

OKIZU FOUNDATION

Audited Financial Statements

December 31, 2022

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Independent Auditor's Report	1
Statements of Financial Position	3
Statement of Activities – December 31, 2022	4
Statement of Activities – December 31, 2021	5
Statement of Functional Expenses – December 31, 2022	6
Statement of Functional Expenses – December 31, 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Okizu Foundation
Novato, California

Opinion

We have audited the accompanying financial statements of the Okizu Foundation (the Foundation) 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 Okizu Foundation 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 the Foundation 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 the Foundation'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

To the Board of Directors
Okizu Foundation

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 Foundation'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 Foundation'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.

Other Matters

The financial statements of the Foundation as of December 31, 2021 were audited by other auditors whose report dated October 24, 2022 expressed an unmodified opinion on those statements.

Richardson & Company, LLP

September 13, 2023

OKIZU FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	Restated 2021
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,135,287	\$ 5,332,104
Unconditional promises to give	591,204	545,197
Interest receivable	73,352	
Prepaid expenses	69,967	20,216
Inventory	2,251	3,612
Investments	12,799,112	10,657,249
Property and equipment, net	1,139,455	2,014,666
Operating right-of-use asset, net	119,471	152,372
Security deposit	3,609	3,609
	<u>3,609</u>	<u>3,609</u>
TOTAL ASSETS	<u>\$ 18,933,708</u>	<u>\$ 18,729,025</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 11,546	\$ 7,029
Accrued payroll	15,443	11,499
Accrued vacation	37,552	8,225
Lease liability	102,629	144,410
	<u>102,629</u>	<u>144,410</u>
TOTAL LIABILITIES	167,170	171,163
NET ASSETS		
Without donor restrictions:		
Designated - fire recovery	12,364,876	11,977,358
Designated - Preservation fund	2,999,648	2,408,784
Undesignated	2,284,208	3,083,852
With donor restrictions	1,117,806	1,087,868
	<u>1,117,806</u>	<u>1,087,868</u>
TOTAL NET ASSETS	<u>18,766,538</u>	<u>18,557,862</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,933,708</u>	<u>\$ 18,729,025</u>

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

OKIZU FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Purpose Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 777,030	\$ 691,773	\$ 1,468,803
Contributed services	262,159		262,159
Interest and investment income, net	(259,126)	2,646	(256,480)
Other income	18,437		18,437
Special event revenue	1,778,499		1,778,499
Less: cost of direct benefits to donors	(533,062)		(533,062)
Net special event revenue	1,245,437		1,245,437
Net assets released from restrictions	664,481	(664,481)	-
 Total Revenue and Support	 2,708,418	 29,938	 2,738,356
Expenses			
Program Services	1,188,533		1,188,533
Supporting Services:			
Management and general	88,733		88,733
Fundraising	448,340		448,340
 Total Expenses	 1,725,606	 -	 1,725,606
Other changes			
Gain on insurance recovery, net	84,787		84,787
Impairment loss	(888,861)		(888,861)
 Total Other Changes	 (804,074)	 -	 (804,074)
Change in net assets	178,738	29,938	208,676
Net assets at beginning of the year	17,469,994	1,087,868	18,557,862
Net assets at end of year	<u>\$ 17,648,732</u>	<u>\$ 1,117,806</u>	<u>\$ 18,766,538</u>

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

OKIZU FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Restated Without Donor Restrictions	With Donor Purpose Restrictions	Restated Total
Revenue and Support			
Contributions and grants	\$ 1,333,789	\$ 632,684	\$ 1,966,473
Contributed services	739,446		739,446
Payroll Protection Program loan forgiven	215,047		215,047
Interest and investment income, net	(62,060)	4,336	(57,724)
Special event revenue	985,415	67,000	1,052,415
Less: cost of direct benefits to donors	(90,371)		(90,371)
Net special event revenue	895,044	67,000	962,044
Net assets released from restrictions	484,740	(484,740)	-
Total Revenue and Support	3,606,006	219,280	3,825,286
Expenses			
Program Services	605,691		605,691
Supporting Services:			
Management and general	117,900		117,900
Fundraising	332,931		332,931
Total Expenses	1,056,522	-	1,056,522
Other Changes			
Gain on insurance recovery, net	235,133		235,133
Total Other Changes	235,133		235,133
Change in net assets	2,784,617	219,280	3,003,897
Net assets at beginning of the year	14,685,377	868,588	15,553,965
Net assets at end of year	<u>\$ 17,469,994</u>	<u>\$ 1,087,868</u>	<u>\$ 18,557,862</u>

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

OKIZU FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Programs</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 506,687	\$ 47,799	\$ 309,611	\$ 864,097
Occupancy	27,771	1,704	14,328	43,803
Professional services	65,987	6,580	47,803	120,370
Office Expense	32,190	12,743	825	45,758
Utilities	11,448	870	6,320	18,638
Supplies	21,483	505	2,284	24,272
Recruitment and retention	21,332			21,332
Fundraising			31,061	31,061
Insurance	40,632	4,004	29,450	74,086
Postage	4,606	258	2,887	7,751
Repairs and maintenance	5,205	519	3,771	9,495
Depreciations and amortization	22,091			22,091
Program expenses	429,101			429,101
Miscellaneous		13,751		13,751
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 1,188,533</u>	<u>\$ 88,733</u>	<u>\$ 448,340</u>	<u>\$ 1,725,606</u>

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

OKIZU FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<u>Programs</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 446,530	\$ 14,188	\$ 262,494	\$ 723,212
Occupancy	20,160	1,362	22,252	43,774
Professional services		86,628		86,628
Office Expense	38,603	265		38,868
Utilities	15,950	406	6,641	22,997
Supplies	9,568	3,973	4,821	18,362
Recruitment and retention	25,574			25,574
Fundraising			23,284	23,284
Insurance	5,426	6,894	6,601	18,921
Postage	11,129	176	2,883	14,188
Repairs and maintenance	4,999	242	3,955	9,196
Depreciation and amortization	18,517			18,517
Program expenses	9,235			9,235
Miscellaneous		3,766		3,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 605,691</u>	<u>\$ 117,900</u>	<u>\$ 332,931</u>	<u>\$ 1,056,522</u>

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

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 208,676	\$ 3,003,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,091	18,517
Noncash contribution of land improvements		(700,000)
Net realized and unrealized losses on investments	463,450	87,302
Paycheck Protection Program loan forgiven		(215,047)
Impairment loss	888,861	
Changes in certain operating assets and liabilities:		
Unconditional promises to give	(46,007)	(61,457)
Interest receivable	(73,352)	
Insurance recovery receivable		6,098,399
Prepaid expenses	(49,751)	(14,952)
Inventory	1,361	330
Operating right-of-use asset	32,901	31,292
Accounts payable	4,517	(119,468)
Accrued payroll	3,944	11,499
Accrued vacation	29,327	(10,477)
Lease liability	(41,781)	(39,254)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,444,237</u>	<u>8,090,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(35,741)	
Proceeds from insurance recovery, net of costs		1,853,721
Purchases of investments	(6,581,312)	(9,401,642)
Maturity of investments	3,921,000	
Sales of investments	54,999	
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,641,054)</u>	<u>(7,547,921)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,196,817)	542,660
Cash and cash equivalents at beginning of year	<u>5,332,104</u>	<u>4,789,444</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,135,287</u>	<u>\$ 5,332,104</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ 183,664
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 35,754	\$ 45,886
PPP loan forgiven		\$ 215,047

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

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Okizu Foundation (the Foundation) is a nonprofit corporation. It is the mission of the Foundation to provide recreational, respite and peer support programs to meet the needs of all members of families affected by childhood cancer.

The diagnosis of a chronic or life-threatening illness in a family threatens the very nature of the family structure. Children need positive nurturing and support in order to grow and lead fulfilling, productive lives. The family's normal emotional and social environment is greatly disrupted by a diagnosis of childhood cancer. Many children become dysfunctional because of the emotional and physical stress of treatment, and other family members have little support to cope with the stresses they are facing.

The Foundation has established long-term relationships with many of the pediatric oncology units in Northern California including Sutter Medical Center in Sacramento, UCSF Benioff Children's Hospitals in Oakland and San Francisco, Kaiser Permanente Hospitals in Oakland, Roseville and San Francisco, John Muir Medical Center, California Pacific Medical Center in San Francisco and Lucile Salter Packard Children's Hospital at Stanford, which provide assistance to the Foundation so it can carry out its mission.

The purpose of the Foundation is to operate peer support programs for all family members, including families whose child has passed away. There is never a charge for participation in the Foundation's programs because of the emotional, financial and physical burdens placed on the families by this disease.

The Foundation purchased the former Berry Creek Ranch in Butte County, California in 1998. The property had been substantially renovated to house Camp Okizu, a permanent site for summer camps hosting children and families affected by childhood cancer. In early September of 2020, Camp Okizu was destroyed in a wildfire (Bear Fire).

The Foundation's management and the Board of Directors are currently in the process of looking for a new physical location while utilizing rented facilities to continue providing a camping experience.

Basis of Presentation: Financial statement presentation follows the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Entities – Presentation of Financial Statements*. Under (ASC) 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation uses the accrual basis of accounting.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Foundation considers cash and certificates of deposits with a maturity of three months or less at the time of purchase to be cash equivalents.

Promises to Give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, net of estimated uncollectible amounts. The Foundation evaluates the amounts expected to be realized on a regular basis. Any changes in the amounts expected to be realized

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

on a regular basis. Any changes in the amounts expected to be received are recorded as increases or decreases in contributions. Unconditional pledges receivable, expected to be collected later than one year, are reported at fair value, which is determined using the discounted present value of estimated future cash flows. The resulting discount is amortized ratably and is reported as contributions revenue. Promises to give outstanding as of December 31, 2022 and 2021 were due in the following year.

The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The Foundation's management believes that all promises to give are collectible and accordingly, no allowance for uncollectible pledges has been provided.

Investments: The Foundation carries investments at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Inventory: Inventory is stated at the lower of cost or market where cost is determined using the first-in, first-out method. Inventory consists primarily of logo merchandise held for resale.

Property and Equipment: Property and equipment is stated at cost, or if donated, fair market value at the time of the donation. Provision is made for depreciation by the straight-line method over the estimated useful life of the property (generally five to thirty-nine years). Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life are capitalized. The Foundation generally capitalizes property and equipment with an original cost in excess of \$4,000.

The Foundation has reviewed the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Considering the fire damage to the camp property, the Foundation evaluated the property for impairment and recorded an impairment loss of \$888,861 during the year ended December 31, 2022. The fair value was determined based on prices for similar assets.

Leases: The Foundation determines if an arrangement is or contains a lease inception. Leases are included in right-of-use (ROU) assets and 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, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation 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. Lease terms may include options or extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option.

Accrued Vacation Payable: It is the Foundation's policy to accumulate a limited amount of earned but unused vacation time, which will be paid to employees upon taking vacations or upon separation.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various purposes. (See Note H)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Foundation reports contributions 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.

Revenue and Revenue Recognition: The Foundation recognizes contributions when cash, securities or other assets or an unconditional promise to give are 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.

Revenue from donated auction items is recognized when sold and sales proceeds are included in special events revenue. Unrestricted donations of securities that are sold nearly immediately are treated as cash contributions and included in cash from operations on the Statements of Cash Flows.

Donated Services and In-Kind Contributions: Contributed nonfinancial assets include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional and Supporting Expenses: The Foundation allocates its expenses on a functional basis among its various programs and supporting services and reports these allocations on the statements of functional expenses. Expenses that can be identified with a specific program are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting activities based on allocation methods and estimates made by the Foundation's management and approved by the Board of Directors.

Income Taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. The Foundation's federal and state exempt organization tax returns are generally subject to examination by the IRS and California Franchise Tax Board for three and four years, respectively, after they were filed.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation has designated all current and future insurance recovery proceeds to rebuild or replace camp property destroyed in a wildfire and will evaluate potential tax liability on unrelated business income upon completion. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Foundation’s management believes the financial statements do not include any uncertain tax positions.

Subsequent Events: The Foundation evaluated all events or transactions that occurred after December 31, 2022 and up to September 13, 2023, the date the financial statements were issued. During this period, the Foundation did not have any recognizable or nonrecognizable subsequent events.

Reclassifications: Certain reclassifications have been made to the financial statements for the year ended December 31, 2021, to conform to the year ended December 31, 2022 financial statements presentation. Such reclassifications have no effect on net assets as previously reported.

New Pronouncements: In 2022, the Foundation adopted 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 Foundation recognized right-of-use assets of \$183,664 and lease liabilities totaling \$183,664 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which will require that contributed nonfinancial assets be presented as a separate line item in the statement of activities and requires additional disclosures related to these contributions. The implementation of this ASU for the year ended December 31, 2022 had no effect on the total net assets or change in net assets.

NOTE B – INVESTMENTS

Investments at fair value consist of the following at December 31:

	2022	2021
Stock mutual funds	\$ 1,056,979	\$ 47,245
Corporate bonds and notes	3,844,077	2,114,460
U.S. Treasury bonds	3,722,460	2,612,406
Certificates of deposit	4,175,596	5,883,138
	<u>\$ 12,799,112</u>	<u>\$ 10,657,249</u>

Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Assets and liabilities are reported in three levels in the fair value hierarchy: using quoted prices in active markets for identical assets and liabilities (Level 1), using significant other observable inputs (Level 2) and using significant unobservable inputs (Level 3).

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE B – INVESTMENTS

A significant portion of the Foundation’s investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Foundation invests in certificates of deposit traded in the financial markets. Those certificates of deposit and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 167,687	\$ 289,000
Land and improvements	836,257	1,783,600
Equipment and furniture	<u>213,141</u>	<u>196,250</u>
	1,217,085	2,268,850
Less accumulated depreciation	<u>(77,630)</u>	<u>(254,184)</u>
Property and equipment, net	<u>\$ 1,139,455</u>	<u>\$ 2,014,666</u>

A wildfire destroyed almost all of the tangible assets of the Foundation located at Camp Okizu at Berry Creek in early September 2020. The Foundation recognized \$700,000 of land improvement services for hazardous debris removal from Camp Okizu, provided by Butte County Office of Emergency Management, as estimated by management, for the year ending December 31, 2021. Camp Okizu assets that were not damaged or partially damaged were not used in operations during 2022 and 2021. Depreciation expense for the years ended December 31, 2022 and 2021 was \$22,091 and \$18,517, respectively.

NOTE D – LEASES

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation’s right to use underlying assets for the lease term, and the lease liability represent the Foundation’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms and discounted using the Foundation’s estimated incremental borrowing rate. The weighted-average discount rate applied to calculate lease liability as of December 31, 2022 was 4%. As of December 31, 2022, the weighted-average remaining lease term for the Foundation’s operating leases was approximately 3.25 years.

The Foundation leases office space in Novato, California under an operating lease that has been renewed through April 2026. Monthly rent is adjusted annually at approximately 4.2%. The right-of-use asset is recorded net of accumulated amortization of \$64,193 and \$31,292 at December 31, 2022 and 2021, respectively.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE D – LEASES (Continued)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

	<u>December 31,</u>	
	2023	\$ 35,754
	2024	30,840
	2025	32,124
	2026	<u>10,852</u>
Total lease payments		109,570
Less interest		<u>(6,941)</u>
Present value of lease liabilities		<u>\$ 102,629</u>

NOTE E – NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

The following net assets without donor restriction have been designated by the Board of Directors for investments in property, equipment, fire recovery and operating reserve for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Designated - fire recovery	\$ 12,364,876	\$ 11,977,358
Designated - Preservation Fund	<u>2,999,648</u>	<u>2,408,784</u>
Total net assets without donor restrictions - designated	<u>\$ 15,364,524</u>	<u>\$ 14,386,142</u>

The Preservation Fund's purpose is to provide a reserve to support the operations of the Foundation and to use as approved by the Board of Directors to support operations and specific projects. The fire recovery fund is designated for the rebuilding or replacement of the camp property lost in the fire.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Components of net assets with donor restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Uncollected pledges that are unavailable for expenditure	\$ 591,204	\$ 545,197
Subject to the expenditure for specific purpose:		
Camp rebuilding	307,036	404,486
Renaming rights	90,000	90,000
Camp maintenance	50,056	47,411
Camp rental	40,774	774
Beyond program	<u>38,736</u>	<u> </u>
	<u>\$ 1,117,806</u>	<u>\$ 1,087,868</u>

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions:		
Pledges collected	\$ 497,226	\$ 483,740
Satisfaction of purpose restrictions:		
Van purchase	29,594	
Beyond program	11,264	
Camp Arroyo campership	41,971	
Camp rebuilding	44,426	
Camp rental	40,000	1,000
	<u>\$ 664,481</u>	<u>\$ 484,740</u>

NOTE G – DONATED MATERIALS AND SERVICES

The value of donated materials and services included in the financial statements for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Medical services	\$ 180,600	\$ 39,446
Legal services	27,522	
Debris removal		700,000
Special event services	54,037	
	<u>\$ 262,159</u>	<u>\$ 739,446</u>

During the years ended December 31, 2022 and 2021, the donated medical services used at the camp site for program activities and are included in program services on the statement of functional expenses. They are recognized at fair value based on current rates for similar services. Contributed legal services are provided by attorneys who advise us on various administrative legal matters. Contributed legal services are used for management and general activities, a portion of which are allocated to program services, and are recognized at fair value based on current rates for similar legal services. Special event services are recorded as costs of direct benefit to the donor on the statement of activities and are valued by the vendor. The donations were not restricted by the donor.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE H – PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Foundation received loan proceeds in the amount of \$215,047 through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for the loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses. The loan proceeds are intended to be used for specified purposes, primarily payroll, employees benefits and rent, and are eligible for partial or complete forgiveness if various criteria established by the SBA PPP are met.

The Foundation met the SBA's requirements during 2021 and received full forgiveness of the SBA PPP loan on March 12, 2021. Accordingly, the Foundation recognized this income as revenue and support in the Statement of Activities and Changes in Net Assets.

NOTE I – CASUALTY LOSS AND INSURANCE RECOVERY

In early September 2020, Camp Okizu was destroyed by wildfire. All buildings, structures and vehicles that were inspected and confirmed by insurance inspectors as lost were written off. The Foundation engaged a qualified contractor to complete a partial cleanup of the site in December 2020, including removal and sale of the fire-damaged timber. The Foundation estimated and accrued the cost of cleanup and timber removal on two parcels, net of proceeds from timber sale, which was completed in 2021. In September 2020, the Foundation applied for government assistance to remove structural debris from the site with the Butte County Office of Emergency Management and the application was approved in July 2021.

The Foundation received \$100,531 and \$7,952,120 of insurance recovery proceeds for the years ended December 31, 2022 and 2021, respectively. A total of \$10,704,193 of insurance recovery proceeds was received. The Foundation received \$215,259 for lost personal property and damaged infrastructure during the year ended December 31, 2021. The Foundation's insurance policy provided \$25,000 coverage for structural debris removal, which was paid to the Butte County Office of Emergency Management during the year ended December 31, 2021. The Foundation recognized the value of contributed services for hazardous debris removal from Camp Okizu, provided by Butte County Office of Emergency Management, as estimated by management during the year ending December 31, 2021. The Foundation also incurred certain expenses related to Camp Okizu clean up, including on-site security personnel and repairs to the fire-damaged assets, which are included in other changes in net assets since they were part of recovery from the casualty event. Camp Okizu site clean up was completed in April 2022, which allowed for the completion of inspections of assets lost in the fire. The Foundation is currently in the process of evaluating options for a new location of Camp Okizu, including the purchase of new suitable camp property or rebuilding at the Berry Creek location.

All current insurance proceeds received are designated by the Board of Directors for rebuilding or replacement of the camp property lost in the fire.

As previously discussed, in 2020, a large portion of Camp Okizu was destroyed by wildfire. The Foundation was approached by a consultant regarding a possible claim against the Federal government for how they handled the firefighting. The consultant is doing research and studies for a potential claim. The consultant has incurred charges totaling \$97,591 as of April 30, 2023 but the Foundation has an agreement with the consultant that these charges are payable only if there is a payout on any potential claim. The Foundation engaged with an attorney with experience in the type of claim that the Foundation might potentially have against the State of California. No claim has been filed as of current date.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE J – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Foundation uninsured bank balances of \$1,176,039.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, individuals and foundations supportive of the Foundation’s mission. Investments are made by diversified investment managers whose performance is monitored by the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

NOTE K – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,135,287	\$ 5,332,104
Unconditional promises to give	591,204	545,197
Interest receivable	73,352	
Investments	<u>12,799,112</u>	<u>10,657,249</u>
Total financial assets	17,598,955	16,534,550
Less amounts not available to be used within one year:		
Board designated - fire recovery	12,364,876	11,977,358
Board designated - Preservation Fund	2,999,648	2,408,784
Net assets with donor purpose restrictions	<u>1,117,807</u>	<u>868,588</u>
Financial assets available to meet program expenditures over the next year	<u>\$ 1,116,624</u>	<u>\$ 1,279,820</u>

Donor-restricted funds are not available for general expenditure and are deducted to determine the amount of financial assets available over the next year for program expenditure. The Foundation invests cash in excess of short-term operating requirements in certificates of deposit, corporate bonds, U.S. Treasury bonds and money market funds as part of its liquidity management plan. The Board of Directors designated a portion of the operating surplus to its Preservation Fund and all insurance recoveries received for rebuilding or replacement of the camp property lost in the fire.