

DEGREES OF CHANGE

Audited Financial Statements

June 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Degrees of Change
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Degrees of Change (a nonprofit organization) (the "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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 ("U.S. GAAP").

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Organization has adopted the provisions of the Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to the matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 Organization 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of audited 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 one year after the date that the financial statements are issued.

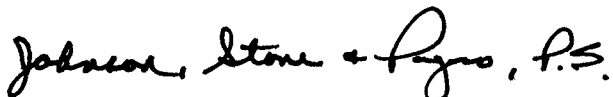
Auditor's Responsibilities for the Audit of the Financial Statements

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 U.S. GAAS 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 U.S. GAAS, 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 Organization'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 Organization'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.



JOHNSON, STONE & PAGANO, P.S.

November 2, 2023

AUDITED FINANCIAL STATEMENTS

DEGREES OF CHANGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,041,582	\$ 1,384,747
Accounts and grants receivable	111,784	171,901
Prepaid expenses	36,917	133,401
Total Current Assets	<u>1,190,283</u>	<u>1,690,049</u>
FURNITURE AND EQUIPMENT, net	3,312	24,582
OPERATING RIGHT-OF-USE ASSET, NET	211,148	
OTHER ASSETS		
Act Six program, net	14,750	18,683
GuidEd Insight, net		359,275
Total Other Assets	<u>14,750</u>	<u>377,958</u>
TOTAL ASSETS	<u>\$ 1,419,493</u>	<u>\$ 2,092,589</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 27,037	\$ 47,368
Accrued expenses	37,409	52,154
Operating lease liability, current	67,630	
Total Current Liabilities	<u>132,076</u>	<u>99,522</u>
OPERATING LEASE LIABILITY, Less current portion	<u>154,918</u>	
Total Liabilities	286,994	99,522
NET ASSETS		
Without donor restrictions	909,844	1,438,578
With donor restrictions	222,655	554,489
Total Net Assets	<u>1,132,499</u>	<u>1,993,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,419,493</u>	<u>\$ 2,092,589</u>

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

DEGREES OF CHANGE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES WITHOUT DONOR RESTRICTIONS		
Foundation grants	\$ 1,130,074	\$ 441,964
Government grant	305,436	404,758
Contributions	447,025	297,907
Other earned income	231,758	418,150
Net assets released from restrictions	<u>554,489</u>	<u>1,385,359</u>
Total Revenues without Donor Restrictions	2,668,782	2,948,138
EXPENSES		
Program services		
GuidEd Insight	1,176,739	1,292,729
Act Six	824,487	698,228
Seed Internships	<u>506,940</u>	<u>450,521</u>
Total Program Services	2,508,166	2,441,478
Supporting services		
Management and general	379,257	257,522
Fundraising	<u>299,534</u>	<u>356,773</u>
Total Supporting Services	678,791	614,295
Total Expenses	<u>3,186,957</u>	<u>3,055,773</u>
Decrease in Net Assets without Donor Restrictions	(518,175)	(107,635)
NET ASSETS WITH DONOR RESTRICTIONS		
Foundation grants	222,655	133,635
Net assets released from restrictions	<u>(554,489)</u>	<u>(1,385,359)</u>
Decrease in Net Assets with Donor Restrictions	<u>(331,834)</u>	<u>(1,251,724)</u>
DECREASE IN NET ASSETS	(850,009)	(1,359,359)
Net Assets at Beginning of Year	1,993,067	3,352,426
Effect of FASB Topic 842, <i>Leases</i>, Adoption	<u>(10,559)</u>	<u> </u>
NET ASSETS AT END OF YEAR	<u>\$ 1,132,499</u>	<u>\$ 1,993,067</u>

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

DEGREES OF CHANGE

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023 with Comparative Totals for 2022

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
	GuidEd Insight	Act Six	Seed Internships		Management and General	Fundraising		2023	2022
Salaries and benefits	\$ 544,822	\$ 496,364	\$ 402,128	\$ 1,443,314	\$ 328,252	\$ 271,017	\$ 599,269	\$ 2,042,583	\$ 2,074,914
Program activities and materials		183,386	10,847	194,233				194,233	37,782
Operations	22,572	21,764	22,160	66,496	5,259	7,326	12,585	79,081	52,570
Facility	60	46,769	15,310	62,139	7,655	7,655	15,310	77,449	82,379
Equipment and technology	95,438	24,971	7,264	127,673	3,441	9,650	13,091	140,764	183,800
Travel	5,466	13,660	2,694	21,820	868	836	1,704	23,524	19,536
Meetings and training	2,655	4,360	4,051	11,066	6,734	2,707	9,441	20,507	15,639
Consulting and contracts	505,726	33,213	42,486	581,425	27,048	343	27,391	608,816	589,153
TOTAL	<u>\$ 1,176,739</u>	<u>\$ 824,487</u>	<u>\$ 506,940</u>	<u>\$ 2,508,166</u>	<u>\$ 379,257</u>	<u>\$ 299,534</u>	<u>\$ 678,791</u>	<u>\$ 3,186,957</u>	<u>\$ 3,055,773</u>

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

DEGREES OF CHANGE

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2022

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses 2022
	GuidEd Insight	Act Six	Seed Internships		Management and General	Fundraising		
Salaries and benefits	\$ 690,453	\$ 477,985	\$ 362,012	\$ 1,530,450	\$ 212,565	\$ 331,899	\$ 544,464	\$ 2,074,914
Program activities and materials		26,557	11,225	37,782				37,782
Operations	19,613	16,044	3,902	39,559	7,001	6,010	13,011	52,570
Facility		49,131	16,876	66,007	8,186	8,186	16,372	82,379
Equipment and technology	150,360	20,245	6,471	177,076	3,319	3,405	6,724	183,800
Travel	6,206	13,044	81	19,331	183	22	205	19,536
Meetings and training	2,864	6,291	2,024	11,179	1,001	3,459	4,460	15,639
Consulting and contracts	423,233	88,931	47,930	560,094	25,267	3,792	29,059	589,153
TOTAL	<u>\$ 1,292,729</u>	<u>\$ 698,228</u>	<u>\$ 450,521</u>	<u>\$ 2,441,478</u>	<u>\$ 257,522</u>	<u>\$ 356,773</u>	<u>\$ 614,295</u>	<u>\$ 3,055,773</u>

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

DEGREES OF CHANGE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (850,009)	\$ (1,359,359)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation and amortization	238,530	319,022
Amortization of right-of-use asset	63,350	
Conversion of loan to government grant		(329,759)
Loss on the sale of other assets	95,948	
(Increase) decrease in assets		
Accounts and grants receivable	60,117	135,929
Prepaid expenses	96,484	(103,601)
Increase (decrease) in liabilities		
Accounts payable	(20,331)	(4,882)
Accrued expenses	(14,745)	2,003
Operating Lease Liability	(62,509)	
	<u>(393,165)</u>	<u>(1,340,647)</u>
Net Cash Used by Operating Activities		
	(393,165)	(1,340,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of other assets	<u>50,000</u>	<u> </u>
Net Cash Provided by Investing Activities	<u>50,000</u>	<u> </u>
NET DECREASE IN CASH	(343,165)	(1,340,647)
Cash at Beginning of Year	<u>1,384,747</u>	<u>2,725,394</u>
CASH AT END OF YEAR	<u>\$ 1,041,582</u>	<u>\$ 1,384,747</u>

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

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Degrees of Change (the "Organization") is a Washington nonprofit corporation. The purpose of the Organization is to develop and provide leadership training, college scholarships and support for college access and success and career development services. The Organization's funding is received under grants with local agencies, from program service fees and donations.

Basis of Accounting and Basis of Presentation

The accompanying audited financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this accounting method, revenues are recognized in the year earned, support is recognized in the year in which it is unconditionally promised, and expenses are recorded in the year incurred.

Degrees of Change is required to report information regarding its financial position and activities according to two classes of net assets based on the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Degrees of Change pursuant to those stipulations or that expire by the passage of time and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by Degrees of Change. The Organization does not have any net assets that a donor has stipulated to be maintained in perpetuity.

Cash

For purposes of the statements of cash flows, the Organization considers cash to be cash on hand and in checking and savings accounts.

Contributions, Accounts and Grants Receivable

Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate using the U.S. Treasury rates corresponding to the period in which the contribution is to be received.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Accounts and Grants Receivable (Continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reported as a transfer to net assets without donor restrictions (restrictions released) in the statement of activities. Contributions of cash or other assets that are restricted to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed into service.

Grant revenue and the related receivable are realized when unconditionally promised. Grants received with conditions are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Management considers accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. If an amount becomes uncollectible, it will be charged to operations when that determination is made. All accounts and grants receivable are current at June 30, 2023.

Furniture and Equipment

Furniture and equipment are recorded at cost when purchased or at fair value when donated; the recorded cost is capitalized with depreciation provided over the estimated useful lives (ranging from 3 to 7 years) of the respective assets using the straight-line method when the cost or fair value exceeds \$5,000.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of audited 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 audited financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of Accounting Standard Codification ("ASC") Topic 842

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* ("Topic 842"). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ("ASC 840"). ASC Topic 842 requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense; the Organization exclusively has operating leases. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either a finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842 and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, an operating lease liability of \$285,057, an operating right-of-use asset of \$274,498, and a cumulative effect adjustment to net assets of \$10,559. The adoption of the new standard did not materially impact the Organization's statements of operations or statements of cash flows. See Note 8 for further disclosure of the Organization's lease contracts. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Subsequent Events

The management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through November 2, 2023, the date the audited financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Accounts at the Organization's financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") with basic coverage up to \$250,000 per institution. At June 30, 2023, the Organization's cash balances exceeded the insured amounts by \$38,184.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,041,582	\$ 1,384,747
Accounts and grants receivable	<u>111,784</u>	<u>171,901</u>
Total Financial Assets	1,153,366	1,556,648
Less financial assets restricted by donors	<u>222,655</u>	<u>554,489</u>
Financial Assets Available to Meet General Expenditure Needs	\$ <u>930,711</u>	\$ <u>1,002,159</u>

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 16,167	\$ 65,994
Less accumulated depreciation	<u>12,855</u>	<u>41,412</u>
	\$ <u>3,312</u>	\$ <u>24,582</u>

Depreciation expense was \$14,541 and \$19,521 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 - OTHER ASSETS

During the year ended June 30, 2012, the Organization purchased the rights for the Act Six program that it developed over several years from another nonprofit organization, Northwest Leadership Foundation ("NLF"). The costs associated with the program were capitalized and are being amortized using the straight-line method over 15 years.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - OTHER ASSETS (Continued)

During the year ended June 30, 2015, the Organization began to internally develop a college enrollment data software program that was placed into service during the year ended June 30, 2016, referred to as GuidEd Insight in these financial statements. During the years ended June 30, 2021 and 2020, the Organization incurred costs to further develop and enhance functionality. Costs incurred during the preliminary project phase, or the post implementation phase, of these projects to make substantive changes to GuidEd Insight are expensed as incurred. Costs incurred during the application development stage, which may include costs associated with software design, configuration, interface development, coding, installation of related hardware, testing and parallel processing, are capitalized and amortized using the straight-line method over 3 years.

During the year ended June 30, 2023, the Organization sold the GuidEd Insight software and associated hardware to an unrelated party for \$50,000, resulting in a loss from the sale of \$95,948.

Amortization expense associated with the Act Six program and GuidEd Insight software was \$223,989 and \$299,501 for the years ended June 30, 2023 and 2022, respectively.

The estimated aggregate amortization expense for subsequent years is as follows:

Year ending June 30, 2024	\$ 3,933
2025	3,933
2026	3,933
2027	<u>2,951</u>
	\$ <u>14,750</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The balance in net assets with donor restrictions as of June 30, 2023 and 2022 consisted of foundation grant funds or promises to give that are to be used to operate specific programs. The nature of net assets with donor restrictions is as follows:

	<u>2023</u>	<u>2022</u>
Donor-restricted as to purpose	\$ 142,655	\$ 414,989
Donor-restricted as to time	<u>80,000</u>	<u>139,500</u>
	\$ <u>222,655</u>	\$ <u>554,489</u>

Net assets with donor restrictions include grant funds totaling \$134,360 and \$340,086 at June 30, 2023 and 2022, respectively, that are restricted for the development of the GuidEd Insight software. The Organization continues to evaluate opportunities to utilize restricted funds in accordance with donor stipulations.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 7 - LONG-TERM DEBT

At June 30, 2021, the Organization was party to an unsecured note payable to a bank with interest at 1.00% and monthly installments of \$6,795, unless forgiven in accordance with the terms of the note payable agreement. The note payable was forgiven in full during the year ended June 30, 2022 and recorded in government grant revenue in the statement of activities totaling \$329,759.

NOTE 8 - LEASES

Operating Right-of-Use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The weighted-average discount rate is based on either the implicit rate, if available, or the incremental borrowing rates. 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 option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization leases an office facility under a long-term, non-cancelable operating lease agreement expiring in 2026. The leased office facility provides for increases in future minimum annual rental payments as defined in the lease agreement. Also, the lease agreement generally requires the Organization to pay applicable taxes, insurance and repairs. Total operating lease costs for the year ended June 30, 2023 were \$76,440. Total lease expense under noncancelable leases was \$75,600 for the year June 30, 2022.

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - LEASES (Continued)

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ <u>62,510</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ <u>274,498</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term	
Operating leases	3.00 years
Weighted-average discount rate	
Operating leases	5.10%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30:

	<u>Operating</u>
2024	\$ 77,880
2025	80,220
2026	<u>82,620</u>
Total Lease Payments	240,720
Less amounts representing interest	<u>(18,172)</u>
Present Value of Lease Liabilities	222,548
Less current portion of operating lease liability	<u>(67,630)</u>
Long-term Portion of Operating Lease Liability	\$ <u>154,918</u>

DEGREES OF CHANGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - LEASES (Continued)

Future minimum lease payments of the noncancelable operating lease under ASC 840 as of June 30, 2022 were as follows:

2023	\$ 78,000
2024	80,400
2025	82,800
2026	<u>85,200</u>
	\$ <u>326,400</u>

NOTE 9 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan that allows employees who have met certain eligibility requirements to contribute part of their pay to the plan. The Organization matches employees' contributions based on a percentage of salary contributed by participants. The Organization's contribution expense for the years ended June 30, 2023 and 2022 was \$58,232 and \$57,746, respectively.

NOTE 10 - FUNCTIONALIZED EXPENSES

The audited financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility expenses, which are allocated on a square footage basis, as well as salaries and benefits, activities and materials, operations, equipment and technology, meetings and training, depreciation and other, which are allocated on the basis of management's estimates of time and effort.