

**Two Ten Footwear Foundation, Inc.**

Financial Statements  
and  
Independent Auditors' Report

June 30, 2024 and 2023

**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, 2024 and 2023, 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, 2024 and 2023, 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 11, 2025*

**Two Ten Footwear Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

<b>Assets</b>	2024	2023
<i>Current Assets</i>		
Cash and cash equivalents	\$ 245,713	\$ 326,064
Prepaid expenses and deposits	158,285	161,789
Contributions receivable (less allowance for doubtful accounts of \$550,000 for both 2024 and 2023)	<u>1,198,214</u>	<u>1,541,282</u>
Total current assets	<u>1,602,212</u>	<u>2,029,135</u>
<i>Fixed Assets</i>		
Property and equipment, net	<u>73,226</u>	<u>96,656</u>
<i>Other Assets</i>		
Investments	35,957,618	33,457,030
Right of use asset	222,702	319,023
Contributions receivable, net	<u>1,737,274</u>	<u>2,408,131</u>
Total other assets	<u>37,917,594</u>	<u>36,184,184</u>
Total assets	<u>\$ 39,593,032</u>	<u>\$ 38,309,975</u>
<b>Liabilities and Net Assets</b>		
<i>Current Liabilities</i>		
Accounts payable, trade	\$ -	\$ 46,342
Accrued liabilities	216,893	343,079
Lease liability	<u>102,117</u>	<u>99,147</u>
Total current liabilities	<u>319,010</u>	<u>488,568</u>
<i>Other Liabilities</i>		
Annuities payable	20,000	21,513
Lease liability	<u>127,153</u>	<u>224,608</u>
Total other liabilities	<u>147,153</u>	<u>246,121</u>
Total liabilities	<u>466,163</u>	<u>734,689</u>
<i>Net Assets</i>		
Without donor restrictions:		
Board designated	830,184	830,184
Undesignated	2,248,274	1,703,906
With donor restrictions	<u>36,048,411</u>	<u>35,041,196</u>
Total net assets	<u>39,126,869</u>	<u>37,575,286</u>
Total liabilities and net assets	<u>\$ 39,593,032</u>	<u>\$ 38,309,975</u>

*See accompanying notes to financial statements.*

**Two Ten Footwear Foundation, Inc.**  
**Statements of Activities**  
For the Years Ended June 30, 2024 and 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictios</i>	<i>2024 Total</i>	<i>2023 Total</i>
<b>Revenue and Support:</b>				
Annual giving	\$ 1,953,940	\$ 450,000	\$ 2,403,940	\$ 3,122,428
Gross revenues from special events	887,210	-	887,210	777,803
less: direct event expenses	<u>(540,028)</u>	<u>-</u>	<u>(540,028)</u>	<u>(571,785)</u>
Net revenues from special events	347,182	-	347,182	206,018
Interest and dividends	-	304,114	304,114	293,581
Allocated investment income	2,945,886	-	2,945,886	2,956,419
Net assets released from restrictions	<u>589,855</u>	<u>(589,855)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,836,863</u>	<u>164,259</u>	<u>6,001,122</u>	<u>6,578,446</u>
<b>Expenses:</b>				
Human services	2,878,134	-	2,878,134	3,349,312
Membership and education	140,927	-	140,927	114,826
Leadership development/public awareness	<u>560,974</u>	<u>-</u>	<u>560,974</u>	<u>563,750</u>
Total program expenses	<u>3,580,035</u>	<u>-</u>	<u>3,580,035</u>	<u>4,027,888</u>
Management and administration	777,206	-	777,206	832,902
Fundraising	<u>776,529</u>	<u>-</u>	<u>776,529</u>	<u>847,459</u>
Total expenses	<u>5,133,770</u>	<u>-</u>	<u>5,133,770</u>	<u>5,708,249</u>
Change in net assets before other changes	703,093	164,259	867,352	870,197
<b>Other changes:</b>				
Contributions	-	112,536	112,536	142,622
Net unrealized gain on investments	-	2,884,767	2,884,767	1,058,094
Net realized gain/(loss) on investments	(158,725)	791,539	632,814	894,488
Investment income allocation	<u>-</u>	<u>(2,945,886)</u>	<u>(2,945,886)</u>	<u>(2,956,419)</u>
Total other changes	<u>(158,725)</u>	<u>842,956</u>	<u>684,231</u>	<u>(861,215)</u>
<b>Change in net assets</b>	544,368	1,007,215	1,551,583	8,982
Net assets, beginning of year	<u>2,534,090</u>	<u>35,041,196</u>	<u>37,575,286</u>	<u>37,566,304</u>
Net assets, end of year	<u>\$ 3,078,458</u>	<u>\$ 36,048,411</u>	<u>\$ 39,126,869</u>	<u>\$ 37,575,286</u>

*See accompanying notes to financial statements.*

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

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>Revenue and Support:</b>			
Annual giving	\$ 3,112,428	\$ 10,000	\$ 3,122,428
Gross revenues from special events	685,833	91,970	777,803
less: direct event expenses	<u>(571,785)</u>	<u>-</u>	<u>(571,785)</u>
Net revenues from special events	114,048	91,970	206,018
Interest and dividends	-	293,581	293,581
Allocated investment income	2,956,419	-	2,956,419
Net assets released from restrictions	<u>601,222</u>	<u>(601,222)</u>	<u>-</u>
Total revenue and support	<u>6,784,117</u>	<u>(205,671)</u>	<u>6,578,446</u>
<b>Expenses:</b>			
Human services	3,349,312	-	3,349,312
Membership and education	114,826	-	114,826
Leadership development/public awareness	<u>563,750</u>	<u>-</u>	<u>563,750</u>
Total program expenses	<u>4,027,888</u>	<u>-</u>	<u>4,027,888</u>
Management and administration	832,902	-	832,902
Fundraising	<u>847,459</u>	<u>-</u>	<u>847,459</u>
Total expenses	<u>5,708,249</u>	<u>-</u>	<u>5,708,249</u>
Change in net assets before other changes	1,075,868	(205,671)	870,197
<b>Other changes:</b>			
Contributions	-	142,622	142,622
Net unrealized gain on investments	-	1,058,094	1,058,094
Net realized gain/(loss) on investments	(138,866)	1,033,354	894,488
Investment income allocation	<u>-</u>	<u>(2,956,419)</u>	<u>(2,956,419)</u>
Total other changes	<u>(138,866)</u>	<u>(722,349)</u>	<u>(861,215)</u>
<b>Change in net assets</b>	937,002	(928,020)	8,982
Net assets, beginning of year	<u>1,597,088</u>	<u>35,969,216</u>	<u>37,566,304</u>
Net assets, end of year	<u>\$ 2,534,090</u>	<u>\$ 35,041,196</u>	<u>\$ 37,575,286</u>

*See accompanying notes to financial statements.*

**Two Ten Footwear Foundation, Inc.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2024

	<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	\$ 526,833	\$ 92,415	\$ 337,241	\$ 956,489	\$ 427,675	\$ 401,208	\$ 1,785,372
Payroll tax and benefits	133,369	11,850	52,152	197,371	33,648	62,495	293,514
Consulting	106,154	8,921	80,453	195,528	28,533	175,518	399,579
Outside labor	-	-	-	-	6,194	-	6,194
Legal and accounting	-	-	-	-	45,857	-	45,857
Insurance	9,013	2,528	2,528	14,069	2,418	5,495	21,982
Office expense	25,446	5,810	9,525	40,781	15,964	13,087	69,832
Repairs and maintenance	69,175	19,403	21,137	109,715	18,559	66,515	194,789
Scholarship payments	589,855	-	-	589,855	-	-	589,855
Relief payments	1,261,387	-	-	1,261,387	-	-	1,261,387
Interest Expense	-	-	-	-	5,576	-	5,576
Other operating expense	132,528	-	57,938	190,466	188,593	42,690	421,749
Depreciation	24,374	-	-	24,374	4,189	9,521	38,084
	<u>\$ 2,878,134</u>	<u>\$ 140,927</u>	<u>\$ 560,974</u>	<u>\$ 3,580,035</u>	<u>\$ 777,206</u>	<u>\$ 776,529</u>	<u>\$ 5,133,770</u>

*See accompanying notes to the 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.**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,551,583	\$ 8,982
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	38,084	43,253
Bad debt	75,857	243,285
Net realized gains on long-term investments	(632,814)	(894,488)
Net unrealized gains on long-term investments	(2,884,767)	(1,058,094)
Dividend income	(304,114)	(293,581)
Change in net present value discount	3,633	186,221
Changes in assets and liabilities		
Contributions receivable	934,435	(1,682,956)
Prepaid and deferred expenses	3,504	(83,447)
Operating lease right-of-use asset	96,321	319,023
Accounts payable and accrued liabilities	(172,528)	(189,013)
Operating lease liability	<u>(94,485)</u>	<u>(323,755)</u>
Net cash used in operating activities	<u>(1,385,291)</u>	<u>(3,724,570)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(14,654)	(14,747)
Purchase of investments net transfers	(1,000,000)	(17,100,000)
Proceeds/transfers from sale of investments	<u>2,321,107</u>	<u>20,946,992</u>
Net cash provided by investing activities	<u>1,306,453</u>	<u>3,832,245</u>
<b>Cash Flows From Financing Activities:</b>		
Payment of annuities	<u>(1,513)</u>	<u>(5,377)</u>
Net cash used in financing activities	<u>(1,513)</u>	<u>(5,377)</u>
Net change in cash and cash equivalents	(80,351)	102,298
Cash and cash equivalents, beginning of year	<u>326,064</u>	<u>223,766</u>
Cash and cash equivalents, at end of year	<u>\$ 245,713</u>	<u>\$ 326,064</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 5,576</u>	<u>\$ 58,340</u>

*See accompanying notes to financial statements.*

## **Two Ten Footwear Foundation, Inc.**

### Notes to Financial Statements

June 30, 2024 and 2023

#### **Note 1 – 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, 2024 and 2023

**Note 1 – 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 of cash, securities or other assets, when 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, 2024 and 2023

**Note 1 – Summary of Significant Accounting Policies – *Continued***

*Contributions Receivable*

Contributions receivable are stated at unpaid balances, less an allowance for credit losses. The allowance is determined by management's evaluation of outstanding accounts receivable at the end of the year based on a history of past write-offs and collections and current status of existing receivables and reasonable and supportable forecasts. 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 credit losses, 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.

*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.

## Two Ten Footwear Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

### Note 1 – Summary of Significant Accounting Policies – *Continued*

#### *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.

#### *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.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 1 – 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 \$6,727,757 and \$6,524,369 at June 30, 2024 and 2023, with cost basis' of \$4,950,000, 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, 2024 and 2023, 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, 2024 and 2023, 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 2024 returns and believes they are more-likely-than-not of being sustained if examined by Federal or Commonwealth tax authorities. The Foundation's 2021 through 2023 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, 2024 and 2023

#### Note 1 – Summary of Significant Accounting Policies – *Continued*

##### *Leases*

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and operating lease liabilities on the balance sheet except for leases with an initial term of less than twelve months, for which the Foundation made the short-term lease election. At lease commencement, ROU assets and operating lease liabilities reflect the present value of the future minimum payments over the lease term and are discounted using the risk-free rate. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and operating lease liabilities for its short-term leases (leases with a term of twelve months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis.

##### *New Accounting Pronouncement*

Effective July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) 2016 -13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Foundation adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. The adoption of this ASU did not have a material impact on the Foundation's financial statements but did change how the allowance for credit losses is determined.

#### Note 2 – Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2024	2023
Endowment pledges receivable	\$ 1,000,000	\$ 2,003,272
Relief pledges receivable	2,594,564	2,466,924
Other receivables	<u>175,780</u>	<u>310,440</u>
	3,770,344	4,780,636
Less: Net present value discount	(284,856)	(281,223)
Allowance for doubtful accounts	<u>(550,000)</u>	<u>(550,000)</u>
Contributions receivable, net	<u>\$ 2,935,488</u>	<u>\$ 3,949,413</u>



## Two Ten Footwear Foundation, Inc.

### Notes to Financial Statements

June 30, 2024 and 2023

#### Note 2 – Contributions Receivable - *Continued*

Contributions receivable are recorded at the net present value of their estimated future cash flows at a discount rate of 5.17% and 4.44% for 2024 and 2023, respectively. Contributions receivable expected to be realized are as follows at June 30:

	2024	2023
One year or less	\$ 1,748,214	\$ 2,091,282
Between one and five years	1,022,130	1,689,354
More than five years	<u>1,000,000</u>	<u>1,000,000</u>
	3,770,344	4,780,636
Less: Net present value discount	(284,856)	(281,223)
Allowance for doubtful accounts	<u>(550,000)</u>	<u>(550,000)</u>
Contributions receivable, net	<u>\$ 2,935,488</u>	<u>\$ 3,949,413</u>

#### Note 3 – Investments

Investments consisted of the following at June 30:

	2024	2023
Cash & equivalents	\$ 704	\$ 727,193
Domestic equity funds	13,524,717	11,055,726
Fixed income funds	9,684,248	8,748,142
International equity funds	6,020,192	6,401,600
Alternative investment funds	<u>6,727,757</u>	<u>6,524,369</u>
Total investments	<u>\$ 35,957,618</u>	<u>\$ 33,457,030</u>

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, 2024 and 2023, 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.

## Two Ten Footwear Foundation, Inc.

### Notes to Financial Statements

June 30, 2024 and 2023

#### Note 3 – Investments - *Continued*

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>	2024	2023
Balance beginning of year	\$ 6,524,369	\$ 7,344,778
Sales proceeds of investments	-	(790,280)
Unrealized gain/(loss) included in change in net assets	<u>203,388</u>	<u>(30,129)</u>
Balance end of year	<u>\$ 6,727,757</u>	<u>\$ 6,524,369</u>
Unrealized (loss)/gain related to assets still held at end of year	<u>\$ 1,777,757</u>	<u>\$ 1,574,369</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.

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.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 3 – Investments - Continued**

*Endowment Investment and Spending Policies - Continued*

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.

Endowment net asset composition with donor restrictions by type of fund as of June 30, 2024 and 2023 is as follows:

	2024	2023
Temporarily restricted	\$ 6,671,002	\$ 5,776,323
Permanently restricted	<u>29,377,409</u>	<u>29,264,873</u>
Total	<u>\$ 36,048,411</u>	<u>\$ 35,041,196</u>

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 3 – Investments – Continued**

*Endowment Investment and Spending Policies – Continued*

Changes in endowment net assets with donor restrictions for the years ending June 30, 2024 and 2023 are as follows:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total Endowment</i>
<b>2024</b>			
Endowment net assets June 30, 2023	\$ 5,776,323	\$ 29,264,873	\$ 35,041,196
Contributions	450,000	112,536	562,536
Investment income	304,114	-	304,114
Net appreciation	3,676,306	-	3,676,306
Released from restriction	(589,855)	-	(589,855)
Amounts appropriated for expenditure	<u>(2,945,886)</u>	<u>-</u>	<u>(2,945,886)</u>
Endowment net assets June 30, 2024	<u>\$ 6,671,002</u>	<u>\$ 29,377,409</u>	<u>\$ 36,048,411</u>
<b>2023</b>			
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>

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.

**Note 4 – 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 \$57,021 and \$50,194 to the plan for the years ended June 30, 2024 and 2023, respectively.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 5 – Property and Equipment**

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

	2024	2023
Computer equipment	\$ 356,455	\$ 341,801
Furniture and fixtures	<u>61,237</u>	<u>61,237</u>
	417,692	403,038
Less accumulated depreciation	<u>(344,466)</u>	<u>(306,382)</u>
Total	<u>\$ 73,226</u>	<u>\$ 96,656</u>
Depreciation expense	<u>\$ 38,084</u>	<u>\$ 43,253</u>

**Note 6 – Concentration**

Approximately \$2,600,000 of accounts receivable are due from five large corporate/foundation donors and a 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-nine. 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 five large corporate/foundation donors are fully collectable.

**Note 7 – Notes Payable**

*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 3, not including the alternative investments. The line of credit may be closed by either the bank or the Foundation at any time. There was no outstanding balance as of June 30, 2024 and 2023.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 8 – 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:

	<i>2024</i>	<i>2023</i>
Scholarships	\$ 2,021,535	\$ 868,637
Building maintenance	160,547	167,687
Leadership development	-	6,238
Resources for the elderly	11,014	23,456
Resources for children	27,684	71,384
Support and promotion of Foundation activities	<u>4,450,222</u>	<u>4,638,921</u>
Total	<u>\$ 6,671,002</u>	<u>\$ 5,776,323</u>

During fiscal years 2024 and 2023, \$589,855 and \$601,222 were released from restriction related to the Foundations scholarship program.

**Note 9 – 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:

	<i>2024</i>	<i>2023</i>
Scholarships	\$ 13,135,341	\$ 13,022,805
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>\$ 29,377,409</u>	<u>\$ 29,264,873</u>

**Note 10 – 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.

**Two Ten Footwear Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2024 and 2023

**Note 11 – Fundraising**

Total fund-raising expense for the year ended June 30, 2024 and 2023 was \$776,529 and \$847,459, respectively. For 2024 and 2023 fund-raising expenses were approximately 23% and 21% 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 12 – Liquidity and Availability**

The following reflects the Foundation’s financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year of the balance sheet date because of restrictions:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 245,713	\$ 326,064
Contributions receivable, net	<u>1,198,214</u>	<u>1,541,282</u>
Total financial assets	1,443,927	1,867,346
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,443,927</u>	<u>\$ 1,867,346</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 13 – 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, 2024 and 2023, lease expense was \$100,984 and \$100,983. As of June 30, 2024 and 2023, \$229,270 and \$323,755, respectively is outstanding. As of and for the years ended June 30, 2024 and 2023, \$4,662 and \$5,618 of interest expense, respectively was incurred.

Additional information about the Foundations operating lease is as follows:

Weighted average remaining lease terms (years)	2.25
Weighted average discount rate	1.66%

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2024 and 2023

**Note 13 – Lease Commitments - *Continued***

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

<i>Fiscal Year</i>	<i>Amount</i>
2025	\$ 102,117
2026	105,177
2027	<u>26,487</u>
Total lease payments	233,781
Less present value discount	<u>(4,511)</u>
Total	<u>\$ 229,270</u>

**Note 14 – Subsequent Events**

The Foundation has performed an evaluation of subsequent events through February 11, 2025 which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2024 that require recognition or disclosure in these financial statements.