CRAYONS TO CLASSROOMS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

CRAYONS TO CLASSROOMS

TABLE OF CONTENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

INDEPENDENT AUDITORS' REPORT

Board of Directors
Crayons to Classrooms
Dayton, Ohio

Opinion

We have audited the accompanying financial statements of **Crayons to Classrooms** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 **Crayons to Classrooms** as of December 31, 2022 and 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Crayons to Classrooms** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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 **Crayons to Classrooms** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' 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 auditors' 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 **Crayons to Classrooms** 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 **Crayons to Classrooms** 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.

Brady, Ware & Schoenfeld, Inc.

Dayton, Ohio
June 7, 2023

CRAYONS TO CLASSROOMS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 263,919	$ 104,273
Current portion of pledges receivable	20,562	9,345
Employee retention credit receivable	-	99,595
Inventory	2,459,670	2,849,283
Prepaid expenses and other assets	7,872	12,684
Total current assets	2,752,023	3,075,180
PROPERTY AND EQUIPMENT, NET	117,931	141,969
OPERATING LEASE RIGHT-OF-USE ASSET	5,184	-
OTHER ASSETS		
Long-term pledges receivable, less current portion	-	5,364
Beneficial interest in funds held by others	167,527	195,251
	167,527	200,615
	$ 3,042,665	$ 3,417,764
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 51,587	$ 47,988
Current operating lease liabilities	3,449	-
Total current liabilities	55,036	47,988
LONG-TERM OPERATING LEASE LIABILITIES	1,735	-
Total liabilities	56,771	47,988
NET ASSETS		
Without donor restrictions	2,927,637	3,327,558
With donor restrictions	58,257	42,218
	2,985,894	3,369,776
	$ 3,042,665	$ 3,417,764

See notes to financial statements.

CRAYONS TO CLASSROOMS

STATEMENTS OF ACTIVITES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
PUBLIC SUPPORT AND REVENUE		
Public Support		
Contributions	**$ 649,954**	$ 470,260
Nonfinancial asset contributions	**2,116,088**	3,539,302
Net assets released from restrictions	**92,980**	43,035
Other government grants	**-**	181,599
Total Public Support	**2,859,022**	4,234,196
Revenue		
Interest income	**283**	261
Change in beneficial interest in funds held by others - net	**2,276**	203
Total Revenue	**2,559**	464
Total Public Support and Revenue Without Donor Restrictions	**2,861,581**	4,234,660
EXPENSES		
Program services	**2,977,704**	5,134,231
Management and general	**127,250**	126,997
Fundraising	**156,548**	137,573
Total Expenses	**3,261,502**	5,398,801
Change in Net Assets Without Donor Restrictions	**(399,921)**	(1,164,141)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	**108,550**	68,626
Pledges NPV adjustment	**469**	146
Net assets released from restrictions	**(92,980)**	(43,035)
Total Change in Net Assets With Donor Restrictions	**16,039**	25,737
CHANGE IN NET ASSETS	**(383,882)**	(1,138,404)
NET ASSETS		
Beginning of year	**3,369,776**	4,508,180
End of year	**$ 2,985,894**	$ 3,369,776

CRAYONS TO CLASSROOMS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Payroll and benefits	$ 347,860	$ 50,054	$ 125,809	**$ 523,723**
School supplies distributed	2,485,119	-	-	**2,485,119**
Occupancy	78,942	9,855	-	**88,797**
Repairs and maintenance	7,051	-	3,495	**10,546**
Supplies	5,290	-	-	**5,290**
Postage and shipping	5,101	60	1,908	**7,069**
Transportation	564	-	1,328	**1,892**
Telephone and communication	3,314	-	-	**3,314**
Printing and publication	3,314	27	12,024	**15,365**
Meetings and conferences	2,789	66	1,856	**4,711**
Dues and subscriptions	-	2,700	940	**3,640**
Professional fees	7,354	64,488	9,188	**81,030**
Depreciation	31,006	-	-	**31,006**
Total Functional Expenses	$ 2,977,704	$ 127,250	$ 156,548	**$ 3,261,502**

CRAYONS TO CLASSROOMS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Payroll and benefits	$ 313,451	$ 50,692	$ 122,638	**$ 486,781**
School supplies distributed	4,605,296	-	-	**4,605,296**
Occupancy	124,651	9,088	-	**133,739**
Repairs and maintenance	5,151	-	-	**5,151**
Supplies	10,758	-	56	**10,814**
Postage and shipping	3,302	-	1,299	**4,601**
Transportation	110	-	131	**241**
Telephone and communication	1,367	-	-	**1,367**
Printing and publication	2,040	-	4,005	**6,045**
Meetings and conferences	1,183	-	48	**1,231**
Taxes, licenses, and permits	-	200	-	**200**
Dues and subscriptions	940	2,750	-	**3,690**
Professional fees	31,092	63,960	9,396	**104,448**
Depreciation	34,890	-	-	**34,890**
Miscellaneous	-	307	-	**307**
Total Functional Expenses	$ 5,134,231	$ 126,997	$ 137,573	**$ 5,398,801**

CRAYONS TO CLASSROOMS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	**$ (383,882)**	$ (1,138,404)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	**31,006**	34,890
Net present value adjustments	**(469)**	(146)
Change in beneficial interest in funds held by others	**(2,276)**	(85)
Donated inventory	**(2,230,368)**	(3,425,142)
Donated inventory distributed	**2,485,119**	4,605,296
Forgiveness of paycheck protection program loan	**-**	(81,698)
	(100,870)	(5,289)
Changes in operating assets and liabilities:		
Employee retention credit receivable	**99,595**	(99,595)
Pledges receivable	**(5,384)**	33,872
Inventory	**134,862**	(31,110)
Prepaid expenses and other assets	**4,812**	(3,986)
Accounts payable	**3,599**	(3,813)
Net Cash Provided (Used) by Operating Activities	**136,614**	(109,921)
INVESTING ACTIVITIES		
Purchases of property and equipment	**(6,968)**	-
Distributions from beneficial interest in funds held by others	**30,000**	54,955
Net Cash Provided by Investing Activities	**23,032**	54,955
FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	**-**	81,698
NET INCREASE IN CASH	**159,646**	26,732
CASH		
Beginning of year	**104,273**	77,541
End of year	**$ 263,919**	$ 104,273

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - **Crayons to Classrooms** is a nonprofit Organization. The Organization is a free store for teachers of low-income children in Dayton, Ohio. It provides donated school supplies at no charge to under-funded kindergarten through 12th grade classrooms. The Organization was incorporated in October 2007, and received their 501(c)(3) determination in March 2008. The Organization began distributing school supplies in 2009.

Basis of Presentation - The Organization's financial statement presentation follows the recommendation of generally accepted accounting principles, which requires the Organization to record unconditional promises to give (pledges) as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. The Organization is also required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions.
>
> **Net Assets With Donor Restrictions** - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization currently does not have net assets that are required to be maintained in perpetuity.

Financial Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon direct allocation or indirect allocation based upon usage by each function.

Contributions - Gifts of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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 received with donor restrictions that are met in the same reporting period are reported as net assets without restrictions and increase net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of nonfinancial assets of product totaling $2,049,428 and $3,425,142 were recorded for the years 2022 and 2021. For the years 2022 and 2021, one donor contributed 44% and 76% of the contributions of nonfinancial assets of product. This donor receives in-kind donations from numerous donors, which are distributed to various resource centers throughout the United States. The Organization pays an annual membership fee to participate in this distribution program. The Organization has also recorded an contribution of nonfinancial assets and expense in the amounts of $66,660 and $114,160 to recognize the fair market value of rent for years 2022 and 2021. See Note 9 for additional information related to Service and Rental Agreements.

Contribution of Nonfinancial Assets - Significant services and materials are donated to the Organization by various individuals and companies. Donated materials are recorded at fair market value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. In addition to the recorded contributions, volunteers occasionally give their time to the Organization's program services and fundraising activities. Since these services do not meet the requirements for recognition, the value thereof is not reflected in the accompanying financial statements.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted to present value.

Property and Equipment - Property and equipment is recorded at cost or, if donated, it is recorded at its fair market value at the date the donation is received. The Organization's policy is to capitalize all major expenditures in excess of $1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from three to seven years. At retirement or sale, the costs of the assets, less related accumulated depreciation, are removed from the accounts and the resulting gains and losses are included in income. Routine maintenance and repairs are expensed when incurred.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at December 31, 2022 and 2021.

Depreciation expense was $31,006 and $34,890 for the years 2022 and 2021.

Leases - In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Company adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Company elected the available practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 a lease liability and ROU asset of $8,604, which represents the present value of the remaining operating lease payments of $8,693, discounted using the risk free rate of 0.85%.

The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of the ROU asset and lease liability for the operating lease.

The Company leases a copier from Prosource. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and current and long-term operating lease liabilities on the statement of financial position.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Inventories - Inventories are stated at fair market value and cost is allocated using the first-in, first-out (FIFO) method. Inventory consists of purchased and donated school supplies contributed to the Organization for its free store.

Tax-Exempt Status - The Organization is operated as a nonprofit organization and is tax exempt under IRS Code Section 501(c)(3). Accordingly, no provision for income tax is presented in these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. No significant uncertain tax positions exist as of December 31, 2022.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 7, 2023, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Financial Assets		
Cash	**$ 263,919**	$ 104,273
Current portion of of pledges receivable	**20,562**	9,345
Employee retention credit receivable	**-**	99,595
Beneficial interest	**167,527**	195,251
Total financial assets	**452,008**	408,464
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	**(37,695)**	(39,542)
Financial assets available to meet cash needs for general expenditures within one year	**$ 414,313**	$ 368,922

As part of their liquidity management plan, the Organization utilizes a budget and compares the actual financial results to the budget on a monthly basis. The board has not designated any funds for any specific purposes, so any funds other than those with donor restrictions can be used where most beneficial.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2022 and 2021 are as follows:

	2022	2021
Less than one year	**$ 20,562**	$ 9,345
One to five years	**-**	5,833
	20,562	15,178
Less discount to net present value	**-**	469
Net pledges receivable	**$ 20,562**	$ 14,709

At December 31, 2022 all pledges receivable were current and at 2021, the present value of pledges receivable was determined using a discount rate of 2.9%. The discount rate is based on the long-term applicable federal rate plus a one percent risk premium.

NOTE 4 - PROPERTY AND EQUIPMENT

	2022	2021
Leasehold Improvements	**$ 283,844**	$ 283,844
Equipment	**72,077**	65,109
Total property and equipment	**355,921**	348,953
Less accumulated depreciation	**237,990**	206,984
	$ 117,931	$ 141,969

NOTE 5 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The Organization has a beneficial interest in funds whose underlying investments are held and managed by the Dayton Foundation, a community foundation that invests and manages donors' charitable funds. The funds are subject to the investment and spending policies of the Dayton Foundation and are held exclusively for the benefit of the Organization. Requests for funding, including disbursements of fund principal, are initiated by the Organization, and approved by the Dayton Foundation's granting committee. Distributions from the funds are unrestricted.

The Organization received distributions from the funds held at the Dayton Foundation during the years ended December 31, 2022 and 2021 totaling $30,000 and $54,955.

The following funds have been created at The Dayton Foundation from which the Organization is entitled to receive certain income and benefits:

	2022	2021
Crayons to Classrooms Fund	**$ 167,116**	$ 194,846
Dayton Crayons to Classrooms Relocation Fund	**411**	405
	$ 167,527	$ 195,251

NOTE 6 - LEASING ACTIVITIES

The Organization leases a copier machine requiring monthly payments of $290 through July 2024.

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

	2022
Weighted Average Remaining Lease Term	
Operating leases	1.5 years
Weighted Average Discount Rate	
Operating leases	0.85%

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

2023	$ 3,477
2024	1,738
Total lease payments	5,215
Less: Interest	(31)
Present value of lease liabilities	$ 5,184

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 3,477

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

	2022	2021
Facilities	**$ 66,660**	$ 114,280
School supplies	**2,049,428**	3,425,022
	$ 2,116,088	$ 3,539,302

The Organization recognized contributed nonfinancial assets and services within revenue and support. For the years 2022 and 2021, this included the use of office facilities, as well as contributed school and education supplies provided on behalf of the Organization. Unless otherwise noted, contributed nonfinancial assets and services did not have donor-imposed restrictions.

Contributed facilities consist of the Organization's use of a section of a building for its operations. The Contributed facilities are valued based upon similar leasing arrangements in the local market. Contributed school supplies recognized consist of education materials such as bookbags, pens, paper, educational aids, and other teaching material directly related to the mission of the Organization.

NOTE 8 - FAIR VALUE

Accounting standards define fair value, outline a framework for measuring fair value and detail the required disclosures about fair value measurements. The Organization has adopted these accounting standards. The standards require that certain non-financial assets and liabilities be recognized or disclosed at fair value. At the present time, the Organization does not have any non-financial assets or liabilities that would require fair value recognition or disclosures under these standards.

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 in the principal or most advantageous market. The Organization uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data. The Organization uses valuation techniques in a consistent manner from year-to-year.

The asset or liability'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at December 31, 2022 and 2021.

Beneficial interest in funds held by others: Valued and held by The Dayton Foundation. There were no purchases of level 3 assets during the years 2022 and 2021. There were no transfers in to level 3 assets during the years 2022 and 2021. Transfers out of level 3 assets during the years 2022 and 2021 totaled $30,000 and $54,955.

Fair values of the Organization's financial assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	2022			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Beneficial interest in funds held by others	**$ 167,527**	**$ -**	**$ -**	**$ 167,527**

	2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Beneficial interest in funds held by others	$ 195,251	$ -	$ -	$ 195,251

NOTE 9 - SERVICE AND RENTAL AGREEMENTS

The Organization entered into three separate agreements with Goodwill Easter Seals Miami Valley (Goodwill) in July 2008. These agreements state that Goodwill will provide information technology equipment and services, financial services, and building space to the Organization, for a monthly fee. The total amount of expense for the information technology and financial services for the years 2022 and 2021 was $48,000 and $49,225. Rent is being charged at $10 monthly. The Organization is also recording an in-kind donation and expense in the amount of $66,660 and $114,160 to represent the fair market value of the rental space for the years 2022 and 2021. These agreements renew automatically for successive one-year periods, unless terminated by either party.

NOTE 10 - PAYCHECK PROTECTION PROGRAM LOAN

As part of the Consolidated Appropriations Act, 2021 signed into law on December 27, 2020, Congress approved a second round of funding under the Paycheck Protection Program. In January 2021, the Organization applied for and received loan proceeds in the amount of $81,698 under this program. PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower meets certain criteria. Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization initially recorded the loan as deferred income and subsequently recognized other income when it became probable the conditions of the PPP loan would be met. The loan was legally forgiven in June 2021, and the Organization recorded debt forgiveness income of $81,698 within other income.

NOTE 11 - EMPLOYEE RETENTION CREDIT

The Organization experienced a significant decrease in gross receipts in certain 2021 and 2020 quarters as compared to 2019 resulting from the COVID-19 pandemic. Due to this decline in gross receipts, the Organization qualified for the Employee Retention Credit ("ERC"). The ERC was provided for under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), including subsequent amendments. For both 2021 and 2020, the ERC was equal to 70% of qualified wages paid to employees during a qualifying quarter, capped at $10,000 of qualified wages per employee. This payroll tax credit was available to offset certain employment taxes with any excess being refunded. The ERC for 2021 and 2020 was estimated to be $70,783 and $28,812, and are reported as a receivable on the statement of financial position and as Grant revenue on the statement of activities in the 2021 financial statements.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions class includes assets of the Organization related to gifts with specific donor-imposed restrictions that have not been met as to specific purpose, or to later periods of time or after specific dates.

	2022	2021
Donor restricted funds:		
Programs	**$ 37,284**	$ 39,137
Relocation	**411**	405
Time	**20,562**	2,676
	$ 58,257	$ 42,218

NOTE 13 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions are released by incurring expenses that satisfy the intended purpose or the occurrence of events specified by donors.

	2022	2021
Purpose and time restrictions:		
Programs	$ 89,835	$ 16,218
Passage of time	3,145	26,817
	$ 92,980	$ 43,035