

FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2023, and 2022



**GLASSROOTS, INC.**

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December 12, 2023

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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GlassRoots, Inc. as of June 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 868,841	\$ 1,315,231
Investments	783,580	-
Accounts receivable	2,500	8,639
Unconditional promise to give	523,872	520,192
Grants receivable	30,016	10,108
Prepaid expenses	3,652	11,515
Property and equipment - net	963,044	1,047,263
Operating right-of-use asset - current portion	43,998	-
Finance right-of-use asset - current portion	4,834	-
TOTAL CURRENT ASSETS	3,224,337	2,912,948
<u>LONG-TERM ASSETS</u>		
Security deposit	-	40,500
Operating right-of-use asset - long-term portion	22,646	-
Finance right-of-use asset - long-term portion	13,292	-
TOTAL LONG-TERM ASSETS	35,938	40,500
TOTAL ASSETS	\$ 3,260,275	\$ 2,953,448
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 70,002	\$ 183,249
Asset retirement obligation	21,040	20,428
Contract liabilities	2,870	-
Operating lease liability - current portion	50,400	-
Finance lease liability - current portion	5,238	-
TOTAL CURRENT LIABILITIES	149,550	203,677
<u>LONG-TERM LIABILITIES</u>		
Operating lease liability - long-term portion	23,360	-
Finance lease liability - long-term portion	13,199	-
TOTAL LONG-TERM LIABILITIES	36,559	-
TOTAL LIABILITIES	186,109	203,677
<u>NET ASSETS</u>		
Without donor restrictions	1,362,890	908,135
With donor restrictions	1,711,276	1,841,636
TOTAL NET ASSETS	3,074,166	2,749,771
TOTAL LIABILITIES AND NET ASSETS	\$ 3,260,275	\$ 2,953,448

See accompanying notes to the financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

GLASSROOTS, INC.

Years Ended June 30, 2023 and 2022

	2023			2022		
	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	\$ 173,625	\$ 315,029	\$ 488,654	\$ 158,365	\$ 322,894	\$ 481,259
Contributions	160,178	-	160,178	229,875	41,174	271,049
In-kind contribution	137,545	-	137,545	7,325	-	7,325
Government grants	88,511	-	88,511	110,906	-	110,906
Employee Retention Tax Credits	148,926	-	148,926	-	-	-
Special events, net of expenses of \$93,214 and \$94,993, respectively	134,655	-	134,655	48,323	-	48,323
	<u>843,440</u>	<u>315,029</u>	<u>1,158,469</u>	<u>554,794</u>	<u>364,068</u>	<u>918,862</u>
Revenues						
Commissions and sales of glasswork	76,901	-	76,901	78,251	-	78,251
Program fees	143,079	-	143,079	61,047	-	61,047
Facility fee income	22,920	-	22,920	23,450	-	23,450
Investment Return	25,674	-	25,674	2,008	-	2,008
Miscellaneous	6,971	-	6,971	1,732	-	1,732
	<u>275,545</u>	<u>-</u>	<u>275,545</u>	<u>166,488</u>	<u>-</u>	<u>166,488</u>
Net assets released from restrictions	445,389	(445,389)	-	220,244	(220,244)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>1,564,374</u>	<u>(130,360)</u>	<u>1,434,014</u>	<u>941,526</u>	<u>143,824</u>	<u>1,085,350</u>
<u>EXPENSES</u>						
Program services	798,531	-	798,531	713,524	-	713,524
Management and general	200,014	-	200,014	154,401	-	154,401
Fundraising	187,499	-	187,499	152,840	-	152,840
<b>TOTAL EXPENSES</b>	<u>1,186,044</u>	<u>-</u>	<u>1,186,044</u>	<u>1,020,765</u>	<u>-</u>	<u>1,020,765</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<u>378,330</u>	<u>(130,360)</u>	<u>247,970</u>	<u>(79,239)</u>	<u>143,824</u>	<u>64,585</u>
Gain on lease cancellation	76,425	-	76,425	-	-	-
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>454,755</u>	<u>(130,360)</u>	<u>324,395</u>	<u>(79,239)</u>	<u>143,824</u>	<u>64,585</u>
<u>NET ASSETS</u>						
Beginning of Year	908,135	1,841,636	2,749,771	987,374	1,697,812	2,685,186
End of Year	\$ <u>1,362,890</u>	\$ <u>1,711,276</u>	\$ <u>3,074,166</u>	\$ <u>908,135</u>	\$ <u>1,841,636</u>	\$ <u>2,749,771</u>

See accompanying notes to the financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

GLASSROOTS, INC.

Years Ended June 30, 2023 and 2022

	2023				2022			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 325,257	\$ 35,550	\$ 120,035	\$ 480,842	\$ 323,198	\$ 36,900	\$ 86,157	\$ 446,255
Payroll taxes	29,209	3,665	10,585	43,459	26,317	3,005	7,016	36,338
Employee benefits	8,035	6,182	7,131	21,348	9,389	1,072	2,503	12,964
Occupancy	128,203	20,535	15,065	163,803	129,274	20,707	15,190	165,171
Depreciation and amortization	62,989	10,498	7,268	80,755	44,998	3,872	-	48,870
Supplies	71,435	7,661	159	79,255	33,745	19,813	6,677	60,235
Office expense	3,782	1,113	4,899	9,794	1,123	1,078	2,227	4,428
Professional fees	7,090	61,490	996	69,576	2,319	46,134	18,062	66,515
Interest expense	-	613	-	613	-	1,143	-	1,143
Information technology	2,628	6,306	3,207	12,141	2,033	6,997	8,006	17,036
Insurance	19,304	3,706	1,675	24,685	22,817	4,381	1,980	29,178
Membership dues and licenses	2,193	2,624	-	4,817	650	3,159	561	4,370
Marketing	28,020	26,246	9,072	63,338	3,690	82	1,300	5,072
Travel	7,027	1,782	247	9,056	5,371	3,000	2,293	10,664
Stipends and program consultants	80,626	-	-	80,626	79,781	-	-	79,781
Special events and fundraising	-	-	93,214	93,214	-	-	94,993	94,993
Fees	10,611	4,577	5,150	20,338	2,645	2,420	741	5,806
Bad debt expense	8,780	6,407	2,010	17,197	25,759	-	-	25,759
Miscellaneous	3,342	1,059	-	4,401	415	638	127	1,180
	<u>798,531</u>	<u>200,014</u>	<u>280,713</u>	<u>1,279,258</u>	<u>713,524</u>	<u>154,401</u>	<u>247,833</u>	<u>1,115,758</u>
Less: Special event expense netted with revenue	-	-	(93,214)	(93,214)	-	-	(94,993)	(94,993)
Total Functional Expenses	<u>\$ 798,531</u>	<u>\$ 200,014</u>	<u>\$ 187,499</u>	<u>\$ 1,186,044</u>	<u>\$ 713,524</u>	<u>\$ 154,401</u>	<u>\$ 152,840</u>	<u>\$ 1,020,765</u>

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

GLASSROOTS, INC.

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 324,395	\$ 64,585
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	80,755	48,870
Amortization	47,245	-
Bad debt expense	17,197	25,759
Realized and unrealized gain on investments	(4,087)	-
Accretion expense of asset retirement obligation	612	595
Loss on lease cancellation	-	-
(Increase) decrease in operating assets:		
Accounts receivable	(11,058)	(26,386)
Unconditional promise to give	(3,680)	212,740
Grants receivable	(19,908)	(2,883)
Prepaid expenses	7,863	(1,911)
Security deposit	40,500	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(113,247)	70,001
Contract liabilities	2,870	(1,850)
Operating lease liability	(35,295)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>334,162</u>	<u>389,520</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(779,494)	-
Purchase of property and equipment	(162,556)	(146,424)
Release of construction in progress from cancelled lease	166,020	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(776,030)</u>	<u>(146,424)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on finance lease	(4,522)	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,522)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(446,390)</u>	<u>243,096</u>
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	1,315,231	1,072,135
End of year	\$ <u>868,841</u>	\$ <u>1,315,231</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets acquired under operating leases	\$ <u>109,055</u>	\$ <u>-</u>
Right-of-use assets acquired under finance leases	\$ <u>22,959</u>	\$ <u>-</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	\$ <u>613</u>	\$ <u>1,143</u>
In-kind donations	\$ <u>137,545</u>	\$ <u>7,325</u>

See accompanying notes to the financial statements



## NOTES TO THE FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2023 and 2022

### 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:

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organization by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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, 2023 and 2022.

**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 was forgiven during the year ended June 30, 2022 and is included in government grants on the statements of activities and changes in net assets.

**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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Accounts Receivable		Contract Assets		Contract Liabilities	
	2023	2022	2023	2022	2023	2022
Beginning of Year	\$ 8,639	\$ 8,012	\$ -	\$ -	\$ -	\$ 1,850
End of Year	\$ 2,500	\$ 8,639	\$ -	\$ -	\$ 2,870	\$ -

In-Kind Donations:

The Organization receives in-kind donations for technology services and building renovations which are recorded at estimated fair value. The Organization received \$137,545 and \$7,325 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, management determined that no allowance for doubtful accounts was necessary.

Investments:

Investments are valued at fair value determined by quoted market prices in an active market.

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, 2023 and 2022, 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 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property and equipment are stated at cost (fair market value at date of donation if contributed) less accumulated depreciation. Depreciation is provided principally using the straight-line method over the estimated useful lives of the assets. The Organization received donations of building renovation services which have been capitalized in the amount of \$137,545 and \$0 for the years ended June 30, 2023 and 2022.

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, 2023 and 2022 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	Time and effort
Occupancy, depreciation, insurance	Square footage

Reclassifications:

Certain 2022 items have been reclassified to conform to the 2023 presentation. Such reclassification had no effect on the current year activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2023, and 2022 financial assets and liability resources available within one year for general expenditure, such as operating expenses were as follows:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 868,841	\$ 1,315,231
Investments	783,580	-
Accounts receivable	2,500	8,639
Unconditional promise to give	523,872	520,192
Grants receivable	30,016	10,108
TOTAL FINANCIAL ASSETS	2,208,809	1,854,170
Less Net asset with donor restrictions:	(1,711,276)	(1,841,636)
Available resources: Line of credit	250,000	250,000
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	\$ 747,533	\$ 262,534

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.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and June 30, 2022

	Estimated Useful Life (Years)	2023	2022
Leasehold improvements	10 - 20	\$ 1,212,940	\$ 1,216,787
Equipment	10	437,481	437,099
Deposits on capital assets		356,313	356,312
		2,006,734	2,010,198
Less accumulated depreciation		(1,043,690)	(962,935)
PROPERTY AND EQUIPMENT, NET		\$ 963,044	\$ 1,047,263

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$80,755 and \$48,870 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE E – INVESTMENTS

Investments consist of the following at June 30, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Exchange-traded funds	\$ 298,497	\$ 298,620	\$ -	\$ -
Treasury bonds	480,518	484,960	-	-
	<u>\$ 779,015</u>	<u>\$ 783,580</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE F – FAIR VALUE MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect our market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement dates.

Level 2 - unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE F – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2023 and 2022.

	<b>June 30,</b>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<b>2023</b>	(Level 1)	(Level 2)
Exchange-traded funds	\$ 298,620	\$ 298,620	\$ -	\$ -
Treasury bonds	484,960	484,960	-	-
	<u>\$ 783,580</u>	<u>\$ 783,580</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>June 30,</b>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<b>2022</b>	(Level 1)	(Level 2)
Exchange-traded funds	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Maturity dates for the bonds held at June 30, 2023 range from 2023 to 2026. The fair value maturities of the bonds are as follows:

Due in one year or less	\$ 338,677
Due in one to five years	<u>146,283</u>
Total	<u>\$ 484,960</u>

NOTE G – UNCONDITIONAL PROMISES TO GIVE

The Organization has undertaken a capital campaign for construction and relocation into a larger space. At June 30, 2023 and June 30, 2022 unconditional promises to give were expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Unconditional receivable due in:		
One year or less	<u>\$ 523,872</u>	<u>\$ 520,192</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE H – 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 1, 2024. 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, 2023 and 2022, there is no outstanding principal balance and there were no drawdowns for the years ending June 30, 2023 and 2022.

NOTE I – NET ASSETS WITH RESTRICTIONS

As of June 30, 2023 and June 30, 2022, net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2023</u>	<u>2022</u>
Time restrictions	\$ 60,000	\$ 55,000
Purpose restrictions		
Capital projects	1,530,295	1,592,778
Capacity building	21,890	40,000
Fellowship program	93,905	153,858
Youth Entrepreneurial Spirit (YES) program	2,188	-
Workshops	2,998	-
Total	<u>\$ 1,711,276</u>	<u>\$ 1,841,636</u>

During 2023 and 2022 net assets were released from donor restrictions by the expiration of a time restriction or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Time restriction	\$ 55,000	\$ 30,000
Purpose restrictions		
Capital projects	62,483	-
Capacity building	18,109	-
Fellowship program	201,197	71,744
Flame program	-	25,000
Youth Entrepreneurial Spirit (YES) program	25,000	-
Workshops	33,600	43,500
Communication and development	50,000	50,000
Total	<u>\$ 445,389</u>	<u>\$ 220,244</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE J – COMMITMENTS AND CONTINGENCIES

Operating Lease (Prior to July 1, 2022):

The Organization has entered into a cancelable lease agreement for the rental of its facility which was set to expire in 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.

Operating Lease (After July 1, 2022):

The Organization has entered into a cancelable lease agreement for the rental of its facility which is set to expire December 31, 2024. The operating lease calls for monthly periodic payments of \$4,200. The weighted average remaining lease term is 1.5 years and the weighted average discount rate for the operating lease is 2.43%. The right-of-use asset and lease liability balance, at the adoption date, were both calculated to be \$109,055.

The tables below summarize the balance of both the operating right-of-use asset and related operating lease liability at ASC 842 adoption date and the balances as of June 30, 2023:

	<u>July 1, 2022</u>	<u>June 30, 2023</u>
Right-of-use asset - operating	\$ 109,055	\$ 109,055
Accumulated amortization	-	(42,411)
Net right-of-use asset - operating	<u>\$ 109,055</u>	<u>\$ 66,644</u>
		Balance of
		<u>Lease Liability</u>
Operating lease liability at July 1, 2022		\$ 109,055
Rents paid through the year ended June 30, 2023		(38,541)
Accretion of lease liability for the year ended June 30, 2023		<u>3,246</u>
Operating lease liability at June 30, 2023		<u>\$ 73,760</u>

Amortization expense of the right-of-use asset for the year ended June 30, 2023 was \$42,411. No interest expense is recognized for this operating lease.

The future maturities of the operating lease is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 50,400
2025	25,200
	<u>75,600</u>
Less amount representing interest	<u>1,840</u>
Total	<u>\$ 73,760</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE J – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Finance Lease (After July 1, 2022):

The Organization entered into a lease for a copier. The lease expires March 2027. The finance lease calls for monthly periodic payments of \$437. The weighted average remaining lease term is 3.67 years and the weighted average discount rate for the finance lease is 6.14%. The right-of-use asset and lease liability balance at the adoption date were both calculated to be \$22,959.

The tables below summarize the balances of both the finance right-of-use asset and related finance lease liability at ASC 842 adoption date and the balances as of June 30, 2023:

	<u>July 1, 2022</u>	<u>June 30, 2023</u>
Right-of-use asset - operating	\$ 22,959	\$ 22,959
Accumulated amortization	-	(4,834)
Net right-of-use asset - operating	<u>\$ 22,959</u>	<u>\$ 18,125</u>
		<u>Balance of Lease Liability</u>
Finance lease liability at July 1, 2022		\$ 22,959
Payments made during the year allocated to the lease principal portion		(5,238)
Interest expensed on finance leases		<u>716</u>
Finance lease liability at June 30, 2023		<u>\$ 18,437</u>

Amortization expense of the finance right-of-use asset for the year ended June 30, 2023 was \$4,834. Interest expense related to the finance lease was \$716 for the year ended June 30, 2023

The future maturities of the finance lease is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 5,238
2025	5,238
2026	5,238
2027	<u>3,929</u>
	19,643
Less amount representing interest	<u>1,206</u>
Total	<u>\$ 18,437</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE K – CANCELLATION OF LEASE FOR OFFICE SPACE

During the year ended June 30, 2022, the Organization entered into negotiations for the lease of office space to accommodate its expanding operations. However, before the commencement of the lease, the Organization and the landlord mutually cancelled the lease agreement. As a result of the cancellation, the Organization received a refund of \$216,814 for construction deposits, early termination fee and security deposit.

In addition, due to the cancellation of the lease for the new space, the Organization and telecommunications/IT company mutually agreed to release the Organization from the remaining contract balance of \$66,020 that was recorded to accounts payable and accrued expenses and property and equipment on the statement of financial position as of June 30, 2022.

The total amount of recoupment on the statements of activities and changes in net assets totaled \$76,425.

NOTE L – 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 December 31, 2024 (see Note J). 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, 2023 and 2022 was \$612 and \$595, 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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 20,428	\$ 19,833
Accretion expense	612	595
Ending Balance	<u>\$ 21,040</u>	<u>\$ 20,428</u>

NOTE M – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2023 and 2022, the Organization had cash which exceeded FDIC limits by approximately \$374,000 and \$363,000, respectively. Additionally, the Organization maintains investment accounts with two institutions. 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.

NOTE N – RELATED PARTY TRANSACTIONS

Included in the statements of activities and changes in net assets are approximately \$34,806 and \$35,830 of contributions from members of the Board of Trustees of the Organization for the years ended June 30, 2023 and 2022, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2023 and 2022

NOTE O – EMPLOYEE RETENTION TAX CREDIT

In 2023, the Organization received \$148,926 in refunds under the Employee Retention Credit, administered by the SBA. The Employee Retention Credit encourages businesses to keep employees on their payroll and is refundable for 70% of up to \$10,000 in wages paid by an eligible employer whose business had been financially impacted by COVID-19. The Organization reported the full amount received as revenue in the statements of activities and changes in net assets for the year ended June 30, 2023.

NOTE P – SUBSEQUENT EVENTS

Management has evaluated all activity of GlassRoots, Inc. through December 12, 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 for the matter disclosed below.

The Organization is in the process of finalizing a lease for a new facility located at 89 Market Street in Newark, New Jersey. The lease has not yet commenced but is expected to be executed in fiscal year 2024.