

Code of Support Foundation

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

Code of Support Foundation

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Code of Support Foundation

Opinion

We have audited the accompanying financial statements of Code of Support Foundation (COSF), which comprise the statements of financial position as of December 31, 2021 and 2020; 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 COSF as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of COSF 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.

Responsibilities of Management for the Financial Statements (continued)

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 COSF'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 COSF'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 COSF's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
September 16, 2022

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Statements of Financial Position December 31, 2021 and 2020

| | 2021 | 2020 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash | \$ 312,017 | \$ 412,155 |
| Contributions receivable | 37,000 | 70,000 |
| Employee retention credit receivable | 172,172 | - |
| Prepaid expenses and deposits | 12,462 | 8,957 |
| Property and equipment, net | 617,293 | 750,109 |
| Total assets | <u>\$ 1,150,944</u> | <u>\$ 1,241,221</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 64,209 | \$ 35,124 |
| Lines of credit | 165,769 | 165,779 |
| Notes payable | 50,000 | 100,000 |
| Deferred rent | - | 20,572 |
| Total liabilities | <u>279,978</u> | <u>321,475</u> |
| Net Assets | | |
| Without donor restrictions | 570,429 | 531,082 |
| With donor restrictions | 300,537 | 388,664 |
| Total net assets | <u>870,966</u> | <u>919,746</u> |
| Total liabilities and net assets | <u>\$ 1,150,944</u> | <u>\$ 1,241,221</u> |

See accompanying notes.

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Statement of Activities
For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|-------------------|
| Revenue and Support | | | |
| Contributions and grants | \$ 1,174,473 | \$ 397,500 | \$ 1,571,973 |
| Sponsorships | 105,000 | - | 105,000 |
| Released from restrictions | 485,627 | (485,627) | - |
| Total revenue and support | <u>1,765,100</u> | <u>(88,127)</u> | <u>1,676,973</u> |
| Expenses | | | |
| Program services: | | | |
| Case coordination | 516,599 | - | 516,599 |
| Patriot Link | 538,879 | - | 538,879 |
| Education and engagement | 134,538 | - | 134,538 |
| Total program services | <u>1,190,016</u> | <u>-</u> | <u>1,190,016</u> |
| Supporting services: | | | |
| Management and general | 193,113 | - | 193,113 |
| Fundraising | 342,624 | - | 342,624 |
| Total supporting services | <u>535,737</u> | <u>-</u> | <u>535,737</u> |
| Total expenses | <u>1,725,753</u> | <u>-</u> | <u>1,725,753</u> |
| Change in Net Assets | 39,347 | (88,127) | (48,780) |
| Net Assets, beginning of year | <u>531,082</u> | <u>388,664</u> | <u>919,746</u> |
| Net Assets, end of year | <u>\$ 570,429</u> | <u>\$ 300,537</u> | <u>\$ 870,966</u> |

See accompanying notes.

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Statement of Activities
For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|-------------------|
| Revenue and Support | | | |
| Contributions and grants | \$ 982,956 | \$ 524,882 | \$ 1,507,838 |
| Sponsorships | 178,259 | - | 178,259 |
| In-kind contributions | 10,712 | - | 10,712 |
| Other income | 2,779 | - | 2,779 |
| Released from restrictions | 430,748 | (430,748) | - |
| Total revenue and support | 1,605,454 | 94,134 | 1,699,588 |
| Expenses | | | |
| Program services: | | | |
| Case coordination | 425,984 | - | 425,984 |
| Patriot Link | 562,839 | - | 562,839 |
| Education and engagement | 167,812 | - | 167,812 |
| Total program services | 1,156,635 | - | 1,156,635 |
| Supporting services: | | | |
| Management and general | 201,299 | - | 201,299 |
| Fundraising | 284,445 | - | 284,445 |
| Total supporting services | 485,744 | - | 485,744 |
| Total expenses | 1,642,379 | - | 1,642,379 |
| Change in Net Assets | (36,925) | 94,134 | 57,209 |
| Net Assets, beginning of year | 568,007 | 294,530 | 862,537 |
| Net Assets, end of year | \$ 531,082 | \$ 388,664 | \$ 919,746 |

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2021

| | Program Services | | | | Supporting Services | | | Total Expenses |
|----------------------------------|-------------------|-------------------|--------------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
| | Case Coordination | Patriot Link | Education and Engagement | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salary and benefits | \$ 301,862 | \$ 193,796 | \$ 122,150 | \$ 617,808 | \$ 87,876 | \$ 258,762 | \$ 346,638 | \$ 964,446 |
| Consulting and professional fees | 27,307 | 155,464 | 3,174 | 185,945 | 82,642 | 11,602 | 94,244 | 280,189 |
| Client services expense | 135,839 | - | - | 135,839 | - | - | - | 135,839 |
| Other program services | 19,661 | 2,988 | 233 | 22,882 | 1,037 | 4,031 | 5,068 | 27,950 |
| Events | 1,806 | - | 217 | 2,023 | - | 7,861 | 7,861 | 9,884 |
| Travel | 368 | 786 | 26 | 1,180 | 519 | 4,570 | 5,089 | 6,269 |
| Rent | 14,237 | 10,324 | 3,679 | 28,240 | 2,816 | 8,391 | 11,207 | 39,447 |
| Insurance | - | 579 | - | 579 | 4,665 | - | 4,665 | 5,244 |
| Dues and subscriptions | 3,602 | 2,088 | 1,929 | 7,619 | 239 | 5,055 | 5,294 | 12,913 |
| Supplies | 316 | 229 | 82 | 627 | 62 | 186 | 248 | 875 |
| Depreciation and amortization | - | 164,126 | - | 164,126 | - | - | - | 164,126 |
| Advertising | - | - | - | - | - | 5,410 | 5,410 | 5,410 |
| Interest | - | - | - | - | 9,467 | - | 9,467 | 9,467 |
| Other office expenses | 11,601 | 8,499 | 3,048 | 23,148 | 3,790 | 36,756 | 40,546 | 63,694 |
| Total Expenses | \$ 516,599 | \$ 538,879 | \$ 134,538 | \$ 1,190,016 | \$ 193,113 | \$ 342,624 | \$ 535,737 | \$ 1,725,753 |

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2020

| | Program Services | | | | Supporting Services | | | Total Expenses |
|----------------------------------|-------------------|-------------------|--------------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
| | Case Coordination | Patriot Link | Education and Engagement | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salary and benefits | \$ 284,931 | \$ 192,419 | \$ 154,669 | \$ 632,019 | \$ 77,966 | \$ 136,060 | \$ 214,026 | \$ 846,045 |
| Consulting and professional fees | 18,894 | 161,015 | - | 179,909 | 88,577 | 15,226 | 103,803 | 283,712 |
| Client services expense | 60,569 | - | - | 60,569 | - | - | - | 60,569 |
| Other program services | 940 | 18 | - | 958 | 596 | 567 | 1,163 | 2,121 |
| Events | 15,455 | 15,449 | 49 | 30,953 | 1,528 | 91,957 | 93,485 | 124,438 |
| Travel | 1,098 | 157 | 32 | 1,287 | 133 | 733 | 866 | 2,153 |
| Rent | 18,391 | 17,398 | 7,295 | 43,084 | 5,357 | 11,549 | 16,906 | 59,990 |
| Insurance | - | - | - | - | 5,281 | - | 5,281 | 5,281 |
| Dues and subscriptions | 7,409 | 5,703 | 2,383 | 15,495 | 1,990 | 4,027 | 6,017 | 21,512 |
| Supplies | 232 | 220 | 92 | 544 | 68 | 146 | 214 | 758 |
| Depreciation and amortization | - | 159,733 | - | 159,733 | - | - | - | 159,733 |
| Advertising | 2,933 | 2,876 | - | 5,809 | 419 | 18,774 | 19,193 | 25,002 |
| Interest | - | - | - | - | 9,404 | - | 9,404 | 9,404 |
| Other office expenses | 15,132 | 7,851 | 3,292 | 26,275 | 9,980 | 5,406 | 15,386 | 41,661 |
| Total Expenses | \$ 425,984 | \$ 562,839 | \$ 167,812 | \$ 1,156,635 | \$ 201,299 | \$ 284,445 | \$ 485,744 | \$ 1,642,379 |

See accompanying notes.

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Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|-------------|------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (48,780) | \$ 57,209 |
| Adjustment to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 164,126 | 159,733 |
| Forgiveness of Paycheck Protection Program loan | (146,511) | (159,100) |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | - | 4,719 |
| Contributions receivable | 33,000 | (20,000) |
| Employee retention credit receivable | (172,172) | - |
| Prepaid expenses and deposits | (3,505) | 9,383 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 29,085 | (170,921) |
| Deferred revenue | - | (5,000) |
| Deferred rent | (20,572) | 15,115 |
| | (165,329) | (108,862) |
| Cash Flows from Investing Activity | | |
| Purchase of property and equipment | (31,310) | (15,875) |
| Net cash used in investing activity | (31,310) | (15,875) |
| Cash Flows from Financing Activities | | |
| Payments on notes payable | (50,000) | (50,000) |
| Payments on lines of credit | (10) | (85) |
| Proceeds from Paycheck Protection Program loan | 146,511 | 159,100 |
| Net cash (used in) provided by financing activities | 96,501 | 109,015 |
| Net Decrease in Cash | (100,138) | (15,722) |
| Cash, beginning of year | 412,155 | 427,877 |
| Cash, end of year | \$ 312,017 | \$ 412,155 |
| Supplementary Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | \$ 9,467 | \$ 9,404 |

See accompanying notes.

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Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations

The Code of Support Foundation (COSF) provides essential and critical one-on-one assistance to those struggling service members, veterans, and their families who have the most complex needs. COSF is dedicated to leveraging the nation's full spectrum of resources to ensure all members of our military, veterans, and their families receive the support services they need and, through their collective sacrifice, have earned.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

COSF's financial statements have been prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. COSF reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions Receivable

Contributions receivable represent unconditional amounts committed to COSF. All contributions receivable are expected to be collected within one year. COSF provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment, considering historical information. Accounts are individually analyzed for collectability and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written-off against the related allowance. No allowance was recorded as management believes the contributions are fully collectible at both December 31, 2021 and 2020.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment purchased at a cost of \$500 or more and with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Repair and maintenance costs are expensed as incurred.

Revenue Recognition

COSF recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, 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 substantially met.

Sponsorships are exchange transactions and recognized as revenue in the month the event takes place, which is when the sole performance obligation is satisfied. Sponsorships received that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are recorded as in-kind contributions. In-kind contributions consist of legal services and donated gift cards that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective in 2022. Management continues to evaluate the potential impact of this update on COSF's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective in 2022 and is not expected to have a significant impact on COSF's financial statements.

Subsequent Events

In preparing these financial statements, COSF has evaluated events and transactions for potential recognition or disclosure through September 16, 2022, the date the financial statements were available to be issued.

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Notes to Financial Statements
December 31, 2021 and 2020

3. Liquidity and Availability

COSF manages its cash available to meet general expenditures following two guiding principles:

- Operating within a prudent range of financial soundness and stability; and
- Maintaining adequate liquidity to operate and meet its obligations in a timely manner.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

| | 2021 | 2020 |
|--|------------------|------------------|
| Cash | \$ 312,017 | \$ 412,155 |
| Contributions receivable | 37,000 | 70,000 |
| Total financial assets | 349,017 | 482,155 |
| Less: restricted by donors | (300,537) | (388,664) |
| Total available for general expenditures | <u>\$ 48,480</u> | <u>\$ 93,491</u> |

4. Concentration of Credit Risk

Financial instruments that potentially subject COSF to significant concentrations of credit risk consist of cash. COSF maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). COSF has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

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Notes to Financial Statements
December 31, 2021 and 2020

5. Property and Equipment

Property and equipment consists of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Patriot Link hardware and software | \$ 1,161,901 | \$ 1,130,592 |
| Less: accumulated depreciation and amortization | <u>(544,608)</u> | <u>(380,483)</u> |
| Property and equipment, net | <u>\$ 617,293</u> | <u>\$ 750,109</u> |

6. Lines of Credit

COSF maintains a \$150,000 line of credit, payable on demand, with a maturity date of June 21, 2023. Amounts borrowed under this line of credit bear a variable interest rate based on the bank's prime rate plus 4.0% with a floor rate of 5.75%. Interest rate on this line of credit was 5.75% at both December 31, 2021 and 2020. The outstanding balance on this line of credit was \$145,714 at both December 31, 2021 and 2020.

COSF maintains another \$150,000 revolving line of credit, payable on demand. Amounts borrowed under this line of credit bear a variable interest rate based on the bank's prime rate plus 0.75%, which was 4.00% at both December 31, 2021 and 2020, respectively. The outstanding balance on this line of credit was \$20,055 and \$20,065 at December 31, 2021 and 2020, respectively.

7. Notes Payable

Notes payable consist of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|-------------------|
| Promissory note of \$50,000; 0% interest rate; due in full on March 31, 2023 | \$ 50,000 | \$ 50,000 |
| Promissory note of \$100,000; 0% interest rate; paid in full on April 30, 2021 | <u>-</u> | <u>50,000</u> |
| Total notes payable | <u>\$ 50,000</u> | <u>\$ 100,000</u> |

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Notes to Financial Statements
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8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Purpose restricted: | | |
| Case coordination | \$ 137,881 | \$ 128,132 |
| Patriot Link | 67,656 | 120,532 |
| Time restricted | <u>95,000</u> | <u>140,000</u> |
| Total net assets with donor restrictions | <u>\$ 300,537</u> | <u>\$ 388,664</u> |

9. Paycheck Protection Program Loans

COSF applied for two loans under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which COSF qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness.

The first PPP loan was granted to COSF on April 23, 2020 in the amount of \$159,100. During the covered period, COSF incurred qualifying expenditures and applied for forgiveness of the full amount of the first PPP loan. Management determined the conditions had been substantially satisfied as of December 31, 2020, and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended December 31, 2020. On June 16, 2021, the full amount of this loan was forgiven by the SBA.

In 2021, COSF applied for a second loan under the PPP. The second PPP loan was granted to COSF on January 29, 2021 in the amount of \$146,511. During the covered period, COSF incurred qualifying expenditures and applied for forgiveness of the full amount of the second PPP loan. The second PPP loan was fully forgiven by the SBA on November 16, 2021 and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended December 31, 2021.

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Notes to Financial Statements
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10. Commitments and Contingencies

Operating Lease

In July 2019, COSF entered into an agreement to lease office space that commenced on September 23, 2019 and was set to expire on January 22, 2025. The terms of the lease called for base monthly payments of \$3,740 and annual rental increases of 4%. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position.

Effective May 1, 2021, COSF amended this lease to reduce office space and terminate the lease early on September 30, 2022. The terms of the lease amendment call for base monthly payments of \$475 for the remainder of the lease term, and a payment of \$45,000 in two equal installments on May 15, 2021 and June 15, 2021.

Subsequent to year end, on September 12, 2022, COSF further amended this lease to extend the lease through September 30, 2023. The terms of the lease amendment call for base monthly payments of \$525 for the remainder of the lease term.

Future minimum lease payments under the lease agreement are as follows for the years ending December 31:

| | | |
|-------------------------------------|----|----------------------|
| 2022 | \$ | 5,850 |
| 2023 | | <u>4,725</u> |
| Total future minimum lease payments | \$ | <u><u>10,575</u></u> |

Rent expense totaled \$39,447 and \$59,990 for the years ended December 31, 2021 and 2020, respectively.

Service Organization

COSF has contracted with Insperity PEO Services, L.P. (“Insperity”) as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes for COSF employees. This co-employment relationship allows COSF to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

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Notes to Financial Statements
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11. Related Party Transactions

Two of the Board members provided COSF with promissory notes. See Note 7 for details.

12. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits reported on the statements of functional expenses, which are allocated on the basis of estimates of time and effort. In addition to time and effort, some indirect costs are allocated proportionally based on total direct costs.

13. Employee Retention Credit

The Employee Retention Credit (ERC) was established by the CARES Act in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The CARES Act did not allow businesses that received PPP loans to also claim the ERC, but the Consolidated Appropriations Act, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERC.

With this restriction removed, COSF is eligible for total credits of \$172,172 for the year ended December 31, 2021. Outstanding credits are shown as employee retention credit receivable in the accompanying statements of financial position with revenue recognized in contributions and grants in the accompanying statement of activities for the year ended December 31, 2021.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge COSF's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon COSF.

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Notes to Financial Statements
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14. Income Taxes

COSF is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended December 31, 2021 and 2020, there were no unrelated business activities. Contributions to COSF are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated COSF's tax positions, and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the financial statements.