FamilyWorks

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

FamilyWorks

Index

Independent Auditor's Report

To the Board of Directors
FamilyWorks

Opinion

We have audited the financial statements of FamilyWorks, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 FamilyWorks 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 ("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 FamilyWorks 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 FamilyWorks' ability to continue as a going concern for 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 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 FamilyWorks' 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 FamilyWorks' 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.

Prior Period Financial Statements

The financial statements of FamilyWorks as of December 31, 2021 and for the year then ended were audited by other auditors, whose report dated June 1, 2022 expressed an unmodified opinion on those statements.

CohnReznick LLP

Los Angeles, California
August 8, 2023

FamilyWorks

Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents	$ 2,081,350	$ 2,080,745
Certificates of deposit	275,219	273,471
Grants receivable	353,581	87,704
Inventory	57,609	41,799
Contributions receivable	110,310	116,781
Other current assets	28,744	1,714
Total current assets	2,906,813	2,602,214
Property and equipment, net	204,433	63,412
Right-of-use asset	979,985	-
Total assets	$ 4,091,231	$ 2,665,626

Liabilities and Net Assets

	2022	2021
Current liabilities		
Accounts payable	$ 91,216	$ 186,235
Accrued expenses	111,104	105,792
Deferred revenue	64,932	-
Current portion of operating lease liability	44,536	-
Total current liabilities	311,788	292,027
Operating lease liability, net of current portion	940,091	-
Total liabilities	1,251,879	292,027
Commitments and contingencies		
Net assets		
Without donor restrictions	2,729,042	2,323,789
With donor restrictions	110,310	49,810
Total net assets	2,839,352	2,373,599
Total liabilities and net assets	$ 4,091,231	$ 2,665,626

See Notes to Financial Statements.

FamilyWorks

Statement of Activities
Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Contributions	$ 766,991	$ 110,310	$ 877,301
In-kind contributions	1,067,681	-	1,067,681
Governmental grants and contracts	877,556	-	877,556
Special events	57,511	-	57,511
Other grants	709,430	-	709,430
Interest and other income	3,920	-	3,920
Net assets released from restrictions			
Time restrictions	49,810	(49,810)	-
Total revenues and support	3,532,899	60,500	3,593,399
Expenses			
Program expenses	2,418,651	-	2,418,651
Management and general	311,396	-	311,396
Fundraising	397,599	-	397,599
Total expenses	3,127,646	-	3,127,646
Change in net assets	405,253	60,500	465,753
Net assets, beginning	2,323,789	49,810	2,373,599
Net assets, end	$ 2,729,042	$ 110,310	$ 2,839,352

See Notes to Financial Statements.

FamilyWorks

Statement of Activities
Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Contributions	$ 1,327,438	$ -	$ 1,327,438
In-kind contributions	1,038,562	-	1,038,562
Governmental grants and contracts	546,163	-	546,163
Special events	100,352	-	100,352
Other grants	247,317	26,850	274,167
Interest and other income	4,806	-	4,806
Total revenues and support	3,264,638	26,850	3,291,488
Expenses			
Program expenses	2,272,826	-	2,272,826
Management and general	235,818	-	235,818
Fundraising	236,717	-	236,717
Total expenses	2,745,361	-	2,745,361
Change in net assets	519,277	26,850	546,127
Net assets, beginning	1,804,512	22,960	1,827,472
Net assets, end	$ 2,323,789	$ 49,810	$ 2,373,599

See Notes to Financial Statements.

FamilyWorks

Statement of Functional Expenses
Year Ended December 31, 2022

	Program services			Supporting services		
	Food bank	Resource center	Total program	Management and general	Fundraising	Total
Salaries and wages	$ 398,281	$ 355,656	$ 753,937	$ 39,413	$ 140,141	$ 933,491
Taxes and benefits	86,372	74,326	160,698	9,605	33,971	204,274
Total salaries and related benefits	484,653	429,982	914,635	49,018	174,112	1,137,765
Food assistance to clients	982,267	46,108	1,028,375	-	-	1,028,375
Contracted services	41,387	31,396	72,783	198,809	179,746	451,338
Other supplies assistance to clients	158,811	51,300	210,111	2,052	-	212,163
Rent	62,174	27,535	89,709	5,559	4,455	99,723
Miscellaneous	9,277	460	9,737	19,783	4,683	34,203
Supplies	9,236	3,479	12,715	4,043	1,184	17,942
Utilities	16,088	12,388	28,476	4,851	2,216	35,543
Mailing and printing	667	8,104	8,771	7,829	23,459	40,059
Insurance	6,039	5,992	12,031	7,281	-	19,312
Depreciation	11,373	2,434	13,807	-	-	13,807
Communications	2,626	2,222	4,848	908	365	6,121
Dues and subscriptions	1,147	248	1,395	1,564	5,311	8,270
Travel and transportation	612	697	1,309	2,098	755	4,162
Repair and maintenance	9,338	251	9,589	5,095	989	15,673
Training	60	300	360	2,200	324	2,884
Taxes and licenses	-	-	-	306	-	306
Total expenses	1,795,755	622,896	2,418,651	311,396	397,599	3,127,646
Plus cost of direct benefits to donors	-	-	-	-	11,775	11,775
Total	$ 1,795,755	$ 622,896	$ 2,418,651	$ 311,396	$ 409,374	$ 3,139,421

See Notes to Financial Statements.

FamilyWorks

Statement of Functional Expenses
Year Ended December 31, 2021

	Program services			Supporting services		
	Food bank	Resource center	Total program	Management and general	Fundraising	Total
Salaries and wages	$ 336,092	$ 264,949	$ 601,041	$ 37,255	$ 174,316	$ 812,612
Taxes and benefits	77,612	61,695	139,307	6,295	32,883	178,485
Total salaries and related benefits	413,704	326,644	740,348	43,550	207,199	991,097
Food assistance to clients	934,835	-	934,835	-	-	934,835
Contracted services	151,880	46,638	198,518	11,221	15,091	224,830
Administrative charges	-	-	-	156,268	-	156,268
Other supplies assistance to clients	-	143,328	143,328	-	-	143,328
Rent	61,415	33,340	94,755	5,237	4,947	104,939
Miscellaneous	15,263	17,620	32,883	-	2,698	35,581
Supplies	17,321	17,260	34,581	457	306	35,344
Utilities	11,498	14,646	26,144	1,477	1,900	29,521
Mailing and printing	6,170	16,885	23,055	-	3,947	27,002
Insurance	-	-	-	17,608	-	17,608
Depreciation	15,118	2,490	17,608	-	-	17,608
Communications	3,815	6,980	10,795	-	-	10,795
Dues and subscriptions	5,736	2,777	8,513	-	629	9,142
Travel and transportation	1,175	1,381	2,556	-	-	2,556
Repair and maintenance	2,370	-	2,370	-	-	2,370
Training	1,352	603	1,955	-	-	1,955
Taxes and licenses	-	582	582	-	-	582
Total expenses	1,641,652	631,174	2,272,826	235,818	236,717	2,745,361
Plus cost of direct benefits to donors	-	-	-	-	26,453	26,453
Total	$ 1,641,652	$ 631,174	$ 2,272,826	$ 235,818	$ 263,170	$ 2,771,814

See Notes to Financial Statements.

FamilyWorks

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 465,753	$ 546,127
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of PPP loan	-	(136,000)
Depreciation	13,807	17,608
Changes in operating assets and liabilities		
Grants receivable	(265,877)	71,972
Inventory	(15,810)	(13,287)
Pledges receivable	6,471	(76,193)
Other current assets	(27,030)	(137)
Right-of-use asset	22,559	-
Accounts payable	(95,019)	98,640
Accrued expenses	5,312	30,538
Deferred revenue	64,932	-
Operating lease liability	(17,917)	-
Net cash provided by operating activities	157,181	539,268
Cash flows from investing activities		
Purchase of certificates of deposit	(1,748)	(1,930)
Purchase of property and equipment	(154,828)	-
Net cash used in investing activities	(156,576)	(1,930)
Net increase in cash and cash equivalents	605	537,338
Cash and cash equivalents, beginning	2,080,745	1,543,407
Cash and cash equivalents, end	$ 2,081,350	$ 2,080,745

See Notes to Financial Statements.

Note 1 - Business and summary of significant accounting policies

Business

FamilyWorks (the "Center") connects neighbors and families to nourishing food, essential resources, and a supportive community, so people can build resiliency to meet life's challenges. The Center operates two food banks and a resource center and advocates with dignity, inclusion, and empowerment.

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").

Financial statement presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net Assets without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets may be designated for specific purposes by action of the Board.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature whereby the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2022 and 2021, the Center had time restricted net assets of $110,310 and $49,810, respectively.

Cash and cash equivalents

Cash and cash equivalents include demand deposits and all highly-liquid investments with initial maturities at the date of acquisition of three months or less that are available for current use.

Certificates of deposit

The Center's certificates of deposit are held with various banks and are carried at cost plus accrued interest in the statements of financial position.

Inventory

Inventory consists primarily of in-kind donations of food and supplies and is stated at the lower of cost or market. Cost is determined using the average cost basis, which approximates the first-in, first-out method.

Contributions receivable

Contributions receivable are state at unpaid balances, less an allowance for doubtful accounts and a discount on those contributions receivable due in greater than one year. The Center provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Center's policy to charge off uncollectible receivables when management determines the receivables will not be collected. At December 31, 2022 and 2021, the Center believes that all pledges receivable are collectible. At December 31, 2022 and 2021, all contributions receivable are due within one year.

Property and equipment
Property and equipment are stated at cost or fair value on the date of donation net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which generally range from five to seven years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Minor repairs and maintenance costs are charged to expense in the year incurred. The Center maintains a capitalization policy for expenditures in excess of $3,000.

Fair value measurements
The Center values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Contributions and grants
Contributions and grants received are recorded as support with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions and grants for which donors have imposed restrictions which limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period.

When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as net assets with donor restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as without donor restrictions.

Unconditional promises to give, with payments due in future periods, are reported as support with donor restrictions when the promises are received. Gifts of land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulation, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. At December 31, 2022 and 2021, all pledges receivable amounts are due within one year.

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 substantially met.

A portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Center received cost-reimbursable grants of $360,421 and $50,029 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred. At December 31, 2022 and 2021, amounts received in advance under the Center's federal and state contracts and grants were $64,932 and $0, respectively.

In-kind donations
The Center receives donations of supplies, food, and the donated use of facilities. These items are recognized as support at their estimated fair value on the date of receipt.

The Center recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant time to the Center's activities. During the years ended December 31, 2022 and 2021, volunteers contributed over 9,682 and 9,266 hours, respectively, to the Center. The value of these volunteer services is not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Functional allocation of expenses
The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel time and space utilized for activities. Occupancy is based on assets used such as phone, computer, and copier. Contracted administration is based on modified direct cost of the contractor, and managerial salaries are based on estimates of time and effort.

Income taxes
The Center is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Management has analyzed the tax positions taken by the Center and has concluded that, as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Center's federal income tax returns prior to fiscal year 2019 are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Center recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the statements of financial position.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of 2021 amounts have been made to conform with the 2022 presentation.

New accounting pronouncements

The Center adopted Accounting Standards Update ("ASU") 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 ("adoption date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Center elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.

- The package of practical expedients permitting the Center to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Center recognized the following as of the adoption date in connection with transitioning to Topic 842 as of January 1, 2022:

Operating lease right-of-use assets	$	1,002,544
Operating lease liabilities	$	1,002,544

The adoption of Topic 842 did not have a material impact on the Center's net income for the year ended December 31, 2022.

The Center presents its right-of-use assets and lease liabilities for operating leases separately in the accompanying statement of financial position. See Note 10 regarding the Center's right-of-use assets for operating leases and lease liabilities.

For the year ended December 31, 2022, the Center adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial assets. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Center and will not change existing recognition and measurement requirements. The Center has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

Subsequent events

The Center has evaluated the impact of subsequent events through August 8, 2023, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and availability

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Center has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and certificates of deposit.

At December 31, 2022 and 2021, the Center had the following financial assets and liquidity resources available over the next 12 months:

	2022	2021
Cash and cash equivalents	$ 2,081,350	$ 2,080,745
Certificates of deposit	275,219	273,471
Grants receivable	353,581	87,704
Pledges receivable	110,310	116,781
	$ 2,820,460	$ 2,558,701

Note 3 - Conditional grants

At December 31, 2022 and 2021, the Center had conditional grants remaining to be recognized of $360,421 and $50,029, respectively. The conditional grants are contingent on the Center's completion of terms and conditions set forth in the grant agreements.

Note 4 - Property and equipment

Property and equipment consist of the following at December 31:

	2022	2021
Furniture and equipment	$ 52,947	$ 52,947
Vehicles	92,479	92,479
Leasehold improvements	11,638	11,638
	157,064	157,064
Less accumulated depreciation	107,459	93,652
	49,605	63,412
Construction in progress	154,828	-
	$ 204,433	$ 63,412

No depreciation has been provided on assets classified as construction in progress as these assets have not yet been placed in service.

Note 5 - Net assets with donor restrictions

At December 31, 2022 and 2021, net assets with donor restrictions consist of time restricted net assets of $110,310 and $49,810, respectively. During the years ended December 31, 2022 and 2021, releases of restrictions due to purpose or time were $49,810 and $0, respectively.

Note 6 - Special events

Special events support and revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. Net support and revenue is as follows for the years ended December 31:

	2022	2021
Contributions (including auction item sales)	$ 38,901	$ 115,005
Receipts from ticket sales	30,385	11,800
Less cost of direct donor benefit	(11,775)	(26,453)
	$ 57,511	$ 100,352

Note 7 - In-kind donations

In-kind donations consist of the following for the years ended December 31:

	2022	2021
Food inventory	$ 998,082	$ 869,324
Clothing and household goods	46,103	115,950
Facilities	23,496	42,101
Professional services	-	11,187
	$ 1,067,681	$ 1,038,562

The Center calculates food donations based on the number of pounds of food received and distributed. For nonfederal food donations, the dollar value per pound of food is established by the State of Washington Emergency Food Assistance Program ("EFAP"). This valuation was $1.82 for both the years ended December 31, 2022 and 2021. This method was applied consistently and the estimated fair value is not expected to be materially different from that determined using a more detailed measurement of the donated food's fair value. Federal food donations are valued based on pricing lists published by the U.S. Department of Agriculture. In valuing clothing and household goods, the Center estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products. In-kind donations such as facilities and professional services are based upon current market rates that the Center would have paid. All in-kind donations for the years ended December 31, 2022 and 2021 were used for the Center's general programs and were considered without donor restrictions.

Note 8 - Retirement plan

The Center has a Simplified Employee Pension IRA plan ("the Plan") for employees who are 21 years or older and earn more than $600 annually. The Center contributes 2% of gross wages on a quarterly basis to each employee's account. All new employees receive their first contribution after they have worked a full quarter retroactive to their start date. The Center contributed $18,120 and $16,894 to the Plan during the years ended December 31, 2022 and 2021, respectively.

Note 9 - Concentrations

Financial instruments which potentially subject the Center to concentrations of credit risk include cash and cash equivalents and certificates of deposit. The Center maintains its cash and cash equivalents and certificates of deposit with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

At December 31, 2022, 52% of grants receivable were due from two agencies. At December 31, 2021, 75% of grants receivable were due from one agency.

Note 10 - Leases

The Center leases its office space and operating facilities under a noncancelable operating lease expiring July 2037.

At lease commencement, the Center recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Center has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Center remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Center determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Center elected to use the risk-free rate as its discount rate, which is determined at either lease commencement or when a lease liability is remeasured.

For accounting purposes, the Center's leases commence on the earlier of (i) the date upon which the Center obtains control of the underlying asset and (ii) the contractual effective date of a lease.

Weighted average remaining lease term and weighted average discount rate for the Center's lease as of December 31, 2022 are as follows:

Weighted average remaining lease term (years)	14.58
Weighted average annual discount rate	3.00%

Annual maturity analysis of the Center's lease liabilities as of December 31, 2022 are as follows:

2023	$ 73,471
2024	74,941
2025	76,439
2026	77,968
2027	79,528
Thereafter	847,361
Total lease payments	1,229,708
Less: interest	(245,081)
	$ 984,627

Note 11 - Transactions with Solid Ground

The Center leases office space and operating facilities from Solid Ground, an unrelated party, under an operating lease (see Note 10). Total rent expense under this lease was $68,403 and $62,838 for the years ended December 31, 2022 and 2021, respectively.

Solid Ground also provided financial and technical assistance to the Center, including financial and payroll accounting, certain human relations functions, information technology, trainings, referrals, office support in the form of telephones, photocopying, fax services, courier, mailings, and building and equipment management in return for a management fee. During the year ended December 31, 2022, the Center moved the management services from Solid Ground to a separate third party. Charges for these services are included in the accompanying statements of functional expenses. Total management fees incurred to Solid Ground were $94,142 and $126,841 for the years ended December 31, 2022 and 2021, respectively, which are included in management and general expenses in the accompanying statements of activities.

CohnReznick
ADVISORY • ASSURANCE • TAX