

THE FORGE FOR FAMILIES, INC.

Financial Statements

For the Years Ended
December 31, 2022 and 2021

THE FORGE FOR FAMILIES, INC.
Financial Statements
For the Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
The Forge for Families, Inc.
Houston, Texas

Opinion

We have audited the financial statements of The Forge for Families, Inc. (a Texas non-profit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Forge for Families, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 The Forge for Families, 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 The Forge for Families, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.



McConnell Jones

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 Forge for Families, 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 The Forge for Families, 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.

Houston, Texas

May 17, 2023

THE FORGE FOR FAMILIES, INC.

Statements of Financial Position December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,397,043 | \$ 2,108,122 |
| Pledges receivable | 20,055 | - |
| Prepaid expenses | 4,417 | 6,817 |
| Certificates of deposit | 250,000 | - |
| Total current assets | <u>2,671,515</u> | <u>2,114,939</u> |
| NONCURRENT ASSETS | | |
| Property and equipment, net | 4,097,490 | 4,206,830 |
| Right-to-use assets, net | 9,749 | - |
| Certificates of deposit | 100,000 | - |
| Total noncurrent assets | <u>4,207,239</u> | <u>4,206,830</u> |
| TOTAL ASSETS | <u>\$ 6,878,754</u> | <u>\$ 6,321,769</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 21,603 | \$ 357 |
| Credit cards payable | 4,354 | 8,028 |
| Accrued expenses | 18,741 | 15,137 |
| Lease liability | 9,749 | - |
| Total current liabilities | <u>54,447</u> | <u>23,522</u> |
| NET ASSETS | | |
| Without donor restrictions | 6,723,265 | 6,194,831 |
| With donor restrictions | 101,042 | 103,416 |
| Total net assets | <u>6,824,307</u> | <u>6,298,247</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,878,754</u> | <u>\$ 6,321,769</u> |

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

THE FORGE FOR FAMILIES, INC.

Statement of Activities
For the Year Ended December 31, 2022

| | 2022 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | \$ 437,111 | \$ 533,714 | \$ 970,825 |
| Luncheon/events (net of direct benefit to donors of \$34,661) | 264,352 | - | 264,352 |
| Golf tournament (net of direct benefit to donors of \$32,604) | 229,077 | - | 229,077 |
| Year-end letter | 369,898 | - | 369,898 |
| Rental | 23,950 | - | 23,950 |
| Summer program | 87,001 | - | 87,001 |
| After-school | 65,112 | - | 65,112 |
| Basketball | 13,402 | - | 13,402 |
| Other | 45,925 | - | 45,925 |
| Net assets released from restrictions | 536,088 | (536,088) | - |
| TOTAL REVENUES AND OTHER SUPPORT | <u>2,072,316</u> | <u>(2,374)</u> | <u>2,069,942</u> |
| EXPENSES | | | |
| Program services: | | | |
| After-school | 313,579 | - | 313,579 |
| Athletic discipleship | 282,731 | - | 282,731 |
| Facility services | 21,048 | - | 21,048 |
| Summer leadership | 180,508 | - | 180,508 |
| Adult discipleship | 98,893 | - | 98,893 |
| Christmas store | 27,655 | - | 27,655 |
| Teen programs | 150,426 | - | 150,426 |
| Total program services | <u>1,074,840</u> | <u>-</u> | <u>1,074,840</u> |
| Supporting services: | | | |
| Management and general | 379,345 | - | 379,345 |
| Fundraising activities | 89,697 | - | 89,697 |
| Total support services | <u>469,042</u> | <u>-</u> | <u>469,042</u> |
| TOTAL EXPENDITURES | <u>1,543,882</u> | <u>-</u> | <u>1,543,882</u> |
| CHANGE IN NET ASSETS | 528,434 | (2,374) | 526,060 |
| NET ASSETS, BEGINNING OF YEAR | <u>6,194,831</u> | <u>103,416</u> | <u>6,298,247</u> |
| NET ASSETS, END OF YEAR | <u>\$ 6,723,265</u> | <u>\$ 101,042</u> | <u>\$ 6,824,307</u> |

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

THE FORGE FOR FAMILIES, INC.

Statement of Activities For the Year Ended December 31, 2021

| | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | \$ 692,041 | \$ 317,946 | \$ 1,009,987 |
| PPP grant revenue | - | - | - |
| Luncheon/events (net of direct benefit to donors of \$2,060) | 356,454 | - | 356,454 |
| Golf tournament (net of direct benefit to donors of \$27,813) | 178,472 | - | 178,472 |
| Year-end letter | 364,945 | - | 364,945 |
| Rental | 9,518 | - | 9,518 |
| Summer program | 48,992 | - | 48,992 |
| After-school | 40,497 | - | 40,497 |
| Basketball | 8,710 | - | 8,710 |
| Adult program | - | - | - |
| Other | 12,466 | - | 12,466 |
| Net assets released from restrictions | 319,595 | (319,595) | - |
| TOTAL REVENUES AND OTHER SUPPORT | 2,031,690 | (1,649) | 2,030,041 |
| EXPENSES | | | |
| Program services: | | | |
| After-school/educational | 276,340 | - | 276,340 |
| Summer leadership | 186,598 | - | 186,598 |
| Athletic discipleship | 168,393 | - | 168,393 |
| Facility Services | 18,511 | - | 18,511 |
| Adult discipleship | 81,397 | - | 81,397 |
| Christmas store | 35,428 | - | 35,428 |
| Teen programs | 168,403 | - | 168,403 |
| Total program services | 935,070 | - | 935,070 |
| Supporting services: | | | |
| Management and general | 242,703 | - | 242,703 |
| Fundraising activities | 132,314 | - | 132,314 |
| Total support services | 375,017 | - | 375,017 |
| TOTAL EXPENDITURES | 1,310,087 | - | 1,310,087 |
| CHANGE IN NET ASSETS | 721,603 | (1,649) | 719,954 |
| NET ASSETS, BEGINNING OF YEAR | 5,473,228 | 105,065 | 5,578,293 |
| NET ASSETS, END OF YEAR | \$ 6,194,831 | \$ 103,416 | \$ 6,298,247 |

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

THE FORGE FOR FAMILIES, INC.

Statement of Functional Expenses For the Year Ended December 31, 2022

| | Program Services | | | | | | | | | | Support Services | | | Total Expenditures |
|---------------------------|-------------------|--------------------------|------------------|------------------|--------------------|-------------------|------------------|-----------------------|------------------|---------------------------|---------------------------|------------------|---------------------|-----------------------|
| | After School | Athletic Discipleship | Jumpstart | Mountain Top | Overnight Camps | Summer Club | The SET | Adult Discipleship | Boxes of Love | Total Program Expenses | Management and General | Fundraising | Support Services | |
| Payroll expenses | \$ 154,982 | \$ 100,607 | \$ 41,303 | \$ 19,206 | \$ 16,972 | \$ 89,838 | \$ 65,097 | \$ 29,111 | \$ 13,397 | \$ 558,277 | \$ 325,577 | \$ - | \$ 325,577 | \$ 883,854 |
| Bank charges | 1,701 | 321 | - | - | 129 | 964 | - | - | - | 3,211 | 12,847 | - | 12,847 | 16,058 |
| Depreciation | 60,438 | 56,984 | 3,453 | - | - | 36,263 | 8,634 | 3,454 | - | 169,226 | 3,453 | - | 3,453 | 172,679 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | - | 89,697 | 89,697 | 89,697 |
| Insurance | 26,480 | 19,544 | 630 | 630 | 631 | 6,305 | 1,261 | 6,305 | 630 | 63,047 | 1,287 | - | 1,287 | 64,334 |
| Licensing and compliance | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Network | 2,294 | 1,324 | - | - | - | 662 | 44 | 88 | - | 4,412 | 90 | - | 90 | 4,502 |
| Office supplies | 3,829 | 1,914 | - | - | - | 2,872 | - | 957 | - | 9,572 | 504 | - | 504 | 10,076 |
| Permits | 4,269 | - | - | - | - | - | - | - | - | 4,269 | - | - | - | 4,269 |
| Professional fees | - | - | - | - | - | - | - | - | - | - | 29,700 | - | 29,700 | 29,700 |
| Program services | 16,494 | 52,773 | 2,550 | 623 | 9,026 | 12,332 | 2,701 | 3,452 | 11,811 | 119,848 | - | - | - | 119,848 |
| Repairs and maintenance | 27,025 | 48,611 | 2,831 | 275 | 215 | 30,649 | 6,846 | 4,109 | 1,493 | 123,392 | - | - | - | 123,392 |
| Training | 315 | 315 | 315 | 314 | 315 | 315 | 315 | 315 | 314 | 3,148 | 2,098 | - | 2,098 | 5,246 |
| Transportation and travel | 338 | 338 | 20 | - | 10 | 308 | - | - | 10 | 1,024 | 1,025 | - | 1,025 | 2,049 |
| Vehicles | 15,414 | - | - | - | - | - | - | - | - | 15,414 | 2,764 | - | 2,764 | 18,178 |
| Total Expenses | \$ 313,579 | \$ 282,731 | \$ 51,102 | \$ 21,048 | \$ 27,298 | \$ 180,508 | \$ 84,898 | \$ 47,791 | \$ 27,655 | \$ 1,074,840 | \$ 379,345 | \$ 89,697 | \$ 469,042 | \$ 1,543,882 |

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

THE FORGE FOR FAMILIES, INC.

Statement of Functional Expenses For the Year Ended December 31, 2021

| | Program Services | | | | | | | | | | Support Services | | | Total Expenditures |
|---------------------------|--------------------------|-------------------|-----------------------|------------------|--------------------|--------------------------------------|-------------------|------------------|-------------------|------------------------|------------------------|-------------------|------------------------|---------------------|
| | After-School/Educational | Summer Leadership | Athletic Discipleship | Mountain Top | Adult Discipleship | Volunteer Coordination/BridgeBuilder | Facility Services | Christmas Store | Teen Programs | Total Program Expenses | Management and General | Fundraising | Total Support Services | |
| Payroll expenses | \$ 130,402 | \$ 97,084 | \$ 48,091 | \$ 18,110 | \$ 60,574 | \$ - | \$ - | \$ 30,638 | \$ 104,000 | \$ 488,899 | \$ 201,699 | \$ 73,146 | \$ 274,845 | \$ 763,744 |
| Awards and incentives | 506 | - | - | - | - | - | - | - | - | 506 | - | - | - | 506 |
| Bank fees | 3,278 | 1,311 | 47 | - | - | - | - | 47 | - | 4,683 | 7,024 | - | 7,024 | 11,707 |
| Depreciation | 58,970 | 38,752 | 50,546 | - | 3,370 | - | - | - | 16,849 | 168,487 | - | - | - | 168,487 |
| Direct intervention | - | - | - | - | 8,184 | - | - | - | - | 8,184 | - | - | - | 8,184 |
| Education | 4,524 | - | - | - | - | - | - | - | 1,350 | 5,874 | - | - | - | 5,874 |
| Food | - | - | 3,715 | 140 | 3,326 | - | - | - | 2,500 | 9,681 | - | - | - | 9,681 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | - | 59,168 | 59,168 | 59,168 |
| Insurance | 18,657 | 15,325 | 13,326 | - | 1,999 | - | - | 665 | 16,658 | 66,630 | 1,360 | - | 1,360 | 67,990 |
| Licensing and compliance | 336 | 362 | 10 | - | - | - | - | - | - | 708 | - | - | - | 708 |
| Network | 2,042 | 766 | 1,276 | - | 51 | - | - | - | 970 | 5,105 | 901 | - | 901 | 6,006 |
| Office supplies | 3,461 | 1,661 | 831 | - | 208 | - | - | - | 761 | 6,922 | 364 | - | 364 | 7,286 |
| Permits | 1,479 | 845 | - | - | 85 | - | - | - | 105 | 2,514 | - | - | - | 2,514 |
| Professional fees | - | - | - | - | - | - | - | - | - | - | 29,935 | - | 29,935 | 29,935 |
| Program supplies | 9,509 | 8,569 | 2,817 | - | - | - | - | 2,873 | 1,151 | 24,919 | - | - | - | 24,919 |
| Referees/coaches | - | - | 2,000 | - | - | - | - | - | - | 2,000 | - | - | - | 2,000 |
| Repairs and maintenance | 17,680 | 9,583 | 9,584 | - | 1,575 | - | - | 512 | 10,794 | 49,728 | - | - | - | 49,728 |
| Tournament fees | - | - | 10,576 | - | - | - | - | - | - | 10,576 | - | - | - | 10,576 |
| Training | 196 | 108 | 47 | - | - | - | - | - | - | 351 | - | - | - | 351 |
| Transportation and travel | 1,072 | 17 | 4,245 | - | 33 | - | - | - | - | 5,367 | 83 | - | 83 | 5,450 |
| Uniforms and equipment | - | - | 6,209 | - | - | - | - | - | - | 6,209 | - | - | - | 6,209 |
| Utilities | 20,925 | 12,006 | 12,006 | - | 1,828 | - | - | 622 | 13,030 | 60,417 | - | - | - | 60,417 |
| Vehicles | 2,771 | 53 | 2,132 | - | 107 | - | - | 53 | 213 | 5,329 | 54 | - | 54 | 5,383 |
| Other expenses | 532 | 156 | 935 | 261 | 57 | - | - | 18 | 22 | 1,981 | 1,283 | - | 1,283 | 3,264 |
| Total Expenses | \$ 276,340 | \$ 186,598 | \$ 168,393 | \$ 18,511 | \$ 81,397 | \$ - | \$ - | \$ 35,428 | \$ 168,403 | \$ 935,070 | \$ 242,703 | \$ 132,314 | \$ 375,017 | \$ 1,310,087 |

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

THE FORGE FOR FAMILIES, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 526,060 | \$ 719,954 |
| Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities: | | |
| Depreciation | 172,679 | 166,686 |
| (Increase) decrease in pledges receivable | (20,055) | 16,001 |
| Decrease (increase) in prepaid expenses | 2,400 | (2,290) |
| Increase (decrease) in accounts payable | 21,246 | (9,940) |
| (Decrease) increase in credit cards payable | (3,674) | 4,455 |
| Increase in accrued expenses | 3,604 | 2,154 |
| Total adjustments | 176,200 | 177,066 |
| Net cash provided by operating activities | 702,260 | 897,020 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (63,339) | (70,934) |
| Purchase of investments | (350,000) | - |
| Net cash used in investing activities | (413,339) | (70,934) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 288,921 | 826,086 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,108,122 | 1,282,036 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 2,397,043 | \$ 2,108,122 |

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

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION

The Forge for Families, Inc. (the "Forge") is a Texas non-profit corporation formed through the merger of The Refuge Community Development Corporation and Inner City Youth on December 31, 2005.

The primary purpose of the Forge is to enrich the spiritual, vocational, and leadership development of inner-city families through Christ-centered mentoring, bringing transforming growth to Houston's Third Ward.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared in accordance with not-for-profit (NFP) organizations accounting guidance and using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, these financial statements are prepared on the accrual basis of accounting and present the financial position, results of activities and cash flows for the Forge.

Financial Statement Presentation - The Forge presents the financial statements under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with ASU 2016-14, the Forge is required to report information regarding its financial position and activities according to the following net asset classifications.

- Net Assets Without Donor Restrictions - Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Forge. These net assets may be used at the discretion of the Forge's management and oversight committees.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those 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.

Cash and Cash Equivalents - The Forge considers cash on hand, cash in banks and money market accounts with an initial maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk - Financial instruments that potentially subject the Forge to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Forge maintains its cash in financial institutions, which at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures bank balances up to \$250,000. The amount exceeding the FDIC insured limit as of December 31, 2022 and December 31, 2021 was \$1,357,360 and \$1,561,174, respectively. Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal. Subsequent to December 31, 2022, the Forge purchased approximately \$1,499,000 in Treasury Bonds to reduce the credit risk.

From time-to-time, the Forge receives large pledges and contributions from a small number of donors who may represent a significant portion of recorded pledges and contributions. During 2022 and 2021, two different donors accounted for 15% and 13%, respectively, of total contributions.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

Pledges Receivable - Pledges receivable consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recorded at the present value of their estimated future cash flows. The Forge provides an allowance for uncollectible amounts based on a review of specific account balances and considering historical experience, and accounts receivable are written off when they become uncollectible.

Property and Equipment - All vehicles, buildings, building improvements, equipment, and furnishings are presented at cost, if purchased, or fair market value at the date of donation, if donated, less accumulated depreciation. The building and improvements are being depreciated on the straight-line basis over five to forty years. Depreciation of furniture and equipment is computed on the straight-line basis over the estimated useful lives of the assets, generally three to seven years.

Expenditures for improvements greater than \$5,000 are capitalized, and repairs and maintenance are charged to expense as incurred.

Certificates of Deposit - Certificates of deposit that are recorded at amortized cost. See additional discussion in Note 6.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. The Forge incurred no impairment losses for 2022 and 2021.

Contributions and Revenue Recognition - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

All contributions are recognized as revenue when received or unconditionally promised to the Forge. Conditional promises to give are not recognized as revenue until the conditions are substantially met. There were no conditional promises at December 31, 2022 and 2021. Additionally, the Forge may receive donated professional services and donated time to help with the clerical and office work which do not meet the criteria for recognition in the Forge's financial statements. Accordingly, the value of these contributions has not been recorded in the accompanying financial statements.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Forge recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Forge recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
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Program revenue includes, but is not limited to, revenue from after-school and summer programs. For these programs, tuition is paid monthly at which time the revenue is recognized.

Functional Expense Allocation - The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include program fees, general and administrative expenses, and facility fees. Program fees are allocated directly to the program they apply to. General and administrative expenses and facility fees are allocated based on salaries, time and effort, and occupied building space.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those assumptions. Significant estimates include, but are not limited to, collectability of pledges receivable and the useful lives of property and equipment.

Income Taxes - The Forge is recognized by the Internal Revenue Service (IRS) to be tax-exempt under IRS Code Section 501(c)(3) and similar state provisions. Therefore, no provision has been made for federal and state income taxes in these financial statements.

Uncertain tax positions are recognized in the financial statements only if the position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Forge did not recognize any interest and penalties related to uncertain tax positions in 2022 and 2021.

Recently Adopted Accounting Pronouncements - In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments require all entities, both donors and recipients, to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. This update is effective for the Forge's 2021 annual financial statements. No additional disclosures will be required under this standard. The Forge adopted ASU 2018-08 in 2021. The adoption resulted in no impact to the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these standards. The Forge adopted ASU 2016-02 in 2022 using the transition method.

Analysis of this standard resulted in no significant changes in the way the financial statements are presented and, therefore, no changes to the previously issued financial statements were required. The presentation and disclosures of leases have been enhanced in accordance with the standard.

THE FORGE FOR FAMILIES, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The Forge adopted ASU 2020-07 in 2022. The adoption resulted in no impact to the financial statements.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The Forge regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Forge considers all expenditures related to its ongoing activities, including youth and adult programs, as well as services undertaken to support those activities, to be general expenditures.

The Forge considers contributions and promises to give that are restricted by donors to certain programs or specific needs, available only to fund those needs, as restricted. Unrestricted donations are considered available to meet cash needs for general expenditures or the ongoing and major programs that are central to its annual operations. The Forge manages its liquidity and reserves following two guiding principles: operating within a balanced budget with a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

The Forge's guiding principle regarding liquidity is generally to maintain financial assets to cover three months of operating expenditures. To this end, management has set aside a balance of unrestricted funds, designated as an "Emergency Fund" that can only be accessed with Board approval. The Forge forecasts its future cash flows, audits its liquidity, and monitors its reserves every month. During 2022 and 2021, the level of liquidity and reserves were managed within these guidelines.

The following table shows the total financial assets held by the Forge at December 31, 2022 and 2021, and the amounts of those financial assets that could readily be made available within one year of the statement of financial position dates to meet general expenditures:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,397,043 | \$ 2,108,122 |
| Pledge receivable, net | 20,055 | - |
| Certificates of deposit | 250,000 | - |
| Less: Net assets with donor restrictions to be met in less than one year | <u>(101,042)</u> | <u>(103,416)</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 2,566,056</u> | <u>\$ 2,004,706</u> |

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NOTE 4 - PLEDGES RECEIVABLE

The Forge has obtained pledges to be used for general operations. Pledges receivable amounted to \$20,055 and \$0 as of December 31, 2022 and 2021, respectively, and are expected to be collected within one year. At December 31, 2022 and 2021, there were no allowance for doubtful pledges and no bad debt expenses.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

| | 2022 | 2021 |
|--------------------------------|---------------------|---------------------|
| Community Center | \$ 5,385,463 | \$ 5,385,463 |
| Building improvements | 48,255 | 59,029 |
| Vehicle | 103,444 | 103,444 |
| Machinery and equipment | 119,168 | 45,055 |
| Software | 23,400 | 23,400 |
| Office equipment | 3,195 | 3,195 |
| | <u>5,682,925</u> | <u>5,619,586</u> |
| Less: Accumulated depreciation | (1,794,646) | (1,621,967) |
| | <u>3,888,279</u> | <u>3,997,619</u> |
| Land | 209,211 | 209,211 |
| Property and equipment, net | <u>\$ 4,097,490</u> | <u>\$ 4,206,830</u> |

Depreciation expense was \$172,679 and \$168,487 in 2022 and 2021, respectively.

NOTE 6 - CERTIFICATES OF DEPOSIT

Certificates of deposit (CDs) consisted of the following:

| December 31, 2022 | Less than 1 | | Greater than | | |
|---------------------------------|--------------------|---------------------|---------------------|--|-------------------|
| | Year | 1 to 5 Years | 5 Years | | Total |
| Investments: | | | | | |
| Certificates of deposit | \$ 250,000 | \$ 100,000 | \$ - | | \$ 350,000 |
| Total investments at fair value | <u>\$ 250,000</u> | <u>\$ 100,000</u> | <u>\$ -</u> | | <u>\$ 350,000</u> |

These CDs are intended to be held until their maturity.

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NOTE 7 - NET ASSETS

Net assets with donor restrictions as of December 31, 2022 and December 31, 2021 were \$101,042 and \$103,416 respectively as show below:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Net assets with donor restrictions | | |
| Athletic discipleship | \$ - | \$ 9,025 |
| Capital repairs and purchases | 94,000 | 94,391 |
| Community service | 5,842 | - |
| Scholarships | 1,200 | - |
| Total net assets with donor restrictions | <u>101,042</u> | <u>103,416</u> |
| Net Assets without donor restrictions | <u>6,723,265</u> | <u>6,194,831</u> |
| Total net assets | <u>\$ 6,824,307</u> | <u>\$ 6,298,247</u> |

| <u>Net Assets Released from Restrictions</u> | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Satisfaction of purpose restrictions | | |
| Support Staff | | |
| After School/educational | \$ 336,041 | \$ 121,226 |
| Athletic discipleship | 23,514 | 18,128 |
| Captial Campaign | 45,787 | 71,648 |
| Summer Leadership | 85,000 | 78,697 |
| Community service | 29,946 | 3,456 |
| Teen Programs | 15,800 | 26,440 |
| Total | <u>\$ 536,088</u> | <u>\$ 319,595</u> |

NOTE 8 - DEFINED CONTRIBUTION PLAN

The Forge has a defined contribution plan (the "401(k) Plan") available to all employees with at least three months of service who meet the age requirement of 18 years. The 401(k) Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Under this plan, up to 3% of an employee's contribution each year is matched by the Forge. The Forge's contributions to the 401(k) Plan totaled \$13,662 and \$14,072 in 2022 and 2021, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

During 2022 and 2021, the Forge received cash donations from members of the Board of Directors amounting to \$309,309 and \$305,688 respectively.

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NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2023 (the date which the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date, that would impact the financial statements.