll and related liabilities	3,842
Change in operating lease liability	325,793
Change in finance lease liability	2,263
Other liabilities	(552)
Net Cash Provided by Operating Activities	(329,535)
Cash Flows from Investing Activities:	
Purchase of stock	(5,885)
Proceeds from sale of stocks	8,361
Net Cash Provided (Used) by Investing Activities	2,476
Cash Flows from Financing Activities:	
Change in financing right of use asset	(2,263)
Payments on charitable gift annuity obligations	(19,860)
Net Cash Provided(Used by Financing Activities	(22,123)
Net Increase (Decrease) in Cash	(349,182)
Cash, beginning	1,881,221
Cash, ending	$ 1,532,039
Interest expense paid	$ 116

See accompanying notes to consolidated financial statements

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Haven Ministries (the Organization) operates a radio broadcast ministry dedicated to using the spoken word and music to spread the gospel of Jesus Christ around the world, to minister encouragement to the family of God, and to better inform all people concerning biblical issues. In addition to the radio broadcasts, various literature and music is distributed to further accomplish these same objectives.

These financial statements were prepared in connection with the Ministries newly formed subsidiary. Haven Films, LLC was formed to create the film Amazing Grace and other projects to further advance getting the Gospel out to a wider audience. Haven Films, LLC plans to distribute the film to a select number of theaters in 2024. The LLC is wholly owned by Haven Ministries and its activity have been included in these financial statements. As of June 30, 2023, the costs related to the film have been capitalized until it is available for showing and distribution.

Basis of Accounting

The consolidated financial statements include the accounts of Haven Ministries and Haven Films LLC. (collectively, the Organization) and have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All significant intercompany account balances and transactions have been eliminated in consolidation.

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

- Net assets without donor restriction represent net assets that have no use or time restrictions. Without donor restriction amounts represent amounts that are available for various activities including the Organization’s activities and charitable endeavors at the discretion of the Organization’s Board of Directors.

- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds or recognize the support.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates (continued)

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reporting amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Accounts Receivable

The accounts receivable arises in the normal course of operations. It is the policy of management to review the outstanding receivables at year-end and establish an allowance for doubtful accounts for uncollectible amounts. No allowance is considered necessary at June 30, 2023 because management believes all amounts are collectible.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restriction 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 asset with donor restrictions are reclassified to net assets without restriction.

Revenue and Support

Unconditional contributions of cash or other assets and unconditional promises to give are recorded as revenue in the period received and are classified as without donor restrictions or with donor restrictions based on donor stipulations. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on estimated future cash flows. Conditional contributions are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Contributions receivable from charitable trusts are adjusted annually to fair value, and any actuarial gain or loss is reflected in the statement of activities as change in value of split-interest agreements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists primarily of ministry-related books and music compact discs. Inventory is valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Acquisitions of property and equipment with a cost in excess of $3,000 or more are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation.

Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of five to forty years.

Functional Allocation of Expenses

The functional expenses are broken out to provide detail between three categories: programs, general administrative, and fundraising expenses. Expenses are classified in these categories in accordance with their necessity to run the programs and missions of the Organization. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and benefits are expenses which are allocated based on estimates of time and effort. Office expenses/leases and utilities are allocated based on square footage of office space used.

Income Taxes

The Organization is exempt from Income taxes under the current provisions of the Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

The organization complies with Financial Accounting Standards Board Interpretation No.48, *Accounting for Uncertainty in Income Taxes,* which provides accounting and disclosure guidance about uncertain tax positions taken by an organization. Examples of tax positions include the tax-exempt status of the Organization and various positions

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

related to the potential sources of unrelated business taxable income (UBIT). Management believes that all of the positions taken by the Organization in its federal and state Exempt Organization Income Tax Returns are more likely than not to be sustained upon examination. The Organization's Exempt Organization Returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years after they were filed.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Cash held in money market funds in brokerage accounts are included with investments. Donated securities are originally carried at their fair market value at the date of donation. Investment gains and losses are included in the change in net assets in the statements of activities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization classifies certain of its assets and liabilities based upon an established fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for the identical asset or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

> Level 1- Valuations based on unadjusted quoted market prices for identical assets or liabilities that the Organization has the ability to access at the measurement date;
>
> Level 2- Valuation based on unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and
>
> Level 3- Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of assets and liabilities within the hierarchy is based upon the pricing transparency and does not necessarily correspond to the Organizations perceived risk of the assets and liabilities.

Endowment Fund

The following disclosures related to Endowment Net Assets are required by SFAS 117-1 of the Financial Accounting Standards Board which governs the reporting requirements for donor-restricted endowment funds.

The Board of Trustees 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 (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a mutual funds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 2%, if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 2% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Endowment Fund (continued)

Spending Policy. The Ministry has a policy of appropriating for distribution each year the income created by the endowment.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees of the Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

See note 12 for specific details on the endowed funds.

Leases

The Organization determines if an arrangement is a lease at inception, which conveys the Organization the right to control the use of an identified asset for a period of time in exchange for consideration. The Organization determines whether the lease classification is an operating or financing lease at the commencement date. Leases are recorded as operating and financing right-of-use (ROU) assets and lease liabilities on the statement of position in accordance with FASB ASC 842, Leases. ROU assets represent the Organization's right to use an underlying asset for the lease term and the corresponding lease liabilities represent its obligation to make lease payments arising from the lease. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum payments over the lease term at commencement date.

The Organization uses the allowable risk-free rate for the period comparable with the lease terms, using the borrowing rate for a zero-coupon US Treasury instrument for the same lease period.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operation leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Subsequent Events

Subsequent events are events or transitions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statement the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Subsequent events continued

position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through November 10, 2023 which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in the financial statements.

Note 2 – Fair Value Measurement

The Organization purchases Level 1 investments which are stated at fair market value and are summarized as follows:

	Cost	Fair Market
Fixed income	$ 18,669	$ 17,251
Mutual funds	119,590	134,928
Equities & ETP	12,860	30,753
	$ 151,119	$ 182,932

Note 3 – Property and Equipment

Property and equipment consist of the following:

Furniture and equipment	$ 205,264
Leasehold improvements	28,390
Software	353,067
	586,721
Less accumulated depreciation	(570,934)
	$ 15,787

Depreciation expense for the years ended June 30, 2023 was $23,097.

Note 4 – Paid Time Off

Employees of the Organization are entitled to paid time off (PTO). PTO includes vacation, sick and personal days which are recognized as a liability of the Organization. Employees are allowed to accumulated PTO according to the charts below.

Full Time employees - employees that regularly work at least 32 hours per week

Length of Employment	Annual Rate	Accrual Rate	Cap
Year 1	1 Week	1.67 hours per pay period	-------
Year 2	2 Week	3.33 hours per pay period	3 Weeks
Year 3	3 Week	5.00 hours per pay period	4 Weeks
Year 4	4 Week	6.67 hours per pay period	6 Weeks
Year 5-9	5 Week	8.33 hours per pay period	8 Weeks
Year 10 +	6 Week	10.00 hours per pay period	10 Weeks

Part-Time employees- employees that work less than 32 hours per week

Length of Employment	Annual Rate	Accrual Rate	Cap
Year 1	26 hours	1.09 hours per pay period	-------
Year 2+	52 hours	2.17 hours per pay period	104 hours

Once the cap is reached, no time will be accrued until the employee takes time off and brings the accrual under the maximum limit. The Organization will not substitute pay in lieu of time off in cases other than termination or resignation. Upon separation from employment, employees will be compensated for their unused PTO balance at their hourly rate. As of June 30, 2023, the liability was $95,325.

Note 5 – Concentration of Risk

Custodial credit risk for deposits is the risk that Haven Ministries will not be able to recover its deposits in the event of a failure of a depository institution. Haven Ministries deposits are maintained at financial institutions that are Federal Insurance Corporations (FDIC) secured up to $250,000 and Securities Investor Protection Corporation (SIPC) secured up to $500,000. As a result, custodial credit risk for deposits are remote. In the ordinary course of operations, deposit balances can exceed the FDIC insurance limits.

The Organization invests in various types of marketable securities and money market funds. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

Note 5 – Concentration of Risk (continued)

The Organization invests in various investment securities, including U.S. government securities, corporate debt instruments, corporate stocks and various alternative investments. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Note 6 – Charitable Gift Annuities and Revocable Trusts

The Organization has entered into a number of gift annuity agreements whereby it has agreed to pay to the annuitants' periodic payments for the remainder of their lives in exchange for a charitable contribution. The original value of the contributed assets for the ongoing annuities included in investments is $269,000 as of June 30, 2023. The Organization records a liability based on the present value of the annuity payments which is $79,888 as of June 30, 2023. At the time of the annuitants' death the remaining principal will be available to the Organization. The annuity payments during the year ended June 30, 2023 was $19,860. Each year the Organization records the change in value of the split-interest agreements based on the difference between the payments to the annuitants, the change in the liability based on changes in life expectancies, and the termination of any annuities.

The Organization has entered into a trust agreement whereby it has become the trustee with respect to certain assets to be held in trust for the benefit of the trustor. Periodic payments are made to the trustor from the income received by the trust. The trustee has the power of management of the trust assets including sale and reinvestment. The agreements are revocable by the trustor. The agreements terminate upon the death of the trustor and the assets become the property of the Organization.

Note 7 – Haven Ministries Canada

There is an organization in Canada that shares the same name and broadcasts the radio programs that are produced by the Organization. While the two organizations are not related, they work closely together and share resources. Haven Canada makes contributions towards the cost of producing the radio broadcasts when it is able. Amounts received from Canada for the year ended June 30, 2023 was $116,417.

Note 8 – Pension Plan

The Organization created a 401k - retirement plan for its employees. There are no eligibility requirements for the purpose of making salary deferrals to the Plan. In order to receive the employer's contribution portion of the Plan, an employee must be 21 years of age and must have completed two calendar months of service and 83 hours in each month. The Organization matches the employees' contributions up to four percent. The employer pension expense for the year ended June 30, 2023 was $40,583.

Note 9 – New Accounting Pronouncements

ASU No. 2016-02 Leases (topic 842) – This guidance effective for the Organization's fiscal year ended June 30, 2023 is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheet and disclosing key information about leasing arrangements. The Organization adopted this ASU using the modified retrospective transition approach and the effective date method, which allowed the Organization to apply the new leases standard at the adoption date of July 1, 2022. As of June 30, 2023, the Organization recognized a lease liability of $347,878 which represents the present value of remaining lease payments and a right-of-use asset of $347,904 using the risk-free rate. Management adopted ASC 842 using the modified retrospective transition method under which amounts in prior periods were not restated.

In September of 2021, the FASB issued ASU 2021-7 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not for profit Organization's through enhancements to presentation and disclosures. ASU No 2021-7 was issued to address certain stakeholder's concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. This standard was effective for the Organization's year ended June 30, 2023. The adoption of this guidance did not have a material impact on the financial statements.

Note 10 – Leases

In March of 2004, the Organization entered into an operating lease for 4,106 square foot of space for its main office in California, expiring in December 2028. In May of 2021, the Organization entered into sixty-month finance lease for equipment expiring in May of 2026. Leases with terms greater than one year are reported as finance or operating leases right-of -use assets, net and finance or operating lease liabilities in the consolidated statement of financial position.

Note 10 – Leases (continued)

Lease terms, discounts rates and other information are as follows:

	Operating	Finance
Remaining lease term	4.5 years	3 years
Discount rate	4.58%	4.85%
Lease costs	$ 36,954	$ 834
Asset amortization		$ 718
Interest on liability		$ 116

The table below presents a maturity analysis of lease liabilities and a reconciliation of the total amount of such liabilities recognized in the consolidated balance sheet at June 30, 2023.

	Operating	Finance
2024	$ 75,386	$ 834
2025	78,342	834
2026	81,229	834
2027	84,255	
2028	42,864	
Total lease payments	362,076	2,502
Less interest	(36,283)	(239)
Present value of lease liabilities	$ 325,793	$ 2,263

Note 11 – Prior Period Adjustment

During the fiscal year ended June 30, 2023, the Organization preformed additional analysis and found they qualified for the Employee Retention Credit (ERC) in 2020 and retroactively applied for the missed credits. Therefore, the prior years audited financial statements did not include the conditional contribution of $70,974. Had this contribution been booked, both ERC receivable and net assets without restriction would have increased by $70,974.

Note 12 – Net Assets

The detail of the Organization's net asset categories at June 30, 2023 are as follows:

	2023
Without donor restrictions:	
General missions & operations	$ 2,132,733
With donor restrictions:	
Subject to the passage of time	
Movie Projects	57,400
Subject to Organizations spending policy and appropriation	
Donor corpus restricted in perpetuity	49,500
Total with donor restrictions	106,900
Total net assets	$ 2,239,633

The composition of the endowment fund as of June 30, 2023 is as follows:

Donor restricted endowment funds	
Donor corpus restricted in perpetuity	$ 49,500

Change in endowment net assets for the year ended June 30, 2023 was as follows:

	With Donor Restrictions
Endowment net assets July 1, 2022	$ 49,500
Investment returns, net	2,549
Amounts appropriated for expenditure	(2,965)
Under water adjustment	416
Endowment net assets June 30, 2023	$ 49,500

At year end, the fair market value of the endowment fund fell below the level that the donor requires for the Organization to retain as a fund of perpetual duration. The original gift value was $49,500, current fair value of $49,084 and a deficiency of $416. These deficiencies resulted from unfavorable market fluctuations that occurred and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Note 13 – Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as June 30, 2023 reduced by amounts not available for general expenditures due to contractual or donor- imposed restrictions within one year. Amounts not available include unused restricted donations. General expenditures include grant awards, operating and administrative expenses, capital spending and other financial liabilities.

Financial assets	
Cash and cash equivalents	$ 1,532,039
Investments	182,932
Contributions receivable	104,827
ERC receivable	70,974
Inventory	87,432
Other assets	21,845
Total liquid assets	2,000,049
Less assets unavailable for general expenditures with one year:	
Endowments and accumulated earnings subject to appropriation beyond one year, net	(49,500)
Amounts held by others	(104,625)
Liabilities under split interest agreements	(79,888)
Total assets unavailable for general expenditure within one year	(234,013)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,766,036