

**THE CHALLENGE PROGRAM, INC.**

Audited Financial Statements  
June 30, 2023 and 2022

## Table of Contents

Independent Auditors' Report .....	2
Statements of Financial Position .....	4
Statements of Activities .....	5
Statements of Functional Expenses.....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## **Independent Auditors' Report**

To the Board of Directors of  
The Challenge Program, Inc.  
Johnstown, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of The Challenge Program, 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 The Challenge Program, 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 audit 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 The Challenge Program, Inc. 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.

#### *Emphasis of Matter – FASB ASC Topic 842, Leases*

As discussed in Note 2 to the financial statements, The Challenge Program has adopted provisions of FASB ASU 2016-02, *Leases (Topic 842)* for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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 The Challenge Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

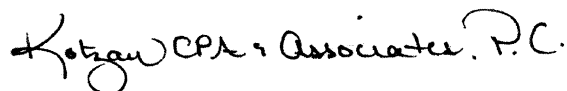
### **Auditors' Responsibilities for the Audit of the Financial Statements**

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 The Challenge Program, 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 The Challenge Program, 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.



Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
October 20, 2023

**The Challenge Program, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

<b>Assets</b>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 875,271	\$ 820,852
Grants receivable	15,876	21,551
Accounts receivable	200	200
Prepaid expenses	14,771	15,181
Total current assets	<u>906,118</u>	<u>857,784</u>
Property and equipment	87,563	107,629
Less: accumulated depreciation	<u>(49,023)</u>	<u>(56,598)</u>
Net property and equipment	<u>38,540</u>	<u>51,031</u>
Right-of use asset, net	<u>84,422</u>	<u>0</u>
Total assets	<u>\$ 1,029,080</u>	<u>\$ 908,815</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 12,524	\$ 17,064
Student awards payable	256,000	270,200
Accrued payroll and liabilities	78,377	62,533
Deferred revenue	120,000	125,000
Operating lease obligations - current	41,184	0
Total current liabilities	<u>508,085</u>	<u>474,797</u>
Operating lease obligations - long-term	<u>44,544</u>	<u>0</u>
Total liabilities	<u>552,629</u>	<u>474,797</u>
Net assets:		
Without donor restriction	<u>476,451</u>	<u>434,018</u>
Total net assets	<u>476,451</u>	<u>434,018</u>
Total liabilities and net assets	<u>\$ 1,029,080</u>	<u>\$ 908,815</u>

See accompanying notes to financial statements.

**The Challenge Program, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Support and Revenue</b>		
Contributions for general operations	\$ 925,524	\$ 777,558
Contributions for students	384,000	402,400
Government grants	82,612	101,865
Foundation grants	<u>11,041</u>	<u>9,010</u>
Total support	<u>1,403,177</u>	<u>1,290,833</u>
Special events revenue	119,450	120,400
Less: Costs of direct benefits to donors	<u>(64,666)</u>	<u>(55,076)</u>
Net revenues from special events	<u>54,784</u>	<u>65,324</u>
Interest income	4,921	1,530
Other revenue	4,200	2,800
Gain upon debt extinguishment - PPP Loan	<u>0</u>	<u>123,973</u>
Total support and revenue	<u>1,467,082</u>	<u>1,484,460</u>
<b>Expenses</b>		
Program services	890,981	818,955
General and administration	154,316	107,588
Fundraising	<u>379,352</u>	<u>357,569</u>
Total expenses	<u>1,424,649</u>	<u>1,284,112</u>
Change in net assets	42,433	200,348
Net assets, beginning of year	<u>434,018</u>	<u>233,670</u>
Net assets, end of year	<u>\$ 476,451</u>	<u>\$ 434,018</u>

See accompanying notes to financial statements.

**The Challenge Program, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2023**

	Program Services	General and Administration	Fundraising	Total
Salaries and wages	\$ 349,596	\$ 87,229	\$ 243,502	\$ 680,327
Payroll taxes	30,124	7,679	21,264	59,067
Employee benefits	33,849	8,628	23,893	66,370
Travel expense	24,220	6,174	17,097	47,491
Meals and entertainment	1,878	5,633	11,267	18,778
Office supplies	7,120	1,815	5,026	13,961
Telephone	7,897	2,013	5,574	15,484
Postage and delivery	658	168	464	1,290
Student awards	391,235	0	0	391,235
Rent	22,634	5,769	15,977	44,380
Contracted services	6,480	1,652	4,574	12,706
Depreciation	6,370	1,624	4,497	12,491
Recruiting expense	839	0	559	1,398
Bank service charges	0	0	1,126	1,126
Insurance	0	5,600	0	5,600
Fundraising software maintenance	0	0	1,472	1,472
Audit and accounting	0	10,938	0	10,938
Licenses and fees	0	250	0	250
Minor equipment	5,957	1,519	4,205	11,681
Dues and subscriptions	0	6,118	6,118	12,236
Meetings and seminars	0	1,507	0	1,507
General marketing	2,124	0	12,737	14,861
	<u>\$ 890,981</u>	<u>\$ 154,316</u>	<u>\$ 379,352</u>	<u>\$ 1,424,649</u>

See accompanying notes to financial statements.

**The Challenge Program, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	Program Services	General and Administration	Fundraising	Total
Salaries and wages	\$ 281,834	\$ 56,367	\$ 225,466	\$ 563,667
Payroll taxes	26,812	5,362	21,449	53,623
Employee benefits	30,187	6,037	24,150	60,374
Travel expense	18,707	3,741	14,965	37,413
Meals and entertainment	1,653	4,957	9,916	16,526
Office supplies	6,914	1,383	5,531	13,828
Telephone	6,837	1,367	5,469	13,673
Postage and delivery	712	142	570	1,424
Student awards	403,270	0	0	403,270
Rent	20,910	4,182	16,728	41,820
Contracted services	5,938	1,187	4,750	11,875
Depreciation	7,520	1,504	6,016	15,040
Recruiting expense	1,961	0	1,308	3,269
Bank service charges	0	0	1,115	1,115
Insurance	0	5,035	0	5,035
Fundraising software maintenance	0	0	1,354	1,354
Audit and accounting	0	9,346	0	9,346
Licenses and fees	0	289	0	289
Minor equipment	3,000	600	2,400	6,000
Dues and subscriptions	0	5,284	5,285	10,569
Meetings and seminars	0	805	0	805
General marketing	2,700	0	11,097	13,797
	<u>\$ 818,955</u>	<u>\$ 107,588</u>	<u>\$ 357,569</u>	<u>\$ 1,284,112</u>

See accompanying notes to financial statements.



**The Challenge Program, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 42,433	\$ 200,348
Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	12,491	15,040
Gain upon debt extinguishment - PPP Loan	0	(123,973)
Amortization of right-of-use assets	(3,752)	0
(Increase) decrease in operating assets:		
Receivables	5,675	13,370
Prepaid expenses	410	(1,070)
Increase (decrease) in operating liabilities:		
Payables	(18,740)	16,869
Accrued payroll	15,844	3,921
Deferred revenue	(5,000)	2,500
Operating lease liability	<u>5,058</u>	<u>0</u>
Net cash provided by (used in) operating activities	<u>54,419</u>	<u>127,005</u>
Net increase (decrease) in cash	54,419	127,005
Cash and cash equivalents, beginning	<u>820,852</u>	<u>693,847</u>
Cash and cash equivalents, ending	<u><u>\$ 875,271</u></u>	<u><u>\$ 820,852</u></u>

See accompanying notes to financial statements.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 1 – Nature of Activities**

The Challenge Program, Inc. (the Organization) is a nonprofit organization whose mission is to motivate high school students to develop the habits required to succeed in school and in their careers by building business/education partnerships. The Organization contributes to workforce and economic development by connecting business and education to achieve a common objective: the development of a skilled and motivated future workforce. The Organization provides monetary incentives to high school students in five award categories: Academic Excellence, Community Service, STEM (Science, Technology, Engineering and Math), Attendance, and Academic Improvement. The program benefits students from numerous schools in Pennsylvania, Ohio, and West Virginia. These activities are funded primarily by individual and corporate partnerships and grant programs.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America. Accordingly, certain revenues are recorded when the services are rendered rather than received, and certain expenses are recorded when incurred rather than paid.

Change in Accounting Principle

The Organization adopted the Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$123,745 and lease liabilities of \$123,745 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year the year ended June 30, 2023.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, which require The Challenge Program, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

*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 Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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.

Cash and Cash Equivalents – Concentration of Credit Risk

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At various times during the period, the Organization's cash in bank balances may exceed the federally insured limits of \$250,000 per institution. The Organization has not experienced any losses in such accounts, and management believes they are not exposed to any significant credit risk related to its cash and cash equivalents.

Revenue Recognition

The Organization recognizes contributions when cash or an unconditional promise to give is received. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Consequently, at June 30, 2023 and 2022, contributions of \$120,000 and \$125,000, respectively, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not been met. Most of the Organization's revenue is derived from individual and corporate partnerships and grants that require The Challenge Program, Inc. to provide services such as access to future workforce, public relations, marketing, and administration of student award programs on behalf of the donors.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Grant Funds Receivable/Revenue

Government grant revenues are recognized when the Organization has incurred expenditures in compliance with specific grant or contract provisions. Grant funds receivable represent eligible expenditures incurred by the Organization, but not yet received/reimbursed at June 30, 2023 and 2022. The amounts receivable are as follows at June 30, 2023 and 2022:

State:	<u>2023</u>	<u>2022</u>
Department of Community and Economic Development	<u>\$15,876</u>	<u>\$21,551</u>
	<u>\$15,876</u>	<u>\$21,551</u>

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. Prepaid items at June 30, 2023 and 2022 include prepaid insurance expense, software agreements, and rent.

Property and Equipment

Purchased property and equipment is capitalized at cost. Depreciation is provided on the straight-line method over one to seven years for furniture, equipment, and software. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to operations as incurred. The Organization does not maintain a formal capitalization threshold.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt, which is then treated as cost. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Deferred Revenue

Deferred revenue represents monies received from conditional contributions or grants that will be recognized as revenue in future periods when services are performed. Deferred revenue consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Corporate partnerships	\$ 120,000	\$ 125,000
	<u>\$ 120,000</u>	<u>\$ 125,000</u>

Income Taxes

The Challenge Program, Inc. is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code; therefore, has made no provision for federal or state income taxes in the accompanying financial statements. The Organization did not conduct unrelated business activities during the years ended June 30, 2023 and 2022.

Fair Value Measurement

The Organization's management believes the carrying values of all financial assets and liabilities at June 30, 2023 and 2022 approximate fair value.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. Allocated expenses include personnel costs and professional services, marketing, office expenses, and bank fees, as well as building costs including insurance, maintenance, utilities, and depreciation. Personnel costs and professional services are allocated based on estimates of time and effort. Office expenses, marketing, and bank fees are allocated based on estimates of actual utilization, and building costs on estimates of square footage and actual utilization.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Marketing Costs

Marketing costs are expensed as incurred. Marketing costs for the years ended June 30, 2023 and 2022 were \$14,861 and \$13,797 respectively.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 20, 2023, the date the financial statements were available to be issued.

**Note 3 – Liquidity and Availability of Financial Assets**

The following reflects the Organization's financial assets as of June 30, 2023 and 2022 available to meet general expenditures within one year:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash	\$ 875,271	\$ 820,852
Receivables	<u>16,076</u>	<u>21,751</u>
Financial assets at year end	891,347	842,603
Less those unavailable for general expenditures within one year, due to:		
Restricted for student awards	<u>(256,000)</u>	<u>(270,200)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 635,347</u>	<u>\$ 572,403</u>

As part of its liquidity management, The Challenge Program, Inc. strives to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization also maintains a line-of-credit available to meet cash flow needs in the amount of \$150,000.

**Note 4 – Property and Equipment**

Property and equipment consist of the following major classifications:

<u>Class</u>	<u>Estimated Life in years</u>	<u>Balance June 30, 2023</u>	<u>Balance June 30, 2022</u>
Furniture and equipment	3-7	\$ 75,743	\$ 95,809
Software	1-3	<u>11,820</u>	<u>11,820</u>
		87,563	107,629
Less: accumulated depreciation		<u>(49,023)</u>	<u>(56,598)</u>
		<u>\$ 38,540</u>	<u>\$ 51,031</u>

Depreciation expense was \$12,491 and \$15,040 for the years ended June 30, 2023 and 2022.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 5 – Compensated Absences**

All full-time and part-time employees of the Organization are entitled to annual leave for each pay period if the employee is on active, paid employment status for the entire pay period. Annual leave is earned based on the employee's length of service and position. Upon termination, employees will be compensated any earned, unused annual leave up to the termination date. The Organization has accrued a current liability for compensated absences included in the Statement of Financial Position in Accrued Payroll and Liabilities of \$15,777 and \$12,665 at June 30, 2023 and 2022, respectively.

**Note 6 – Retirement Plan**

In June 2017, the Organization began participation in a Simple IRA retirement plan covering qualified employees, as defined. The Organization can match the employee's contribution up to a maximum of three (but not less than one) percent or elect to contribute two percent of the eligible employee's compensation. For the years ended June 30, 2023 and 2022, the Organization contributed \$6,599 and \$14,155, respectively.

**Note 7 – Line-of-Credit**

A \$150,000 line-of-credit was established in 2011 with a local financial institution. As of June 30, 2023 and 2022, the line-of-credit had a \$0 balance. There were no borrowings or repayments during years ended June 30, 2023 and 2022. The line is secured by the assets of the Organization and had an interest rate of 9.25% at June 30, 2023.

**Note 8 – Paycheck Protection Program Loans**

On January 22, 2021, The Challenge Program, Inc. obtained a \$123,973 loan with 1<sup>st</sup> Summit Bank under Round Two of the Small Business Administration's Paycheck Protection Program (PPP) to provide payroll assistance during the COVID-19 pandemic. The loan had a maturity date of January 22, 2026, bearing interest at 1.00%. While the amount was considered a loan, similar to Round One, if used for the designated purposes within a 24-week period, and employment levels remain consistent with pre-pandemic levels, the amount received was eligible for loan forgiveness. The Challenge Program, Inc. recorded a note payable and subsequently recorded revenue when the loan obligation was legally released on September 7, 2021. Accordingly, the Organization recognized \$123,973 of loan forgiveness for the year ended June 30, 2022.

**The Challenge Program, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 9 – Leases**

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents the Organization's right to use an underlying asset for the lease term, and the lease liability represents the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability, both of which arise from an operating lease, were calculated based on the present value of future lease payments over the lease terms. Because the lease does not provide an implicit rate, the Organization used its incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments. The weighted average discount rate applied to calculate the lease liability as of June 30, 2023 was 4.75%.

The Organization's operating lease consists of a real estate lease for office space, with a noncancellable remaining lease term of 3 years. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease asset and liability. For the year ended June 30, 2023, total operating lease cost was \$44,380. As of June 30, 2023, the weighted average remaining lease term for the Organization's operating lease was 2 years.

Cash paid for amounts included in the measurement of operating lease liabilities was \$43,075 for the year ended June 30, 2023. There were no noncash investing and financing transactions relating to leasing.

Future maturities of the lease liability are presented in the following table for the fiscal years ended June 30:

2024	\$ 44,367
2025	<u>45,698</u>
Total lease payments	90,065
Less: present value discount	<u>(4,337)</u>
Total lease obligations	<u>\$ 85,728</u>

**Note 10 – Commitments and Contingencies**

Grant Programs

The Organization receives state awards for specific purposes that are subject to review and audit by the grantors or their representatives. The Organization is potentially liable for any expenditures which may be disallowed under the terms and conditions of these grant programs. Management is not aware of any items of noncompliance which would result in the disallowance of program expenses.