

CLAYTON DABNEY FOR KIDS WITH CANCER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2022 and 2021

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FARMER, FUQUA & HUFF P.C.

Accountants and Consultants



2435 N. Central Expy, Suite 700
Richardson, Texas 75080
P - 214.473.8000
F - 214.473.8007

105 Decker Ct, Suite 870
Irving, Texas 75062
P - 972.650.1900
F - 972-619-6111

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clayton Dabney for Kids with Cancer

Opinion

We have audited the accompanying financial statements of Clayton Dabney for Kids with Cancer (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, 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 Clayton Dabney for Kids with Cancer as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Clayton Dabney for Kids with Cancer 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 Clayton Dabney for Kids with Cancer'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 Clayton Dabney for Kids with Cancer'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 Clayton Dabney for Kids with Cancer'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.

Jarmer, Jurgan & Huff, P.C.

Richardson, Texas
June 15, 2023

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	\$ 847,410	\$ 688,203
Investment	400,000	400,000
Contributions receivable	---	15,000
Miscellaneous receivable	920	920
Prepaid expenses	5,552	991
Total current assets	1,253,882	1,105,114
PROPERTY AND EQUIPMENT – at cost, less accumulated depreciation of \$24,879 and \$24,138 respectively	537	1,278
RIGHT OF USE ASSET – OPERATING LEASE	136,578	---
OTHER ASSETS	5,470	1,999
TOTAL ASSETS	\$ 1,396,467	\$ 1,108,391

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	64,166	79,844
Grant payable	14,417	14,135
Operating lease liability – current	27,261	---
Deferred revenue	183,075	144,616
Total current liabilities	288,919	238,595
NON-CURRENT LIABILITIES		
Operating lease liability	119,157	---
Grant Payable	14,706	29,123
Total non-current liabilities	133,863	29,123
TOTAL LIABILITIES	422,782	267,718
NET ASSETS		
Without donor restrictions	952,216	813,172
With donor restrictions	21,469	27,501
TOTAL NET ASSETS	973,685	840,673
TOTAL LIABILITIES AND NET ASSETS	\$ 1,396,467	\$ 1,108,391

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF ACTIVITIES
Years Ended December 31,

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenues		
Special events		
Golf tournament – adults	\$ 168,525	\$ 189,713
Golf tournament donated goods and services	5,000	5,000
Less: Golf tournament cost of direct benefit to donors	(73,242)	(68,561)
Fishing tournament	110,135	61,198
Fishing tournament – donated goods and services	7,124	7,969
Less: Fishing tournament cost of direct benefit to donors	(65,691)	(11,198)
Tennis tournaments	128,460	145,465
Tennis tournaments – donated goods and services	---	350
Less: Tennis tournament cost of direct benefit to donors	(58,161)	(55,947)
Ladies’ events	341,476	47,866
Ladies’ events donated goods and services	33,799	23,296
Less: Ladies events cost of direct benefit to donors	(104,988)	(38,821)
Adult events- other	---	25,210
Less: Adult events cost of direct benefit to donors	---	(9,154)
Other	---	159
Net revenue from special events	492,437	322,545
Contributions	607,534	500,629
Grants	299,451	259,314
Other donated goods and services	---	10,000
Other income	---	93,360
Interest and dividends	3,417	2,914
	1,402,839	1,188,762
Total net assets released from restrictions	56,032	43,008
Total revenues and other support without donor restrictions	1,458,871	1,231,770

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF ACTIVITIES (continued)
Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Expenses		
Program services	1,073,472	1,015,635
Supporting services		
Fund-raising	152,873	187,941
General and administrative	<u>93,482</u>	<u>99,157</u>
	<u>1,319,827</u>	<u>1,302,733</u>
Increase (decrease) in net assets without donor restrictions	139,044	(70,963)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants	50,000	50,000
Net assets released from restrictions	<u>(56,032)</u>	<u>(43,008)</u>
Increase (decrease) in net assets with donor restrictions	<u>(6,032)</u>	<u>6,992</u>
INCREASE (DECREASE) IN NET ASSETS	133,012	(63,971)
Net assets, beginning of year	<u>840,673</u>	<u>904,644</u>
Net assets, end of year	<u>\$ 973,685</u>	<u>\$ 840,673</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Supporting Services		Total
		Fund-raising	General and Administrative	
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 787,190	\$ ---	\$ ---	\$ 787,190
Salaries, payroll taxes and benefits	254,393	64,694	54,151	373,238
Professional services	2,355	49,270	17,364	68,989
Insurance	---	---	7,745	7,745
Rent and office related	8,691	1,862	1,862	12,415
Printing and graphic design	482	482	106	1,070
Telephone	6,184	1,325	1,325	8,834
Merchant processing fees	---	14,148	1,571	15,719
Miscellaneous	---	---	50	50
Office and meeting	13,658	2,927	2,926	19,511
Depreciation	519	111	111	741
Postage	---	898	---	898
Recognition	---	17,156	6,271	23,427
	<u>1,073,472</u>	<u>152,873</u>	<u>93,482</u>	<u>1,319,827</u>
<u>IN-KIND EXPENSES</u>				
Rent	---	---	---	---
	<u>\$ 1,073,472</u>	<u>\$ 152,873</u>	<u>\$ 93,482</u>	<u>\$ 1,319,827</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services	Supporting Services		Total
		Fund-raising	General and Administrative	
<u>EXPENSES</u>				
Family assistance and other direct program service expenses	\$ 729,790	\$ ---	\$ ---	\$ 729,790
Salaries, payroll taxes and benefits	258,749	73,037	62,490	394,276
Professional services	3,725	61,972	15,350	81,047
Insurance	---	---	7,920	7,920
Rent and office related	7,669	1,643	1,644	10,956
Printing and graphic design	1,610	1,610	357	3,577
Telephone	4,602	986	987	6,575
Merchant processing fees	---	11,197	1,244	12,441
Miscellaneous	---	632	642	1,274
Office and meeting	6,762	1,862	4,357	12,981
Depreciation	1,728	370	370	2,468
Postage	---	678	---	678
Recognition	---	24,954	3,796	28,750
	<u>1,014,635</u>	<u>178,941</u>	<u>99,157</u>	<u>1,292,733</u>
<u>IN-KIND EXPENSES</u>				
Rent	<u>1,000</u>	<u>9,000</u>	<u>---</u>	<u>10,000</u>
	<u>\$ 1,015,635</u>	<u>\$ 187,941</u>	<u>\$ 99,157</u>	<u>\$ 1,302,733</u>

The accompanying notes are an integral part of these statements.

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 133,012	\$ (63,971)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	741	2,468
Non-cash lease expense	9,840	---
Forgiveness of debt	---	(93,360)
(Increase) decrease in:		
Contributions receivable	15,000	(15,000)
Other assets	(3,471)	---
Prepaid expenses	(4,561)	6,373
Increase (decrease) in:		
Deferred revenue	38,459	111,170
Accounts payable and accrued liabilities	(15,678)	39,695
Grants payable	<u>(14,135)</u>	<u>(13,858)</u>
Net cash (used for) provided by operating activities	159,207	(26,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in investment pool – related party	---	(400,000)
Certificate of deposit withdrawal	---	227,478
Net cash (used for) provided by investing activities	<u>---</u>	<u>(172,522)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	<u>---</u>	<u>63,410</u>
Net cash (used for) provided by financing activities	<u>---</u>	<u>63,410</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	159,207	(135,595)
Cash and Restricted Cash at beginning of year	<u>688,203</u>	<u>823,798</u>
Cash and Restricted Cash at end of year	<u>\$ 847,410</u>	<u>\$ 688,203</u>
Supplemental Disclosure:		
Interest paid during the period	\$ <u>---</u>	\$ <u>---</u>
Taxes paid during the period	\$ <u>---</u>	\$ <u>---</u>

CLAYTON DABNEY FOR KIDS WITH CANCER
STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31,

	2022	2021
Supplemental Cash Flow Information:		
Noncash Activity:		
Donated Goods and Services for Fundraising	\$ <u>45,923</u>	\$ <u>36,615</u>
Donated Office Space	\$ <u>---</u>	\$ <u>10,000</u>

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

Clayton Dabney for Kids with Cancer (“the Organization”) is a non-profit organization established in December 1995. In June 2018, the name of the Organization changed from Clayton Dabney Foundation for Kids with Cancer to Clayton Dabney for Kids with Cancer. The Organization’s mission is to provide needy families, with children in the last stages of terminal cancer, assistance in creating everlasting memories by providing last wishes, gifts, special events, family travel and financial assistance with household expenses. This assistance is arranged through the parents and is anonymous to the child. The Organization is supported primarily by donor contributions, grants, and fund-raising events, which are held in the Dallas/Fort Worth, Texas and Houston, Texas areas.

Basis of Presentation

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At December 31, 2022 and 2021, the Organization had net assets with donor restrictions totaling \$21,469 and \$27,501, respectively, which have donor-imposed stipulations relating to support of cases.

Functional Allocation of Expenses

The costs of providing the various program services and related supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between the program services and their supporting services.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Organization is exempt from federal income tax under Section 501I(3) of the Internal Revenue Code and is not a private foundation. As such, the Organization is not taxed on income derived from its exempt functions but is subject to tax on unrelated business income. For the years ended December 31, 2022 and 2021, management believes all income is exempt from tax, and consequently, no income tax provision has been provided for in these financial statements. The Organization files a Form 990 Return of Organization Exempt from Income Tax. The Organization has evaluated its tax positions for all open years. Currently, tax years open and subject to examination by the Internal Revenue Service are the 2019, 2020 and 2021 tax years.

Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from three to five years.

Statement of Cash Flows

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Organization does not consider any of its assets to meet the definition of a cash equivalent at December 31, 2022 and 2021.

Management's Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective January 1, 2022, the Company adopted the Financial Accounting Standards Board's Standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The Company used a transition method that applies the new lease standard at January 1, 2022. The Company applied a policy election to exclude short-term leases from balance sheet recognition and also elected certain practical expedients at adoption. During the year ended December 31, 2022, a right of use asset and the related lease liability of \$147,398 were recorded. There was no cumulative earnings effect adjustment.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investment in Pool Managed by Financially Interrelated Entity

During 2021, the Organization transferred \$400,000 to the Clayton Dabney Legacy Fund, a related entity, that was placed in an investment pool. The funds are being held for the sole purpose of funding the Organization. The investment is being held in a brokerage money market account and certificates of deposit as of December 31, 2022 and 2021 and is recorded at cost which approximates fair market value. Under Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, when the not for profit and the entity that manages the investment pool are financially interrelated entities, as defined in the glossary to Topic 958, the specified beneficiary, the Organization, accounts for its investment in the pool asset as part of its interest in the pool manager, the recipient entity. FASB ASC 958-20-25-2 requires that if the beneficiary and the recipient entity are financially interrelated entities, as defined, the beneficiary recognizes its interest in the net assets of the recipient entity and adjust the interest for its share of the change in net assets on the recipient entity similar to the equity method.

NOTE B - CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, including certificates of deposit. Concentration of credit risk with respect to cash primarily results from the Organization placing its cash and a portion of its certificates of deposit with one financial institution. The Organization's exposure to loss should this financial institution fail would be limited to any amount in excess of the amount insured by the Federal Deposit Insurance Corporation. At December 31, 2022 and 2021, the Organization had approximately \$315,965 and \$182,246, respectively, at risk for cash in excess of the FDIC insurance.

A material portion of the contributions is dependent on one single donor. The loss of the donor could have a materially adverse effect on the Organization. During the years ended 2022 and 2021 the donation from this single donor accounted for approximately 56% and 54% of contributions, respectively. The donation is from a third-party event held by a company where, prior to his retirement in a prior year, a board member of the Organization held the position of Vice President of Business Development. During the subsequent period the current Senior Vice President from the company that held the event joined the board of directors for the Organization.

Concentrations from grants exist from 4 grants received in 2022 and four grants received in 2021. These grants are approximately 31% and 37%, respectively, of grants received for the years ended 2022 and 2021. To minimize the risk the Organization actively seeks new grants each year.

CLAYTON DABNEY FOR KIDS WITH CANCER

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE C - DONATED GOODS AND SERVICES

Contributions of goods are recognized at their market value when received. Contributions of services are recognized if the services received create or enhance non-financial assets and/or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. In-kind gifts valued at \$45,923 and \$36,615 for 2022 and 2021, respectively, were donated and used in fundraising activities and are included in the statements of activities.

Donated rent for the Houston office for 2022 and 2021 was \$0 and \$10,000 respectively and is included in the statements of activities and is described further in the statements of functional expenses. The Houston office was closed in 2021.

NOTE D – COMMITMENTS

In 2019, the Organization pledged to contribute \$75,000 beginning in 2020 through 2024 at \$15,000 each year to a specific program in Dallas, Texas. The grant payable is recognized at the present value of \$29,123 and \$43,258 at December 31, 2022 and 2021, respectively, in the accompanying statements of financial position. Amortization is recognized in the statement of activities as a component of program services expense. In both 2022 and 2021, the Organization contributed \$15,000 toward the pledge.

The approximate future commitments under the grant payable are as follows:

Years ending December 31,

	Present value of Grant Payable	Program expense amortization	Total Grant
2023	\$ 14,417	\$ 583	\$ 15,000
2024	14,706	294	15,000
2025	---	---	---
	<u>\$ 29,123</u>	<u>\$ 877</u>	<u>\$ 30,000</u>

Prior to December 31, 2022, the board approved funding for additional cases. The financial statements include the accrual and expense for the actual expenses paid out in 2023 but not the full amount of the total request as the total request from the recipients was not yet known for all cases approved.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE E – CASH AND RESTRICTED CASH

Cash as of December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 847,410	\$ 688,203
Restricted Cash	<u>---</u>	<u>---</u>
	<u>\$ 847,410</u>	<u>\$ 688,203</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Computers and software	\$ 20,440	\$ 20,440
Website development	<u>4,976</u>	<u>4,976</u>
	25,416	25,416
Less accumulated depreciation	<u>24,879</u>	<u>24,138</u>
	<u>\$ 537</u>	<u>\$ 1,278</u>

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,247,410	\$ 1,088,203
Less those unavailable for general expenditures within one year due to:		
Donor restricted – Fort Worth, TX cases	21,469	27,501
Grant payable	<u>15,000</u>	<u>15,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,210,941</u>	<u>\$ 1,045,702</u>

As a part of the Organization’s liquidity management, it invests cash in money market accounts, investment pools, and certificates of deposit.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE H - FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurement & Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for identical or similar assets in active or inactive markets, observable inputs that are other than quoted prices and inputs that are derived from or corroborated by observable market data; and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available. The investment is held in an investment pool by a related party in a cash account at cost which approximates fair market value.

NOTE I – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

The Organization was granted a loan on January 1, 2021 in the aggregate amount of \$63,410 pursuant to the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses. The loan was set to mature five years from the date of the note and bore interest at a rate of 1% per annum. Loan payments will be deferred for loan forgiveness applicants until the SBA remits the borrower’s loan forgiveness amount to the lender. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred during the period covered following the loan disbursement. The Organization used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan were eligible for forgiveness if they were used for qualifying expenses as described in the CARES Act. The full amount of the loan was forgiven on September 28, 2021.

NOTE J – LEASES

The Company entered into a non-cancelable operating office lease on July 31, 2022. The lease has an original term of 64 months with minimum rental payments starting at \$2,553 per month escalating to \$2,735 per month over the term of the lease. Under the new lease standard, *ASC 842 Leases*, right of use assets and lease liabilities are established on the balance sheet for leases with an expected term greater than a year, by discounting the amounts of fixed in the lease agreement for the duration of the lease, which is reasonably certain, considering the probability of exercising any early termination and extension options. Assets leased for only a portion of their useful lives are accounted for as operating leases.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE J – LEASES (continued)

At adoption of the lease accounting change during the year ended December 31, 2022, an operating lease liability, calculated using a discount rate of 2.55%, and related operating right of use asset of \$147,398 were recorded. There was no cumulative earnings effect adjustment.

Operating lease cost associated with this lease was \$9,840 which is included in rent expense in the accompanying statement of functional expenses.

At December 31, 2022, the balance sheet includes an operating expense right of use asset of \$136,578 and a related lease liability of \$146,418 of which \$27,261 is due within one year.

Future minimum lease payments under this operating lease are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 30,678
2024	31,225
2025	31,772
2026	32,319
2027	30,085
Thereafter	<u>---</u>
Total minimum lease payments	156,079
Less: amount of lease payments representing interest	<u>(9,661)</u>
Present value of future minimum Lease payments	146,418
Less: current liabilities under leases	<u>(27,261)</u>
Long-term lease liabilities	<u>\$ 119,157</u>

NOTE K – DATE TO WHICH SUBSEQUENT EVENTS EVALUATED

The Organization has evaluated subsequent events for potential recognition or disclosure in the financial statements through June 15, 2023, which is the date the financial statements were available to be issued.

CLAYTON DABNEY FOR KIDS WITH CANCER
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE L – CORONAVIRUS PANDEMIC

During 2020, a strain of coronavirus (“COVID-19”) was reported worldwide, resulting in decreased economic activity and concerns about the pandemic, which would adversely affect the broader global economy. The virus continued to affect the economy through 2022. The Organization is taking all necessary steps to keep employees in a safe environment and are constantly monitoring the impact of COVID – 19. At this time, the extent to which COVID – 19 will impact the global economy and our mission is uncertain. Pandemics or other significant public health events could have a material adverse effect on the Organization and its activities in the future.