

Two Ten Footwear Foundation, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2023 and 2022

Two Ten Footwear Foundation, Inc.

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

The Board of Directors of
Two Ten Footwear Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Two Ten Footwear Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 Two Ten Footwear Foundation, Inc. as of June 30, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Two Ten Footwear Foundation, 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 Two Ten Footwear Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Two Ten Footwear Foundation, 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 Two Ten Footwear Foundation, 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.

Daniel Dennis & Company LLP

February 13, 2024

Two Ten Footwear Foundation, Inc.
Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
<i>Current Assets</i>		
Cash and cash equivalents	\$ 326,064	\$ 223,766
Prepaid expenses and deposits	161,789	78,342
Contributions receivable (less allowance for doubtful accounts of \$550,000 and \$360,000 for 2023 and 2022, respectively)	<u>1,541,282</u>	<u>1,263,252</u>
Total current assets	<u>2,029,135</u>	<u>1,565,360</u>
<i>Fixed Assets</i>		
Property and equipment, net	<u>96,656</u>	<u>125,161</u>
<i>Other Assets</i>		
Investments	33,457,030	34,699,793
Funds held in trust	-	348,603
Right of use asset	319,023	-
Contributions receivable, net	<u>2,408,131</u>	<u>1,432,711</u>
Total other assets	<u>36,184,184</u>	<u>36,481,107</u>
Total assets	<u><u>\$ 38,309,975</u></u>	<u><u>\$ 38,171,628</u></u>
Liabilities and Net Assets		
<i>Current Liabilities</i>		
Accounts payable, trade	\$ 46,342	\$ 162,518
Accrued liabilities	343,079	415,916
Lease liability	<u>99,147</u>	<u>-</u>
Total current liabilities	<u>488,568</u>	<u>578,434</u>
<i>Other Liabilities</i>		
Annuities payable	21,513	26,890
Lease liability	<u>224,608</u>	<u>-</u>
Total other liabilities	<u>246,121</u>	<u>26,890</u>
Total liabilities	<u>734,689</u>	<u>605,324</u>
<i>Net Assets</i>		
Without donor restrictions:		
Board designated	830,184	830,184
Undesignated	1,703,906	766,904
With donor restrictions	<u>35,041,196</u>	<u>35,969,216</u>
Total net assets	<u>37,575,286</u>	<u>37,566,304</u>
Total liabilities and net assets	<u><u>\$ 38,309,975</u></u>	<u><u>\$ 38,171,628</u></u>

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>2023 Total</i>	<i>2022 Total</i>
Revenue and Support:				
Annual giving	\$ 3,112,428	\$ 10,000	\$ 3,122,428	\$ 3,034,442
Gross revenues from special events	685,833	91,970	777,803	285,484
less: direct event expenses	<u>(571,785)</u>	<u>-</u>	<u>(571,785)</u>	<u>(578,603)</u>
Net revenues from special events	114,048	91,970	206,018	(293,119)
Interest and dividends	-	293,581	293,581	10,046
Allocated investment income	2,956,419	-	2,956,419	3,239,954
Net assets released from restrictions	601,222	(601,222)	-	-
Proceeds on sale of building	-	-	-	1,131,150
Debt forgiveness income	-	-	-	336,047
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,869</u>
Total revenue and support	<u>6,784,117</u>	<u>(205,671)</u>	<u>6,578,446</u>	<u>7,467,389</u>
Expenses:				
Human services	3,349,312	-	3,349,312	3,529,306
Membership and education	114,826	-	114,826	202,817
Leadership development/public awareness	<u>563,750</u>	<u>-</u>	<u>563,750</u>	<u>436,398</u>
Total program expenses	<u>4,027,888</u>	<u>-</u>	<u>4,027,888</u>	<u>4,168,521</u>
Management and administration	832,902	-	832,902	744,238
Fundraising	<u>847,459</u>	<u>-</u>	<u>847,459</u>	<u>847,896</u>
Total expenses	<u>5,708,249</u>	<u>-</u>	<u>5,708,249</u>	<u>5,760,655</u>
Change in net assets before other changes	1,075,868	(205,671)	870,197	1,706,734
Other changes:				
Contributions	-	142,622	142,622	215,498
Net unrealized gain/(loss) on investments	-	1,058,094	1,058,094	(5,790,887)
Net realized gain/(loss) on investments	(138,866)	1,033,354	894,488	1,369,629
Investment income allocation	<u>-</u>	<u>(2,956,419)</u>	<u>(2,956,419)</u>	<u>(3,239,954)</u>
Total other changes	<u>(138,866)</u>	<u>(722,349)</u>	<u>(861,215)</u>	<u>(7,445,714)</u>
Change in net assets	937,002	(928,020)	8,982	(5,738,980)
Net assets, beginning of year	<u>1,597,088</u>	<u>35,969,216</u>	<u>37,566,304</u>	<u>43,305,284</u>
Net assets, end of year	<u>\$ 2,534,090</u>	<u>\$ 35,041,196</u>	<u>\$ 37,575,286</u>	<u>\$ 37,566,304</u>

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2022

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue and Support:			
Annual giving	\$ 2,683,472	\$ 350,970	\$ 3,034,442
Gross revenues from special events	285,484	-	285,484
less: direct event expenses	<u>(578,603)</u>	<u>-</u>	<u>(578,603)</u>
Net revenues from special events	(293,119)	-	(293,119)
Interest and dividends	-	10,046	10,046
Allocated investment income	3,239,954	-	3,239,954
Net assets released from restrictions	576,406	(576,406)	-
Proceeds on sale of building	1,131,150	-	1,131,150
Forgiveness of debt	336,047	-	336,047
Other income	<u>8,869</u>	<u>-</u>	<u>8,869</u>
Total revenue and support	<u>7,682,779</u>	<u>(215,390)</u>	<u>7,467,389</u>
Expenses:			
Human services	3,529,306	-	3,529,306
Membership and education	202,817	-	202,817
Leadership development/public awareness	<u>436,398</u>	<u>-</u>	<u>436,398</u>
Total program expenses	<u>4,168,521</u>	<u>-</u>	<u>4,168,521</u>
Management and administration	744,238	-	744,238
Fundraising	<u>847,896</u>	<u>-</u>	<u>847,896</u>
Total expenses	<u>5,760,655</u>	<u>-</u>	<u>5,760,655</u>
Change in net assets before other changes	1,922,124	(215,390)	1,706,734
Other changes:			
Contributions	-	215,498	215,498
Net unrealized loss on investments	-	(5,790,887)	(5,790,887)
Net realized gain/(loss) on investments	(112,028)	1,481,657	1,369,629
Investment income allocation	<u>-</u>	<u>(3,239,954)</u>	<u>(3,239,954)</u>
Total other changes	<u>(112,028)</u>	<u>(7,333,686)</u>	<u>(7,445,714)</u>
Change in net assets	1,810,096	(7,549,076)	(5,738,980)
Net assets, beginning of year	<u>(213,008)</u>	<u>43,518,292</u>	<u>43,305,284</u>
Net assets, end of year	<u>\$ 1,597,088</u>	<u>\$ 35,969,216</u>	<u>\$ 37,566,304</u>

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<i>Human Services</i>	<i>Membership and Education</i>	<i>Leadership Development/Public Awareness</i>	<i>Total Program</i>	<i>Management and Administration</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 518,691	\$ 59,999	\$ 392,237	\$ 970,927	\$ 409,013	\$ 251,561	\$ 1,631,501
Payroll tax and benefits	172,671	17,868	73,908	264,447	52,890	69,270	386,607
Consulting	105,965	10,180	10,180	126,325	16,049	378,701	521,075
Outside labor	5,481	-	10,888	16,369	1,450	-	17,819
Legal and accounting	-	-	-	-	44,327	-	44,327
Insurance	8,207	2,302	2,302	12,811	1,003	5,005	18,819
Office expense	23,878	6,499	6,499	36,876	16,519	14,186	67,581
Repairs and maintenance	64,095	17,978	18,632	100,705	17,196	43,242	161,143
Scholarship payments	601,222	-	-	601,222	-	-	601,222
Relief payments	1,664,410	-	-	1,664,410	-	-	1,664,410
Interest Expense	-	-	-	-	58,340	-	58,340
Other operating expense	157,010	-	49,104	206,114	211,357	74,681	492,152
Depreciation	27,682	-	-	27,682	4,758	10,813	43,253
	<u>\$ 3,349,312</u>	<u>\$ 114,826</u>	<u>\$ 563,750</u>	<u>\$ 4,027,888</u>	<u>\$ 832,902</u>	<u>\$ 847,459</u>	<u>\$ 5,708,249</u>

See accompanying notes to the financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<i>Human Services</i>	<i>Membership and Education</i>	<i>Leadership Development/Public Awareness</i>	<i>Total Program</i>	<i>Management and Administration</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 676,289	\$ 134,774	\$ 272,743	\$ 1,083,806	\$ 388,501	\$ 513,578	\$ 1,985,885
Payroll tax and benefits	162,375	19,340	40,467	222,182	66,389	87,717	376,288
Consulting	164,444	7,160	35,566	207,170	49,978	75,370	332,518
Outside labor	24,248	-	-	24,248	12,986	-	37,234
Legal and accounting	-	-	-	-	48,212	-	48,212
Insurance	6,775	1,900	1,900	10,575	3,016	4,130	17,721
Office expense	22,387	6,012	6,091	34,490	10,726	13,242	58,458
Repairs and maintenance	102,077	28,631	28,631	159,339	27,387	62,594	249,320
Scholarship payments	571,406	5,000	-	576,406	-	-	576,406
Relief payments	1,611,011	-	-	1,611,011	-	-	1,611,011
Interest Expense	-	-	-	-	30,256	-	30,256
Other operating expense	138,572	-	51,000	189,572	98,241	71,843	359,656
Depreciation	49,722	-	-	49,722	8,546	19,422	77,690
	<u>\$ 3,529,306</u>	<u>\$ 202,817</u>	<u>\$ 436,398</u>	<u>\$ 4,168,521</u>	<u>\$ 744,238</u>	<u>\$ 847,896</u>	<u>\$ 5,760,655</u>

See accompanying notes to the financial statements.

Two Ten Footwear Foundation, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 8,982	\$ (5,738,980)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	43,253	77,690
Bad debt	243,285	216,399
Net realized gains on long-term investments	(894,488)	(1,369,629)
Net unrealized losses/(gains) on long-term investments	(1,058,094)	5,790,887
Dividend income	(293,581)	(10,046)
Change in net present value discount	186,221	58,635
Changes in assets and liabilities		
Contributions receivable	(1,682,956)	(310,957)
Prepaid and deferred expenses	(83,447)	22,175
Accounts payable and accrued liabilities	<u>(189,013)</u>	<u>308,001</u>
Net cash used in operating activities	<u>(3,719,838)</u>	<u>(955,825)</u>
Cash Flows From Investing Activities:		
Disposal/(purchase) of property and equipment	(14,747)	1,025,507
Purchase of investments net transfers	(17,100,000)	(4,543,918)
Proceeds/transfers from sale of investments	<u>20,942,260</u>	<u>6,400,000</u>
Net cash provided by investing activities	<u>3,827,513</u>	<u>2,881,589</u>
Cash Flows From Financing Activities:		
Payment of annuities	(5,377)	375
Note Payable	<u>-</u>	<u>(2,100,000)</u>
Net cash used in financing activities	<u>(5,377)</u>	<u>(2,099,625)</u>
Net change in cash and cash equivalents	102,298	(173,861)
Cash and cash equivalents, beginning of year	<u>223,766</u>	<u>397,627</u>
Cash and cash equivalents, at end of year	<u>\$ 326,064</u>	<u>\$ 223,766</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 58,340</u>	<u>\$ 30,256</u>

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies

Two Ten Footwear Foundation, Inc. (the “Foundation”) is a public charity incorporated under the laws of Massachusetts to provide financial assistance to worthy individuals or to aid them in furthering their education at any school, college, university, or other institute of higher learning or to make donations to domestic entities organized and operated exclusively for charitable, scientific or educational purposes. Additionally, the Foundation provides counseling and financial assistance to people in the shoe industry and the leather and allied trades. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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 Foundation. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes. This designation may be removed at the board’s direction.

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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Foundation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies – *Continued*

The restricted net assets of the Foundation consist of the following fund groups:

Net Assets With Donor Restrictions

Scholarship Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be expended for qualifying scholarship payments.

Building Fund – represents donor restricted funds solely for the purchase and maintenance of the building used to house the offices of the Foundation (temporarily restricted).

Leadership Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used for the purpose of developing new leadership within the Foundation.

Gerontology Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for elderly people.

Children's Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for children.

Relief Fund – represents donor restricted endowments (permanent) and investment gains (temporarily restricted) and unrestricted funds and resources from investment income available for support and promotion of Foundation activities.

Revenue Recognition

Contracts and grants are recorded over the period covered by the contract or grant as services are provided and costs are incurred. Grants and contributions without donor restrictions are recorded when cash, securities or an unconditional promise to give is received.

The Foundation records income and expenses from special event activities when the event has been completed. Expenditures incurred and income received for events that are to be held at future dates have been recorded as deferred expenses and deferred income, respectively.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Intentions to give are not included as support until collected or formally promised and legally enforceable. Gifts of non-cash assets are recorded at their fair value at the date of contribution, as determined by the donor or the Foundation.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies – *Continued*

Contributions Receivable

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of donors to meet their obligations. It is the Foundation's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term.

Unconditional promises to give (contribution receivable) are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. The Foundation's cash is placed in high quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses in such accounts.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies – *Continued*

Charitable Gift Annuities

Assets received under gift annuity agreements are recorded at the fair market value of the assets when the assets are received by the Foundation as trustee. In conjunction with these gifts, the Foundation has recorded a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on actuarial expected lives of the beneficiaries.

Fair Value Measurements

GAAP 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 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on relative effort exerted for the related function.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies – *Continued*

Investments

Investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs. All investment securities owned by the Foundation are held by independent custodians. The investments of the Foundation are carried on a pooled basis. Investment income, interest income and unrealized and realized gains or losses from investment transactions are allocated among the participating funds based on the market values of the investments allocated to each fund. Investment income consists of dividends and interest and is included in revenues and support. Unrealized and realized gains and losses are determined using average cost basis and include capital gains from mutual funds reinvested and are reported under other changes in net assets.

The financial statements include investments in alternative funds valued at \$5,797,179 and \$6,617,588 at June 30, 2023 and 2022, with cost basis' of \$4,950,000 and \$6,000,000, respectively. These values have been estimated by the investment managers of the underlying alternative funds in the absence of readily determinable fair values. Those estimated fair values may differ significantly from values that would have been used had a ready market for these investments existed at June 30, 2023 and 2022, and the differences could be material.

Income Tax Status

The Foundation is a not-for-profit organization that is exempt from Federal and Commonwealth of Massachusetts income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, for the years ended June 30, 2023 and 2022, was subject to Federal and Commonwealth income taxes.

GAAP requires the evaluation of tax positions taken or expected to be taken in the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Foundation has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2023 returns and believes they are more-likely-than-not of being sustained if examined by Federal or Commonwealth tax authorities. The Foundation's 2020 through 2022 tax years remain subject to tax examination by Federal and Commonwealth of Massachusetts tax authorities.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note A – Summary of Significant Accounting Policies – *Continued*

Reclassification

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

Property and Equipment

Property and equipment are recorded at cost. The Foundation capitalizes property and equipment with a cost of greater than \$1,000 and a useful life longer than one year. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives, principally on the straight-line basis. The Foundation uses the direct expensing method to account for planned major maintenance activities.

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Foundation adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Foundation elected to use all available practical expedients provided in the transition guidance. These allowed the Foundation to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right of-use asset impairment. As of July 1, 2022, adoption of Topic 842 did not result in any change to beginning net assets or any material adjustments to statement of financial position accounts related to lessor accounting, but it did result in an increase of \$414,389 in both the operating lease ROU asset and long-term lease liabilities as a result of the adoption of the lease standard.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note B – Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2023	2022
Endowment pledges receivable	\$ 2,003,272	\$ 1,000,000
Relief pledges receivable	2,466,924	1,713,000
Other receivables	<u>310,440</u>	<u>437,965</u>
	4,780,636	3,150,965
Less: Net present value discount	(281,223)	(95,002)
Allowance for doubtful accounts	<u>(550,000)</u>	<u>(360,000)</u>
Contributions receivable, net	<u>\$ 3,949,413</u>	<u>\$ 2,695,963</u>

Contributions receivable are recorded at the net present value of their estimated future cash flows at a discount rate of 4.44% and 1.69% for 2023 and 2022, respectively. Contributions receivable expected to be realized are as follows at June 30:

	2023	2022
One year or less	\$ 2,091,282	\$ 1,623,252
Between one and five years	1,689,354	527,713
More than five years	<u>1,000,000</u>	<u>1,000,000</u>
	4,780,636	3,150,965
Less: Net present value discount	(281,223)	(95,002)
Allowance for doubtful accounts	<u>(550,000)</u>	<u>(360,000)</u>
Contributions receivable, net	<u>\$ 3,949,413</u>	<u>\$ 2,695,963</u>

Note C – Investments

Investments consisted of the following at June 30:

	2023	2022
Cash & equivalents	\$ 727,193	\$ 11,176,277
Domestic equity funds	11,055,726	5,989,254
Fixed income funds	9,475,332	7,020,777
International equity funds	6,401,600	3,895,897
Alternative investment funds	<u>5,797,179</u>	<u>6,617,588</u>
Total investments	<u>\$ 33,457,030</u>	<u>\$ 34,699,793</u>

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note C – Investments - *Continued*

The Foundation classifies its investments into: Level 1, which relate to securities traded on an active market, Level 2, which relate to securities not traded on an active market but for which observable market inputs are readily available and Level 3 which relate to securities not actively traded and for which no significant observable inputs are readily available. At June 30, 2023 and 2022, all of the Foundations investments except for the alternative investment funds were Level 1 investments. The alternative investment funds are Level 3 investments. Although the alternative investment funds are considered Level 3 investments, their underlying assets are well diversified across multiple asset classes with the goal of generating risk adjusted returns over a long-term horizon.

The following presents a reconciliation of the Foundation's beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

<i>Fair Value</i>	2023	2022
Balance beginning of year	\$ 6,617,588	\$ 21,561,379
Sales proceeds of investments	(790,280)	(11,174,959)
Realized loss included in change in net assets	-	(911,643)
Unrealized loss included in change in net assets	<u>(30,129)</u>	<u>(2,857,189)</u>
Balance end of year	<u>\$ 5,797,179</u>	<u>\$ 6,617,588</u>
Unrealized (loss)/gain related to assets still held at end of year	<u>\$ 847,179</u>	<u>\$ 617,588</u>

Endowment Investment and Spending Policies

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and its own governing documents. The Foundation's endowment consists of several individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note C – Investments - *Continued*

Endowment Investment and Spending Policies - Continued

The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies such gifts as net assets with donor restrictions that are permanently restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6.25%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 5% of a moving thirteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 1.25% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note C – Investments – Continued

Endowment Investment and Spending Policies – Continued

Endowment net asset composition with donor restrictions by type of fund as of June 30, 2023 and 2022 is as follows:

	2023	2022
Temporarily restricted	\$ 5,776,323	\$ 6,846,965
Permanently restricted	<u>29,264,873</u>	<u>29,122,251</u>
Total	<u>\$ 35,041,196</u>	<u>\$ 35,969,216</u>

Changes in endowment net assets with donor restrictions for the years ending June 30, 2023 and 2022 are as follows:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total Endowment</i>
2023			
Endowment net assets June 30, 2022	\$ 6,846,965	\$ 29,122,251	\$ 35,969,216
Contributions	101,970	142,622	244,592
Investment income	293,581	-	293,581
Net appreciation	2,091,448	-	2,091,448
Released from restriction	(601,222)	-	(601,222)
Amounts appropriated for expenditure	<u>(2,956,419)</u>	<u>-</u>	<u>(2,956,419)</u>
Endowment net assets June 30, 2023	<u>\$ 5,776,323</u>	<u>\$ 29,264,873</u>	<u>\$ 35,041,196</u>
2022			
Endowment net assets June 30, 2021	\$ 14,611,539	\$ 28,906,753	\$ 43,518,292
Contributions	350,970	215,498	566,468
Investment income	10,046	-	10,046
Net appreciation	(4,309,230)	-	(4,309,230)
Released from restriction	(576,406)	-	(576,406)
Amounts appropriated for expenditure	<u>(3,239,954)</u>	<u>-</u>	<u>(3,239,954)</u>
Endowment net assets June 30, 2022	<u>\$ 6,846,965</u>	<u>\$ 29,122,251</u>	<u>\$ 35,969,216</u>

The investments are subject to market fluctuations and due to the level of risk associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the financial statements.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note D – Retirement Plan

The Foundation maintains a defined contribution retirement plan covering substantially all of its employees. Contributions to the plan are determined as a percentage of each covered employee's salary. The Foundation contributed \$50,194 and \$59,084 to the plan for the years ended June 30, 2023 and 2022, respectively.

Note E – Sale of Building

On July 14, 2021, the Foundation sold a building it owned to an unrelated party for \$3,000,000. At the date of the sale, the net book value of the building was \$1,723,015. The Foundation recognized a gain on the sale of the building of \$1,131,150, net of selling costs in fiscal year 2022.

Note F – Property and Equipment

Property, equipment and improvements are comprised of the following at June 30:

	2023	2022
Computer equipment	\$ 341,801	\$ 327,054
Furniture and fixtures	<u>61,237</u>	<u>61,237</u>
	403,038	388,291
Less accumulated depreciation	<u>(306,382)</u>	<u>(263,130)</u>
Total	<u>\$ 96,656</u>	<u>\$ 125,161</u>
Depreciation expense	<u>\$ 43,253</u>	<u>\$ 77,690</u>

Note G – Concentration

Approximately \$2,450,000 of accounts receivable are due from four large corporate/foundation donors and a single contribution from an individual donor. The corporate/foundation pledges are primarily to be received over the next three fiscal years. The individual donor's pledge of \$1,000,000 is payable upon the death of the donor's surviving spouse from a trust created upon the death of the donor or from the surviving spouse's estate. The current age of the surviving spouse is seventy-eight. Management believes that there will be sufficient assets to fulfill the donor's pledge at \$1,000,000. Management also believes the pledges from the four large corporate/foundation donors are fully collectable.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note H – Net Assets with Donor Restrictions - Temporarily Restricted

Net assets with donor restrictions considered temporarily restricted are comprised of contributions, gains on net assets with donor restrictions that were permanently restricted and investment income with the following purpose restrictions:

	2023	2022
Scholarships	\$ 868,637	\$ 518,053
Building maintenance	167,687	181,767
Leadership development	6,238	27,754
Resources for the elderly	23,456	38,777
Resources for children	71,384	157,564
Support and promotion of Foundation activities	<u>4,638,921</u>	<u>5,923,050</u>
Total	<u>\$ 5,776,323</u>	<u>\$ 6,846,965</u>

During fiscal years 2023 and 2022, \$601,222 and \$576,406 were released from restriction related to the Foundations scholarship program.

Note I – Net Assets with Donor Restrictions - Permanently Restricted

Net assets with donor restrictions considered permanently restricted consist of endowment funds with income restricted for the following purposes:

	2023	2022
Scholarships	\$ 13,022,805	\$ 12,880,183
Leadership development	250,000	250,000
Resources for the elderly	159,000	159,000
Resources for children	954,955	954,955
Support and promotion of Foundation activities	<u>14,878,113</u>	<u>14,878,113</u>
Total	<u>\$ 29,264,873</u>	<u>\$ 29,122,251</u>

Two Ten Footwear Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note J – Designated Net Assets

During prior fiscal years the Foundation received several substantial gifts from an individual's estate totaling \$830,184. The board of directors has designated these assets for the purpose of preserving the Foundation's endowment fund.

Note K – Fundraising

Total fund-raising expense for the year ended June 30, 2023 and 2022 was \$847,459 and \$847,896, respectively. For 2023 and 2022 fund-raising expenses were approximately 15% of the total annual event and contribution revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Note L – Liquidity and Availability

The following reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the balance sheet date because of restrictions:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 326,064	\$ 223,766
Contributions receivable, net	<u>1,541,282</u>	<u>1,263,252</u>
Total financial assets	1,867,346	1,487,018
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,867,346</u>	<u>\$ 1,487,018</u>

As part of liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenses, liabilities and obligations become due.

Note M – Lease Commitments

On September 1, 2021, the Foundation entered into a lease for office space. The lease will expire on September 30, 2026. The Foundation used the risk-free rate of 1.66% in lieu of its incremental borrowing rate to discount the future lease payments. The present value of the lease has been capitalized and is amortized over the life of the lease. For the years ended June 30, 2023 and 2022, lease expense was \$100,983 and \$70,593. As of June 30, 2023, \$323,755 is outstanding. As of and for the year ended June 30, 2023, \$5,618 of interest expense was incurred.

Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note M – Lease Commitments - *Continued*

Additional information about the Foundations operating lease is as follows:

Other Information:

Weighted average remaining lease terms (years)	3.25
Weighted average discount rate	1.66%

Future maturities of lease liabilities are presented in the following table, for the years ending June 30,:

<i>Fiscal Year</i>	<i>Amount</i>
2024	\$ 99,147
2025	102,117
2026	105,177
2027	<u>26,487</u>
Total lease payments	332,928
Less present value discount	<u>(9,173)</u>
Total	<u>\$ 323,755</u>

Note N – Notes Payable

Paycheck Protection Program Loan

The Foundation entered into a promissory note agreement with Bank of America dated February 12, 2021 in the amount of \$336,047, which bears interest at a rate of 1% per annum and matures in February 2023, under the Small Business Administration’s Paycheck Protection Program. The note has no repayment terms for six months and beginning in August 2021, principal and interest payments are due monthly. The note payable is forgivable if the Foundation meets certain spending requirements such as using at least 75% of the funds for payroll and related costs and the remaining amount on qualified costs as part of the Paycheck Protection Program requirements. The note was forgiven in November of 2021.

Line of Credit

On July 1, 2020, the Foundation entered into a revolving line of credit agreement with Bancorp Bank with a credit limit of \$5,000,000. Each advance will bear interest at a rate equal to the bank’s daily periodic rate. The line is secured by the Foundation’s investments as disclosed in Note C, not including the alternative investments. The line of credit may be closed by either the bank or the Foundation at any time. The loan was paid in full as of June 30, 2023 and 2022.

Two Ten Footwear Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note O – Subsequent Events

The Foundation has performed an evaluation of subsequent events through February 13, 2024, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in these financial statements.