

CAVE CANEM FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2022

RB | RICH &
BANDER

CERTIFIED PUBLIC ACCOUNTANTS

CAVE CANEM FOUNDATION, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cave Canem Foundation, Inc.
Brooklyn, NY

Opinion

We have audited the accompanying financial statements of Cave Canem Foundation, Inc. (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of Cave Canem Foundation, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cave Canem Foundation, 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 Cave Canem Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cave Canem Foundation, 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 Cave Canem Foundation, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2022, Cave Canem Foundation, Inc. adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), using the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Rich and Bander, LLP

New York, NY
September 14, 2023

CAVE CANEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 823,845
Grants and contributions receivable	398,484
Investments	7,357
Accounts receivable	2,173
Prepaid expenses	37,248
Total current assets	<u>1,269,107</u>

Noncurrent assets

Right-of-use asset	40,961
Property and equipment, net	20,473
Security deposit	9,639
Total noncurrent assets	<u>71,073</u>

TOTAL ASSETS

\$ 1,340,180

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 72,689
Lease liabilities	19,716
Total current liabilities	<u>92,405</u>

Long-term liabilities

Lease liabilities	19,987
Total long-term liabilities	<u>19,987</u>

Total liabilities

112,392

Net assets

Without donor restrictions	
Undesignated	183,064
Designated by the Board for operating reserve fund	171,804
Total without donor restrictions	<u>354,868</u>
With donor restrictions	872,920
Total net assets	<u>1,227,788</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,340,180

CAVE CANEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Grants and contributions			
Foundation	\$ 777,766	\$ 586,000	\$ 1,363,766
Government	55,000	81,920	136,920
Individual	91,623	-	91,623
Corporate	11,662	205,000	216,662
In-Kind contributions	50,259	-	50,259
Total grants and contributions	986,310	872,920	1,859,230
Program service revenue			
Program fees	5,537	-	5,537
Total program service revenue	5,537	-	5,537
Other income			
Miscellaneous income	14,225	-	14,225
Unrealized gain on investments	4,467	-	4,467
Interest income	33	-	33
Dividend income	43	-	43
Total other income	18,768	-	18,768
Net assets released from restrictions	243,500	(243,500)	-
Total revenue, support and gains	1,254,115	629,420	1,883,535
Expenses			
Program services expense	574,815	-	574,815
Supporting services expense			
Management and general	428,241	-	428,241
Fundraising	267,939	-	267,939
Total supporting services expenses	696,180	-	696,180
Total expenses	1,270,995	-	1,270,995
Change in net assets	(16,880)	629,420	612,540
Net assets - beginning of year	371,748	243,500	615,248
Net assets - end of year	\$ 354,868	\$ 872,920	\$ 1,227,788

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

CAVE CANEM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and related payroll expenses	\$ 318,745	\$ 156,909	\$ 142,591	\$ 618,245
Professional fees	22,230	216,090	82,198	320,518
Artist fees and honoraria	69,606	-	1,100	70,706
Lodging, meals, per diem	56,991	27	-	57,018
Payroll taxes	20,768	10,405	8,376	39,549
Regrants	6,500	-	-	6,500
Occupancy	15,161	7,460	8,086	30,707
Supplies - office and other	9,726	4,004	5,486	19,216
Telephone	6,503	2,600	3,331	12,434
Insurance	4,310	1,566	2,500	8,376
Catering and hospitality	12,734	10,574	8,733	32,041
Advertising and marketing	1,428	8,266	1,115	10,809
Banking fees	-	2,753	-	2,753
Office equipment	3,317	1,391	1,783	6,491
Printing, postage and shipping	109	491	307	907
Depreciation	2,327	989	1,268	4,584
Travel	23,559	2,664	668	26,891
Dues and subscriptions	598	748	397	1,743
Event attendance	203	1,304	-	1,507
	<u>\$ 574,815</u>	<u>\$ 428,241</u>	<u>\$ 267,939</u>	<u>\$ 1,270,995</u>

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

CAVE CANEM FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 612,540
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Depreciation	4,584
Unrealized gain	(4,467)
(Increase) decrease in operating assets:	
Accounts receivable	(1,273)
Grants and contributions receivable	(127,284)
Prepaid expenses	(29,469)
Right-of-use asset	(40,961)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	21,221
Lease liabilities	39,703
Total adjustments	(137,946)
Net cash provided by operating activities	474,594
 Cash flows from investing activities:	
Purchase of property and equipment	(22,604)
Net cash used in investing activities	(22,604)
 Net increase in cash and cash equivalents	451,990
 Cash and cash equivalents, beginning of year	371,855
 Cash and cash equivalents, end of year	\$ 823,845
 Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	\$ -
Unrelated business income taxes	\$ -

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Cave Canem Foundation, Inc. (the “Foundation”) is a New York not-for-profit foundation founded in 1997, for the artistic and professional development of the poetry of African-Americans through sponsorship of residence, workshops, readings, publications and other programs. The Foundation’s programs are supported primarily by foundation, corporate and individual donor contributions and various government and agency grants.

Basis of Presentation

The Foundation’s financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000 at cost, if purchased, or at fair value on the date of receipt, if donated. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Equipment	3

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Advertising and Marketing Costs

The Foundation uses advertising and marketing to promote its programs among the audiences it serves. Advertising and marketing costs are expensed as incurred.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue, Revenue Recognition and Receivables

Grants and Contributions – Grants and contributions are recognized when cash, securities or other assets; an unconditional promise to give; or 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 release/return, are not recognized until the conditions on which they depend have been substantially met.

Grants and Contributions Receivable – Grants and contributions that are not yet collected are recorded as grants and contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Accounts Receivable – Accounts receivable represents program fees that have been earned but not collected as of the financial statement date at amounts expected to be collected. The Foundation uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable.

Program Fees – Program and course fees charged are recognized at the time the programs are offered at which time the Foundation's performance obligation is completed.

In-Kind Contributions and Contributed Services – The Foundation recognized and records contributions of donated non-cash assets at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Contract Balances

Contract assets are recognized when the Foundation has satisfied a contract obligation but must satisfy other performance obligations before being entitled to payment, or when the Foundation has the right to bill a customer before satisfying any or some of the performance obligations. Contract liabilities are recognized when the Foundation has an obligation to transfer goods or perform services to a customer for which the Foundation has received consideration or when payment is due prior to satisfying any or some of the performance obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Foundation to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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 or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Foundation does not have any unrelated business income. The Foundation's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Foundation has evaluated its current tax positions and has concluded that as of December 31, 2022, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Adoption of Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. On January 1, 2022, the Foundation has adopted ASU 2020-07, using the modified retrospective transition method. There were no material changes to the financial statements upon adoption.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

The Foundation is currently evaluating the effect that these updates will have on its financial statements.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

2) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the balance sheet date, comprise the following:

<u>Financial assets at year-end</u>	<u>Gross amount</u>	<u>Less: Amounts not available to be used within one year</u>	<u>Financial assets available to meet general expenditures within one year</u>
Cash and cash equivalents	\$ 823,845	\$ 225,000	\$ 598,845
Grants and Contributions receivable	398,484	100,000	298,484
Accounts receivable	2,173	-	2,173
Investments	<u>7,357</u>	<u>-</u>	<u>7,357</u>
Total	<u>\$ 1,231,859</u>	<u>\$ 325,000</u>	<u>\$ 906,859</u>

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$20,000, which it could draw upon (see Note 9). During 2020 the Foundation also established a board-designated operating reserve fund established by the Foundation’s Board of Directors (the “Board”), (See Note 11).

3) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2022. Depreciation expense for the year then ended was \$4,584.

Equipment	\$ 26,065
Less: accumulated depreciation	<u>5,592</u>
	<u>\$ 20,473</u>

4) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, 2022 consists of the following:

Corporation contributions	\$ 200,200
Foundation grants	136,000
Government grants	51,920
Individual contributions	<u>10,364</u>
	<u>\$ 398,484</u>

These amounts are generally collected within one year. The Foundation believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

5) ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 totaled \$2,173. These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

6) FAIR VALUE MEASUREMENTS

The Foundation has a number of financial instruments held for trading purposes. The Foundation estimates that the fair value of all financial instruments at December 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange.

Accounting Standards Codification 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1, inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The assets 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.

All of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

Assets Measured and Recognized at Fair Value on a Recurring Basis

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2022:

<u>Security Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 7,357	\$ 7,357	\$ -	\$ -
Total	<u>\$ 7,357</u>	<u>\$ 7,357</u>	<u>\$ -</u>	<u>\$ -</u>

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

7) LEASES

The Foundation leases office space in Brooklyn, New York under a lease agreement that expires on December 31, 2024. Rent is payable in equally monthly installments of \$1,678. During the lease term the Foundation is also responsible for paying its share of real estate taxes and common charges for trash and real estate escalation throughout the lease term. We include in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Our operating lease provides for increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, we estimate an applicable incremental borrowing rate. The incremental borrowing rate is estimated using our applicable borrowing rates and the contractual lease term.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total right-of-use assets and lease liabilities at December 31, 2022 are as follows:

Lease Assets – Classified in Statement of Financial Position

Right-of-use assets – Other assets	<u>\$ 40,961</u>
Total leased right-of-use assets	<u>\$ 40,961</u>

Lease Liabilities – Classified in Statement of Financial Position

Lease liabilities	<u>\$ 39,703</u>
Total leased liabilities	<u>\$ 39,703</u>

Future minimum lease payments under the non-cancelable leases are as follows:

For the year ending December 31,	
2023	\$ 20,136
2024	<u>20,136</u>
Total	<u>\$ 40,272</u>

Rental expense (included in occupancy in the statement of functional expenses) for the year ended December 31, 2022 was \$22,215.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

8) DISSAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Foundation's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2022:

Revenue recognized at a point in time:	
Program fees	\$ 5,537
Total	<u>\$ 5,537</u>

9) ADVERTISING AND MARKETING COSTS

For the year ended December 31, 2022, advertising and marketing expense amounted to \$10,809.

10) LINE OF CREDIT

The Foundation has available a \$20,000 revolving line of credit with a financial institution at a variable interest rate of 3.25% over the Wall Street Journal Prime Index Rate per annum. On December 31, 2022, the interest rate on the line of credit was 11.4% per annum. The line of credit is reviewed annually and its renewal is at the sole discretion of the bank. There was no outstanding balance on the line of credit as of December 31, 2022. The line of credit is available for the general business operations of the Foundation.

11) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Workshops	\$ 155,613
Retreat	200,000
Poetry Coalition Fellowship	110,000
Fundraising Salary	50,000
Readings	27,307
Public Core Programs	<u>5,000</u>
Subtotal	547,920
Subject to the passage of time:	
For periods after December 31, 2022	<u>325,000</u>
Subtotal	325,000
Total net assets with donor restrictions	<u>\$ 872,920</u>

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

11) NET ASSETS WITH DONOR RESTRICTIONS (CONT'D)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2022:

Expiration of time restrictions	\$ 65,000
Satisfaction of purpose restrictions:	
Fundraising Salary	90,000
Retreats	40,000
Workshops	25,250
Readings	13,250
Public Core Programs	5,000
Purchase of Equipment	<u>5,000</u>
Subtotal	178,500
Total	<u>\$ 243,500</u>

12) BOARD DESIGNATED NET ASSETS

The Foundation has a Board Designated Operating Reserve Fund (the "Fund") that was established to maintain an adequate level of net assets without donor restrictions to support the Foundation's day-to-day operations in the event of unforeseen shortfalls. The Fund may also be used for one-time, non-restructuring and specific program needs. The Fund is funded with surplus operating funds with no donor restrictions. The Board may, from time to time, direct a specific source revenue, such as one-time gifts, bequests, special grants or special appeals to be set aside for the Fund. In 2020 the Board designated \$150,000 of operating funds with no donor restrictions to the Fund. During 2022 the Board designated \$46,804 to the fund. The total Fund's balance at December 31, 2022 is \$171,804.

13) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and occupancy costs related to the office space, as well as salaries and related payroll expenses, telephone, office supplies, and utilities, which are allocated on the basis of estimates of time and effort.

14) CONTINGENCIES

From time to time the Foundation may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings would be covered by the Foundation's insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

15) CONCENTRATIONS OF RISK

The Foundation maintains its cash balances at a major financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022, the total uninsured balance was \$565,658. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

During the year ended December 31, 2022, the Foundation received approximately 55% of its total grants and contributions from three donors. In addition, grants and contributions receivable from three donors accounted for approximately 88% of grants and contributions receivable at year-end.

16) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, the Organization received donated services valued at \$50,259. This amount is reflected in statement of activities as in-kind contributions revenue and in the statement of functional expenses as professional fees.

17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 14, 2023, which is the date the financial statements were available to be issued. During that period, there were no material subsequent events requiring disclosure.