VITAMIN ANGEL ALLIANCE, INC.

FINANCIAL STATEMENTS

December 31, 2022

VITAMIN ANGEL ALLIANCE, INC.
Table of Contents
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vitamin Angel Alliance, Inc.

Opinion

We have audited the accompanying financial statements of Vitamin Angel Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement 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 Vitamin Angel Alliance, Inc. 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 Vitamin Angel Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Vitamin

Angel Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vitamin Angel Alliance, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vitamin Angel Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Vitamin Angel Alliance's 2021 financial statements, and our report dated June 10, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hutchinson and Bloodgood LLP

Hutchinson and Bloodgood LLP
Santa Barbara, California
June 20, 2023

VITAMIN ANGEL ALLIANCE, INC.
Statement of Financial Position
December 31, 2022
(With Summarized Comparative Totals for 2021)

Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total 2022**	**Total 2021**
Current Assets				
Cash	$ 8,570,158	$ 545,046	$ 9,115,204	$ 14,807,615
Prepaid expenses and deposits	179,166	-	179,166	206,103
Pledges receivable	817,381	10,832,812	11,650,193	10,922,092
Inventory	57,548,122	-	57,548,122	65,127,312
Total current assets	67,114,827	11,377,858	78,492,685	91,063,122
Other Assets				
Pledges receivable, net	-	8,701,600	8,701,600	1,471,300
Investments	14,163,063	-	14,163,063	10,588,758
Office furniture, equipment, and leasehold improvements, net	178,442	-	178,442	215,981
Right-of-use assets	3,544,810	-	3,544,810	-
Total other assets	17,886,315	8,701,600	26,587,915	12,276,039
	$ 85,001,142	$ 20,079,458	$ 105,080,600	$ 103,339,161
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 484,140	$ -	$ 484,140	$ 502,874
Accrued payroll liabilities	575,940	-	575,940	554,100
Lease liabilities	213,407	-	213,407	-
Total current assets	1,273,487	-	1,273,487	1,056,974
Other Liabilities				
Lease liabilities, net of current portion	3,379,913	-	3,379,913	-
Accrued deferred compensation	500,000	-	500,000	425,000
Total other liabilities	3,879,913	-	3,879,913	425,000
Total liabilities	5,153,400	-	5,153,400	1,481,974
Net Assets				
Without donor restrictions				
Board designated	13,203,271	-	13,203,271	7,645,634
Other net assets without donor restrictions	66,644,471	-	66,644,471	81,191,143
With donor restrictions	-	20,079,458	20,079,458	13,020,410
Total net assets	79,847,742	20,079,458	99,927,200	101,857,187
Total Liabilities and Net Assets	$ 85,001,142	$ 20,079,458	$ 105,080,600	$ 103,339,161

VITAMIN ANGEL ALLIANCE, INC.
Statement of Activities
Year Ended December 31, 2022
(With Summarized Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenues and Other Support				
In-kind contributions	$ 98,975,847	$ -	$ 98,975,847	$ 85,262,612
Contributions	13,138,591	17,846,493	30,985,084	31,214,646
Investment income (loss), net	(1,518,341)	-	(1,518,341)	1,249,274
Net assets released from restrictions	10,787,445	(10,787,445)	-	-
Total revenues and other support	121,383,542	7,059,048	128,442,590	117,726,532
Expenses				
Nutrition and health projects	122,232,498	-	122,232,498	113,455,078
Management and general	2,324,519	-	2,324,519	1,749,520
Fundraising	5,815,560	-	5,815,560	5,069,536
Total expenses	130,372,577	-	130,372,577	120,274,134
Increase (decrease) in net assets	(8,989,035)	7,059,048	(1,929,987)	(2,547,602)
Net assets, beginning of year	88,836,777	13,020,410	101,857,187	104,404,789
Net assets, end of year	$ 79,847,742	$ 20,079,458	$ 99,927,200	$ 101,857,187

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

VITAMIN ANGEL ALLIANCE, INC.
Statement of Functional Expenses
Year Ended December 31, 2022
(With Summarized Comparative Totals for 2021)

	Program Services	Supporting Services		Total	
	Nutrition and Health Projects	Management and General	Fundraising	2022	2021
Salaries	$ 2,141,509	$ 1,434,021	$ 2,608,893	$ 6,184,423	$ 5,506,837
Payroll taxes and benefits	330,116	230,643	453,583	1,014,342	872,315
Total salaries and benefits	2,471,625	1,664,664	3,062,476	7,198,765	6,379,152
Consulting	2,130,446	256,768	1,459,533	3,846,747	3,155,143
Development events, donor recognition, and marketing	-	-	690,059	690,059	860,503
Depreciation	35,384	7,797	16,793	59,974	62,297
Information technology	238,513	52,553	113,192	404,258	330,254
Insurance	78,518	17,849	37,263	133,630	128,160
Legal and accounting	40,647	57,817	19,290	117,754	243,321
Loss on disposal of assets	-	2,688	-	2,688	8,156
Occupancy	215,346	95,959	102,198	413,503	344,612
Office expenses	316,694	57,067	128,212	501,973	303,547
Postage and shipping	2,733,992	596	-	2,734,588	2,519,334
Products distributed - contributed	106,961,649	-	-	106,961,649	101,003,583
Products distributed - purchased	4,442,359	-	-	4,442,359	3,820,245
Program direct expense	2,045,791	-	-	2,045,791	821,353
Travel	521,534	110,761	186,544	818,839	294,474
Total expenses 2022	$ 122,232,498	$ 2,324,519	$ 5,815,560	$ 130,372,577	
Total expenses 2021	$ 113,455,078	$ 1,749,520	$ 5,069,536		$ 120,274,134

VITAMIN ANGEL ALLIANCE, INC.
Statement of Cash Flows
Year Ended December 31, 2022
(With Summarized Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Decrease in net assets	$ (1,929,987)	$ (2,547,602)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation	59,973	62,297
Amortization of right-of-use assets	48,510	-
Net realized gain on investments	(976,477)	(331,251)
Net unrealized loss (gain) on investments	2,631,108	(857,815)
Net realized loss on disposal of fixed assets	2,688	8,156
Decrease (increase) in:		
Inventory	7,579,190	15,578,294
Pledges receivable	(7,958,401)	(2,409,717)
Prepaid expenses and deposits	26,937	109,151
Increase (decrease) in:		
Accounts payable	(18,734)	(570,837)
Accrued payroll liabilities	21,840	(10,506)
Accrued deferred compensation	75,000	75,000
Net cash provided (used) by operating activities	(438,353)	9,105,170
Cash flows from investing activities		
Purchase of investments	(12,165,716)	(2,634,483)
Proceeds from sales of investments	6,936,780	2,490,228
Purchase of office furniture and equipment	(25,122)	(20,885)
Net cash used by investing activities	(5,254,058)	(165,140)
Net increase (decrease) in cash	(5,692,411)	8,940,030
Cash, beginning of year	14,807,615	5,867,585
Cash, end of year	$ 9,115,204	$ 14,807,615

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

1. ORGANIZATION

Vitamin Angel Alliance, Inc. (the “Organization”), a California nonprofit corporation, was founded in 1998 and is headquartered in Goleta, California. The Organization aims to reduce health and economic disparities across the lifespan by effectively delivering evidence-based nutrition interventions to underserved and hard-to-reach populations globally. The Organization’s model is based on the reality that national health services are unable to reach all eligible participants, especially those that reside in marginalized or hard-to-reach communities.

Employing context-specific approaches, the Organization engages in advocacy and advisory services, provides evidence-based nutrition interventions, and delivers technical assistance to reach the most underserved, nutritionally vulnerable populations – pregnant women, infants, and young children. The Organization works at both the national and local level, often through a blended approach, to identify governments, non-governmental organizations (NGOs), academic institutions, private sector organizations, and others interested in exploring the introduction and implementation of evidence-based nutrition interventions. It is through a range of strategies, working with multiple stakeholders, that the Organization can effectively and efficiently fill gaps in coverage.

The Organization supports a range of nutrition specific interventions, targeting pregnancy through up to 5 years of age. The Organization works to expand the availability of evidence-based nutrition interventions to hard-to-reach populations, with a focus on strengthening, sustaining, or expanding multiple micronutrient supplementation (MMS) for pregnant women, high-dose vitamin A supplementation for children under 5, deworming for children under 5, and infant and young child feeding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Net Assets

GAAP requires that the Organization report information regarding its financial position and activities according to two classes of net assets based on the existence and nature of donor imposed restrictions as follows:

<u>Net assets without donor restrictions:</u> Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

<u>Net assets with donor restrictions:</u> Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2022 and 2021, there were no donor restricted funds that were permanent in nature.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

Cash

For purposes of the statement of cash flows, cash consists of cash in banks and excludes cash equivalents held for investment.

Investments

The Organization follows Accounting Standards Codification 820, Fair Value Measurements and Disclosures, issued by the Financial Accounting Standards Board (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded and maintained at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Investments (cont.)

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization has no liabilities measured at fair value. Following is a description of the valuation methodologies used for cash and investments measured at fair value:

Cash and money market funds - Valued at face value (Level 1)

Equities and mutual funds - Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

Fixed income securities - Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Detailed information about fair value of investments and the unrealized gains and losses are discussed in Note 5.

Inventory

The Organization's policy is to distribute inventory at the earliest practical date, consistent with sound programmatic principles. While the distribution typically occurs in the same year of receipt, it may occur in the following year. The expense 'products distributed' is recorded when inventory is shipped. Inventory consists of the following as of December 31:

	2022	2021
Anti-parasitic tablets	$ 35,528,040	$ 31,657,610
Multiple Micronutrient Supplements (MMS) for pregnant women	20,588,697	32,211,966
High-dose vitamin A	1,431,385	1,257,736
	$ 57,548,122	$ 65,127,312

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Inventory (cont.)

Contributed inventory is recorded at fair value (See Note 2, Contributed Product). Purchased inventory is carried at cost, unless the purchase price has been discounted. If the Organization is able to purchase from a vendor at a price below the valuation price, the Organization records the discount as a gift in-kind (GIK) contribution. The discount is the difference between the amount that would be paid for the quantity of product purchased in an orderly transaction between market participants, and the purchase price paid by the Organization.

Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable consist primarily of promises from corporate donors. The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges at December 31, 2022 and 2021. The fair value is measured using an income approach which incorporates inputs including estimated credit risk, estimated timing of cash receipts, and an appropriate present value discount factor.

Office Furniture, Equipment, and Leasehold Improvements

Office furniture, equipment, and leasehold improvements are carried at cost, or if acquired by gift, at the estimated fair market value on the date of donation. Expenditures for major renewals that extend the useful lives of office furniture and equipment are capitalized if amounts are in excess of $500. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of office furniture and equipment as follows:

	Years
Furniture and fixtures	5-7
Computers and office equipment	5
Leasehold improvements	7

Revenue Recognition

The Organization records contributions in the period received or promised as revenue without donor restrictions unless the donor stipulates any restrictions which are not met within the year the donation is received. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements. Donor restricted contributions whose restrictions are not met within the same year as received are recorded as an increase in net assets with donor restrictions. When a restriction expires due to purpose and/or time, net assets with donor restrictions are reclassified as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Contributed Product

The Organization values gifts in-kind (GIK) at fair value. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The fair value is determined based on the principal market for each product. There is no commercial market for the products contributed to the Organization in the United States. Accordingly, the principal market for the products contributed are limited to the international commercial marketplace where non-governmental organizations, governments, and/or local pharmacies transact for the product. The Organization uses independent pricing guides to determine the fair value of each product based on each product's specific formulation. The sources of such pricing information vary and may include IMS Health data, "Sources and Prices of Selected Medicines for Children", the Organization's own acquisition cost and/or the average wholesale price found in RedBook®.

IMS Health data comes from a company called IMS Health that provides market intelligence to pharmaceutical and healthcare industries and provides wholesale pricing data. The "Sources and Prices of Selected Medicines for Children" guide is published annually by UNICEF and the W.H.O. If the product formulations are not listed in IMS Health data or in the "Sources and Prices of Selected Medicines for Children" guide, the average wholesale price of the most similar products found in RedBook® is used as a suitable pricing reference. RedBook® is published by Thomson Reuters and is based on United States manufacturers' suggested wholesale prices.

Valuations typically are substantially lower than published retail prices. Contributed products provided to the Organization's partners around the world are recorded as an expense at the same fair value as they were recognized upon receipt as revenue.

Operating Leases

The Organization has adopted Financial Accounting Standard Board (FASB) Accounting Standard codification (ASC 842), *Leases*, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Organization's statement of financial position as of December 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Operating Leases (cont.)

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate of a period comparable with that of the lease term. The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

Contributed Services

The Organization recognizes contribution revenue for specialized services that would otherwise be purchased by the Organization in an amount equal to the fair value of those services. The legal consulting services were donated by a related party (Note 11). The following amounts were contributed and recognized as revenue:

Service Donated	2022 Fair Value	2021 Fair Value	Purpose
Accounting services	$ 6,500	$ 4,500	General
Legal consulting	38,600	142,600	General
Advertising	4,200	-	General
	$ 49,300	$ 147,100	

Functional Allocation of Expenses

The statement of functional expenses present the natural classification detail of expenses by function. Direct expenses are charged to the appropriate program or supporting services. Certain costs have been allocated among the programs and supporting services benefited. Expenses allocated on a square footage basis include occupancy, depreciation, utilities, and insurance. Expenses allocated on the basis of estimates of time and effort include salaries and wages, benefits, payroll taxes, professional services, office expenses, and information technology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

Uncertain Tax Positions

The Organization's IRS Form 990 is subject to review and examination by Federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The Organization's tax returns from the year 2019 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2018 to the present remain subject to examination by the state of California.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant accounting estimates include valuation of contributed products and functional expense allocations. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June 20, 2023, the date that the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2022:

Cash	$ 8,570,158
Investments	14,163,063
Pledges receivable	11,650,193
Less deferred compensation liability	(500,000)
Less board-designated operating reserve	(13,203,271)
	$ 20,680,143

3. LIQUIDITY AND AVAILABILITY (Cont.)

As part of the liquidity management plan, the Organization maintains an operating reserve. Based on the available liquidity as of December 31, 2022 and expected 2023 cash income, the Organization does not anticipate using the operating reserve during the fiscal year ending December 31, 2023.

4. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2022, are estimated to be received as follows:

Year ending December 31,	
2023	$ 11,650,193
2024	5,000,000
2025	4,250,000
	20,900,193
Less unamortized discount	(548,400)
	$ 20,351,793

Pledges receivable due are recorded at the present value of estimated future cash flows using Daily Treasury Par Yield Curve Rates. The present value discount is amortized to contribution revenue over the terms of the pledges receivable.

5. INVESTMENTS

At December 31, 2022, investments without donor restrictions consist of the following:

	Cost	Fair Value	Deficit of Fair Value Over Cost
Money market funds (Level 1)	$ 566,047	$ 566,047	$ -
Mutual and exchange traded funds (Level 1)	3,443,371	3,260,105	(183,266)
Fixed income (Level 2)	5,596,957	5,359,777	(237,180)
Equities (Level 1)	5,242,132	4,977,134	(264,998)
	$14,848,507	$14,163,063	$(685,444)

5. INVESTMENTS (Cont.)

At December 31, 2021, investments without donor restrictions consist of the following:

	Cost	Fair Value	Excess of Fair Value Over Cost
Money market funds (Level 1)	$ 2,520,411	$ 2,520,411	$ -
Mutual and exchange traded funds (Level 1)	1,223,104	1,321,542	98,438
Fixed income (Level 2)	1,919,244	1,925,782	6,538
Equities (Level 1)	2,980,335	4,821,023	1,840,688
	$ 8,643,094	$10,588,758	$1,945,664

Investment income (loss) for the years ending December 31, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividends	$ 210,001	$ 117,279
Net realized gain	976,477	331,251
Net unrealized gain (loss)	(2,631,108)	857,815
	(1,444,630)	1,306,345
Less investment fees	(73,711)	(57,071)
Total investment income (loss)	$(1,518,341)	$1,249,274

6. OFFICE FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Office furniture, equipment, and leasehold improvements are summarized by major classifications as follows at December 31:

	2022	2021
Furniture and office equipment	$ 167,386	$ 167,386
Computers	99,573	96,922
Leasehold improvements	145,126	145,126
Less accumulated depreciation	(233,643)	(193,453)
	$ 178,442	$ 215,981

Depreciation expense for the years ended December 31, 2022 and 2021 was approximately $60,000 and $62,300, respectively.

7. OPERATING LEASES

On April 5, 2019, the Organization entered into a non-cancelable operating lease agreement with an expiration date of July 31, 2026, with two successive options of fives years each to extend the lease following the expiration of the initial term. The initial monthly lease payment is approximately $19,500 with increases of approximately 3% annually. The Organization is also required to pay common area costs, including property taxes.

On June 1, 2020, the Organization entered into a non-cancellable operating lease agreement with an expiration date of June 30, 2023. The Organization will renew the contract beginning July 1, 2023 and will have an expiration date of June 30, 2025. The monthly lease payments are approximately $2,200 with increase of approximately 3% annually.

Lease expense for the year ended December 31, 2022 was $404,258, which included $95,369 of variable lease expenses for common area maintenance expenses.

Other information:

Operating cash flows used for operating leases	$ 269,624
Right of use asset obtained in exchange for operating lease liability	3,795,821
Weighted-average remaining lease term in years for operating lease	13.38
Weighted-average discount rate for operating lease	1.83%

Maturity analysis:

December 31,		
	2023	$ 276,600
	2024	286,000
	2025	280,400
	2026	274,400
	2027	279,200
	2028 and later	2,680,256
Total undiscounted cash flows		4,076,856
Present value discount		(483,536)
Total lease liability		$ 3,593,320

8. BOARD DESIGNATED NET ASSETS

As of December 31, 2022 and 2021, the board has designated net assets without donor restrictions in the amount of $13,203,271 and $7,645,634, respectively, as an operating reserve fund.

9. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were restricted for expenditure. These included pledges and grants and were as follows at December 31:

	2022	2021
Time restricted receivables, net	$ 20,351,793	$ 12,393,392
Unexpended funds	545,046	627,018
Total funds restricted to expenditure	$ 20,896,839	$ 13,020,410

10. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2022, substantially all of the Organization's cash was maintained in financial institutions. The cash balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for interest-bearing accounts. The Organization's uninsured cash balances by the FDIC totaled approximately $8,489,000 at December 31, 2022.

Cash equivalent balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to $250,000 per institution. The Organization's uninsured cash balances by the SIPC totaled approximately $316,000 at December 31, 2022.

For the year ended December 31, 2022, 77% of cash contributions were attributable to two donors and 81% of in-kind contributions were attributable to two donors. Including the in-kind contribution component, 79% of inventory acquisitions were from three vendors.

The Organization had two donors that accounted for approximately 68% of pledges receivable as of December 31, 2022.

11. RELATED PARTY TRANSACTIONS

A board member is a principal in a law firm that contributed legal consulting services in the amount approximately of $36,100 and $140,900 for the years ended December 31, 2022 and 2021, respectively (Note 1). In addition, a board member provided consulting services to the Organization totaling $152,500 and $145,300, respectively, for the years ended December 31, 2022 and 2021.

12. EMPLOYEE BENEFITS

Effective April 1, 2013, the Organization established a qualified profit sharing retirement plan with a 401(k) deferred compensation provision covering substantially all employees. Employees must meet the minimum hours of service requirement of one year and be 21 years old in order to qualify for inclusion in the plan. Under the plan, qualified employees may elect to defer up to 90% of their salaries, subject to the Internal Revenue Code (IRC) limits. The Organization makes safe harbor contributions equal to 3% of each participant's compensation, which are 100% vested as of the date of contribution. In addition, the Organization may elect to make discretionary contributions to the plan, subject to IRC limits, which are allocated to participants in accordance with the plan document. Expenses of the plan are paid by the Organization and are included in the financial statements as a component of general and administrative expenses.

The Organization's contribution to the plan, consisting of safe harbor and a discretionary contribution component, totaled approximately $182,000 and $165,200 and for the years ended December 31, 2022 and 2021, respectively.

The Organization established a non-qualified deferred compensation agreement under Section 457(f) of the IRC effective January 1, 2014. In September 2018, the agreement was amended to provide for deferred compensation of $75,000 annually for five years commencing with the year ending December 31, 2019. The agreement covers the president of the Organization.

As of December 31, 2022, the Organization had funded $500,000 into a deferred compensation account and will make one additional annual contribution of $75,000 during the fiscal year ending December 31, 2023.

The account is owned by the Organization and is therefore included in investments on the accompanying statement of financial position. As of December 31, 2022, $200,000 is vested. The remaining amount of $375,000 in the account will vest 100% as of December 31, 2023 or at the time of death, disability, or termination of employment without cause.