nonPAREIL INSTITUTE

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2022

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

Schnaufer & Walker, P.C.
Certified Public Accountants
Dallas, Texas

nonPAREIL INSTITUTE
Financial Statements
Year Ended December 31, 2022

TABLE OF CONTENTS

Schnaufer & Walker, P.C.
Certified Public Accountants
2695 Villa Creek Drive, Suite 268
Dallas, Texas 75234
www.TheNonprofitCPA.org
Office: (972) 798-2046 Fax: (866) 334-1362

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
nonPareil Institute
Plano, Texas

Opinion

We have audited the accompanying financial statements of **nonPareil Institute** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 **nonPareil Institute** as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 **nonPareil Institute** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 **nonPareil Institute**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 **nonPareil Institute**'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 **nonPareil Institute**'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.

Schnaufer & Walker, P.C.

Dallas, Texas
March 17, 2023

nonPAREIL INSTITUTE
Statement of Financial Position
December 31, 2022

ASSETS:		
Current assets:		
Cash and cash equivalents	$	409,022
Accounts receivable, net		100,987
Prepaid expenses		108,371
Investments, short-term		346,482
Total current assets		964,862
Long-term assets:		
Investments, long-term		293,990
Property and equipment, net of accumulated depreciation		253,915
Right-of-use lease assets - operating leases (Type B)		3,049,532
Deposits		60,365
Total long-term assets		3,657,802
TOTAL ASSETS	$	4,622,664
LIABILITIES:		
Current liabilities:		
Accounts payable	$	42,789
Accrued expenses		113,131
Refundable advances		61,433
Current portion of lease liabilities - operating leases (Type B)		729,248
Current portion of note payable		50,282
Total current liabilities		996,883
Long-term liabilities:		
Long-term lease liabilities - operating leases (Type B)		2,626,691
Note payable, net of current portion		2,014,613
Total long-term liabilities		4,641,304
TOTAL LIABILITIES		5,638,187
NET ASSETS (DEFICIT):		
Without donor restrictions (deficit)		(1,391,571)
With donor restrictions		376,048
TOTAL NET ASSETS (DEFICIT)		(1,015,523)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$	4,622,664

The accompanying notes are an integral part of these financial statements.

nonPAREIL INSTITUTE
Statement of Activities
For The Year Ended December 31, 2022

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating:		
Revenue:		
Training fees	$	3,036,207
Grants and foundations		206,500
Contributed services and materials		86,651
Contributions		85,000
Outsourcing contracts		32,483
Fundraising		30,523
Sales income		820
Net assets released from restrictions		316,464
Total operating revenue		3,794,648
Expenses:		
Program services		4,567,535
Supporting services:		
Management and general		474,677
Development and fundraising		452,348
Total supporting services		927,025
Total operating expenses		5,494,560
(Deficit) of operating revenue over expenses		(1,699,912)
Nonoperating:		
Other income and expense:		
Interest income		11,580
Other income		6,073
Unrealized loss on investments		(17,715)
Total other income and expense		(62)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions		349,258
Net assets released from restrictions		(316,464)
Increase in net assets with donor restrictions		32,794
(Decrease) in net assets		(1,667,180)
NET ASSETS AT BEGINNING OF THE YEAR		651,657
NET ASSETS AT END OF THE YEAR (DEFICIT)	$	(1,015,523)

The accompanying notes are an integral part of these financial statements.

nonPAREIL INSTITUTE
Statement of Functional Expenses
For The Year Ended December 31, 2022

	Program services	Supporting services			
	Programs	Management and general	Development and fundraising	Total	Totals
Payroll and related expenses:					
Compensation and benefits	$ 2,980,472	$ 317,418	$ 254,718	$ 572,136	$ 3,552,608
Unemployment taxes	2,565	367	154	521	3,086
Payroll taxes	172,546	36,828	16,482	53,310	225,856
Total payroll and related expenses	3,155,583	354,613	271,354	625,967	3,781,550
Advertising and recruiting	20,807	543	438	981	21,788
Bad debts	37,850	-	-	-	37,850
Bank charges	22,849	1,392	4,504	5,896	28,745
Books, subscriptions and reference	308	432	898	1,330	1,638
Depreciation	103,065	2,238	-	2,238	105,303
Fundraising	-	-	17,590	17,590	17,590
Hardware	20,071	593	-	593	20,664
Interest	-	50,399	-	50,399	50,399
Insurance	22,189	15,589	171	15,760	37,949
Internet services	23,020	-	-	-	23,020
Miscellaneous	11,166	3,779	4,776	8,555	19,721
Office supplies	18,379	941	123	1,064	19,443
Professional fees	24,925	17,585	114,819	132,404	157,329
Postage and mailing	1,398	587	1,445	2,032	3,430
Printing and copying	2,862	1,058	14,114	15,172	18,034
Repairs and maintenance	43,555	-	95	95	43,650
Rent	840,820	9,935	6,979	16,914	857,734
Software and licenses	120,039	8,058	7,452	15,510	135,549
Telephone	19,742	2,361	979	3,340	23,082
Travel and meetings	10,778	2,734	5,433	8,167	18,945
Utilities	68,129	1,840	1,178	3,018	71,147
Totals	$ 4,567,535	$ 474,677	$ 452,348	$ 927,025	$ 5,494,560

The accompanying notes are an integral part of these financial statements.

nonPAREIL INSTITUTE
Statement of Cash Flows
For The Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from training fees	$	3,036,207
Cash received from contributions		434,258
Cash received from grants and foundations		206,500
Cash received from outsourcing contracts		32,483
Cash received from fundraising		30,523
Cash received from interest income		11,580
Cash received from other income		6,073
Cash received from sales income		820
Cash expended for employee compensation and benefits		(3,552,608)
Cash expended for rent		(857,734)
Cash expended for programs		(340,922)
Cash expended for employer payroll taxes		(228,942)
Cash expended for development and fundraising		(169,340)
Cash expended for management and general		(40,511)
Cash expended for insurance		(37,949)
Cash expended for bank charges		(28,745)
NET CASH (USED IN) OPERATING ACTIVITIES		(1,498,307)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(16,038)
Net redemption of investments		384,954
NET CASH PROVIDED BY INVESTING ACTIVITIES		368,916
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash received from note payable		753,500
NET CASH PROVIDED BY FINANCING ACTIVITIES		753,500
NET (DECREASE) IN CASH		(375,891)
BEGINNING CASH AND CASH EQUIVALENTS		784,913
ENDING CASH AND CASH EQUIVALENTS	$	409,022
Supplemental cash flow disclosure:		
Contributed materials	$	86,651
Contributed services		-
Total contributed services and materials	$	86,651
RECONCILIATION OF (DECREASE) IN NET ASSETS TO NET CASH (USED IN) OPERATING ACTIVITIES:		
(Decrease) in net assets	$	(1,667,180)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities:		
Depreciation		105,323
Noncash interest expense		50,399
Unrealized loss on investments		17,715
Noncash donations of fixed assets		(75,210)
Reduction in the carrying amount of the right-of-use assets - operating leases (Type B)		465,927
Change in operating assets and liabilities:		
Decrease in accounts receivable		32,335
(Increase) in prepaid expenses		(11,116)
Decrease in other assets		519
Increase in accounts payable		4,211
Increase in accrued expenses		56,886
(Decrease) in refundable advances		(27,580)
Repayments of right-of-use liabilities - operating leases (Type B)		(450,536)
NET CASH (USED IN) OPERATING ACTIVITIES	$	(1,498,307)

The accompanying notes are an integral part of these financial statements.

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

nonPareil Institute (the Organization) is a Texas not-for-profit corporation headquartered in Plano, Texas. The Organization also has sites in Houston and Austin, Texas and in Maitland, Florida. In 2021, nonPareil Institute added a version of its program to be delivered solely online, for the benefit of adults with autism who do not live in areas where an onsite version of the program is available. nonPareil Institute is a post-secondary innovative program whose mission is to build better futures for adults with autism. The core of the nonPareil Institute experience is building skills that enable students to work on teams, thrive in a professional environment, strive toward meaningful employment, or work on third-party outsourced projects. The unique nonPareil Institute environment provides time and space for students to find their passion, grow their potential and discover their purpose.

The Organization provides person-centered training and support in technology, vocational, life and social skills. For adults with autism looking to obtain work-readiness skills, the confidence to pursue a college degree, or wanting to explore a career in a technology field, nonPareil Institute provides a balance of structured training while allowing individual flexibility.

Through small group courses, nonPareil Institute students learn industry standard computer and teamwork skills. These skills are developed across the technical, soft skill, and community pillars of the program. The program is implemented in a real-world workplace environment where students learn not only the technical skills needed to succeed, but the core workplace readiness and professional skills needed.

nonPareil Institute assists this underserved group of people and prepares them for increased independence and fulfilling lives. Some pursue employment at nonPareil Institute upon completion of their training. Others return to college, while many transition into meaningful employment upon leaving nonPareil Institute. The Organization has helped over 800 adults with autism and served 347 adults with autism in 2022 alone. The Organization's revenue consists of training fees, free-will donations, contributed services and materials, fundraising, sponsorships, outsourcing projects, sales income and interest income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred, irrespective of when paid. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is required to file annual reports to the Internal Revenue Service, Form 990, Return of Organizations Exempt from Federal Income Tax. As of the date of this report, nonPareil Institute is in compliance with all federal tax filings for the year ended December 31, 2022.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with United States generally accepted accounting principles (GAAP) and include all accounts of the Organization. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by the classification of net asset balances into two classes of net assets: without donor restrictions and with donor restrictions.

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to donor-imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Descriptions of the two net asset categories are as follows:

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

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Training fees, outsourcing contracts, fundraising, grants and foundations, other income and sales income are recognized when earned, irrespective of when paid. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

At December 31, 2022, net assets with donor restrictions were $376,048. At December 31, 2022, net assets without donor restrictions were a deficit of $1,391,571, have been designated to be used with the permission of the Board of Directors (the "Board").

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, investments, prepaid expenses, other assets, accounts payable, accrued expenses, refundable advances, and notes payable. Accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses and refundable advances are stated at approximately fair value. Cash and cash equivalents and investments are stated at fair value.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less, when purchased, to be classified as cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of training fees receivable, contract receivables and grant receivables and are recorded net of allowance for uncollectible accounts, if necessary. For the year ended December 31, 2022, there were $37,850 recorded to bad debt expense.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid insurance, prepaid rent, and prepaid software subscriptions.

Investments

Investments in marketable equity securities and all debt securities are recorded at fair value, which is based on quoted market prices or dealer quotes. Interest and dividends, realized gains and losses and unrealized gains and losses are reported under investment income on the statement of activities. Investments are exposed to certain market risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term, and those investment values could materially differ from the amounts reported in the financial statements.

Property and Equipment

It is the Organization's policy to capitalize property and furniture over $1,000 and computer equipment over $750. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, ranging from two to seven years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

The Organization assesses potential impairments to long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired. There were no such adjustments for impairment during the year ended December 31, 2022.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Assets

Other assets consist primarily of various security deposits for right-of-use assets operating leases (Type B).

Accrued Expenses

Accrued expenses primarily consists of accrued payroll expenses such as accrued vacation and other accrued payroll items.

Refundable Advances

Resources received in exchange transactions are recognized as refundable advances to the extent that the earnings process has not been completed. These resources are recorded as unrestricted revenues when the related obligations have been satisfied.

Note Payable

Note payable consists of a loan from the Small Business Administration (SBA). A $10,000 emergency Economic Injury Disaster Loan (EIDL) from the SBA was received in April 2020. In February 2021, this loan was completely forgiven by the SBA and monies previously paid, including interest paid, were returned to the Organization by the SBA. The Organization recorded the loan forgiveness as income in the general ledger for fiscal year 2021. A second EIDL of $150,000 was received from the SBA in July 2020. A loan increase in the amount of $350,000 was approved in July 2021. An additional loan increase in the amount of $746,500 was approved in October 2021. A further increase of $753,500 was approved in April 2022. This EIDL is payable over 30 years at 2.75% fixed interest. The first payment was originally scheduled to begin July 2022, which is 24 months from the original date of the note. However, the SBA granted a 6 month extension so the first payment will begin January 2023. Accrued interest of $64,895 was recorded as of December 31, 2022.

Noncash Donations and Contributed Services

Donated materials, fixed assets, and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Operating leases (Type B)

The Organization has operating leases (Type B) for office space in Austin, Houston, Plano, and Maitland. These leases have been determined to be right-of-use asset operating leases (Type B). The assets and the obligations associated with these leases have been recognized as an asset and a liability in the statement of financial position based on future lease payments, discounted by the Organization's incremental borrowing rate. The leases are amortized over the life of the lease on a straight-line basis. Lease terms may include options to extend or terminate certain leases. The value of the leases is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. 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 program activities and supporting services in the statement of functional expenses. Depreciation and interest expense have been allocated to the related operating activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statement of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. The Organization recorded $32,483 as revenue accounted for as contracts with customers for the year ended December 31, 2022.

Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, which deferred the effective date for private companies and certain not-for profit entities to fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The ASU is effective for the Organization's fiscal year 2022.

COVID-19 Pandemic

The COVID-19 pandemic has negatively affected national, state, and local economies along with global financial markets. While future potential impacts from COVID-19 on the Organization cannot be determined at this time, the Organization continues to monitor the course of the virus and related health and regulatory developments and, if necessary, is prepared to take additional measures to protect the health and welfare of the Organization.

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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 benefitted as shown in the statement of functional expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

NOTE D – COMMITMENTS AND CONTINGENCIES

Contracts, grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gifts.

NOTE E – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

Cash and cash equivalents	$	409,022
Accounts receivable		100,987
Short-term investments		346,482
Total financial assets, at year end		856,491
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restriction		(-)
Financial assets available to meet cash needs for general expenditures within one year	$	856,491

Expenses for ongoing operations are covered by a combination of monthly client fees, donations, miscellaneous revenue and available financial assets. Average monthly revenue from operating income in 2022 was $318,954. Average monthly expenses for ongoing operations in 2022 were $459,356. Thus, average monthly revenue from client fees covered 69% of average monthly expenses in 2022.

Expenses for expansion operations are covered by donations restricted for use in expansion activities. In addition, some ongoing operating expenses are covered by donations restricted to cover those specific operating expenses. Cash flows related to fundraising activity have seasonal variations, with most fundraising for ongoing operations occurring in the fourth quarter of the calendar year.

In addition, the Organization has an additional $293,990 in funds functioning as long-term investments, which are available for general expenditure with Board approval.

NOTE F – INVESTMENTS

The Organization's investments consist of money market funds held at a financial institution. As of December 31, 2022 the Organization had $640,472 in Certificate of Deposits and had earned $11,580 in interest income.

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return while diversifying risk to an acceptable minimum level given the fluctuations of the markets. The funds are to be used for the Organization's expenditures when needed and with Board approval.

NOTE G – FAIR VALUE MEASUREMENT

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, ("ASC 820") provides the framework for measuring and reporting fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Those fair value measurements maximize the use of observable inputs.

The fair value 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 as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value hierarchy for the Organization's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022:

	Total	Level 1	Level 2	Level 3
Investments:				
Certificate of Deposits	$ 640,472	$ 640,472	$ -	$ -
Total investments	$ 640,472	$ 640,472	$ -	$ -

NOTE H – PROPERTY AND EQUIPMENT

The Organization's property and equipment consists of the following at December 31, 2022:

Property and equipment:	
Computer hardware	$ 776,839
Furniture and equipment	198,078
Leasehold improvements	274,933
	1,249,850
Accumulated depreciation	(995,935)
Property and equipment, net	$ 253,915

The Organization expensed $105,303 to depreciation expense for the year ended December 31, 2022.

NOTE I – OPERATING LEASES (TYPE B)

The Organization leases office space in Austin, Houston, Plano, and Maitland. The leases have various maturities expiring in 2024 through 2031. These leases are a right-of-use operating lease (Type B). The asset and the obligations associated with these leases have been recognized as an asset and a liability in the statement of financial position based on future lease payments, discounted by the Organization's incremental borrowing rate, determined to be 6.00%. The minimum future lease payments under the non-cancelable right-of-use operating leases (Type B) having remaining terms in excess of one year for the next five years and thereafter are estimated to be as follows:

Years	Base rent
2023	$ 729,248
2024	765,195
2025	519,973
2026	414,838
2027	591,868
Thereafter	1,603,924
Total minimum future rental payments	$ 4,625,046
Less present value discount	(1,269,107)
Total lease liability	$ 3,355,939

The right-of-use lease assets and accumulated amortization (depreciation) are shown below:

Operating Leases (Type B)	2022
Right-of-use lease assets – operating leases (Type B)	$ 4,173,529
Less: accumulated amortization (depreciation)	(1,123,997)
Total right-of-use lease assets, net	$ 3,049,532

The Organization expensed $857,734 to rent expense for the year ended December 31, 2022.

NOTE J – CONTRIBUTED SERVICES AND MATERIALS

For the year ended December 31, 2022, the Organization received and recognized contributed services and materials as follows:

Gifts in kind - goods	$	86,759
Gifts in kind - services		-
Totals	$	86,759

These amounts are included in revenue as unrestricted contributions and in the applicable expense and assets categories in the accompanying financial statements.

In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

NOTE K – NOTE PAYABLE

The Organization's long-term debt consists of the following at December 31, 2022:

Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA), unsecured, fixed interest rate at 2.75%, monthly principal and interest payments required beginning January 2023, and matures October 2051. The loan is secured by substantially all of the Organization's physical assets. Loan is a COVID-19 rated relief loan from the SBA.	$ 2,064,895
Total note payable	2,064,895
Less current portion	(50,282)
Total note payable, less current portion	$ 2,014,613

The following are maturities of the note payable as of December 31, 2022, for each of the next five years and in the aggregate thereafter:

2023	$	50,282
2024		51,682
2025		53,121
2026		54,601
2027		56,121
Thereafter		1,799,088
Total	$	2,064,895

NOTE L – NET ASSETS

The Organization's net assets for the year ended December 31, 2022 were as follows:

	Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions	$ 308,403	$ (1,699,974)	-$ 1,391,571
With donor restrictions	343,254	32,794	376,048
Totals	$ 651,657	$ 1,667,180	$ 1,015,523

NOTE M – CONTRIBUTIONS WITH DONOR RESTRICTIONS

Contributions with donor restrictions are net assets subject to restrictions imposed by the Organization or donor that may or will be met by actions of the Board and/or passage of time. When the restriction expires (i.e., when a stipulated time restriction ends or the Board fulfills the purpose for which the net assets were restricted), 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. For the year ended December 31, 2022, there were $159,902 of contributions with donor restrictions given to the Organization for the location in operating cities, $114,356 given for scholarships, $75,000 given for other initiatives.

NOTE N – REVENUE FROM CONTRACTS FROM CUSTOMERS

nonPareil Institute contracts with some customers who outsource work projects to the Organization. This outsourcing of work projects provides paid, real-life work experiences for adults with autism who are associated with the Organization.

In the Statement of Activities, these projects are shown as Outsourcing Contracts. The Outsourcing Contracts are as follows:

	Contract-based revenue	Other revenue	Total
2022	$ 32,483	$ -	$ 32,483

All revenue from contracts from customers were fulfilled and earned as of December 31, 2022.

NOTE O – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of $316,464 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2022. The net assets with donor restrictions spent were $7,112 on the operating cities, $50,050 on the expansion cities, $74,452 on scholarships, $184,851 on other initiatives.

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions for the year ended December 31, 2022 were as follows:

	Beginning Balance	With donor restrictions	With donor restrictions released	Ending Balance
Operating cities	($ 17,353)	$ 159,902	($ 7,112)	$ 135,437
Expansion cities	89,002	-	(50,050)	38,952
Scholarships	(957)	114,356	(74,452)	38,947
Other initiatives	272,562	75,000	(184,851)	162,711
Totals	$ 343,254	$ 349,258	($ 316,464)	$ 376,048

NOTE Q – SUBSEQUENT EVENTS

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through March 17, 2023, the date that the financial statements were available to be issued.