

THE SUDC FOUNDATION



Financial Statements

For The Year Ended

December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
SUDC Foundation
Roseland, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the SUDC Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year 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 the SUDC Foundation as of December 31, 2022, 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 Financial Statements section of our report. We are required to be independent of the SUDC Foundation 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the SUDC 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SUDC 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.

Respectfully Submitted.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 15, 2023

SUDC FOUNDATION
Statement of Financial Position
As of December 31, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 803,085
Investments - short-term	122,905
Contributions receivable	91,588
Prepaid expenses	<u>6,878</u>

Total current assets	<u>1,024,456</u>
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Noncurrent assets

Operating lease right-of-use asset	17,374
Property and equipment, net	6,655
Investments	587,497
Intangible asset	<u>7,109</u>

Total noncurrent assets	<u>618,635</u>
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Total assets	<u><u>\$ 1,643,091</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 20,412
Accrued payroll	6,227
Operating lease liability - current portion	<u>17,374</u>

Total current liabilities	<u>44,013</u>
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Net assets:

Without donor restrictions	
Undesignated	1,201,908
Board designated	<u>34,082</u>

1,235,990

With donor restrictions - purpose restrictions	<u>363,088</u>
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Total net assets	<u>1,599,078</u>
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Total liabilities and net assets	<u><u>\$ 1,643,091</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

SUDC FOUNDATION
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support revenues			
Contributions			
Contributions and grants	\$ 305,303	\$ 595,529	\$ 900,832
Individual gifts	158,375		158,375
Total contributions	463,678	595,529	1,059,207
Special events	74,988		74,988
Less: costs of direct benefits to donors	(11,628)		(11,628)
Special events less direct benefits to donors	63,360	-	63,360
Total support revenues	527,038	595,529	1,122,567
Other revenues			
Other income	467		467
Net assets released from restrictions	416,803	(416,803)	-
Total revenues	944,308	178,726	1,123,034
Expenses			
Research	377,537		377,537
Family services	277,344		277,344
Advocacy	175,860		175,860
Management and general	234,011		234,011
Fundraising	80,370		80,370
Total expenses	1,145,122	-	1,145,122
Investment return	(41,039)		(41,039)
Impairment Loss	(19,488)		(19,488)
Change in net assets	(261,341)	178,726	(82,615)
Net assets, beginning of year	1,661,030	31,121	1,692,151
Prior period adjustment	(163,699)	153,241	(10,458)
Net assets, end of year	\$ 1,235,990	\$ 363,088	\$ 1,599,078

The accompanying notes to the financial statements are an integral part of this statement.

SUDC FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services				Support Services			Total Expenses
	Research	Advocacy	Family Services	Total	Management and General	Fundraising	Total	
Grants	\$ 361,550	\$ -	\$ -	\$ 361,550	\$ -	\$ -	\$ -	\$ 361,550
Salaries	14,642	81,758	127,733	224,133	102,590	43,136	145,726	369,859
Payroll taxes	1,128	6,300	9,843	17,271	7,906	3,324	11,230	28,501
Employee benefits	217	1,208	1,887	3,312	1,515	637	2,152	5,464
Occupancy	-	5,198	5,198	10,396	6,236	4,158	10,394	20,790
Service contracts	-	2,250	2,250	4,500	2,700	1,800	4,500	9,000
Taxes & licenses	-	-	-	-	12,011	-	12,011	12,011
Depreciation	-	3,328	3,328	6,656	3,992	2,662	6,654	13,310
Travel and promotions	-	-	-	-	-	5,417	5,417	5,417
Event expenses	-	-	-	-	-	30,864	30,864	30,864
Insurance	-	-	-	-	7,070	-	7,070	7,070
Office expense	-	7,590	7,590	15,180	6,505	-	6,505	21,685
Professional fees	-	-	-	-	76,844	-	76,844	76,844
Newsletters & brochures	-	8,450	-	8,450	-	-	-	8,450
Website & social media	-	59,778	-	59,778	6,642	-	6,642	66,420
Family support	-	-	119,515	119,515	-	-	-	119,515
	<u>377,537</u>	<u>175,860</u>	<u>277,344</u>	<u>830,741</u>	<u>234,011</u>	<u>91,998</u>	<u>326,009</u>	<u>1,156,750</u>
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,628</u>	<u>11,628</u>	<u>11,628</u>
Total functional expenses	<u>\$ 377,537</u>	<u>\$ 175,860</u>	<u>\$ 277,344</u>	<u>\$ 830,741</u>	<u>\$ 234,011</u>	<u>\$ 80,370</u>	<u>\$ 314,381</u>	<u>\$ 1,145,122</u>

The accompanying notes to the financial statements are an integral part of this statement.

SUDC FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (82,615)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	13,310
Amortization of operating right-of-use assets	20,721
Impairment loss	19,488
Net unrealized loss on investments	54,185
Changes in assets and liabilities:	
Contributions receivable	150,116
Prepaid expenses	1,048
Accounts payable and accrued expenses	7,396
Accrued payroll	641
Operating lease liability	(20,721)
	<hr/>
Net cash provided by operating activities	163,569
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Cash flows from investing activities:	
Purchase of investments	(126,376)
Proceeds from sale of investments	125,806
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Net cash used in investing activities	(570)
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Change in cash and cash equivalents	162,999
Cash and cash equivalents, beginning of year	640,086
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Cash and cash equivalents, end of year	<u><u>\$ 803,085</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

SUDC FOUNDATION
Notes to Financial Statements

Note 1: **NATURE OF ACTIVITIES**

The SUDC Foundation, ("Foundation"), is a Virginia non-stock corporation formed as an Internal Revenue Code (IRC) Section 509(a)(1) and 170(1)(a)(vi) organization on February 21, 2014. The Foundation's mission is to promote awareness, advocate for research and support those affected by sudden unexplained death in childhood (SUDC). This is accomplished by funding research grants to improve our understanding of SUDC, leading efforts to ensure comprehensive and standardized death investigations, advocating care and cultivation of a community of support for bereaved families so no one grieves alone. The Foundation provides all services at no cost to families. The Foundation has a presence in the United States and a legal affiliation agreement with SUDC UK in the United Kingdom.

The Foundation has two major programs, which are comprised of the following:

Research – the Foundation funds and endorses research to improve the understanding of SUDC.

Advocacy – Raise awareness and increase SUDC literacy in the community.

Family Services – The Foundation provides personalized care and cultivates a community of support for bereaved families so no one grieves alone. The Foundation provides these services at no cost to the people it serves.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting - The Foundation prepares its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned and expense are recognized when incurred.

Basis of Presentation - The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP") applicable to nonprofit organizations and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – The Foundation records investment purchases of common stock and brokered certificates at cost. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, net of external and direct internal investment expenses.

Property and Equipment - Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized; minor replacements, maintenance, and repairs are charged to expense as incurred. The Foundation capitalizes all expenditures in excess of \$1,000 that have a useful life of more than one year. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which generally range from 5 to 100 years. When property is sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income.

SUDC FOUNDATION
Notes to Financial Statements

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Revenue and Revenue Recognition

Contributions, grants, memorial gifts - The Foundation records support received from individuals, companies, and fundraising organizations when received as with or without donor restrictions, depending on the existence or nature of any donor restrictions. All donor support is reported as an increase in net assets with or without donor restrictions depending on the nature of the restriction. When a time restriction expires, or when a use restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met within the same year as received are reflected as contributions without restrictions in the accompanying financial statements.

Special events – The Foundation holds various events during the year. Revenue from these events is recognized on the statement of activities, net of costs associated with the events. Direct benefits to donors include items such as meals, gift bags, and facilities rentals.

Contribution Receivable – Contributions receivable represent contributions from individual donors and private foundations. The Foundation has no formal policy on allowance for doubtful accounts. The contributions receivable is deemed to be fully collectible by management. If a receivable were to become uncollectible, it would be written off at the time management made such determination. No amounts were written off in 2022.

Intangible Asset – The intangible asset consists of a cryptocurrency donation and is stated at cost less any impairment.

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

Net Assets

Net assets and revenues are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various purposes. See Note #10 for board designated net assets.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its earnings. The Foundation is eligible to receive a charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization other than a private foundation under Section 509(a)(2).

SUDC FOUNDATION
Notes to Financial Statements

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Income Taxes (Cont'd)

The Foundation regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax-exempt status, unrelated business income, and related matters.

The Foundation believes that in the event of an examination by taxing authorities, the Foundation's positions would prevail based upon the technical merits of such positions. Therefore, the Foundation has concluded that no tax benefits or liabilities are required to be recognized in accordance with relevant accounting literature. The Foundation's information returns are generally subject to examination by the Internal Revenue Service for three years and generally subject to examination by the State of New Jersey for four years.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Whenever possible, expenses are charged directly to the appropriate functional classification, other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on time and effort and square footage include:

<u>Time and Effort</u>	<u>Square Footage</u>
Salaries	Depreciation
Payroll taxes	Occupancy
Employee benefits	Real estate taxes
Service contracts	
Office expense	

Leases

The Foundation determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. The Foundation lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Foundation recognizes operating lease expenses for operating leases on a straight-line basis over the lease term. The Foundation leases office facilities and equipment under non-cancelable operating leases which may include renewal or termination options that are reasonably certain to exercise.

The Foundation have elected to apply the following practical expedients:

- The Foundation has applied the practical expediate to treat all leases with a term 12 months or less without a purchase option as a short-term lease and are not recorded on the statement of financial position. These leases are expensed on a straight-line basis.
- The Foundation has adopted a lease capitalization threshold of \$5,000.
- The Foundation has adopted the practical expediate to use the risk-free rate of return that is determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Leases (Cont'd)

- The Foundation has adopted a package of practical expedients permitted under the transition guidance within the new standard:
 - The Foundation has not reassessed whether any expired or existing contracts are or contain leases.
 - The Foundation carries forward the historical lease classification and has not reassessed any expired or existing leases.
 - The Foundation has not reassessed initial direct costs for any existing leases.
- The Foundation has adopted the practical expedient to not separate lease components from non-lease components.

Newly Adopted Accounting Pronouncements

Leases - Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases—capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. The adoption of this standard had a material impact on the financial statements. The Foundation adopted the standard using the modified retrospective approach with January 1, 2022, as the date of initial adoption. The results for reporting periods after January 1, 2022 are presented under Topic 842, while prior periods have not been adjusted.

As a result of adopting the new standards, the Foundation recorded operating lease right-of-use asset and lease liability of \$38,094 as of January 1, 2022.

New Accounting Pronouncements

Financial Instruments-Credit Losses Standard - Issued in June 2016, Accounting Standards Update (ASU) No. 2016-13 requires Organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new guidance affects Organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. The new guidance also affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The standard will take effect for year beginning after December 15, 2022, and for interim periods within year beginning after December 15, 2023. The Foundation is assessing the potential impact this guidance will have on its financial statements.

Subsequent Events - Management of the SUDC Foundation has evaluated subsequent events through June 15, 2022, the date the financial statements were available to be issued.

Note 3: **LIQUIDITY AND AVAILABILITY**

The SUDC Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The SUDC Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments. See note 4 for information about the SUDC Foundation's investments available to meet cash flow needs.

SUDC FOUNDATION
Notes to Financial Statements

Note 3: **LIQUIDITY AND AVAILABILITY (CONT'D)**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The SUDC Foundation considers all expenditures related to its ongoing activities of the research and family services programs as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the SUDC Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects the Foundation's financial assets as of December 31, 2022 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. As stated in note 11, there were net assets with donor restrictions of \$363,088 at December 31, 2022.

Financial assets	
Cash and cash equivalents	\$ 803,085
Investments - short-term	122,905
Contribution Receivable	<u>91,588</u>
 Total financial assets	 1,017,578
 Less amounts not available to be used within one year:	
Net assets with donor restrictions - purpose restricted	<u>(363,088)</u>
 Financial assets available to meet needs	
For general expenditures within one year	<u><u>\$ 654,490</u></u>

Note 4: **INVESTMENTS**

Investments consist of funds designated by the Board of Directors to be used for the purpose of guaranteeing the continuance of the mission of the Foundation for future generations. Investments as of December 31, 2022 were as follows:

Investments	
Marketable securities	
Fixed income	
Certificates of deposit	\$ 709,208
Common stock	<u>1,194</u>
	<u><u>\$ 710,402</u></u>

SUDC FOUNDATION
Notes to Financial Statements

Note 4: **INVESTMENTS (CONT'D)**

The following schedule summarizes the net investment return for the year ended December 31, 2022:

Investment income	
before gains (losses)	\$ 13,146
Unrealized loss	<u>(54,185)</u>
Total investment loss	<u><u>\$ (41,039)</u></u>

Note 5: **FAIR VALUE MEASUREMENT**

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level disclosure hierarchy has been established to indicate the level of judgment used to estimate fair value measurements:

- Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.
- Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment. These values are generally determined using pricing models that utilize management's estimates of market participant assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

For the valuation of corporate stock at December 31, 2022, The Foundation used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

The Foundation invests in CDs traded in the financial markets. These CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The following table represent investments that are measured at fair value on a recurring basis at December 31, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income				
Certificates of Deposit	\$ 709,208		\$ 709,208	
Common stock - industry sector				
Insurance retirement investment	<u>1,194</u>	<u>\$ 1,194</u>		
Total Investments	<u><u>\$ 710,402</u></u>	<u><u>\$ 1,194</u></u>	<u><u>\$ 709,208</u></u>	<u><u>-</u></u>

SUDC FOUNDATION
Notes to Financial Statements

Note 6: **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2022:

Website	\$ 39,930
Less: Accumulated Depreciation	<u>(33,275)</u>
	<u>\$ 6,655</u>

Depreciation expense was \$13,310 for the year ended December 31, 2022.

Note 7: **CONCENTRATIONS OF CREDIT RISK**

The SUDC Foundation places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities. The SUDC Foundation has experienced unrealized losses in its investment accounts as detailed in Note 4.

The SUDC Foundation maintains cash balances at several financial institutions, which at times exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The SUDC Foundation also maintains cash balances and cash in money market accounts, which at times are substantial and are guaranteed by the Securities Investor Protection Corporation (SPIC) up to \$250,000. The SUDC Foundation has never experienced any losses in such accounts. As of December 31, 2022, the SUDC Foundation had cash balances of \$319,781 in excess of the FDIC and SPIC limits.

The Foundation's total contributions and grant revenue represented 44% of total program and support revenue for the year ended December 31, 2022.

Note 8: **LEASES**

The Foundation leases office space on an annual 12-month lease that automatically renews up through October 31, 2023. The Foundation includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Foundation's operating leases provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Foundation to pay a proportionate share of sales taxes and other operating expenses for the occupied spaces.

The following summarizes the line items in the statements of the SUDC Foundation which include amounts for operating leases as of December 31, 2022:

Operating Leases	
Operating lease right-of-use assets	<u>\$ 17,374</u>
 Operating lease liabilities – current portion	 <u>\$ 17,374</u>
	<u>\$ 17,374</u>

SUDC FOUNDATION
Notes to Financial Statements

Note 8: **LEASES (CONT'D)**

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	.83 years
Weighted Average Discount Rate	
Operating lease	0.67%

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Supplemental Cash Flow Information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 20,901</u>

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022 are as follows:

Year Ending December 31,	
2023	\$ 17,418
Less: imputed interest	<u>44</u>
Present value of lease liabilities	<u>\$ 17,374</u>

Note 9: **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022:

Subject to expenditure for specific purpose:	
United Kingdom expansion	\$ 1,619
SUDCRRC - research	216,469
Mental health cross-sectional study	10,000
Slade Dozier foundation	65,000
Jackson Walsh foundation	<u>70,000</u>
	<u>\$ 363,088</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows for the year ended December 31, 2022:

Satisfaction of purpose restriction:	
SUDCRRC - research	\$ 360,211
Family retreat	<u>56,592</u>
	<u>\$ 416,803</u>

SUDC FOUNDATION
Notes to Financial Statements

Note 10: **BOARD DESIGNATED NET ASSETS**

Board designated net assets are net assets without donor restriction and consist of the following at December 31, 2022:

UPD webinars	\$ 12,330
Ava's warrior foundation	11,752
Mental health cross-sectional study	10,000
	<u>\$ 34,082</u>

A description of each designation is as follows:

UPD webinars – For the education webinars to support a book. This is expected to be spent over three years for the cost of NYU to host the webinars and support the continuing education credits.

Ava's warrior foundation - For the support of children's initiatives in the town where the donors live.

Mental health cross-sectional study - For the analysis of a mental health survey.

Note 10: **RELATED PARTY TRANSACTIONS**

The Foundation's previous treasurer who resigned on November 10, 2022, was also the principal and founder of Serling Foundation Management, LLC. During the year ended December 31, 2022, the Foundation paid a fee for services of \$9,000.

Various board members of the Foundation are also founders of their own family foundations, and these foundations donate money to the Foundation. These family foundations made contributions of \$174,500 during the year ended December 31, 2022.

The daughter of the board president was an independent contractor of the Foundation until August 22, 2022. She was paid approximately \$40,522 for the year ended December 31, 2022.

The board president of the Foundation is an employee of the Foundation's largest grant recipient.

Note 11: **IMPAIRMENT LOSS**

Decline in the Fair Value of an Intangible Asset

Due to a substantial decline in the Ethereum cryptocurrency donated in 2021, at December 31, 2022, the Foundation determined that the carrying amount of Ethereum exceeded its fair value computed using the fair market value of cryptocurrency traded on public exchanges. Accordingly, the Foundation concluded that an impairment loss was probable and recognized an estimated loss of \$19,488 for 2022.

SUDC FOUNDATION
Notes to Financial Statements

Note 12: **PRIOR PERIOD ADJUSTMENT**

During the year ending December 31, 2022, information became available that the Foundation's investments and net assets without donor restrictions were overstated and its prepaid expenses and net assets with donor restrictions were understated at the beginning of the year. Accordingly, the following represents the cumulative effects of the adjustment on the beginning respective financial statement balances as of December 31, 2021:

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Adjusted Balance
Statement of Financial Position			
Assets			
Investments	\$ 780,091	\$ (14,698)	\$ 765,393
Prepaid expenses	<u>2,310</u>	<u>4,240</u>	<u>6,550</u>
	<u><u>\$ 782,401</u></u>	<u><u>\$ (10,458)</u></u>	<u><u>\$ 771,943</u></u>
Liabilities and Net Assets			
Net assets:			
Without donor restrictions	\$ 1,661,030	\$ (163,699)	\$ 1,497,331
With donor restrictions	<u>31,121</u>	<u>153,241</u>	<u>184,362</u>
	<u><u>\$ 1,692,151</u></u>	<u><u>\$ (10,458)</u></u>	<u><u>\$ 1,681,693</u></u>