

**MALIVAI WASHINGTON KIDS FOUNDATION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

MALIVAI WASHINGTON KIDS FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	PAGE <u>NO.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS.....	9 - 23

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
MALIVAI WASHINGTON KIDS FOUNDATION, INC.

Opinion

We have audited the accompanying financial statements of MaliVai Washington Kids Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 MaliVai Washington Kids Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MaliVai Washington Kids Foundation, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*American Institute of
Certified Public Accountants*

*Florida Institute of
Certified Public Accountants*

CPACONNECT

**4745 Sutton Park Court
Suite 102
Jacksonville, FL 32224**

**Phone 904.421.0690
Fax 904.421.0691**

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 MaliVai Washington Kids Foundation, 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 MaliVai Washington Kids Foundation, 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 MaliVai Washington Kids Foundation, 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.

Jacksonville, Florida
September 13, 2023

Howard & Company, CPAs, P.A.

**Howard &
Company**
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents		
Without donor restrictions	\$ 4,057,214	\$ 3,197,478
With donor restrictions	-	318,500
Pledges receivable net, donor restricted	109,228	342,414
Grant receivable net, donor restricted	-	25,000
Accrued interest receivable	17,071	6,714
Prepaid expenses	7,427	14,729
Investments without donor restrictions	2,557,422	2,333,816
	<u>6,748,362</u>	<u>6,238,651</u>
PROPERTY AND EQUIPMENT, net	<u>4,782,607</u>	<u>4,929,210</u>
OTHER ASSETS		
Beneficial interest in assets held at Community Foundation	<u>2,005,236</u>	<u>1,121,289</u>
	<u>\$ 13,536,205</u>	<u>\$ 12,289,150</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 392	\$ 3,672
Accrued expenses	102,768	81,613
Conditional contribution	-	-
Refundable advances	20,000	5,500
	<u>123,160</u>	<u>90,785</u>
COMMITMENTS		
NET ASSETS		
Without donor restrictions	11,000,521	10,421,662
With donor restrictions	2,412,524	1,776,703
	<u>13,413,045</u>	<u>12,198,365</u>
	<u>\$ 13,536,205</u>	<u>\$ 12,289,150</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 3

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 1,734,645	\$ 319,630	\$ 2,054,275
Grants	-	746,156	746,156
Special events, net of expenses	-	220,072	220,072
Fees	40,353	-	40,353
Investment income, net of fees of	89,753	-	89,753
Realized gains, net	22,787	-	22,787
Unrealized losses, net	164,239	-	164,239
Gains on change in value of beneficial interest in assets held at Community Foundation	-	183,946	183,946
Miscellaneous	2,582	-	2,582
Total support and revenues	<u>2,054,359</u>	<u>1,469,804</u>	<u>3,524,163</u>
Net assets released from restrictions	<u>823,983</u>	<u>(823,983)</u>	<u>-</u>
	<u>2,878,342</u>	<u>645,821</u>	<u>3,524,163</u>
Expenditures			
Program services	1,899,535	-	1,899,535
General and administrative	372,263	-	372,263
Fundraising	37,685	-	37,685
	<u>2,309,483</u>	<u>-</u>	<u>2,309,483</u>
Increase in Net Assets	568,859	645,821	1,214,680
Net Assets at Beginning of Year	<u>10,421,662</u>	<u>1,776,703</u>	<u>12,198,365</u>
Net Assets at End of Year	<u>\$ 10,990,521</u>	<u>\$ 2,422,524</u>	<u>\$ 13,413,045</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 4

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 1,369,159	\$ 69,712	\$ 1,438,871
Grants	-	794,256	794,256
PPP loan forgiveness grant	-	150,000	150,000
Special events, net of expenses	-	227,470	227,470
Fees	31,355	-	31,355
Investment income, net of fees of	47,378	-	47,378
Realized gains, net	159,159	-	159,159
Unrealized losses, net	(554,108)	-	(554,108)
Losses on change in value of beneficial interest in assets held at Commun	-	(205,120)	(205,120)
Miscellaneous	2,632	-	2,632
Total support and revenues	<u>1,055,575</u>	<u>1,036,318</u>	<u>2,091,893</u>
Net assets released from restrictions	<u>1,084,927</u>	<u>(1,084,927)</u>	<u>-</u>
	<u>2,140,502</u>	<u>(48,609)</u>	<u>2,091,893</u>
Expenditures			
Program services	1,507,468	-	1,507,468
General and administrative	318,866	-	318,866
Fundraising	13,983	-	13,983
	<u>1,840,317</u>	<u>-</u>	<u>1,840,317</u>
Increase in Net Assets	300,185	(48,609)	251,576
Net Assets at Beginning of Year	<u>10,121,477</u>	<u>1,825,312</u>	<u>11,946,789</u>
Net Assets at End of Year	<u>\$ 10,421,662</u>	<u>\$ 1,776,703</u>	<u>\$ 12,198,365</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 5

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries and wages	\$ 1,086,896	\$ 190,026	\$ -	\$ 1,276,922
Payroll taxes and benefits	153,239	44,824	-	198,063
	<u>1,240,135</u>	<u>234,850</u>	<u>-</u>	<u>1,474,985</u>
Operating Expenses				
Vehicle expenses	17,805	-	-	17,805
Fundraising	-	-	33,071	33,071
Occupancy	82,425	43,457	-	125,882
Office expenses	11,356	47,506	4,614	63,476
Program expenses	164,624	-	-	164,624
Travel	3,119	124	-	3,243
Scholarships	27,321	-	-	27,321
Depreciation	211,133	-	-	211,133
Insurance	75,265	5,933	-	81,198
Staff related expenses	5,999	40,393	-	46,392
Summer camp	60,353	-	-	60,353
	<u>659,400</u>	<u>137,413</u>	<u>37,685</u>	<u>834,498</u>
Total expenses	<u>\$ 1,899,535</u>	<u>\$ 372,263</u>	<u>\$ 37,685</u>	<u>\$ 2,309,483</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 6

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries and wages	\$ 821,688	\$ 177,802	\$ -	\$ 999,490
Payroll taxes and benefits	110,118	33,640	-	143,758
	<u>931,806</u>	<u>211,442</u>	<u>-</u>	<u>1,143,248</u>
Operating Expenses				
Vehicle expenses	28,648	-	-	28,648
Fundraising	-	-	9,201	9,201
Occupancy	73,524	53,423	-	126,947
Office expenses	2,266	32,719	4,782	39,767
Program expenses	106,768	-	-	106,768
Travel	297	1,214	-	1,511
Scholarships	36,679	-	-	36,679
Depreciation	216,079	-	-	216,079
Insurance	49,438	-	-	49,438
Staff related expenses	4,597	20,068	-	24,665
COVID expenses	555	-	-	555
Summer camp	56,811	-	-	56,811
	<u>575,662</u>	<u>107,424</u>	<u>13,983</u>	<u>697,069</u>
Total expenses	<u>\$ 1,507,468</u>	<u>\$ 318,866</u>	<u>\$ 13,983</u>	<u>\$ 1,840,317</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 7

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets	\$ 1,214,680	\$ 251,576
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	211,133	216,079
Net realized and unrealized losses (gains) on investments	(205,218)	386,479
Transfer to Community Foundation	(700,000)	-
Loss on disposal of property and equipment	1,352	-
PPP Loan Forgiveness Grant	-	(150,000)
Change in financial position accounts:		
Pledges and grant receivable	258,186	229,488
Accrued interest receivable	(10,357)	(2,318)
Prepaid insurance	7,302	35,169
Accounts payable and accrued expenses	32,375	(146,950)
Conditional Contribution	-	150,000
Net cash provided by operating activities	<u>809,453</u>	<u>969,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(65,882)	(54,246)
Purchases of investments	(907,857)	(1,525,556)
Proceeds from sales of investments	889,469	1,117,349
Change in value of beneficial interest in assets held at Community Foundation	(183,947)	205,121
Net cash used in investing activities	<u>(268,217)</u>	<u>(257,332)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	541,236	712,191
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,515,978</u>	<u>2,803,787</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,057,214</u>	<u>\$ 3,515,978</u>
CASH AND CASH EQUIVALENTS - WITHOUT DONOR RESTRICTIONS	4,057,214	3,197,478
CASH AND CASH EQUIVALENTS - WITH DONOR RESTRICTIONS	-	318,500
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,057,214</u>	<u>\$ 3,515,978</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Unrealized losses (gains) on investments	<u>\$ (163,691)</u>	<u>\$ 550,398</u>

See Independent Auditor's Report and Notes to Financial Statements.

Page 8

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Purpose and Programs

MaliVai Washington Kids Foundation, Inc. (the "Organization") was incorporated in Florida as a nonprofit Corporation in February of 1999. It is the mission of the Organization to utilize tennis as a tool to develop positive life skills and to encourage academic achievement in youth, particularly those who otherwise would not be exposed to the sport as well as developing champions in the classroom, on tennis courts and throughout communities.

The Organization's main programs are as follows:

TnT – A comprehensive after school program is offered to kindergarten grade through high school students in three program modules: Elementary TnT (for K – 5th grade); Leadership (for 6th - 8th grades), and High School (for 9th – 12th grades). The program provides homework assistance, character development/community involvement programs and tennis instruction and fitness.

Camp Dynamite – The summer version of TnT offers a traditional summer camp experience coupled with tennis and academic reinforcement.

Competitive Program – This program is available to students who are athletically gifted and who maintain academic excellence and exceptional behavior. It consists of small group lessons, participation in Grand Prix tournaments, and USTA & Team Tennis.

Outreach/Partner Programs – Outreach programs are designed to provide a broad introduction to the sport of tennis to as many youth as possible. Programs and activities include one day clinics and assembly programs, summer camps, and school year programs with partner youth development organizations and local schools.

Scholarships – Annual scholarships are awarded to outstanding Organization participants for their efforts on the court, in their communities and in the classroom.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Classification of Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958 – Not-For-Profit Entities. Under FASB ASC 958, 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.

The assets, liabilities, and net assets of the Organization are reported in net asset classes as follows:

- a. Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations and represent resources over which the Board of Directors (the "Board") has discretionary control.
- b. Net assets with donor restrictions - are from: (1) contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations; (2) other asset enhancements and diminishments subject to the same kinds of stipulations; (3) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations or (4) net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires that management make use of estimates and assumptions that may affect the reported amount of certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Asset and Liability Liquidity

On the Statements of Financial Position, the assets have been presented in a sequence according to their nearness of conversion to cash and the liabilities have been sequenced according to their nearness of their maturity and resulting use of cash. Financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$	4,057,214
Receivables		-
Investments		<u>2,557,422</u>
	\$	<u>6,614,636</u>

As part of liquidity management, it is policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. Although there is no intention of spending from the investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from the investments could be made available if necessary.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

New Accounting Pronouncements – (Continued)

This new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization adopted ASU No. 2016.02 Leases (Topic 842) as of January 1, 2022, requiring lessees to recognize right of use assets and lease liabilities for the rights and obligations created by leases. The result of the adoption had no effect on the financial statements of the Company because the Company had no material leases during 2022.

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from FASB ASU No. 2014-09, Revenue from Contracts with Customers, regarding its implications on the grants and contracts of not-for-profit organizations.

ASU 2018-08 applies to resource recipients. It includes decision trees to assist in evaluating a transaction. The first decision for both parties to consider is whether each party directly receives commensurate value. If the transaction is reciprocal (i.e., an exchange), the recipient would follow ASU 2014-09. If the transaction is nonreciprocal (i.e., a contribution), the recipient would apply contribution guidance.

For nonreciprocal transactions (contributions), the next point to consider for both parties is whether conditions have been placed on the resources provided. The presence of conditions affects the timing of revenue and expense recognition by the resource recipient and resource provider, respectively.

Conditional contributions are recognized as liabilities if assets are transferred in advance or not recognized at all until the conditions have been substantially met or explicitly waived by the donor, at which point the contributions are recognized as unconditional and classified as net assets with or without donor restrictions. Unconditional contributions are recognized immediately and classified as net assets with or without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions, which have donor restrictions expiring in the current year, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When the restriction expires, donor restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

Contributions Receivable

Contributions receivable consist of contributions due to the Organization that have been pledged as of the balance sheet date.

Donated Services

When professional services are donated, values are recorded as in-kind contributions. For the years ended as June 30, 2023 and 2022, there were no donated services.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or at the fair value at the date of donation. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 5 to 39 years.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Income Taxes

MaliVai Washington Kids Foundation, Inc. has been recognized as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Professional standards prescribe a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties and disclosure required. MaliVai Washington Kids Foundation, Inc. is subject to taxation in the United States and the tax years 2019, 2020, 2021, and 2022 are subject to examination by tax authorities.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization has adopted Accounting Standards Update (ASU) NO. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization had conditional contributions for the years ended June 30, 2023 and 2022 which are classified as conditional contributions and refundable advances in the accompanying financial statements.

Staff-Related Expenses

This category includes background screening, drug testing, payroll services, staff recruitment, staff training, DCF training, staff uniforms, temporary labor, and volunteer/staff appreciation.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Functional Expenses

The costs of providing the various programs, special events, and other activities have been summarized on a functional basis in each Statement of Functional Expenses. Accordingly, certain costs have been allocated among the general, program and fundraising activities benefited. Therefore, these expenses require allocations on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort. Occupancy expense is allocated based upon square footage. Office expenses are allocated based upon estimates of usage.

2. **PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>Years</u>	<u>2023</u>	<u>2022</u>
Office equipment	5-7	\$ 71,095	\$ 70,024
Program equipment	5-7	139,182	143,514
Buildings	39	5,847,233	5,847,233
Vehicles	5	206,979	154,944
Furniture and fixtures	5-7	52,902	91,142
		<u>6,317,391</u>	<u>6,306,857</u>
Less accumulated depreciation		<u>(1,534,784)</u>	<u>(1,377,647)</u>
		<u>\$ 4,782,607</u>	<u>\$ 4,929,210</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$211,133 and \$216,079, respectively.

3. **COMMITMENTS**

The Organization negotiated terms to enter into a Lease and Use Agreement with the City of Jacksonville. The Organization has constructed a 9,200 square foot building in a city-owned park which it leases for \$10 annually for 20 years with four options to renew for five years each. The Organization will have the exclusive use of the building for the term of the lease and will be responsible for all operational expenses of the building.

On January 28, 2019, the Organization entered into a Lease and Use Agreement for a Teen Center in Emmett Reed Park with the City of Jacksonville. The building is 14,000 square feet and the lease is for \$1 annually until May 31, 2035. The lease is renewable for four additional options of five years each (20 total years).

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

4. **INVESTMENTS**

Investments are equities and mutual funds investing in debt and equity securities and corporate bonds carried at fair value. Securities as of June 30, 2023 and 2022, are summarized as follows:

	June 30,			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,887,819	\$ 1,854,652	\$ 1,251,070	\$ 1,227,921
Mutual funds	940,559	1,075,157	937,117	933,791
Common stocks	944,763	1,014,882	899,846	934,926
Corporate bonds	501,223	467,383	499,684	465,099
	<u>\$ 4,274,364</u>	<u>\$ 4,412,074</u>	<u>\$ 3,587,717</u>	<u>\$ 3,561,737</u>
Without donor restrictions	\$ 4,274,364	\$ 4,412,074	\$ 3,587,717	\$ 3,561,737
With donor restrictions	-	-	-	-
	<u>\$ 4,274,364</u>	<u>\$ 4,412,074</u>	<u>\$ 3,587,717</u>	<u>\$ 3,561,737</u>

Investment return was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of fees	\$ 89,753	\$ -	\$ 89,753
Unrealized losses	164,239	-	164,239
Realized gains	22,787	-	22,787
	<u>\$ 276,779</u>	<u>\$ -</u>	<u>\$ 276,779</u>

5. **PLEDGES RECEIVABLE**

The amounts due from pledges receivable are generated from a capital campaign and are restricted, by the donors for a new Teen Center.

At the end of each year, management reviews pledges receivable and identifies those accounts that are potentially uncollectable and determines an amount to reserve against those accounts.

The Organization has recorded an allowance of \$0 for uncollectible pledges as of June 30, 2023 and 2022, respectively.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

5. **PLEDGES RECEIVABLE** – (Continued)

The pledges receivable (at net present value) are due in the succeeding years as follows:

	<u>2023</u>	<u>2022</u>
Receivables in less than one year	\$ 88,850	\$ 265,350
Receivables in one to five years	<u>26,000</u>	<u>90,000</u>
	114,850	355,350
Less: Allowance for bad debt	-	-
Less: Allowance to net present value	<u>(5,622)</u>	<u>(12,936)</u>
Net pledges receivable	<u>\$ 109,228</u>	<u>\$ 342,414</u>

6. **FAIR VALUE MEASUREMENT**

Fair value as defined under generally accepted accounting principles ("GAAP") is an exit price, representing 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. GAAP establishes a three-tier fair value hierarchy, which prioritize the inputs used in measuring fair value.

These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for valuing the asset or liability, either directly, or indirectly. Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 may also include insignificant adjustments to market observable inputs.
- Level 3: Unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

6. **FAIR VALUE MEASUREMENT** – (Continued)

The following is a description of the valuation methodologies used for assets measured at fair values:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Bonds: Valued using paid evaluations reflecting the bid and/or ask sides of the market for an investment as of the last day of the fiscal year.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded on the last day of the fiscal year.

There have been no changes in the methodologies used at June 30, 2023 and 2022.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2023:

	Fair Value - June 30, 2023			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 1,075,157	\$ 1,075,157	\$ -	\$ -
Common stocks	1,014,882	1,014,882	-	-
Corporate bonds	467,383	467,383	-	-
Beneficial interest in assets held at Community Foundation	2,005,236	2,005,236	-	-
Total assets in the fair value hierarchy	\$ 4,562,658	\$ 4,562,658	\$ -	\$ -
Investments measured at net asset value	-			
	<u>\$ 4,562,658</u>			

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

6. **FAIR VALUE MEASUREMENT** – (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2022:

	Fair Value - June 30, 2022			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 933,791	\$ 933,791	\$ -	\$ -
Common stocks	934,926	934,926	-	-
Corporate bonds	465,099	465,099	-	-
Beneficial interest in assets held at Community Foundation	1,121,289	1,121,289	-	-
Total assets in the fair value hierarchy	3,455,105	\$ 3,455,105	\$ -	\$ -
Investments measured at net asset value	-			
		<u>\$3,455,105</u>		

ASC 820 requires certain investments that were measured at net value per share (or its equivalent) to not be classified in the fair value hierarchy. The fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the line item presented in the statement of net assets available for benefits.

For the years ended June 30, 2023 and 2022, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3 and no changes in Fair Value of Level 3 Assets and Related Gains and Losses.

7. **BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Organization has assets held in an endowment fund at the Community Foundation of Northeast Florida (the "Foundation") which is holding them as an agency fund ("Fund") for the benefit of the Organization. The Organization has granted the Foundation variance power which give the Foundation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies which result in distributions to the Organization based upon the Fund's earnings without affecting the principal. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held at the Foundation in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

NOTES TO FINANCIAL STATEMENTS

7. **BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

– (Continued)

The beneficial interest in assets held at the Community Foundation of Northeast Florida has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Foundation is not redeemable by the Organization and therefore these assets are considered Perpetually Restricted Net Assets with Donor Restrictions.

8. **CONCENTRATION OF CREDIT RISK**

The Federal Deposit Insurance Corporation insures accounts up to \$250,000 at each financial institution. At June 30, 2023 and 2022 the Organization had funds in several of its bank accounts in excess of the insured amount. The Organization does not believe, however, that it is exposed to any significant credit risk on cash and cash equivalents.

9. **PAID TIME OFF**

The Organization's policy for paid time off is to give each employee a fixed number of days per month for compensated absences. The liability accrued for paid time off at June 30, 2023 and 2022 is \$-0-.

10. **RETIREMENT PLAN**

The Organization sponsors a SIMPLE Retirement Plan for eligible employees. The employees can defer compensation up to limits established annually by the IRS. The Organization matches 3% of eligible compensation. The Organization contributed \$12,435 and \$16,929 for the years ended June 30, 2023 and 2022, respectively.

11. **SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2023, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is September 13, 2023 the date on which the financial statements were available to be issued.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

12. **DONOR RESTRICTED NET ASSETS**

Donor restricted net assets are comprised of the following as of June 30:

Donor	2023	2022
BiLo Corporation	\$ -	\$ 6,000
Citigroup	40,000	-
Kirbo Charitable Foundation	10,000	-
Early Learning Coalition	54,027	-
TIAA Bank	20,000	-
Edna Sproull Williams Foundation	20,000	10,000
Furyk Foundation	-	25,000
Lucy Gooding Foundation	-	40,000
PGA Tour	-	5,000
Community Foundation	15,000	15,000
Donald McGraw Foundation	55,000	50,000
Sontag	10,000	-
Neviaser Foundation	50,000	75,000
Geddes	5,000	-
First Horizon Advisors	5,000	7,500
Patricia Wilson	-	10,000
Partnership for Mental Health	-	25,000
Peggy G Blount Charitable Fund	35,000	-
USTA Foundation	9,033	50,000
Future fiscal year donations	328,060	318,500
Refundable advances	(20,000)	(5,500)
Time restricted net assets	308,060	313,000
Capital campaign cash balance	-	-
Pledges receivable, net	109,228	342,414
Beneficial interest in assets held by Community Foundation	2,005,236	1,121,289
Purpose restricted net assets	2,114,464	1,463,703
Total donor restricted net assets	\$ 2,422,524	\$ 1,776,703

13. **UNCERTAINTY**

The carrying amount of marketable securities is their fair value at the end of the year, which reflected general market conditions at that time. At the time these financial statements were issued, most of those market conditions had changed the fair value of the portfolio. The market is still volatile, and there is a reasonable possibility the fair value of the portfolio will change again.

MALIVAI WASHINGTON KIDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

14. BOARD RESTRICTED NET ASSETS

For the fiscal years ending June 30, 2023 and 2022, the Board restricted certain cash balances as follows:

	<u>2023</u>	<u>2022</u>
Everbank Scholarship Acct	\$ 279,813	\$ 81,620
TIAA Scholarship CDs	<u>359,238</u>	<u>306,377</u>
	<u>\$ 639,051</u>	<u>\$ 387,997</u>

These amounts are included in cash and cash equivalents without donor restrictions balance in the accompanying financial statements.

In 2009, the Board restricted funds by creating an investment endowment account. The purpose of the investment endowment account is to generate income for programs (and special initiatives with the approval of the Board). Additional funds from net operating income may be added to the investment endowment account at the discretion of the Board of Directors. Special one-time gifts, by donor designee, may be added to the investment endowment account. If the MaliVai Washington Kids Foundation, Inc. ceases to exist or closes down operations, the remainder of the endowment will be donated to a similar organization or utilized for scholarships for MaliVai Washington Kids Foundation, Inc. students at the discretion of the Board of Directors of MaliVai Washington Kids Foundation, Inc. at the time. The investment endowment account increased by \$223,606 from July 1, 2022 to June 30, 2023. A reconciliation of the investment endowment account at June 30, 2023 is as follows:

Beginning balance	\$ 2,333,816
Purchases	(907,857)
Reinvested dividends	62,542
Funds received	-
Funds disbursed	(398)
Management fees	(22,109)
Fair market value adjustments	207,770
Sales	<u>883,658</u>
Balance at June 30, 2023	<u>\$ 2,557,422</u>

NOTES TO FINANCIAL STATEMENTS

15. PPP LOAN PAYABLE

On March 17, 2021, the Organization received a second loan of \$150,000 from the U.S. Small Business Administration as part of the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The loan bears interest at 1%. After a deferral period and taking into account any loan forgiveness, the remaining balance is payable in equal monthly installments. The Organization initially recorded the loan as a note payable and subsequently recognized grant revenue in accordance with the guidance for conditional contributions; that is, once the measurable performance of other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$150,000 as grant revenue for the year ended June 30, 2022.