

Fugees Family, Inc.  
*Audited Financial Statements*

As of and for the Years Ended  
June 30, 2022 and 2021



Rea & associates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Fugees Family, Inc.  
Columbus, Ohio

Opinion

We have audited the financial statements of Fugees Family, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and changes in net assets, 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, 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 (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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 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.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio  
January 3, 2023

FUGEES FAMILY, INC

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2022 AND 2021

	<u>ASSETS</u>	
	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,650,571	\$ 1,855,446
Accounts receivable	360,750	19,766
Prepaid expenses	1,000	-
Assets held for sale	-	2,067,927
Total current assets	<u>14,012,321</u>	<u>3,943,139</u>
PROPERTY AND EQUIPMENT, net	164,611	20,756
INVESTMENTS, at fair value	4,089,265	445,109
Total assets	<u>\$ 18,266,197</u>	<u>\$ 4,409,004</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 117,596	\$ 84,983
Accrued payroll	62,856	51,798
Notes payable, current portion	60,002	152,500
Total current liabilities	<u>240,454</u>	<u>289,281</u>
NOTES PAYABLE, net of current portion	2,439,998	-
Total liabilities	<u>2,680,452</u>	<u>289,281</u>
NET ASSETS:		
Net assets without donor restrictions	15,235,745	3,769,723
Net assets with donor restrictions	350,000	350,000
Total net assets	<u>15,585,745</u>	<u>4,119,723</u>
Total liabilities and net assets	<u>\$ 18,266,197</u>	<u>\$ 4,409,004</u>

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

FUGEES FAMILY, INC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUE, GAINS, AND SUPPORT:			
Foundation grants	\$ 1,231,365	\$ 445,000	\$ 1,676,365
State funding	385,990	-	385,990
Individual and business contributions	10,437,833	-	10,437,833
Investment loss	(159,360)	-	(159,360)
Management fee income	310,940	-	310,940
Net assets released from restriction	445,000	(445,000)	-
Program revenue	30,000	-	30,000
Gain on sale of land and other support	2,129,353	-	2,129,353
Total revenue, gains, and support	<u>14,811,121</u>	<u>-</u>	<u>14,811,121</u>
EXPENSES:			
Program services:			
Academy	1,739,211	-	1,739,211
Soccer and summer	47,395	-	47,395
Supporting services:			
Management and general	1,494,446	-	1,494,446
Fundraising	64,047	-	64,047
Total expenses	<u>3,345,099</u>	<u>-</u>	<u>3,345,099</u>
Changes in net assets	11,466,022	-	11,466,022
NET ASSETS, beginning of the year	<u>3,769,723</u>	<u>350,000</u>	<u>4,119,723</u>
NET ASSETS, end of the year	<u>\$ 15,235,745</u>	<u>\$ 350,000</u>	<u>\$ 15,585,745</u>

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

FUGEES FAMILY, INC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUE, GAINS, AND SUPPORT:			
Foundation grants	\$ 2,043,292	\$ -	\$ 2,043,292
State funding	147,304	-	147,304
Individual and business contributions	836,748	-	836,748
Investment income	89,071	-	89,071
Management income	177,797	-	177,797
Net assets released from restriction	25,000	(25,000)	-
Other revenue and support	495,146	-	495,146
Total revenue, gains, and support	<u>3,814,358</u>	<u>(25,000)</u>	<u>3,789,358</u>
EXPENSES:			
Program services			
Academy	1,219,902	-	1,219,902
Soccer and summer	85,867	-	85,867
Supporting services			
Management and general	1,164,709	-	1,164,709
Fundraising	64,207	-	64,207
Total expenses	<u>2,534,685</u>	<u>-</u>	<u>2,534,685</u>
Changes in net assets	1,279,673	(25,000)	1,254,673
NET ASSETS, beginning of the year	<u>2,490,050</u>	<u>375,000</u>	<u>2,865,050</u>
NET ASSETS, end of the year	<u>\$ 3,769,723</u>	<u>\$ 350,000</u>	<u>\$ 4,119,723</u>

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

FUGEES FAMILY, INC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services		Total
	Academy	Soccer and Summer	Management and General	Fundraising	
FUNCTIONAL EXPENSES:					
Advertising	\$ 23,631	\$ 168	\$ 51,582	\$ 17,157	\$ 92,538
Campus funding	-	-	294,213	-	294,213
Contract labor	194,803	-	316,643	33,133	544,579
Depreciation	15,804	-	-	-	15,804
Dues and subscriptions	-	4,727	-	-	4,727
Employee benefits	130,527	-	83,239	-	213,766
Equipment	6,481	-	218	-	6,699
Insurance	10,627	-	10,657	-	21,284
Lunch	87,392	-	2,846	-	90,238
Meals, entertainment, travel	37,333	729	51,477	648	90,187
Miscellaneous	2,429	-	440	70	2,939
Salaries and payroll tax	837,345	18,863	568,385	-	1,424,593
Property tax	-	-	9,881	-	9,881
Rent	130,199	885	1,600	9,700	142,384
Service fees	225	80	1,801	648	2,754
Staff development	1,878	-	359	-	2,237
Supplies	158,939	-	19,398	-	178,337
Technology	28,626	490	44,648	2,691	76,455
Transportation	69,392	-	37,059	-	106,451
Uniforms	3,580	21,453	-	-	25,033
Total functional expenses	\$ 1,739,211	\$ 47,395	\$ 1,494,446	\$ 64,047	\$ 3,345,099

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



FUGEES FAMILY, INC

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Supporting Services		Total
	Academy	Soccer and Summer	Management and General	Fundraising	
FUNCTIONAL EXPENSES:					
Advertising	\$ 4,473	\$ -	\$ 10,019	\$ 19,040	\$ 33,532
Campus funding	-	-	388,417	-	388,417
Contract labor	61,807	-	20,815	45,167	127,789
Depreciation	9,580	-	-	-	9,580
Dues and subscriptions	-	-	972	-	972
Employee benefits	197,401	19,523	123,246	-	340,170
Equipment	11,004	-	152	-	11,156
Insurance	19,948	-	-	-	19,948
Interest expense	-	-	1,401	-	1,401
Lunch	47,610	-	-	-	47,610
Meals, entertainment, travel	4,227	-	9,454	-	13,681
Miscellaneous	1,010	-	199	-	1,209
Salaries and payroll tax	599,612	59,302	542,866	-	1,201,780
Property tax	-	-	17,437	-	17,437
Rent	70,590	-	12,102	-	82,692
Service fees	2,037	-	1,910	-	3,947
Staff development	10,715	-	3,484	-	14,199
Supplies	49,881	-	12,147	-	62,028
Technology	46,146	-	20,088	-	66,234
Transportation	71,204	7,042	-	-	78,246
Uniforms	12,657	-	-	-	12,657
Total functional expenses	\$ 1,219,902	\$ 85,867	\$ 1,164,709	\$ 64,207	\$ 2,534,685

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

FUGEES FAMILY, INC

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 11,466,022	\$ 1,254,673
Adjustments to reconcile the change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation expense	15,804	9,580
Net realized and unrealized losses (gains) on investments	177,462	(69,169)
Gain on sale of assets held for sale	(2,048,381)	-
Forgiven debt	-	(353,449)
Forgiven interest expense	-	1,394
(Increase) decrease in operating assets:		
Accounts receivable	(340,984)	(7,583)
Prepaid expenses	(1,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable	32,613	55,778
Accrued payroll	11,058	7,733
Net cash and cash equivalents provided by operating activities	<u>9,312,594</u>	<u>898,957</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for the purchase of property and equipment	(159,659)	-
Payments for the purchase of securities	(3,858,725)	-
Proceeds from the sale of assets held for sale	4,116,308	-
Proceeds from the sale of securities	37,107	-
Net cash and cash equivalents used in investing activities	<u>135,031</u>	<u>-</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Payment on long-term debt	(152,500)	(22,500)
Proceeds from long-term debt obligations	2,500,000	-
Net cash and cash equivalents provided by (used in) financing activities	<u>2,347,500</u>	<u>(22,500)</u>
Net increase in cash and cash equivalents	<u>11,795,125</u>	<u>876,457</u>
CASH AND CASH EQUIVALENTS, beginning of the year	<u>1,855,446</u>	<u>978,989</u>
CASH AND CASH EQUIVALENTS, end of the year	<u><u>\$ 13,650,571</u></u>	<u><u>\$ 1,855,446</u></u>

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

FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Fugees Family, Inc. (the “Organization”) is a non-profit organization that began operations in 2005, incorporated under the laws of the state of Georgia. The Organization provides year-round soccer, after-school tutoring, a private academy, and an academic enrichment camp to child survivors of war.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Management 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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Net Assets and Financial Statement Presentation

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

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue 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 purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Assets Held for Sale

The Organization held certain land and land improvements that had been donated to the Organization as available for sale. These assets were not currently in use and as such were not being depreciated. These assets were recorded at the lower of their carrying value or fair value less costs to sell. During the year ended June 30, 2022, the Organization sold the assets held for sale for net proceeds of \$4,116,308.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value if donated, less accumulated depreciation. Depreciation is calculated using the straight-line method over the five-year estimated useful lives of the underlying assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in revenues, gains, and support. Depreciation expense was \$15,804 and \$9,580 for the years ended June 30, 2022 and 2021, respectively.

UPMIFA, ASC 958-205 and Endowment Funds

Endowment funds are subject to the restrictions of gift instruments, which require that the principal be invested in perpetuity. Income, expenses, and realized and unrealized gains and losses of the endowment funds are classified as either assets without donor restriction or assets with donor restrictions based on donor stipulations or because the income distributed from these funds is restricted to specific purposes.

The Organization accounts for endowment gifts under donor stipulations or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). From time to time, due to unfavorable market fluctuations, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level that donors provided. In accordance with generally accepted accounting principles, the difference between the fair value of the fund and the amounts provided by the donor are reported in net assets without restriction. As of June 30, 2022 and 2021, the fair value of assets associated with individual donor restricted endowment funds exceeded original donor contributed amounts (see Note 5).

The Organization's investment policy attempts to provide a predictable stream of funding to programs supported by operations as well as endowment donations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Assets are invested in a manner that is intended to produce results that meet or exceed the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

The Board has interpreted UPMIFA as seeking over the long-term, the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies as assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The Organization's purpose and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization's investment policies

Revenue and Support Recognition

The Organization's revenue and support recognition policies are as follows:

Grant Support

Grant support consists of cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures.

Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. In addition, the Organization's grant support activity is subject to review by the granting entities.

Contributions

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

State Funding

State funding consists of education choice vouchers and school lunch funding received from the State of Ohio. The revenue is recorded as the underlying services are provided and the funds are received.

Program Revenue

Program revenue consists of amounts derived from a signed contract with a customer. The Organization considers transactions in which each party directly receives commensurate value to be exchange transactions. For such transactions, revenue is recognized when the organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration management expects to receive in exchange for the services or products. The Organization has determined that it has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Organization's performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue and Support

Other revenue and support consists of management fees, government assistance, and a land sale. Management fees are charged to related parties and recorded as revenue as the supporting services are provided. See Note 10 regarding government assistance received.

Allocation of Functional Expenses

The Organization allocates expenses to program services, management and general and fund-raising whenever costs are associated with more than one activity, and are attributed to each activity specifically.

Advertising and Promotion

The Organization expenses advertising and promotion costs as they are incurred. These expenses totaled \$92,538 and \$33,532 for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, certain business activities of the Organization may be subject to Federal income taxes. Since the Organization did not have any such activities for the years ended June 30, 2022 and 2021, no provision for Federal, state, or local income taxes was necessary.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

Related Parties

Related parties exist when an entity has the ability to significantly influence the management or operating policies of another entity.

Recently Issued But Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will change the Organization's statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Organization's annual reporting periods beginning after December 15, 2021. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through January 3, 2023, the date on which the financial statements were available to be issued. Management has determined that there were no subsequent events requiring disclosure.

FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: RISKS AND UNCERTAINTIES

Uninsured Risk – Cash Deposits

The Organization maintains its cash and cash equivalent balances in financial institutions located in central Ohio. Interest-bearing and non-interest-bearing accounts are insured up to a coverage limit of \$250,000. As a result, the Organization may have balances in interest-bearing accounts that exceed the insured limit.

Grants

Certain grants often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management deems the contingency unlikely, as management believes all federal and state loans and grant compliance requirements were met in the current and subsequent period.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2022	2021
Computers and equipment	\$ 41,534	\$ 41,534
Furniture and fixtures	225,005	191,055
Buses	21,980	21,980
Property and equipment, at cost	288,519	254,569
Less: accumulated depreciation	(249,617)	(233,813)
Plus: non-depreciable work in process	125,709	-
Property and equipment, net	<u>\$ 164,611</u>	<u>\$ 20,756</u>

NOTE 4: OPERATING LEASE OBLIGATIONS

The Organization leases office equipment and building space under non-cancellable operating lease agreements expiring at various dates through June 2022. Lease expense was \$142,384 and \$82,692 for the years ended June 30, 2022 and 2021, respectively. There were no minimum future lease payments under non-cancelable operating lease agreements with original lease terms greater than one year as of June 30, 2022.

NOTE 5: ENDOWMENTS

The endowment funds are restricted net assets donated by, or in honor of, individuals or organizations. The principal of these funds may not be spent. Net earnings from these funds are classified as net assets with donor restrictions and then transferred to net assets without donor restriction and spent according to the donor requirements.

FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: ENDOWMENTS (CONTINUED)

Composition of endowment net assets by type of fund as of June 30, 2022 and 2021, was as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment funds:			
Goizueta	\$ -	\$ 350,000	\$ 350,000
<b>Total Endowment Funds</b>	<b>\$ -</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>

NOTE 6: INVESTMENTS IN MARKETABLE SECURITIES

Investment in marketable securities and mutual funds held by the Organization consist of the following as of June 30:

	2022	2021
Corporate bonds	\$ 1,007,218	\$ 85,414
Mutual funds	904,876	343,925
Stocks	1,128,164	-
Exchange traded funds	1,049,007	15,770
Total investments	<u>\$ 4,089,265</u>	<u>\$ 445,109</u>

NOTE 7: FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820-10-65, investments are measured at fair value based on level 1, 2, or 3 inputs. Generally accepted accounting principles established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.



FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's 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.

The following is a description of the valuation methodologies used for assets measured at fair value. The assets listed at fair value are displayed on the statements of financial position as "investments, at fair value" and include the following:

*Corporate bonds, stocks and exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Organization at year end.

All of the Organization's financial instruments measured at fair value consist of assets which are valued using Level 1 inputs as of June 30, 2022 and 2021.

NOTE 8: NOTES PAYABLE

Long-term debt is as follows at June 30:

	2022	2021
Note payable to PNC Bank, payable in 180 monthly installments of \$7,502, including principal and interest at a fixed interest rate of 3.44% beginning July 2022; the loan will mature in June 2037 with a final payment of any outstanding principal and accrued interest, and is secured by first position on all business assets.	\$ 1,500,000	\$ -
Note payable to PNC Bank, payable in 180 monthly installments of \$5,648, including principal and interest at a fixed interest rate of 4.59% beginning July 2022; the loan will mature in June 2037 with a final payment of any outstanding principal and accrued interest, and is secured by first position on all business assets.	1,000,000	-
Note payable for \$400,000 bearing no interest and secured by deed, due on demand	-	152,500
Less: current portion	(60,002)	(152,500)
	\$ 2,439,998	\$ -

FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: NOTES PAYABLE (CONTINUED)

The following are maturities of long-term debt for each year through maturity as of June 30, 2022:

<u>For the years ended June 30</u>	<u>Amount</u>
2023	\$ 60,002
2024	62,131
2025	64,870
2026	67,457
2027	70,149
Thereafter	<u>2,175,391</u>
Total	<u>\$ 2,500,000</u>

NOTE 9: RELATED PARTY TRANSACTIONS

During the year ended June 30 2021, the Georgia location of the Organization obtained charter school status and became a separate entity called Georgia Fugees Academy Charter School (GFACS). As a result, a management agreement was created whereby the Organization provides management and fundraising services to GFACS in exchange for compensation. The Organization received management fees from GFACS totaling \$310,940 and \$177,797 for the years ended June 30, 2022 and 2021, respectively. The Organization also made contributions to GFACS totaling \$294,213 and \$388,417 for the years ended June 30, 2022 and 2021, respectively. The Organization had receivables due from GFACS totaling \$222,440 and \$2,888 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10: GOVERNMENT ASSISTANCE

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed. The CARES Act had impact on several matters. The Payroll Protection Program (PPP), administered by the Small Business Administration (SBA), allows eligible companies to apply for government assistance to help businesses keep their workforce employed during the Coronavirus (COVID-19) crisis. The Employee Retention Credit (ERC) of the CARES Act provides a company that qualifies to receive government assistance through a refundable payroll tax credit for 50% of up to \$10,000 in wages paid by eligible employers.

On April 29, 2020 the Organization entered into an agreement for government assistance under the PPP. The unsecured PPP Loan had an initial principal amount of \$351,545 maturing in April 2025. Prior to June 30, 2021, the Organization received notice that its loan had been forgiven, including the initial principal amount plus accrued interest. The funds received as part of the PPP program are recorded as grant support under ASC 958-605 and are reflected as other revenue and support.

The Organization has chosen to receive ERC government assistance, hereinafter referred to as ERC Grant. During the year ended June 30 2021, the Organization requested and received an ERC Grant refund of \$131,568 and is reflected as other revenue and support.

FUGEES FAMILY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2022 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Organization that could be drawn upon if the Board approves the action.

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Financial Assets:	
Cash and cash equivalents	\$ 13,650,571
Accounts receivable	360,750
Financial Assets, at year-end	<u>14,011,321</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restriction by donor with purpose restrictions	-
Board designated funds	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,011,321</u>

Liquidity Policy

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due.