

TENACITY, INC.

FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, Tenacity, Inc. adopted FASB Topic 842, Leases, effective September 1, 2022. Our opinion is not modified with respect to this matter.

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 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 5, 2023

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TENACITY, INC.

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,172,796	\$ 5,197,233
Employee Retention Tax Credit Receivable	318,004	318,004
Investments	2,473,376	103,845
Operating Lease Right of Use Asset, Net	261,718	-
Property and Equipment, at Cost	90,318	90,318
Accumulated Depreciation	(89,198)	(89,058)
Other	<u>1,500</u>	<u>1,500</u>
<u>TOTAL ASSETS</u>	<u>\$ 7,228,514</u>	<u>\$ 5,621,842</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 144,026	\$ 113,719
Operating Lease Liability	<u>269,126</u>	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>413,152</u>	<u>113,719</u>

NET ASSETS

Without Donor Restrictions	4,431,764	3,376,476
With Donor Restrictions:		
Endowment	1,488,594	757,556
Time Restricted Support Pledges	150,000	607,500
Program-Related	<u>745,004</u>	<u>766,591</u>
Total With Donor Restrictions	<u>2,383,598</u>	<u>2,131,647</u>
<u>TOTAL NET ASSETS</u>	<u>6,815,362</u>	<u>5,508,123</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 7,228,514</u>	<u>\$ 5,621,842</u>
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See accompanying notes to financial statements.

TENACITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions, Gifts and Grants	\$ 3,009,223	\$ 672,500	\$ 3,681,723
Government Grant Revenue	336,620	-	336,620
Donated Services	9,613	-	9,613
Special Events - Income	786,693	-	786,693
- Expenses	(220,159)	-	(220,159)
Investment Income	95,372	68,538	163,910
Net Assets Released from Restrictions			
Satisfaction of Donor Restrictions	<u>489,087</u>	<u>(489,087)</u>	<u>-</u>
 <u>TOTAL SUPPORT AND REVENUE</u>	 <u>4,506,449</u>	 <u>251,951</u>	 <u>4,758,400</u>
 <u>FUNCTIONAL EXPENSES</u>			
Program Services	2,482,087	-	2,482,087
Fundraising	490,418	-	490,418
Management and General	<u>478,655</u>	<u>-</u>	<u>478,655</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>3,451,161</u>	 <u>-</u>	 <u>3,451,161</u>
 <u>CHANGE IN NET ASSETS</u>	 1,055,288	 251,951	 1,307,239
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>3,376,476</u>	 <u>2,131,647</u>	 <u>5,508,123</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 4,431,764</u>	 <u>\$ 2,383,598</u>	 <u>\$ 6,815,362</u>

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	\$ 1,747,064	\$ 1,414,610	\$ 3,161,674
Government Grant Revenue	983,027	-	983,027
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	2,414,074	-	2,414,074
Fundraising	458,947	-	458,947
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023**

	Program Services						Total	Fundraising	Management and General	Total
	Ace Academy	Summer Tennis and Reading		College Prep	Post Secondary	Scholarship				
		Worcester	Boston							
EXPENSES										
Payroll	\$ 998,936	\$ 74,657	\$ 267,141	\$ 173,344	\$ 116,718	\$ -	\$ 1,630,796	\$ 215,913	\$ 202,170	\$ 2,048,879
Program and Other Expenses	194,276	7,457	40,242	7,929	3,062	31,587	284,553	-	-	284,553
Professional Services & Fees	68,155	8,520	7,969	3,396	3,396	-	91,436	195,312	198,729	485,477
Payroll Taxes	76,999	6,202	21,989	13,512	8,989	-	127,691	16,950	8,135	152,776
Office Equipment & Supplies	408	-	110	-	-	-	518	453	14,945	15,916
Equipment Rental & Maintenance	-	-	-	-	-	-	-	-	8,033	8,033
Employee Benefits	85,979	2,231	13,687	7,977	7,955	-	117,829	16,765	6,726	141,320
Promotions, Advertising, Marketing	-	-	-	-	-	-	-	9,248	780	10,028
Fundraising Expense	-	-	-	-	-	-	-	8,065	-	8,065
Staff Related Expenses	21,251	756	8,998	6,296	2,461	-	39,762	2,254	4,069	46,085
Travel	929	-	-	-	-	-	929	-	1,206	2,135
Occupancy Expense	101,461	-	8,418	16,837	8,418	-	135,134	8,418	25,255	168,808
Telephone	4,394	-	2,147	2,195	1,431	-	10,167	2,863	1,284	14,314
Postage and Shipping	-	49	-	-	1,068	-	1,117	2,937	154	4,208
Insurance	28,086	-	7,021	4,681	2,340	-	42,128	2,340	2,342	46,810
Dues and Subscriptions	27	-	-	-	-	-	27	765	1,366	2,158
Financial Fees	-	-	-	-	-	-	-	36	19	55
Printing	-	-	-	-	-	-	-	8,099	-	8,099
Depreciation	-	-	-	-	-	-	-	-	140	140
Other Expenses	-	-	-	-	-	-	-	-	3,302	3,302
TOTAL EXPENSES	\$ 1,580,901	\$ 99,872	\$ 377,722	\$ 236,167	\$ 155,838	\$ 31,587	\$ 2,482,087	\$ 490,418	\$ 478,655	\$ 3,451,161

See accompanying notes to financial statements.

TENACITY, INC.

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

	<u>Program Services</u>						<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
	<u>Ace 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	\$ 948,115	\$ -	\$ 198,018	\$ 158,164	\$ 128,215	\$ -	\$ 1,432,512	\$ 268,724	\$ 178,042	\$ 1,879,278
Program and Other Expenses	164,528	16,572	124,006	3,907	3,005	31,792	343,810	34,692	-	378,502
Professional Services & Fees	99,187	-	-	12,558	12,558	-	124,303	68,749	244,631	437,683
Payroll Taxes	72,409	-	16,073	11,627	9,750	-	109,859	19,085	5,267	134,211
Office Equipment & Supplies	-	-	-	-	-	-	-	37	5,403	5,440
Equipment Rental & Maintenance	-	-	-	-	-	-	-	-	17,711	17,711
Employee Benefits	105,319	-	11,773	9,017	8,983	-	135,092	17,648	15,209	167,949
Promotions, Advertising, Marketing	-	-	466	-	-	-	466	28,447	244	29,157
Fundraising Expense	-	-	-	-	-	-	-	1,368	-	1,368
Staff Related Expenses	78,594	-	5,680	407	47	-	84,728	1,664	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>\$ 16,572</u>	<u>\$ 372,628</u>	<u>\$ 219,932</u>	<u>\$ 174,868</u>	<u>\$ 31,792</u>	<u>\$ 2,414,074</u>	<u>\$ 458,947</u>	<u>\$ 509,733</u>	<u>\$ 3,382,754</u>

See accompanying notes to financial statements.

TENACITY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 1,307,239	\$ 2,066,683
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	140	140
Investment Income Reinvested	(35,979)	(8,372)
Lease Expense	7,408	-
(Increase) Decrease in Assets:		
Employee Retention Tax Credit Receivable	-	(318,004)
Prepaid Expenses	-	58,810
Unconditional Promises to Give	-	15,000
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>30,307</u>	<u>(12,541)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>1,309,115</u>	<u>1,801,716</u>
<u>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
Purchase of Property & Equipment	-	(1,400)
Purchase of Investments	(3,416,851)	(786,156)
Sales of Investments	<u>1,083,299</u>	<u>3,557,603</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>(2,333,552)</u>	<u>2,770,047</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(1,024,437)</u>	<u>4,571,763</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>5,197,233</u>	<u>625,470</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 4,172,796</u>	<u>\$ 5,197,233</u>

See accompanying notes to financial statements

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

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, 2023 and 2022 and looks forward with optimism to the continued growth of this program.

Since 1999, the Organization has served over 30,000 students, building 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. Leases

The Organization accounts for leases under ASU 2016-02 (Topic 842), which was adopted for the year ended August 31, 2023. See Notes 3 and 10.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

D. Pledges and Grant Receivable

Pledges and grant receivable are carried at an amount equal to uncollected revenue less an allowance for doubtful accounts, which was not required at August 31, 2023 and 2022. 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, 2023 and 2022, respectively. Grants receivable, if any, do not bear interest.

E. Investments

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

F. 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.

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.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

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

G. **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.

H. **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 which comprise of administrative expenses.

I. **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.

J. **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).

K. **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.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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, 2023, and up to and including December 5, 2023, the date the financial statements were available to be issued. In management's opinion, no events have occurred which require recognition or disclosure in the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB Topic 842, Leases, using the modified retrospective approach with September 1, 2022 as the date of initial adoption. The Organization utilized all of the available practical expedients, which allowed the Organization to carry forward the historical lease classification. As a result of adopting the new standard, the Organization recorded net lease assets and lease liabilities of \$404,474 and 404,420, respectively.

4. AVAILABILITY AND LIQUIDITY OF RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,172,796	\$ 5,197,233
ERTC Receivable	318,004	318,004
Investments	<u>2,473,376</u>	<u>103,845</u>
	6,964,176	5,619,082
Less Amounts Not Available To Be Used Within One Year	<u>1,488,594</u>	<u>907,556</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,475,582</u>	<u>\$ 4,711,526</u>

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

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

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 \$2,473,376 and \$103,845 at August 31, 2023 and 2022, respectively.

The composition of investment income is as follows:

	<u>2023</u>	<u>2022</u>
Dividend and Interest Income	\$ 95,372	\$ 13,788

6. DONATED SERVICES

Donated services include the following for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Contributions from the cities of Boston and Worcester, through a public partnership for youth, represented by staff salaries at various locations related to the Ace Academy program. The value of the staff salaries is based on current payroll rates.	\$ -	\$127,508
Professional services donated by legal, advertising, marketing, communications, and printing firms related to fundraising. The value of the services is determined by current market rates for such services.	<u>9,613</u>	-
Total	<u>\$166,613</u>	<u>\$127,508</u>

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.

7. ENDOWMENT

During fiscal 2023, the Organization formally adopted the establishment of restricted endowment funds. The funds are referred to within the Organization as Future Funds and are separated into three distinct restricted endowments. These funds are intended to provide long-term financial support to the Organization as follows:

Restricted Endowment Fund – to provide a source of income for future operating and programmatic needs.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

7. ENDOWMENT (Continued)

Restricted Strategic Fund – to be utilized for new program growth, facilities, and other strategic opportunities.

Restricted Discretionary Fund – to be utilized for Endowment Fund and/or Strategic Fund purposes as determined by the Board of Directors.

In fiscal year 2022, there were funds designated for the endowment prior to its formal adoption, which were part of net assets with donor restrictions at August 31, 2022 of \$757,556. The fiscal 2023 endowment activity was as follows:

Balance August 31, 2022	\$ 757,556
Contributions	662,500
Investment Income	<u>68,538</u>
Balance August 31, 2023	<u>\$1,488,594</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2023 and 2022 consist of endowment, scholarships restricted related to certain programs and annual support pledges to support programs in a future period.

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Annual Support Pledges - Time Restricted	\$ 150,000	\$ 607,500
Endowment	1,488,594	757,556
Program Related:		
Scholarships	<u>745,004</u>	<u>766,591</u>
Total Net Assets With Restrictions	<u>\$ 2,383,598</u>	<u>\$ 2,131,647</u>

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>2023</u>	<u>2022</u>
Through Passage of Time	\$ 457,500	\$ 15,000
Scholarships	<u>31,587</u>	<u>112,590</u>
	<u>\$ 489,087</u>	<u>\$ 127,590</u>

9. 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, 2023 and 2022 was \$16,944 and \$19,268, respectively.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

10. LEASING ARRANGEMENT

The Organization has an operating lease for office space that expires June 30, 2025. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position. Lease expense is recognized for this lease on a straight-line basis over the lease term. The lease has a three-year option to renew the lease, which was not considered when assessing the value of the right of use asset as the Organization is not reasonably certain that it will exercise its option to renew the lease. Lease liabilities are measured at the lease commencement date and determined using the present value of the lease payments not yet paid using the Organization's incremental borrowing rate, which approximates the rate at which the Organization would borrow on a secured basis.

The following summarizes the line items in the statement of financial position which include amounts for the operating lease as of August 31, 2023:

Operating Lease Right-of-Use Asset, Cost	\$ 428,266
Operating Lease Right-of-Use Asset, Accumulated Amortization	<u>166,548</u>
Operating Lease Right-of-Use Asset, Net	<u>\$ 261,718</u>

The following summarizes the weighted average remaining lease term and discount rate as of August 31, 2023:

Weighted Average Remaining Lease Term	1.83 years
Weighted Average Discount Rate	5.75%

The maturities of lease liabilities as of August 31, 2023, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2024	\$ 155,020
2025	<u>129,183</u>
Total Lease Payments	284,203
Less: Discount to Net Present Value	<u>15,077</u>
Present Value of Lease Liabilities	<u><u>269,126</u></u>

Lease expense, included in occupancy expense, was \$161,136 and \$167,938, respectively. Lease expense for 2022 was determined prior to the adoption of FASB Topic 842.

TENACITY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2023 AND 2022

11. EMPLOYEE RETENTION TAX CREDIT

During fiscal 2022, the Organization applied for a \$643,991 of Employee Retention Tax Credit (the “ERTC”). The 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. The Organization received \$325,987 of the credit during fiscal 2022. The remaining \$318,004 is reflected as a receivable on the statement of financial position.