

TENACITY, INC.

FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021

TENACITY, INC.

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Dorothy F. Di Pesa, CPA
John F. Oteri, CPA

To the Board of Directors
Tenacity, Inc.
Boston, Massachusetts

Re: Independent Auditor's Report

Ladies and Gentlemen:

Opinion

We have audited the accompanying financial statements of Tenacity, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of August 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 Tenacity, Inc. as of August 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 Tenacity, Inc. and to meet our 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 these 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 Tenacity, 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 Responsibility

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 the 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

Auditor's Responsibility (Continued)

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Respectfully submitted,

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
December 6, 2022

TENACITY, INC.

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 5,197,233	\$ 625,470
Employee Retention Tax Credit Receivable	318,004	-
Prepaid Expenses	1,500	60,310
Investments	103,845	2,866,920
Unconditional Promises to Give, Net	-	15,000
Property and Equipment, at Cost	90,318	88,918
Accumulated Depreciation	(89,058)	(88,918)
<u>TOTAL ASSETS</u>	<u>\$ 5,621,842</u>	<u>\$ 3,567,700</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses \$ 113,719 \$ 126,260

TOTAL LIABILITIES **113,719** **126,260**

NET ASSETS

Without Donor Restrictions 3,376,476 2,596,813

With Donor Restrictions:

Endowment 757,556 -

Time Restricted Support Pledges 607,500 15,000

Program Related 766,591 829,627

Total With Donor Restrictions 2,131,647 844,627

TOTAL NET ASSETS **5,508,123** **3,441,440**

TOTAL LIABILITIES AND NET ASSETS **\$ 5,621,842** **\$ 3,567,700**

See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 2,086,100	\$ 1,414,610	\$ 3,500,710
Employee Retention Tax Credit	643,991	-	643,991
Donated Services	127,508	-	127,508
Special Events - Income	1,479,639	-	1,479,639
- Expenses	(316,199)	-	(316,199)
Investment Income	13,788	-	13,788
Net Assets Released from Restrictions			
Satisfaction of Donor Restrictions	<u>127,590</u>	<u>(127,590)</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>4,162,417</u>	<u>1,287,020</u>	<u>5,449,437</u>
<u>FUNCTIONAL EXPENSES</u>			
Program Services	2,494,586	-	2,494,586
Fundraising	378,435	-	378,435
Management and General	<u>509,733</u>	<u>-</u>	<u>509,733</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>3,382,754</u>	<u>-</u>	<u>3,382,754</u>
<u>CHANGE IN NET ASSETS</u>	779,663	1,287,020	2,066,683
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>2,596,813</u>	<u>844,627</u>	<u>3,441,440</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,376,476</u>	<u>\$ 2,131,647</u>	<u>\$ 5,508,123</u>

See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 2,290,010	\$ 61,946	\$ 2,351,956
Paycheck Protection Program Loan Forgiveness	330,600	-	330,600
Donated Services	87,917	-	87,917
Special Events - Income	739,747	-	739,747
- Expenses	(225,770)	-	(225,770)
Investment Income	341	-	341
Net Assets Released from Restrictions			
Satisfaction of Donor Restrictions	<u>157,428</u>	<u>(157,428)</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>3,380,273</u>	<u>(95,482)</u>	<u>3,284,791</u>
 <u>FUNCTIONAL EXPENSES</u>			
Program Services	2,273,667	-	2,273,667
Fundraising	406,273	-	406,273
Management and General	<u>409,345</u>	<u>-</u>	<u>409,345</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>3,089,285</u>	<u>-</u>	<u>3,089,285</u>
 <u>CHANGE IN NET ASSETS</u>	 290,988	 (95,482)	 195,506
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>2,305,825</u>	 <u>940,109</u>	 <u>3,245,934</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 2,596,813</u>	 <u>\$ 844,627</u>	 <u>\$ 3,441,440</u>

See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022**

	Program Services						Total	Fundraising	Management and General	Total
	Ace Academy	Summer Tennis and Reading		College Prep	Post Secondary	Scholarship				
		Worcester	Boston							
EXPENSES										
Payroll	\$ 948,115	\$ 30,229	\$ 198,018	\$ 158,164	\$ 128,215	\$ -	\$ 1,462,741	\$ 238,495	\$ 178,042	\$ 1,879,278
Program and Other Expenses	164,528	51,264	124,006	3,907	3,005	31,792	378,502	-	-	378,502
Professional Services & Fees	99,187	7,412	-	12,558	12,558	-	131,715	61,337	244,631	437,683
Payroll Taxes	72,409	2,460	16,073	11,627	9,750	-	112,319	16,625	5,267	134,211
Office Equipment & Supplies	-	-	-	-	-	-	-	37	5,403	5,440
Equipment Rental & Maintenance	-	-	-	-	-	-	-	-	17,711	17,711
Employee Benefits	105,319	886	11,773	9,017	8,983	-	135,978	16,762	15,209	167,949
Promotions, Advertising, Marketing	-	3,808	466	-	-	-	4,274	26,007	244	30,525
Staff Related Expenses	78,594	1,025	5,680	407	47	-	85,753	639	10,620	97,012
Travel	30	-	-	-	-	-	30	-	966	996
Occupancy Expense	104,654	-	8,721	17,442	8,721	-	139,538	8,721	26,169	174,428
Telephone	3,928	-	2,620	2,619	1,310	-	10,477	1,761	1,314	13,552
Postage and Shipping	85	-	-	677	432	-	1,194	4,923	383	6,500
Insurance	21,083	-	5,271	3,514	1,757	-	31,625	1,757	1,761	35,143
Dues and Subscriptions	350	-	-	-	90	-	440	633	1,453	2,526
Financial Fees	-	-	-	-	-	-	-	138	-	138
Printing	-	-	-	-	-	-	-	600	-	600
Depreciation	-	-	-	-	-	-	-	-	140	140
Other Expenses	-	-	-	-	-	-	-	-	420	420
<u>TOTAL EXPENSES</u>	<u>\$ 1,598,282</u>	<u>\$ 97,084</u>	<u>\$ 372,628</u>	<u>\$ 219,932</u>	<u>\$ 174,868</u>	<u>\$ 31,792</u>	<u>\$ 2,494,586</u>	<u>\$ 378,435</u>	<u>\$ 509,733</u>	<u>\$ 3,382,754</u>

See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Program Services</u>						<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
	<u>Middle School Academy</u>	<u>Summer Tennis and Reading</u>		<u>College Prep</u>	<u>Post Secondary</u>	<u>Scholarship</u>				
		<u>Worcester</u>	<u>Boston</u>							
<u>EXPENSES</u>										
Payroll	\$ 1,001,129	\$ 31,532	\$ 309,606	\$ 169,918	\$ 101,029	\$ -	\$ 1,613,214	\$ 258,297	\$ 101,479	\$ 1,972,990
Program and Other Expenses	22,899	33,860	93,988	1,610	2,593	40,812	195,762	-	-	195,762
Professional Services & Fees	30,327	-	-	-	376	-	30,703	78,408	226,946	336,057
Payroll Taxes	76,661	2,595	23,747	12,385	7,782	-	123,170	16,614	7,855	147,639
Office Equipment & Supplies	-	-	-	-	-	-	-	-	10,424	10,424
Equipment Rental & Maintenance	-	-	356	-	-	-	356	-	16,601	16,957
Employee Benefits	93,590	997	14,880	8,732	8,064	-	126,263	18,032	6,075	150,370
Promotions, Advertising, Marketing	-	-	3,415	-	-	-	3,415	22,536	144	26,095
Staff Related Expenses	26,683	1,402	5,363	1,989	-	-	35,437	24	27,348	62,809
Travel	-	-	-	-	-	-	-	662	1,202	1,864
Occupancy Expense	79,037	-	10,365	23,322	6,478	-	119,202	5,586	7,775	132,563
Telephone	4,747	-	3,956	3,956	633	-	13,292	2,424	1,266	16,982
Postage and Shipping	42	-	-	-	503	-	545	1,733	391	2,669
Insurance	7,734	-	2,191	1,934	258	-	12,117	516	257	12,890
Dues and Subscriptions	191	-	-	-	-	-	191	586	915	1,692
Financial Fees	-	-	-	-	-	-	-	6	167	173
Printing	-	-	-	-	-	-	-	17	-	17
Other Expenses	-	-	-	-	-	-	-	832	500	1,332
<u>TOTAL EXPENSES</u>	<u>\$ 1,343,040</u>	<u>\$ 70,386</u>	<u>\$ 467,867</u>	<u>\$ 223,846</u>	<u>\$ 127,716</u>	<u>\$ 40,812</u>	<u>\$ 2,273,667</u>	<u>\$ 406,273</u>	<u>\$ 409,345</u>	<u>\$ 3,089,285</u>

See accompanying notes to financial statements.

TENACITY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 2,066,683	\$ 195,506
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	140	-
Investment Income Reinvested	(8,372)	(287)
Paycheck Protection Program Loan Forgiveness	-	(330,600)
(Increase) Decrease in Assets:		
Employee Retention Tax Credit Receivable	(318,004)	46,909
Prepaid Expenses	58,810	(60,310)
Unconditional Promises to Give	15,000	24,564
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>(12,541)</u>	<u>30,835</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>1,801,716</u>	<u>(93,383)</u>
<u>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
Purchase of Property & Equipment	(1,400)	-
Purchase of Investments	(786,156)	-
Sales of Investments	<u>3,557,603</u>	<u>-</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>2,770,047</u>	<u>-</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	4,571,763	(93,383)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>625,470</u>	<u>718,853</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 5,197,233</u>	<u>\$ 625,470</u>

See accompanying notes to financial statements

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

1. NATURE OF OPERATION

Tenacity, Inc. (the "Organization") was formed in 1999 to provide programs for youth in the City of Boston to improve physical, mental, and emotional well-being through intensive tennis instruction, competition, and the integration of academic and life-skill development activities.

The Organization is enthused by the response of the youth and the many contributions during the fiscal years ended August 31, 2022 and 2021 and looks forward with optimism to the continued growth of this program.

Since 1999, the Organization extended its programs to the City of Worcester and has served over 40,000 students build a foundation for lifelong achievement through in-school, after-school and summer programs that provide tools for excellence in school, career and life. This has been accomplished by direct cash contributions, pledges, and grants by organizations and individuals as well as donated services and supplies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets 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 board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

B. Recent Accounting Pronouncements

In February 2016, ASU 2016-02, Leases (Topic 842) was issued and will be effective for the year ending August 31, 2023. The accounting standard will require that operating leases with a term in excess of one year be recognized as a lease asset and lease liability on the statement of financial position.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **New Accounting Standard**

In September 2020, ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958) was issued and is effective for the year ending August 31, 2022. The accounting standard requires separation of contributed nonfinancial assets by category and related disclosures. See Note 6 for required disclosures.

D. **Contributions and Donor Restrictions**

The Organization reports use-restricted contributions as restricted support, if received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Net assets with donor restrictions are increased, as appropriate. When donor restrictions expire, either by funds for the specified purpose or by expiration of time restrictions, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The donors of net assets with restrictions may permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

E. **Pledges (Unconditional Promises to Give) Receivable**

Pledges receivable or unconditional promises to give are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts, which was not required at August 31, 2022 and 2021. Management provides for losses on uncollectible pledges receivable determined principally on the basis of past collection experience applied to ongoing evaluations of receivables and the risks of repayment. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. There was no bad debt expense recorded for the years ended August 31, 2022 and 2021, respectively.

F. **Investments**

Investments in securities with readily determinable fair values are valued at their fair values in the statements of financial position.

G. **Fair Value Measurements**

Certain expanded disclosures are required regarding the sources of how the fair value of certain financial assets and liabilities are measured by establishing a fair value hierarchy that prioritizes inputs used to measure fair value. Such assets consist of items carried at fair value on a recurring basis and consist primarily of investments and financial instruments which are valued based upon quoted prices in active or brokered markets for identical or similar assets or liabilities.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. **Fair Value Measurements** (Continued)

The fair value measurement hierarchy is as follows:

Level 1 – Quoted market prices for identical assets

Level 2 – Significant other observable inputs

Level 3 – Significant unobservable inputs

All of the Organization's inputs for investments are Level 1 inputs.

H. **Statements of Cash Flows**

For the purpose of the statements of cash flows, cash is considered to be the cash balance used in operations and shown on the statements of financial position and may include cash equivalents purchased with original maturities of three months or less.

I. **Functional Allocation of Expenses**

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited. Such allocations are determined by management on an equitable basis.

The expenses that have been allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, Payroll Taxes & Employee Benefits	Time and effort
Professional Services & Fees	Time and effort
Occupancy	Square footage
Insurance	Square footage

Whenever possible, expenses incurred are charged directly to a program or supporting service. Supporting services include management and general and fundraising.

J. **Property and Equipment**

Property and equipment is stated at cost. Amounts of \$1,000 or more are capitalized. Depreciation is computed using the straight-line method over the assets' useful lives.

K. **Income Taxes**

The Organization is a not-for-profit charitable organization and is exempt from Federal and state income taxes under the Internal Revenue Service Code Section 501(c)(3).

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results may differ from those estimates.

M. Management's Review of Subsequent Events

Management has reviewed and evaluated transactions and events ("subsequent events") after the statement of financial position date, August 31, 2022, and up to and including December 6, 2022, the date the financial statements were available to be issued. The objective of this review was to determine if any events occurred subsequent to August 31, 2022 which provided additional evidence of events which may have required recognition or disclosure in the accompanying financial statements. In management's opinion, no events have occurred which require recognition or disclosure in the financial statements.

3. AVAILABILITY AND LIQUIDITY OF RESOURCES

The following represents the Organization's financial assets at August 31:

Cash and Cash Equivalents	\$ 5,197,233	\$ 625,467
Employee Tax Credit Receivable	318,004	-
Investments	103,845	2,866,920
Unconditional Promises to Give, Net	-	15,000
	<u>5,619,082</u>	<u>3,507,387</u>
Less Amounts Not Available to be Used Within One Year	907,556	-
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 4,711,526</u>	<u>\$ 3,507,387</u>

The Organization invests excess amounts of cash in money market funds.

4. PROMISES TO GIVE

Pledges receivable are unconditional promises to give, and consist of the following:

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

4. PROMISES TO GIVE (Continued)

	<u>2022</u>	<u>2021</u>
Gross Pledges Receivable	\$ -	\$ 15,000
Less: Unamortized Discount	-	-
Net Pledges Receivable	<u>\$ -</u>	<u>\$ 15,000</u>
Amounts Due In:		
Less than one year	\$ -	\$ 15,000
One to four years	-	-
	<u>\$ -</u>	<u>\$ 15,000</u>

5. INVESTMENTS

Investments are stated at fair market value, the quoted market price, and consist of money market mutual funds. The market value and cost of investments are the same and amounted to \$103,845 and \$2,866,920 at August 31, 2022 and 2021, respectively.

The composition of investment income is as follows:

	<u>2022</u>	<u>2021</u>
Dividend and Interest Income	\$ 13,788	\$ 341

6. DONATED SERVICES

Donated services represents contributions from the cities of Boston and Worcester, through a public partnership for youth, represented by staff salaries at various locations. The value of the staff salaries is based on the current payroll rates. The amount of donated services was \$127,508 and \$87,917 for the years ended August 31, 2022 and 2021, respectively.

The Organization receives a significant amount of additional donated services from unpaid volunteers who contribute time and energy to the organization. No amounts have been recognized for these additional donated services in the statements of activities and changes in net assets because the criteria for recognition regarding contributions have not been satisfied.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2022 and 2021 consist of endowment, multi-year annual support pledges and other net assets restricted for certain programs.

Net assets with donor restrictions consist of the following:

Annual Support Pledges - Time Restricted	\$ 607,500	\$ 15,000
Endowment	757,556	-
Program Related:		
Scholarships	766,591	788,383
Worcester Programs	-	41,244
Total Program Related Restrictions	<u>766,591</u>	<u>829,627</u>
Total Net Assets With Restrictions	<u>\$ 2,131,647</u>	<u>\$ 844,627</u>

In fiscal 2022, the Organization established a restricted endowment fund. The fund is intended to exist and grow in perpetuity so as to provide a source of income for future operating and programmatic needs. Funds can also be directed to a restricted strategic fund, which is intended to be utilized for new program growth, facilities, and other strategic opportunities. There have been no donations to the strategic fund as of August 31, 2022.

Net assets released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors and grantors were as follows:

	<u>2022</u>	<u>2021</u>
Through Passage of Time	\$ 15,000	\$ 24,564
Scholarships	31,792	40,812
Fundraising Feasibility Study	-	21,666
Worcester Programs	80,798	70,386
	<u>\$ 127,590</u>	<u>\$ 157,428</u>

8. RETIREMENT PLAN

The Organization sponsors a 403(b) Retirement Savings Plan for all eligible employees. The Organization's contribution to the plan for the years ended August 31, 2022 and 2021 was \$19,268 and \$22,509, respectively.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022 AND 2021

9. FACILITIES LEASE

The Organization has a lease for office space beginning July 1, 2022 and terminates June 30, 2025. An option to extend the lease for an additional three years exists.

Rent expense was \$167,938 and \$124,957 for the years ended August 31, 2022 and 2021, respectively.

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

<u>Year Ending</u>	<u>Amount</u>
2023	\$ 155,020
2024	\$ 155,020
2025	129,183
	<u>\$ 439,223</u>

10. PAYCHECK PROTECTION PROGRAM GRANT

On April 27, 2020, the Organization received loan proceeds in the amount of \$330,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses. The Organization used the entire loan for qualifying expenses and during fiscal 2021, the loan was forgiven and the Organization recognized \$330,600 in revenue.

11. EMPLOYEE RETENTION TAX CREDIT

During fiscal 2022, the Organization applied for \$643,991 of Employee Retention Tax Credits (“ERTC”). ERTC is a refundable tax credit against certain employer taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before October 1, 2021. For each employee, wages up to \$10,000 can be counted to determine the amount of the 50% credit. Employers, including tax-exempt organizations, are eligible for the credit if they operated a trade or business during calendar year 2020 and experienced either: (a) the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, or (b) a significant decline in gross receipts. The Organization received \$325,987 of the credit and expects to receive the remaining \$318,004 during fiscal 2023, which is reflected as a receivable on the statement of financial position.