

FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2022, and 2021

GLASSROOTS, INC.

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December 13, 2022

To the Board of Trustees
GlassRoots, Inc.
Newark, New Jersey

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of GlassRoots, Inc. (a New Jersey non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, 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 GlassRoots, Inc. as of June 30, 2022, and the changes in 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 GlassRoots, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2021 were audited by Withum PC and the report dated January 27, 2022, expressed an unmodified opinion on those financial statements.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Hill, Barth & King LLC

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

GLASSROOTS, INC.

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,315,231	\$ 1,072,135
Accounts receivable	8,639	8,012
Unconditional promise to give	520,192	732,932
Grants receivable	10,108	7,225
Prepaid expenses	11,515	9,604
Security deposit	40,500	40,500
Property and equipment - net	1,047,263	949,709
TOTAL ASSETS	<u>\$ 2,953,448</u>	<u>\$ 2,820,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 183,249	\$ 113,248
Asset retirement obligation	20,428	19,833
Contract liabilities	-	1,850
TOTAL LIABILITIES	<u>203,677</u>	<u>134,931</u>
<u>NET ASSETS</u>		
Without donor restrictions	908,136	987,374
With donor restrictions	1,841,636	1,697,812
TOTAL NET ASSETS	<u>2,749,771</u>	<u>2,685,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,953,448</u>	<u>\$ 2,820,117</u>

See accompanying notes to the financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

GLASSROOTS, INC.

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE AND SUPPORT</u>						
Public and government support						
Corporate and foundation grants	\$ 158,365	\$ 322,894	\$ 481,259	\$ 296,347	\$ 115,000	\$ 411,347
Contributions	237,200	41,174	278,374	111,723	4,230	115,953
Contribution from PPP forgiveness	-	-	-	98,942	-	98,942
Government grants	110,906	-	110,906	81,374	-	81,374
Special event revenues	143,316	-	143,316	18,382	-	18,382
Special event expenses	(94,993)	-	(94,993)	(6,032)	-	(6,032)
	<u>48,323</u>	<u>-</u>	<u>48,323</u>	<u>12,350</u>	<u>-</u>	<u>12,350</u>
	<u>554,794</u>	<u>364,068</u>	<u>918,862</u>	<u>600,736</u>	<u>119,230</u>	<u>719,966</u>
Revenues						
Commissions and sales of glasswork	78,251	-	78,251	44,644	-	44,644
Program fees	61,047	-	61,047	42,679	-	42,679
Facility fee income	23,450	-	23,450	21,787	-	21,787
Interest income	2,008	-	2,008	154	-	154
Miscellaneous	1,732	-	1,732	-	-	-
	<u>166,488</u>	<u>-</u>	<u>166,488</u>	<u>109,264</u>	<u>-</u>	<u>109,264</u>
Net assets released from restrictions	<u>220,244</u>	<u>(220,244)</u>	<u>-</u>	<u>217,697</u>	<u>(217,697)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>941,527</u>	<u>143,824</u>	<u>1,085,350</u>	<u>927,697</u>	<u>(98,467)</u>	<u>829,230</u>
<u>EXPENSES</u>						
Program services	713,524	-	713,524	599,379	-	599,379
Management and general	154,401	-	154,401	160,131	-	160,131
Fundraising	152,840	-	152,840	83,369	-	83,369
TOTAL EXPENSES	<u>1,020,765</u>	<u>-</u>	<u>1,020,765</u>	<u>842,879</u>	<u>-</u>	<u>842,879</u>
CHANGES IN NET ASSETS	<u>(79,238)</u>	<u>143,824</u>	<u>64,585</u>	<u>84,818</u>	<u>(98,467)</u>	<u>(13,649)</u>
<u>NET ASSETS</u>						
Beginning of Year	<u>987,374</u>	<u>1,697,812</u>	<u>2,685,186</u>	<u>902,556</u>	<u>1,796,279</u>	<u>2,698,835</u>
End of Year	<u>\$ 908,136</u>	<u>\$ 1,841,636</u>	<u>\$ 2,749,771</u>	<u>\$ 987,374</u>	<u>\$ 1,697,812</u>	<u>\$ 2,685,186</u>

See accompanying notes to the financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

GLASSROOTS, INC.

Years Ended June 30, 2022 and 2021

	2022				2021			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 323,198	\$ 36,900	\$ 86,157	\$ 446,255	\$ 295,595	\$ 55,632	\$ 25,647	\$ 376,874
Payroll taxes	26,317	3,005	7,016	36,338	23,305	4,469	1,985	29,759
Employee benefits	9,389	1,072	2,503	12,964	14,222	4,166	1,973	20,361
Occupancy	129,274	20,707	15,190	165,171	100,957	16,171	11,863	128,991
Depreciation and amortization	44,998	3,872	-	48,870	46,474	3,999	-	50,473
Supplies	33,745	19,813	6,677	60,235	69,389	10,432	7,864	87,685
Office expense	1,123	1,078	2,227	4,428	3,785	652	201	4,638
Professional fees	2,319	46,134	18,062	66,515	2,683	42,272	4,313	49,268
Interest expense	-	1,143	-	1,143	-	2,869	-	2,869
Information technology	2,033	6,997	8,006	17,036	3,210	6,932	1,725	11,867
Insurance	22,817	4,381	1,980	29,178	19,547	3,753	1,696	24,996
Membership dues and licenses	650	3,159	561	4,370	475	-	-	475
Marketing	3,690	82	1,300	5,072	456	-	2,151	2,607
Travel	5,371	3,000	2,293	10,664	23	62	-	85
Stipends and program consultants	79,781	-	-	79,781	13,361	-	-	13,361
Special events and fundraising	-	-	94,993	94,993	-	-	25,001	25,001
Fees	2,645	2,420	741	5,806	432	8,229	2,494	11,155
Bad debt expense	25,759	-	-	25,759	-	-	-	-
Miscellaneous	415	638	127	1,180	5,465	493	2,488	8,446
	<u>713,524</u>	<u>154,401</u>	<u>247,833</u>	<u>1,115,758</u>	<u>599,379</u>	<u>160,131</u>	<u>89,401</u>	<u>848,911</u>
Less: Special event expense netted with revenue	-	-	(94,993)	(94,993)	-	-	(6,032)	(6,032)
Total Functional Expenses	<u>\$ 713,524</u>	<u>\$ 154,401</u>	<u>\$ 152,840</u>	<u>\$ 1,020,765</u>	<u>\$ 599,379</u>	<u>\$ 160,131</u>	<u>\$ 83,369</u>	<u>\$ 842,879</u>

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

GLASSROOTS, INC.

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 64,585	\$ (13,649)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	48,870	50,473
Bad debt expense	25,759	-
Accretion expense of asset retirement obligation	595	578
Payroll Protection Program Loan forgiveness	-	(98,942)
(Increase) decrease in operating assets:		
Accounts receivable	(26,386)	17,280
Unconditional promise to give	212,740	369,123
Grants receivable	(2,883)	(975)
Prepaid expenses	(1,911)	(1,590)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	70,001	45,806
Contract liabilities	(1,850)	-
Proceeds from contributions restricted for capital campaign	-	(408,309)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>389,520</u>	<u>(40,205)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<u>(146,424)</u>	<u>(344,821)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(146,424)</u>	<u>(344,821)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Payroll Protection Program Loan	-	98,942
Proceeds from Economic Injury Disaster Loan	-	150,000
Principal repayment on Economic Injury Disaster Loan	-	(150,000)
Proceeds from contributions restricted for capital campaign	-	408,309
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>507,251</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>243,096</u>	<u>122,225</u>
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	<u>1,072,135</u>	<u>949,910</u>
End of year	<u>\$ 1,315,231</u>	<u>\$ 1,072,135</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	<u>\$ 1,143</u>	<u>\$ 2,291</u>
In-kind donations	<u>\$ 7,325</u>	<u>\$ 10,362</u>

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

GlassRoots, Inc. (the "Organization" or "GlassRoots") is a New Jersey non-profit organization whose mission is to ignite and build the creative and economic vitality of greater Newark, with a focus on underserved youth and young adults, through the transformative power of the glass art experience. GlassRoots' vision is that through the involvement with GlassRoots' arts, New Jersey residents of all ages are empowered to think creatively and realize new visions of their futures through the art of glassmaking. Widely renowned for excellence in collaborative programming, GlassRoots presents high quality, rigorous, innovative, relevant, and diverse programming that both reflects and expands the community's interests. Founded in 2001, the Organization serves the community of Newark, New Jersey, offering programs at its glassmaking studios to Newark area middle and high school youth. The Organization's support comes mainly from private and public foundations, individual contributors and income earned through program offerings.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standard:

On September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial asset, also known gifts in kind, for not-for-profit organization. The ASU requires a not-for profit organization to present contributed nonfinancial asset as a separate line item in the statement of activities, apart from contribution of cash or other financial asset, along with expanded disclosure requirements. This ASU has been adopted but does not have significant impact on Organization's financial statements.

Basis of Presentation:

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. Based on the existence or absence of donor-imposed restrictions, the Organization classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. There were no donor-imposed perpetual restrictions at June 30, 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public and Government Support (Contributions):

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as deferred revenue. Grant funds expended in advance of reimbursement from the funding source are classified as grants and accounts receivable in the statements of financial position.

Paycheck Protection Program Loans:

In March 2021, the Organization issued a second unsecured promissory note (the "PPP 2 Loan") for \$98,942 through the PPP established under the CARES Act and administered by the SBA. The PPP 2 Loan is guaranteed by the SBA. The PPP 2 Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP 2 Loan at the time of application, used the loan proceeds for eligible expenses within the Covered Period, and otherwise satisfied PPP requirements. The PPP 2 Loan was forgiven during the year ended June 30, 2022.

When it applied for PPP loans, the Organization believed it would qualify to have the loans forgiven under the terms of PPP, and therefore considered the loans to be conditional government grants. The Organization has performed initial calculations for PPP loan forgiveness and expects that the PPP loans will be forgiven in full because 1) the Organization has utilized the proceeds for payroll and other qualified expenses within the covered periods, 2) the Organization intends to utilize the remaining proceeds for payroll and other qualified expenses, and 3) the Organization believes it will continue to comply with other terms and conditions necessary for forgiveness.

The Organization concluded that PPP 2 loan should be accounted for as a government grant. Under the provisions of ASC 958-605, the PPP Loan represents, in substance, a grant that is expected to be forgiven (a conditional contribution). The conditional contribution is recognized as grant income at a point in time once the conditions of release have been substantially met or explicitly waived; or over a period of time as it incurs qualifying PPP expenses. As discussed above, the Organization believes that it is probable that it will meet the terms of forgiveness, as it began utilizing the PPP proceeds for eligible expenses within the reporting periods. Accordingly, the Organization recognized the full amount of \$98,942 as grant income during the year ended June 30, 2021 in the accompanying statements activities and changes in net assets.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the revenues were earned and expended within the same fiscal period. When a donor restriction expires, net assets with donor restrictions are reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange Revenue:

Program service revenue consists of sales of glasswork, fees for program participation and facility fee income. Revenue from the program fees is recognized when the product is delivered to the customer or over time as the service is provided. Cash received in advance of the services provided is recorded into contract liabilities in the statements of financial position. Prices are determined between the Organization and the client at a set rate/set amount of hours to be provided. The Organization provides for subsidized programs based on the supplemental educational services (SES) of school districts to schools and other community organizations to provide for equitable access to the Organization's programs. Revenue is recognized at the point in time the glassworks are sold. The Organization rents its premises for third party individual and group use for education and recognizes the revenue over the period of time the facility fee income relates which generally is monthly. There are no significant payment term.

Special Events:

Special events consist of revenues from ticket sales and sponsorships. Revenue is shown net of direct donor benefits and is recorded in the period the event occurs.

Contract Assets and Liabilities:

Contract assets represent receivables which are not billed but have been earned. Contract liabilities represent funds received in advance of services provided or performance obligations being met. Receivables represent amounts billed for the services provided. Receivables, contract assets and contract liabilities were as follows:

	<u>Accounts Receivable</u>		<u>Contract Assets</u>		<u>Contract Liabilities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning of Year	\$ 8,012	\$ 25,292	\$ -	\$ -	\$ 1,850	\$ 1,850
End of Year	\$ 8,639	\$ 8,012	\$ -	\$ -	\$ -	\$ 1,850

In-Kind Donations:

The Organization receives technology services that are utilized in various programs. The in-kind donations are recorded at estimated fair value. The Organization received \$7,325 and \$10,362 for the years ended June 30, 2022 and 2021, respectively.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable:

Accounts receivable represent unpaid balances due from exchange revenue and are uncollateralized. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on past experiences and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. At June 30, 2022 and 2021, management determined that no allowance for doubtful accounts was necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give:

Unconditional promises to give are recorded at net realizable value. The allowance for uncollectible promises to give is based upon historical experience, an assessment of economic conditions and a review of subsequent collections. At June 30, 2022 and 2021, management determined that no allowance for uncollectible promises to give was necessary.

Grants Receivable:

The Organization's grant receivable consists of expenditures incurred on cost reimbursement grants not yet collected. Grants receivables are expected to be collected in fiscal year 2023.

Property and Equipment:

Property and equipment are stated at cost (fair market value at date of donation if contributed) less accumulated depreciation and amortization. Depreciation and amortization are provided principally using the straight-line method over the estimated useful lives of the assets. The Organization received no donations of property and equipment for the years ended June 30, 2022 and 2021.

Income Taxes:

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income taxes under similar provisions. Accordingly, no provision for Federal and state income taxes has been recorded in the statements of activities and changes in net assets. The Organization had no unrecognized benefits at June 30, 2022 and 2021 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements.

Use of Estimates:

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

Functional Expenses:

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes, employee benefits	Salaries
Occupancy, depreciation, insurance	Square footage

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Issued But Not Yet Effective:

Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Reclassifications:

Certain 2021 items have been reclassified to conform to the 2022 presentation. Such reclassification had no effect on the current year activities.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2022, and 2021 financial assets and liability resources available within one year for general expenditure, such as operating expenses were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,315,231	\$ 1,072,135
Accounts receivable	8,639	8,012
Unconditional promise to give	520,192	732,932
Grants receivable	10,108	7,225
TOTAL FINANCIAL ASSETS	<u>1,854,170</u>	<u>1,820,304</u>
Less Net asset with donor restrictions:	(1,841,636)	(1,667,812)
Available resources: Line of credit	<u>250,000</u>	<u>250,000</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	<u>\$ 262,534</u>	<u>\$ 402,492</u>

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Organization's cash flows have fluctuations during the year attributable to the timing of program operations and repayments from funding sources and contributors. Subsequent to June 30, 2022, the Organization has satisfied an additional \$165,000 of donor restrictions making those funds available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and June 30, 2021

	Estimated Useful Life (Years)	2022	2021
Leasehold improvements	10 - 20	\$ 1,216,787	\$ 1,120,224
Equipment	10	437,099	462,237
Deposits on capital assets		356,311	281,312
		2,010,197	1,863,773
Less accumulated depreciation		(962,934)	(914,064)
PROPERTY AND EQUIPMENT, NET		\$ 1,047,263	\$ 949,709

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$48,870 and \$50,473 respectively.

NOTE E – UNCONDITIONAL PROMISES TO GIVE

The Organization has undertaken a capital campaign for construction and relocation into a larger space. At June 30, 2022 and June 30, 2021 unconditional promises to give were expected to be collected as follows:

	2022	2021
Unconditional receivable due in:		
One year or less	\$ 520,192	\$ 732,932

NOTE F – LINE OF CREDIT

The Organization entered into a loan agreement with Provident Bank on April 29, 2021. The maximum allowable balance under the loan agreement is \$250,000 and has an extended maturity date of March 31, 2023. The loan is not secured by any assets of the Organization. The line of credit requires monthly, interest-only payments beginning on June 1, 2021. The Organization pays a variable interest rate of 1% over prime rate but not less than 4.50%. Interest is charged on the outstanding principal balance. As of June 30, 2022 and 2021, there is no outstanding principal balance and there were no drawdowns for the years ending June 30, 2022 and 2021.

NOTE G – LOAN PAYABLE

In July 2020 the Organization obtained an Economic Injury Disaster Loan ("EIDL") for \$150,000 with interest at 2.75% and a 30 year amortization. The Organization subsequently paid the EIDL back and therefore, no amounts were outstanding at June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE H – NET ASSETS WITH RESTRICTIONS

As of June 30, 2022 and June 30, 2021, net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 55,000	\$ 30,000
Purpose restrictions		
Capital projects	1,592,778	1,551,604
Capacity building	40,000	-
Fellowship program	153,858	91,208
Flame program	-	25,000
TOTAL	<u>\$ 1,841,636</u>	<u>\$ 1,697,812</u>

During 2022 and 2021 net assets were released from donor restrictions by the expiration of a time restriction or by occurrence of other events specified by donors.

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 30,000	\$ 30,000
Capital projects	-	26,223
Workshops	43,500	-
Fellowship program	71,744	90,522
Flame program	25,000	25,000
Communication and development	50,000	45,952
TOTAL	<u>\$ 220,244</u>	<u>\$ 217,697</u>

NOTE I – COMMITMENTS

The organization has entered into a cancelable lease agreement for the rental of its facility which expired on June 30, 2022 and was subsequently extended until August 2022. On September 1, 2022, the Organization further extended the term of the lease for an additional two years and two months and the lease will terminate on December 31, 2024. The Organization is also obligated under the lease to pay real estate taxes, utilities, and certain other assessments on the property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE J – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in the financial markets. As a result, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE K – ASSET RETIREMENT OBLIGATION

The Organization is contractually required to dismantle the hot shop, which includes all glassmaking equipment, furnaces, ovens and other like property, at the end of the current lease which expires June 30, 2022 (see Note I). The Organization recognizes a liability for an asset retirement obligation and capitalizes a corresponding amount of an asset retirement cost, which is depreciated on a straight-line basis over the life of the assets. The liability is estimated using the present value of future cash flows, adjusted for inflation and discounted at the Organization's borrowing cost. Accretion expense on the asset retirement obligation for the years ended June 30, 2022 and 2021 was \$595 and \$578, respectively, which is included in interest expense on the statements of functional expenses.

A reconciliation of the beginning and ending aggregate carrying amount of the Organization's asset retirement obligation for the years ended June 30, 2022, and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 19,833	\$ 19,255
Accretion expense	595	578
Ending Balance	<u>\$ 20,428</u>	<u>\$ 19,833</u>

NOTE L – CONCENTRATION OF CREDIT RISK

The Organization's concentrations in financial assets consisted of cash and cash equivalents and receivables. The Organization maintains deposits in various funds with the Vanguard Group, Inc. These balances are invested in the Vanguard Prime Money Market Fund and are included in cash and cash equivalents. The balance in this fund was approximately \$313,000 and \$312,000 as of June 30, 2022 and 2021, respectively. While the value of these investments is not insured, the Board of Trustees reviews the investment strategy in order to mitigate risk for the Organization. The Organization also maintains cash balances in excess of Federal Deposit Insurance Corporation limits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2022 and 2021

NOTE M – RELATED PARTY TRANSACTIONS

Included in the statements of activities and changes in net assets are approximately \$35,830 and \$13,000 of contributions from members of the Board of Trustees of the Organization for the years ended June 30, 2022 and 2021, respectively.

NOTE N – SUBSEQUENT EVENTS

Management evaluated all activity of GlassRoots, Inc. through December 13, 2022, the date these financial statements were available to be issued and concluded that no subsequent events occurred that would require recognition or disclosure in the financial statements or notes, except as disclosed in Note I.