

FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2024 and 2023

**GLASSROOTS, INC.**

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January 8, 2025

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 547,646	\$ 868,841
Investments	1,368,181	783,580
Accounts receivable	5,342	2,500
Unconditional promises to give	49,054	523,872
Grants receivable	63,222	30,016
Prepaid expenses	12,228	3,652
TOTAL CURRENT ASSETS	<u>2,045,673</u>	<u>2,212,461</u>
<u>LONG-TERM ASSETS</u>		
Property and equipment - net	795,606	963,044
Intangible assets - net	11,969	-
Operating right-of-use asset	22,646	66,644
Finance right-of-use asset	13,292	18,126
TOTAL LONG-TERM ASSETS	<u>843,513</u>	<u>1,047,814</u>
TOTAL ASSETS	<u>\$ 2,889,186</u>	<u>\$ 3,260,275</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 80,683	\$ 70,002
Asset retirement obligation	13,569	21,040
Contract liabilities	4,965	2,870
Operating lease liability - current portion	25,017	50,400
Finance lease liability - current portion	4,849	5,238
TOTAL CURRENT LIABILITIES	<u>129,083</u>	<u>149,550</u>
<u>LONG-TERM LIABILITIES</u>		
Operating lease liability - long-term portion	-	23,360
Finance lease liability - long-term portion	8,905	13,199
TOTAL LONG-TERM LIABILITIES	<u>8,905</u>	<u>36,559</u>
TOTAL LIABILITIES	<u>137,988</u>	<u>186,109</u>
<u>NET ASSETS</u>		
Without donor restrictions	1,154,443	1,362,890
With donor restrictions	1,596,755	1,711,276
TOTAL NET ASSETS	<u>2,751,198</u>	<u>3,074,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,889,186</u>	<u>\$ 3,260,275</u>

See accompanying notes to the financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

GLASSROOTS, INC.

Years Ended June 30, 2024 and 2023

	2024			2023		
	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	\$ 187,453	\$ 268,456	\$ 455,908	\$ 173,625	\$ 315,029	\$ 488,654
Contributions	146,164	-	146,164	160,178	-	160,178
In-kind contribution	6,000	-	6,000	137,545	-	137,545
Government grants	82,701	-	82,701	88,511	-	88,511
Employee Retention Tax Credits	-	-	-	148,926	-	148,926
Special events, net of expenses of \$94,540 and \$93,214, respectively	119,995	-	119,995	134,655	-	134,655
	<u>542,313</u>	<u>268,456</u>	<u>810,768</u>	<u>843,440</u>	<u>315,029</u>	<u>1,158,469</u>
Revenues						
Commissions and sales of glasswork	69,131	-	69,131	76,901	-	76,901
Program fees	172,562	-	172,562	143,079	-	143,079
Facility fee income	30,129	-	30,129	22,920	-	22,920
Investment Return	72,577	-	72,577	25,674	-	25,674
Miscellaneous	9,148	-	9,148	6,971	-	6,971
	<u>353,547</u>	<u>-</u>	<u>353,547</u>	<u>275,545</u>	<u>-</u>	<u>275,545</u>
Net assets released from restrictions	382,977	(382,977)	-	445,389	(445,389)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>1,278,836</u>	<u>(114,521)</u>	<u>1,164,315</u>	<u>1,564,374</u>	<u>(130,360)</u>	<u>1,434,014</u>
<u>EXPENSES</u>						
Program services	1,054,172	-	1,054,172	798,531	-	798,531
Management and general	240,489	-	240,489	200,014	-	200,014
Fundraising	192,622	-	192,622	187,499	-	187,499
<b>TOTAL EXPENSES</b>	<u>1,487,283</u>	<u>-</u>	<u>1,487,283</u>	<u>1,186,044</u>	<u>-</u>	<u>1,186,044</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<u>(208,447)</u>	<u>(114,521)</u>	<u>(322,968)</u>	<u>378,330</u>	<u>(130,360)</u>	<u>247,970</u>
Gain on lease cancellation	-	-	-	76,425	-	76,425
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>(208,447)</u>	<u>(114,521)</u>	<u>(322,968)</u>	<u>454,755</u>	<u>(130,360)</u>	<u>324,395</u>
<u>NET ASSETS</u>						
Beginning of Year	1,362,890	1,711,276	3,074,166	908,135	1,841,636	2,749,771
End of Year	\$ <u>1,154,443</u>	\$ <u>1,596,755</u>	\$ <u>2,751,198</u>	\$ <u>1,362,890</u>	\$ <u>1,711,276</u>	\$ <u>3,074,166</u>

See accompanying notes to the financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

GLASSROOTS, INC.

Years Ended June 30, 2024 and 2023

	2024				2023			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 420,167	\$ 69,695	\$ 147,549	\$ 637,411	\$ 325,257	\$ 35,550	\$ 120,035	\$ 480,842
Payroll taxes	42,946	7,373	14,972	65,291	29,209	3,665	10,585	43,459
Employee benefits	13,679	3,862	6,261	23,802	8,035	6,182	7,131	21,348
Occupancy	152,371	20,923	-	173,294	128,203	20,535	15,065	163,803
Depreciation and amortization	134,041	34,978	-	169,019	62,989	10,498	7,268	80,755
Supplies	66,556	3,563	101	70,220	71,435	7,661	159	79,255
Office expense	1,802	498	4,655	6,955	3,782	1,113	4,899	9,794
Professional fees	19,625	54,621	-	74,246	7,090	61,490	996	69,576
Interest expense	-	684	-	684	-	613	-	613
Information technology	4,820	7,901	5,974	18,695	2,628	6,306	3,207	12,141
Insurance	23,755	5,374	2,309	31,438	19,304	3,706	1,675	24,685
Membership dues and licenses	985	2,315	-	3,300	2,193	2,624	-	4,817
Marketing	12,704	13,314	2,564	28,582	28,020	26,246	9,072	63,338
Travel	8,284	1,057	255	9,596	7,027	1,782	247	9,056
Stipends and program consultants	125,365	3,050	1,375	129,790	80,626	-	-	80,626
Special events and fundraising	-	-	94,540	94,540	-	-	93,214	93,214
Fees	20,092	4,564	5,896	30,552	10,611	4,577	5,150	20,338
Bad debt expense	4,560	-	-	4,560	8,780	6,407	2,010	17,197
Miscellaneous	2,420	717	711	3,848	3,342	1,059	-	4,401
In-kind expense	-	6,000	-	6,000	-	-	-	-
	<u>1,054,172</u>	<u>240,489</u>	<u>287,162</u>	<u>1,581,823</u>	<u>798,531</u>	<u>200,014</u>	<u>280,713</u>	<u>1,279,258</u>
Less: special event expense netted with revenue	-	-	(94,540)	(94,540)	-	-	(93,214)	(93,214)
Total Functional Expenses	<u>\$ 1,054,172</u>	<u>\$ 240,489</u>	<u>\$ 192,622</u>	<u>\$ 1,487,283</u>	<u>\$ 798,531</u>	<u>\$ 200,014</u>	<u>\$ 187,499</u>	<u>\$ 1,186,044</u>

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

GLASSROOTS, INC.

Years Ended June 30, 2024 and 2023

	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ (322,968)	\$ 324,395
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	169,019	80,755
Amortization of right-of-use assets - operating	43,998	42,412
Amortization of right-of-use assets - financing	4,834	4,833
Bad debt expense	(4,560)	17,197
Realized and unrealized gain on investments	(10,244)	(4,087)
Accretion expense of asset retirement obligation	(7,471)	612
(Increase) decrease in operating assets:		
Accounts receivable	1,718	(11,058)
Unconditional promise to give	474,818	(3,680)
Grants receivable	(33,206)	(19,908)
Prepaid expenses	(8,576)	7,863
Security deposit	-	40,500
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,681	(113,247)
Contract liabilities	2,095	2,870
Operating lease liability	(48,743)	(35,295)
NET CASH PROVIDED BY OPERATING ACTIVITIES	271,395	334,162
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(574,357)	(779,494)
Purchase of property and equipment	-	(162,556)
Purchase of intangible assets	(13,550)	-
Release of construction in progress from cancelled lease	-	166,020
NET CASH USED IN INVESTING ACTIVITIES	(587,907)	(776,030)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on finance lease	(4,683)	(4,522)
NET CASH USED IN FINANCING ACTIVITIES	(4,683)	(4,522)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(321,195)	(446,390)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	868,841	1,315,231
End of year	\$ 547,646	\$ 868,841
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets acquired under operating leases	\$ -	\$ 109,055
Right-of-use assets acquired under finance leases	\$ -	\$ 22,959
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	\$ 684	\$ 613

See accompanying notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

GLASSROOTS, INC.

June 30, 2024 and 2023

### 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 June 2016, the Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 326 which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Company adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

#### 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, 2024 and 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

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.

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 terms.

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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Beginning of Year	\$ 2,500	\$ 8,639	\$ -	\$ -	\$ -	\$ -
End of Year	\$ 5,342	\$ 2,500	\$ -	\$ -	\$ 4,965	\$ 2,870

In-Kind Donations:

The Organization received in-kind donations for obtaining a trademark in 2024 and technology services and building renovations in 2023 which are recorded at estimated fair value based on the nature of services and time spent. The Organization received \$6,000 and \$137,545 for the years ended June 30, 2024 and 2023, respectively. The trademark in-kind expenses were recorded to professional fees on the statements of functional expenses and the building renovations were recorded to property and equipment, net on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for credit losses is based on historical experience, current economic conditions, and reasonable supportable forecasts that affect the collectability of financial assets. The potential risk is limited to the amounts recorded in the financial statements. At June 30, 2024 and 2023, management determined that no allowance for credit losses 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, 2024 and 2023, 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 2025.

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 \$0 and \$137,545 for the years ended June 30, 2024 and 2023.

Intangible Assets:

Intangible assets are stated at cost less accumulated amortization. Amortization is provided principally using the straight-line method over the estimate useful life of the assets.

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, 2024 and 2023 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases:

The Organization determines if an arrangement is a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is performed at the inception of each contract that may contain a lease. ROU Assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Finance leases are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. The lease term includes the noncancellable period of the lease and may include periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised. When leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease payments for finance leases are apportioned between the principal and interest components. The interest expense is recognized over the lease term based on the carrying amount of the lease liability. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

Subsequent Events:

Management has evaluated all activity of GlassRoots, Inc. through January 8, 2025, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2024, and 2023 financial assets and liability resources available within one year for general expenditure, such as operating expenses were as follows:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 547,646	\$ 868,841
Investments	1,368,181	783,580
Accounts receivable	5,342	2,500
Unconditional promises to give	49,054	523,872
Grants receivable	63,222	30,016
TOTAL FINANCIAL ASSETS	2,033,445	2,208,809
Less net asset with donor restrictions:	(1,596,755)	(1,711,276)
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	\$ 436,690	\$ 497,533

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. During the year ended June 30, 2025, the Organization will pay \$850,000 to the developer for the development of the new facility at 23 Willians Street in Newark. This amount will be released from investments and donor restrictions, respectively.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024 and June 30, 2023:

	Estimated Useful Life (Years)	2024	2023
Leasehold improvements	10 - 20	\$ 1,312,940	\$ 1,312,940
Equipment	10	437,482	437,482
Deposits on capital assets		256,313	256,313
		2,006,735	2,006,735
Less accumulated depreciation		(1,211,129)	(1,043,689)
PROPERTY AND EQUIPMENT, NET		\$ 795,606	\$ 963,046

As of June 30, 2024 \$467,634 of the above property and equipment is not yet placed in service. Depreciation expense for the years ended June 30, 2024 and 2023 amounted to \$167,438 and \$80,755 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE E – INTANGIBLE ASSETS

Intangible assets consists of the following at June 30, 2024 and June 30, 2023:

	Estimated Useful Life (Years)	2024	2023
Website redesign	5	\$ 13,550	\$ -
Less accumulated amortization		(1,581)	-
INTANGIBLE ASSETS, NET		\$ <u>11,969</u>	\$ <u>-</u>

NOTE F – INVESTMENTS

Investments consist of the following at June 30, 2024 and 2023:

	2024		2023	
	Cost	Market Value	Cost	Market Value
Exchange-traded funds	\$ 592,053	\$ 597,887	\$ 298,497	\$ 298,620
Treasury bonds	765,940	770,294	480,518	484,960
	\$ <u>1,357,993</u>	\$ <u>1,368,181</u>	\$ <u>779,015</u>	\$ <u>783,580</u>

NOTE G – 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, 2024 and 2023

NOTE G – 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, 2024 and 2023.

	June 30, 2024	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Exchange-traded funds	\$ 597,887	\$ 597,887	\$ -	\$ -
Treasury bonds	770,294	770,294	-	-
	<u>\$ 1,368,181</u>	<u>\$ 1,368,181</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2023	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Exchange-traded funds	\$ 298,620	\$ 298,620	\$ -	\$ -
Bonds	484,960	484,960	-	-
	<u>\$ 783,580</u>	<u>\$ 783,580</u>	<u>\$ -</u>	<u>\$ -</u>

Maturity dates for the bonds held at June 30, 2024 range from 2024 to 2027. The fair value maturities of the bonds are as follows:

Due in one year or less	\$ 187,548
Due in one to five years	<u>582,746</u>
Total	<u>\$ 770,294</u>

NOTE H – UNCONDITIONAL PROMISES TO GIVE

The Organization has received unconditional promises to give from general donations and special events. At June 30, 2024 and June 30, 2023 unconditional promises to give were expected to be collected as follows:

	2024	2023
Unconditional promises to give due in:		
One year or less	<u>\$ 49,054</u>	<u>\$ 523,872</u>

NOTE I – LINE OF CREDIT

The Organization entered into a loan agreement with a 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 was expired on March 1, 2024 as the Organization elected not to extend the agreement. As of June 30, 2024 and 2023, there was no outstanding principal balance and there were no drawdowns for the years ending June 30, 2024 and 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE J – NET ASSETS WITH RESTRICTIONS

As of June 30, 2024 and June 30, 2023, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Time restrictions	\$ 10,000	\$ 60,000
Purpose restrictions		
Capital projects	1,495,295	1,530,295
Capacity building	-	21,890
Fellowship program	88,915	93,905
Youth Entrepreneurial Spirit (YES) program	2,545	2,188
Workshops	-	2,998
Total	<u>\$ 1,596,755</u>	<u>\$ 1,711,276</u>

During 2024 and 2023, net assets were released from donor restrictions by the expiration of a time restriction or by occurrence of other events specified by donors:

	<u>2024</u>	<u>2023</u>
Time restriction	\$ 60,000	\$ 55,000
Purpose restrictions		
Capital projects	35,000	62,483
Capacity building	38,891	18,109
Fellowship program	149,338	201,197
Flame program	6,000	-
Youth Entrepreneurial Spirit (YES) program	13,748	25,000
Workshops	12,500	33,600
Communication and development	60,000	50,000
Youth	7,500	-
Total	<u>\$ 382,977</u>	<u>\$ 445,389</u>

NOTE K – COMMITMENTS AND CONTINGENCIES

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of uncertainty related to the changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

Operating Leases:

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 remaining lease term is 6 months and the discount rate for the operating lease is 3.50%. A 6 month extension has been signed as of December 2023 to extend the current lease through June 30, 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE K – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Organization has signed a ten-year lease agreement, with two five-year renewal options, as of December 12, 2023 for a new facility at 23 William Street, Newark, New Jersey. The lease has not yet commenced as construction is not expected to begin until fall of 2025. Upon lease commencement, the operating lease calls for monthly periodic payments of \$11,000 per month.

The tables below summarize the balance of both the operating right-of-use asset and related operating lease liability balances as of June 30, 2024:

	<u>2024</u>	<u>2023</u>
Right-of-use asset - operating	\$ 109,055	\$ 109,055
Accumulated amortization	<u>(86,409)</u>	<u>(42,411)</u>
Net right-of-use asset - operating	<u>\$ 22,646</u>	<u>\$ 66,644</u>
		Balance of
		<u>Lease Liability</u>
Operating lease liability at July 1, 2023		\$ 73,760
Rents paid through the year ended June 30, 2024		(50,400)
Accretion of lease liability for the year ended June 30, 2024		<u>1,657</u>
Operating lease liability at June 30, 2024		<u>\$ 25,017</u>

As of June 30, 2024 and 2023 amortization expense of the right-of-use asset for the year ended was \$43,998 and \$42,411 respectively. No interest expense is recognized for this operating lease.

The future maturities of the operating lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	<u>\$ 25,200</u>
Less amount representing interest	<u>183</u>
Total	<u>\$ 25,017</u>

Finance Lease:

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 remaining lease term is 2.67 years and the discount rate for the finance lease is 3.50%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE K – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The tables below summarize the balances of both the finance right-of-use asset and related finance lease liability balances as of June 30, 2024:

	<u>2024</u>	<u>2023</u>
Right-of-use asset - operating	\$ 22,959	\$ 22,959
Accumulated amortization	<u>(9,667)</u>	<u>(4,834)</u>
Net right-of-use asset - operating	<u>\$ 13,292</u>	<u>\$ 18,125</u>
		<u>Balance of</u>
		<u>Lease Liability</u>
Finance lease liability at July 1, 2023		\$ 18,437
Payments made during the year allocated to the lease principal portion		(5,238)
Interest expensed on finance leases		<u>555</u>
Finance lease liability at June 30, 2024		<u>\$ 13,754</u>

Amortization expense of the finance right-of-use asset for the year ended June 30, 2024 and 2023 was \$4,834 and \$4,833, respectively. Interest expense related to the finance lease was \$555 and \$716 for the year ended June 30, 2024 and 2023.

The future maturities of the finance lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 5,238
2026	5,238
2027	<u>3,928</u>
	14,404
Less amount representing interest	<u>650</u>
Total	<u>\$ 13,754</u>

NOTE L – 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 as of June 30, 2023 totaled \$76,425.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE M – 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, 2025 (see Note K). 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, 2024 and 2023 was \$632 and \$612, respectively, which is included in interest expense on the statements of functional expenses.

In July 2024, the Organization updated the hot shop equipment, specifically the kiln. The Organization revaluated the fair value of the asset retirement obligation as of June 30, 2024 as a result of the work performed.

A reconciliation of the beginning and ending aggregate carrying amount of the Organization's asset retirement obligation for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Beginning Balance	\$ 21,040	\$ 20,428
Change in Estimate	(8,103)	-
Accretion	632	612
Ending Balance	<u>\$ 13,569</u>	<u>\$ 21,040</u>

NOTE N – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2024 and 2023, the Organization had cash which exceeded FDIC limits by approximately \$0 and \$374,000, 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.

At June 30, 2024, three customers/contributors accounted for 57%, of receivables, with one of those customers/contributors accounting for 12% of total revenue. At June 30, 2023, one customer/contributor accounted for 91% of receivables, and two customers/contributors accounted 20% of total sales.

At June 30, 2024, four vendors accounted for 72% of accounts payable. At June 30, 2023, one vendor accounted for 85% of accounts payable.

NOTE O – RELATED PARTY TRANSACTIONS

Included in the statements of activities and changes in net assets are approximately \$27,166 and \$34,806 of contributions from members of the Board of Trustees of the Organization for the years ended June 30, 2024 and 2023, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GLASSROOTS, INC.

June 30, 2024 and 2023

NOTE P – 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.