

ZUMIX, INC. AND AFFILIATE

Consolidated Financial Statements
and Supplementary Information

March 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ZUMIX, Inc.:

Opinion

We have audited the consolidated financial statements of ZUMIX, Inc. and its affiliate (together the "Organization"), which comprise the consolidated statements of financial position as of March 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2024 and 2023, and the change in its net assets, and 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 (GAAS). 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 Organization 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 these consolidated 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 Organization's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Organization'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 Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating statement of financial position as of March 31, 2024, the supplementary consolidating statement of activities and changes in net assets and the supplementary consolidating statement of cash flows for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

September 4, 2024

ZUMIX, INC. AND AFFILIATE

Consolidated Statements of Financial Position

March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,779,094	\$ 1,373,264
Contributions receivable, current portion net of credit losses of \$12,741 in 2024 and \$20,000 in 2023	562,869	250,045
Prepaid expenses and other current assets	9,164	43,605
Total current assets	<u>2,351,127</u>	<u>1,666,914</u>
Contributions receivable, net of current portion	131,667	3,333
Investments	1,142,869	1,017,788
Property and equipment, net	2,251,475	2,330,012
Amounts held for others	<u>41,922</u>	<u>49,615</u>
Total assets	<u>\$ 5,919,060</u>	<u>\$ 5,067,662</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 90,965	\$ 80,474
Deferred revenue	64,667	-
Amounts held for others	<u>41,922</u>	<u>49,615</u>
Total liabilities	<u>197,554</u>	<u>130,089</u>
Net assets:		
Without donor restrictions	4,899,738	4,765,942
With donor restrictions	<u>821,768</u>	<u>171,631</u>
Total net assets	<u>5,721,506</u>	<u>4,937,573</u>
Total liabilities and net assets	<u>\$ 5,919,060</u>	<u>\$ 5,067,662</u>

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

ZUMIX, INC. AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals 2024
Support and revenue:			
Contributions of cash and other financial assets:			
Individual donations	\$ 413,894	\$ 163,333	\$ 577,227
Corporate donations	185,655	100,000	285,655
Foundation donations	941,592	504,988	1,446,580
Government grants	169,401	38,980	208,381
Contributions of non-financial assets	89,369	-	89,369
Program fees	317,397	-	317,397
Rental income	20,650	-	20,650
Sale of products	6,604	-	6,604
Net assets released from restrictions	157,164	(157,164)	-
Total support and revenue	<u>2,301,726</u>	<u>650,137</u>	<u>2,951,863</u>
Other income:			
Interest income	41,089	-	41,089
Investment income	38,298	-	38,298
Net realized and unrealized gains on investments	86,774	-	86,774
Total other income	<u>166,161</u>	<u>-</u>	<u>166,161</u>
Total revenues	<u>2,467,887</u>	<u>650,137</u>	<u>3,118,024</u>
Expenses:			
Youth programs	1,357,605	-	1,357,605
Community art programs	293,708	-	293,708
Total program expenses	<u>1,651,313</u>	<u>-</u>	<u>1,651,313</u>
Management and general	189,880	-	189,880
Fundraising	330,899	-	330,899
Total operating expenses	<u>2,172,092</u>	<u>-</u>	<u>2,172,092</u>
Increase in net assets before depreciation	<u>295,795</u>	<u>650,137</u>	<u>945,932</u>
Depreciation and amortization	<u>161,999</u>	<u>-</u>	<u>161,999</u>
Total expenses	<u>2,334,091</u>	<u>-</u>	<u>2,334,091</u>
Increase in net assets	133,796	650,137	783,933
Net assets, beginning of year	<u>4,765,942</u>	<u>171,631</u>	<u>4,937,573</u>
Net assets, end of year	<u>\$ 4,899,738</u>	<u>\$ 821,768</u>	<u>\$ 5,721,506</u>

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

ZUMIX, INC. AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals 2023
Support and revenue:			
Contributions of cash and other financial assets:			
Individual donations	\$ 206,335	\$ -	\$ 206,335
Corporate donations	172,386	-	172,386
Foundation donations	537,048	111,752	648,800
Government grants	456,554	8,720	465,274
Contributions of non-financial assets	41,208	-	41,208
Program fees	285,448	-	285,448
Rental income	16,847	-	16,847
Sale of products	12,701	-	12,701
Other income	749	-	749
Net assets released from restrictions	324,547	(324,547)	-
Total support and revenue	<u>2,053,823</u>	<u>(204,075)</u>	<u>1,849,748</u>
Other income:			
Interest income	5,599	-	5,599
Investment income	18,451	-	18,451
Net realized and unrealized losses on investments	(664)	-	(664)
Total other income	<u>23,386</u>	<u>-</u>	<u>23,386</u>
Total revenues	<u>2,077,209</u>	<u>(204,075)</u>	<u>1,873,134</u>
Expenses:			
Youth programs	1,078,686	-	1,078,686
Community art programs	313,755	-	313,755
Total program expenses	<u>1,392,441</u>	<u>-</u>	<u>1,392,441</u>
Management and general	187,321	-	187,321
Fundraising	210,185	-	210,185
Total operating expenses	<u>1,789,947</u>	<u>-</u>	<u>1,789,947</u>
Increase (decrease) in net assets before depreciation	287,262	(204,075)	83,187
Depreciation and amortization	<u>169,728</u>	<u>-</u>	<u>169,728</u>
Total expenses	<u>1,959,675</u>	<u>-</u>	<u>1,959,675</u>
Increase (decrease) in net assets	117,534	(204,075)	(86,541)
Net assets, beginning of year	<u>4,648,408</u>	<u>375,706</u>	<u>5,024,114</u>
Net assets, end of year	<u><u>\$ 4,765,942</u></u>	<u><u>\$ 171,631</u></u>	<u><u>\$ 4,937,573</u></u>

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

ZUMIX, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

For the Year Ended March 31, 2024

	Youth Programs	Community Art Programs	Total Program Services	Management and General	Fundraising	2024 Totals
Salaries	\$ 698,513	\$ 127,853	\$ 826,366	\$ 81,900	\$ 128,932	\$ 1,037,198
Employee benefits	51,378	10,147	61,525	11,103	11,781	84,409
Payroll taxes	52,663	9,617	62,280	6,155	9,649	78,084
Youth stipends	41,501	13,401	54,902	-	543	55,445
Total salaries and related expenses	844,055	161,018	1,005,073	99,158	150,905	1,255,136
Expenses:						
Consulting	334,804	68,116	402,920	43,268	83,798	529,986
Facilities maintenance and repair	28,308	2,208	30,516	23,105	1,005	54,626
Event expenses	-	-	-	-	46,788	46,788
Equipment rental, maintenance, and purchases	13,854	28,761	42,615	574	2,968	46,157
Meetings	12,443	16,035	28,478	3,564	2,729	34,771
Supplies and other expenses	24,647	915	25,562	1,168	7,748	34,478
Insurance	24,938	4,376	29,314	1,658	2,215	33,187
Bank fees and payroll fees	15,804	2,699	18,503	5,282	5,713	29,498
Utilities	20,916	2,650	23,566	1,326	1,588	26,480
Telephone and network	20,146	1,578	21,724	3,161	1,392	26,277
Marketing and printing	1,176	2,486	3,662	-	12,268	15,930
Travel	12,292	174	12,466	1,277	414	14,157
Advertising	480	2,100	2,580	2,043	6,721	11,344
Professional development	3,703	592	4,295	4,253	2,765	11,313
Postage and shipping	39	-	39	43	1,882	1,964
Total expenses before depreciation	1,357,605	293,708	1,651,313	189,880	330,899	2,172,092
Depreciation	144,493	2,620	147,113	8,583	6,303	161,999
Total expenses	\$ 1,502,098	\$ 296,328	\$ 1,798,426	\$ 198,463	\$ 337,202	\$ 2,334,091

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

ZUMIX, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

For the Year Ended March 31, 2023

	Youth Programs	Community Art Programs	Total Program Services	Management and General	Fundraising	2023 Totals
Salaries	\$ 522,944	\$ 140,278	\$ 663,222	\$ 67,511	\$ 130,432	\$ 861,165
Employee benefits	35,161	11,823	46,984	36,449	11,616	95,049
Payroll taxes	44,200	11,639	55,839	3,626	10,713	70,178
Youth stipends	30,088	14,099	44,187	85	550	44,822
Total salaries and related expenses	632,393	177,839	810,232	107,671	153,311	1,071,214
Expenses:						
Consulting	279,282	72,987	352,269	45,079	11,374	408,722
Facilities maintenance and repair	33,954	6,717	40,671	8,264	1,465	50,400
Event expenses	25,000	5,000	30,000	-	11,130	41,130
Equipment rental, maintenance, and purchases	14,604	22,172	36,776	1,276	399	38,451
Insurance	22,692	7,609	30,301	1,442	910	32,653
Utilities	20,721	2,548	23,269	1,276	1,558	26,103
Telephone and network	19,353	1,448	20,801	2,790	1,586	25,177
Meetings	6,460	7,955	14,415	2,344	5,157	21,916
Bank fees and payroll fees	8,134	1,235	9,369	7,665	3,286	20,320
Supplies and other expenses	7,701	697	8,398	4,517	3,953	16,868
Marketing and printing	1,548	4,927	6,475	48	8,874	15,397
Professional development	4,317	914	5,231	4,389	1,172	10,792
Advertising	1,762	1,263	3,025	105	4,301	7,431
Postage and shipping	145	126	271	125	1,703	2,099
Travel	620	318	938	330	6	1,274
Total expenses before depreciation	1,078,686	313,755	1,392,441	187,321	210,185	1,789,947
Depreciation	152,121	3,493	155,614	8,179	5,935	169,728
Total expenses	\$ 1,230,807	\$ 317,248	\$ 1,548,055	\$ 195,500	\$ 216,120	\$ 1,959,675

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

ZUMIX, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase (decrease) increase in net assets	\$ 783,933	\$ (86,541)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,999	169,728
Contributions of property and equipment	(59,779)	-
Net unrealized (gains) losses on investments	(87,827)	607
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(441,158)	118,042
Decrease (increase) in prepaid expenses and other current assets	34,441	(30,808)
Increase (decrease) in accounts payable and accrued expenses	10,491	(59,627)
Increase (decrease) in deferred revenue	64,667	(47,373)
Net cash provided by operating activities	<u>466,767</u>	<u>64,028</u>
Cash flows from investing activities:		
Purchases of investments	(90,571)	(1,093,299)
Proceeds from sale of investments	53,317	74,904
Purchases of property and equipment	(23,683)	(76,969)
Net cash used in investing activities	<u>(60,937)</u>	<u>(1,095,364)</u>
Net increase (decrease) in cash and cash equivalents	405,830	(1,031,336)
Cash and cash equivalents, beginning of year	<u>1,373,264</u>	<u>2,404,600</u>
Cash and cash equivalents, end of year	<u>\$ 1,779,094</u>	<u>\$ 1,373,264</u>
Supplemental disclosure of non-cash investing and financing activities:		
Contributed property and equipment	<u>\$ 59,779</u>	<u>\$ -</u>

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

ZUMIX, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

March 31, 2024 and 2023

1. Nature of Operations

Founded in 1991, ZUMIX, Inc. (“ZUMIX”) is a nationally recognized, non-profit cultural organization located in East Boston, MA. The mission of ZUMIX is to empower young people to build successful futures for themselves, transforming lives and communities through music, technology, and creative employment.

The consolidated financial statements of ZUMIX include the accounts of its affiliate, ZUMIX Firehouse, Inc. (“ZFI”) (together, the “Organization”). ZFI is a non-profit organization formed in 2008 for the purpose of purchasing and renovating the Engine Company 40 Firehouse, at 260 Sumner Street in East Boston, MA (the “Firehouse Property”) in order to turn the building into a vibrant youth arts center.

Background and History

1990 marked the worst year of violence in Boston’s history. One hundred fifty two homicides were recorded that year, and many of the victims and perpetrators were youth. ZUMIX was incorporated on April 1, 1991, with \$200 and the belief that giving young people an opportunity to express themselves through music would inspire them to be creative rather than destructive, improve their life circumstances, and elevate a neglected and economically depressed neighborhood of the city.

ZUMIX is located in East Boston, MA. Geographically separated from the rest of the city by the Boston Harbor, “Eastie” is home to Logan International Airport, which makes up two-thirds of its landmass.

For over thirty years, ZUMIX has invested in East Boston and surrounding communities, providing innovative arts education and enrichment programs for low-income youth, as well as free concerts and arts experiences for the wider community. Initially founded to address the pressing issue of gang violence, ZUMIX has evolved with the changing needs of its constituents and added to the cultural vitality of East Boston—historically an immigrant, working-class neighborhood, with a strong history of community activism. Over the years, our biggest honor was receiving the National Arts and Humanities Youth Programs Award in 2011 from First Lady Michelle Obama in the White House. As East Boston’s challenges shift from gang violence to fair housing, immigrant rights, and economic equality, ZUMIX’s role in the lives of children and families is as vital as ever.

The recent development of luxury real estate and skyrocketing rents pose new challenges, especially for East Boston’s most vulnerable residents. Low-income families are facing unprecedented levels of displacement and financial insecurity. Meanwhile, the COVID-19 pandemic and policies that negatively affect immigrant populations have added to the stress and risk that our young people and their families face every day. At the start of the pandemic, ZUMIX responded to this crisis by launching a mutual support network, increasing support for our families through food delivery, rental assistance, public health information, and housing security efforts. We also removed all class fees, to ensure that our youth, who were experiencing increased anxiety and depression due to isolation restrictions posed by the pandemic, would continue to have regular contact with caring adults and peers.

When we returned to in-person learning in September of 2021, we noticed a tangible sense of excitement and celebration, as young people began to reconnect with their peers and mentors once again. Our staff have been working hard to address lingering feelings of social anxiety and encouraging youth to open up and share their experiences through their music, and with fellow participants. Whether virtual or in person, ZUMIX continues to be a safe space for our students to collaborate, express themselves, and grow in a stable environment.

Recent Accomplishments

- In 2024, Brittany Thomas, Director of Creative Media and Technology at ZUMIX, was selected as a finalist for the Massachusetts Nonprofit Net’s Youth Professional Excellence Award, recognizing emerging

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Notes to Consolidated Financial Statements

March 31, 2024 and 2023

nonprofit professionals who have made a significant contribution to their organization through their vision, innovation, interpersonal skills, and hard work.

- In FY24, 96% of our seniors graduated high school. Our students regularly gain acceptance to colleges such as Berklee College of Music, Suffolk University, Northeastern University, Boston College, and UMass Amherst, often with significant scholarships. This year, three of our seniors received full scholarships to Berklee College of Music, and one to Boston University.
- In FY24, ZUMIX exceeded its goal in providing professional work opportunities for youth. We expanded our partnership with Celebrity Series, providing production support for the entire 2023-24 concert season. Through this partnership and others, our teens earned \$48,854 in wages, gaining paid work experience as live sound engineers, videographers, teaching assistants, performing artists, radio journalists, program co-facilitators, and youth staff.
- In January of 2024, two of our youth ensembles, Marmalade (jazz) and ¿Porque Puma? (Latin) performed and ran masterclasses at the Panama Jazz Festival. They also each earned one credit from Berklee College of Music for participating in an international week-long ear training class.
- In FY24, ZUMIX increased our partnership with Boston Public Schools, offering instrumental and vocal music, along with poetry, and radio production classes for elementary, middle, and high school students locally.
- In FY23, we were awarded a \$2 million multi-year pledge from an anonymous foundation. Funds are being held at The Boston Foundation, and will be used to bring staff salaries to median benchmarks in our sector, ensuring our commitment to attracting and retaining diverse talent at all levels of our organization.
- In FY23, we were notified of a multi-year 6-figure personal gift from Barbara and Amos Hostetter. This is part of a new music education initiative the Hostetters are funding, and ZUMIX is proud to be in their inaugural cohort.

We are proud of what we accomplished this fiscal year, and continue to be inspired by our diverse and talented staff, the creativity of our students, the strength of our board, the success of our alums, and the support from our parents and community members. In FY25, we plan to engage representatives from each of these groups, as we embark on a new strategic planning process that will guide our work into the coming years.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to restrictions imposed by donors.

Net assets with donor restrictions – Net assets subject to restrictions imposed by donors that will be met through the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in

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Notes to Consolidated Financial Statements

March 31, 2024 and 2023

nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets with donor restrictions that are perpetual in nature as of March 31, 2024 and 2023.

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.

Principles of Consolidation

ZUMIX has the power to appoint a voting majority of board members of ZFI and has made an equity contribution in the amount of \$166,000 to ZFI. Management has deemed that these factors together constitute both an “economic interest” and “control,” requiring consolidation under GAAP. The accounts of ZFI are included as of December 31, 2023, and 2022. All significant intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

The Organization’s revenue from contributions and grants are accounted for under ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, within the scope of ASC Topic 958 *Not-for-Profit Entities*. The Organization’s income from program fees is accounted for under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

The Organization’s contributions come primarily from the general public, private foundations, corporations and certain governmental agencies. The Organization recognizes income from contributions when assets are received by or unconditionally promised to the organization, whichever occurs first. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and as net assets released from restrictions in the statement of activities and changes in net asset. The Organization reports contributions with donor-imposed purpose restrictions as unrestricted support if the purpose is met in the same year the contribution is received from the donor.

Contributions of long-lived assets (including enhancements to property and equipment) and amounts restricted for the purchase of long-lived assets, for which the donor does not specify a particular period of use, are treated as increases in net assets with donor restrictions when received and re-classified as net assets at the time the asset is placed in service.

Revenues which represent fees for programs and events are recognized at the point in time when the program or event takes place. Program fees from students are collected within one month that services are rendered. Program fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or the expenditures are incurred. Rental income is recognized ratably over the period of time that space rental is provided and billed.

The Organization reports its realized and unrealized gains and losses on investments as changes in unrestricted net assets. Purchases and sales of securities are recorded on the settlement date. Dividends are recorded on the ex-dividend date. Net appreciation includes the Organization’s gains and losses on investments bought and sold as well as held during the year.

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Notes to Consolidated Financial Statements

March 31, 2024 and 2023

Fair Value Measurements

The Organization reports certain assets and liabilities in accordance with the requirements of FASB ASC 820-10 *Fair Value Measurements and Disclosures* for its financial assets and liabilities. ASC 820-10 refines the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires the use of market-based information over entity-specific information when available. In addition, the Organization reports certain investments using the net asset value per share as determined by their investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when criteria for using the method are met. Fair value standard establishes a three-level hierarchy for measuring fair value based on whether the inputs to a fair value measurement are considered to be observable or unobservable in an active marketplace.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access as of the reporting date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2: Valuation based on inputs other than quoted prices within Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets, in which there are few transactions, prices are not current, or prices vary substantially over time;

Level 3: Valuation based on inputs that are unobservable and significant to the fair value measurement of the asset or liability. Unobservable inputs are supported by little or no market activity as of the measurement date and therefore reflect the Organization’s own assumptions about what market participants would use in pricing the asset or liability using the best information available under the circumstances.

The following is a description of the Organization’s valuation methodologies used for assets measured at fair value:

Equity Securities, Mortgage and Asset-Backed Securities, and Corporate Bonds: The fair value of these securities is based on the closing prices reported in the active market in which the individual securities are traded. These securities are classified as Level 1 financial instruments as they are valued on an active exchange using prices provided by broker/dealers who actively make markets in these securities.

Mutual and exchange-traded funds (“ETFs”) and publicly traded real estate investment trust (“REIT”): Mutual funds and ETFs are valued at the daily closing price as reported by the fund and are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual and exchange-traded funds and publicly traded REIT held by the Organizations are deemed to be actively traded.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Certain grants require the Organization to hold cash in separate bank accounts. No cash was held in separate accounts as of March 31, 2024 and 2023.

ZUMIX, INC. AND AFFILIATE

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Property and Equipment

Property and equipment are recorded at cost if purchased and estimated fair market value at the time of donation if donated to the Organization. Contributed services that create or enhance long-lived assets are capitalized and recognized at the estimated fair market value at the time of donation. It is the Organization's policy to capitalize all purchases or contributions of assets with an expected useful life greater than one year that have an initial purchase price or donated value equal to or in excess of \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred. When assets are retired or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is provided using the straight-line method over the estimated useful life of the assets as follows:

Furniture and fixtures	5 – 10 years
Computer and equipment	3 – 7 years
Website	3 years
Motor vehicle	5 years
Building	40 years
Building improvements	30 years

Advertising Expenses

The Organization expenses advertising costs as incurred. Advertising expenses amounted to \$11,344 and \$7,431 for the years ended March 31, 2024 and 2023, respectively.

Income Taxes

ZUMIX and ZFI are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Massachusetts state income tax under Massachusetts General Law 180. ZUMIX and ZFI qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than a private foundation under Section 509(a)(2).

Management evaluates all significant tax positions as required by GAAP. As of March 31, 2024 and 2023, management does not believe that it has taken any tax positions that would require the recording of any additional tax liability for open tax years through March 31, 2024, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Expenses that are common to several programs or supporting services are allocated on a reasonable basis that is consistently applied. Salaries and employee benefits are allocated based on estimated time and effort. Payroll taxes are allocated as a percentage of salaries.

Long-lived Asset Impairment

In accordance with U.S. generally accepted accounting principles, the Organization reviews long-lived assets for impairment whenever circumstances and situations indicate that the carrying amounts may not be recovered. In such circumstances, the Organization will estimate the future cash flows expected to result from the use of the asset and its eventual disposition. Future cash flows are the future cash inflows expected to be generated by an asset less the future outflows expected to be necessary to obtain those inflows. If the sum of the expected future

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cash flows (undiscounted and without interest charges) is less than the carrying value of the asset, the Organization will recognize an impairment loss to adjust the fair value of the asset. The Organization did not identify the need to record an impairment charge to any of its long-lived assets during the years ended March 31, 2024 or 2023.

3. Liquidity and Availability

The Organization continues to maintain a stable financial position by achieving reasonable, modest end-of-year surpluses. With increased expenses and adapting to programmatic shifts of the last few years, the Organization has increased its commitment to financial stability by: 1) budgeting for depreciation, 2) designating capital asset replacement reserve, 3) striving to maintain up to three months of unrestricted operating funds, and 4) with unexpected large gifts to ensure long term organizational stability.

Months of operating funds that will be available to the Organization were calculated as follows as of March 31:

	<u>2024</u>	<u>2023</u>
Cash balance - Zumix, Inc.	\$ 1,579,191	\$ 1,176,299
Contributions receivable, current portion net of allowance for doubtful accounts of \$12,741 in 2024 and \$20,000 in 2023	562,869	250,045
Management designated capital asset replacement reserve	(500,000)	(500,000)
Fiscal assets available for operations for the coming year	<u>\$ 1,642,060</u>	<u>\$ 926,344</u>
Average monthly operating expenses for the coming year	\$ 232,350	\$ 194,508
Months of operating funds available for the coming year	7.07	4.76

4. Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the credit history with donors having outstanding balances, and current relationships with them, it has been determined that realized losses from balances outstanding at year-end are immaterial.

Contributions receivable are due to be collected according to the following schedule as of March 31:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 575,610	\$ 270,045
Between one and five years	131,667	3,333
	707,277	273,378
Allowance for credit losses	(12,741)	(20,000)
	<u>\$ 694,536</u>	<u>\$ 253,378</u>

5. Contributions of Non-Financial Assets

For the years ended March 31, contributed non-financial assets recognized within the statement of activities included:

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Notes to Consolidated Financial Statements

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	<u>2024</u>	<u>2023</u>
Equipment	\$ 62,964	\$ 5,636
Tickets, lessons, and licenses	24,955	6,177
Clothing and shoes	1,450	2,250
Legal services	-	17,646
Clothing and shoes	-	9,499
Total contributed non-financial assets	<u>\$ 89,369</u>	<u>\$ 41,208</u>

The Organization recognized contributions of nonfinancial assets within revenue, including contributed legal services, clothing and shoes, tickets, lessons, licenses, equipment, and food. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The contributed legal services, shoes, tickets, equipment, and food were used for general operational purposes. The contributed clothing, lessons, and licenses were used for youth programs. In valuing contributed non-financial assets, the Organization estimated the fair value on the basis of estimates of values that would be received for selling similar products in the United States. These contributions of nonfinancial assets have been recorded in the statements of activities as both support and expense at their estimated fair value of \$29,590 and \$41,208 for the years ended March 31, 2024 and 2023, respectively. An additional \$59,779 have been recorded in the statement of activities as support and capitalized as fixed assets on the statement of financial position with a useful life of five years.

6. Fair Value Measurement

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value:

<u>March 31, 2024</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measured at Net Asset Value (a)</u>
Investments:					
Cash and bank sweep	\$ 17,684	\$ 17,684	\$ -	\$ -	\$ -
Equity securities	400,800	400,800	-	-	-
Mortgage and asset-backed securities	99,009	99,009	-	-	-
Corporate bonds	8,249	8,249	-	-	-
ETF	367,585	367,585	-	-	-
Mutual funds:					
Equity funds	91,044	91,044	-	-	-
Bond funds	140,611	140,611	-	-	-
Equity REIT	17,887	17,887	-	-	-
	<u>\$ 1,142,869</u>	<u>\$ 1,142,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Notes to Consolidated Financial Statements

March 31, 2024 and 2023

March 31, 2023	Total	Level 1	Level 2	Level 3	Measured at Net Asset Value (a)
Investments:					
Cash and bank sweep	\$ 14,918	\$ 14,918	\$ -	\$ -	\$ -
Equity securities	329,554	329,554	-	-	-
Mortgage and asset-backed securities	100,851	100,851	-	-	-
Corporate bonds	13,770	13,770	-	-	-
ETF	314,951	314,951	-	-	-
Mutual funds:					
Equity funds	91,135	91,135	-	-	-
Bond funds	138,747	138,747	-	-	-
Equity REIT	13,862	13,862	-	-	-
	<u>\$1,017,788</u>	<u>\$1,017,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

7. Property and Equipment

The value of property and equipment, net consist of the following as of March 31:

	2024	2023
Furniture and fixtures	\$ 46,234	\$ 46,234
Motor vehicle	19,047	19,047
Computer and equipment	516,373	445,504
Website	68,400	68,400
Land	227,998	227,998
Building and improvements	3,568,049	3,555,456
	<u>4,446,101</u>	<u>4,362,639</u>
Less accumulated depreciation and amortization	<u>(2,194,626)</u>	<u>(2,032,627)</u>
Property and equipment, net	<u>\$ 2,251,475</u>	<u>\$ 2,330,012</u>

As of March 31, 2024 and 2023, respectively, building and improvements included \$45,973 and \$48,803, net of accumulated amortization of \$38,901 and \$36,072, of capitalized interest costs incurred during the period of construction.

8. Amounts Held for Others

ZUMIX acts as a fiscal agent for several nonprofit entities located in the Boston area and receives and expends cash on their behalf. These funds are reported as assets and liabilities in the statement of financial position. Amounts held for others were \$41,922 and \$49,615 as of March 31, 2024 and 2023, respectively.

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Notes to Consolidated Financial Statements

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9. Notes Payable

Contingent Note Payable

During the year ended March 31, 2017, ZFI amended its outstanding note payable to East Boston CDC in such a manner that payment on the note is only due in the event of a default on the part of ZFI (described below) prior to the loan's maturity date of June 20, 2046. As the Organization did not, as of the date of amendment, believe it was probable that an event of default would occur prior to the due date of the loan, the amendment was considered to be an in-substance forgiveness of the loan.

Actions or events that would constitute default under the amended loan agreement between ZFI and East Boston CDC are as follows:

- a) The failure by ZFI at any time, in the reasonable judgment of East Boston CDC and beyond any applicable notice and cure period, substantially to adhere to the general purposes of any of the covenants, conditions and restrictions set forth in the deed to the Firehouse Property from the City of Boston to ZFI dated December 19, 2008 and recorded in the Suffolk County Registry of Deeds at Book 44360, Page 324, notwithstanding that the deed provides for an expiration of the covenants, conditions and restrictions.
- b) The violation by ZFI, beyond any applicable notice and cure period of any of the material provisions of the mortgage, security agreement, and assignment of leases and rents on the Firehouse Property.
- c) The permanent discontinuation by ZFI of its current use of the Firehouse Property or any substantially similar use.
- d) The cessation of business or operations by ZFI, dissolution of ZFI, the filing of a bankruptcy petition (voluntary or involuntary) that is not dismissed within ninety days, assignment for the benefit of creditors or other insolvency petition brought by or against ZFI that is not dismissed within ninety days.

For the purposes of item "c" above, a period of one hundred consecutive days constitutes a rebuttable presumption that ZFI has permanently discontinued its use of the Firehouse Property.

In the event of default, East Boston CDC has the right to receive payment from ZFI of the unpaid principal amount of a loan totaling \$600,000, as well as "default interest," calculated at a rate of 4% per annum, on the outstanding principal balance. In the event of default payments of principal and interest are payable in equal installments on the first date of each month. Such payments are to be amortized from the date of the event of default to the maturity date. If no default event occurs by the maturity date, the principal sum of the loan will be forgiven by East Boston CDC. The loan otherwise bears no interest and requires no payment. The loan is 100% guaranteed by ZUMIX. As of the date these financial statements were available to be issued the Organization believes it is not probable that an event of default will occur on or prior to the loan's maturity and therefore no liability is recognized in the financial statements as of March 31, 2024.

Line of Credit

In April 2022, ZUMIX entered into a credit agreement with a financial institution. Under the agreement, ZUMIX was extended a revolving line of credit, which is available for advances of up to \$300,000 until April 12, 2025. Interest on the line is at 1% plus the prime rate. The loan agreement is secured by all assets and intellectual property owned by ZUMIX. There were no amounts outstanding on the line as of March 31, 2024 and 2023.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions (all of which are temporary in nature) consist of the following as of March 31:

ZUMIX, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Purpose restrictions:		
Hands-on program	\$ 175,000	\$ 4,400
Employee salary support	148,731	51,752
Acquisition of program equipment and other capital expenditures	15,532	-
Summer Concerts	12,500	-
Porque Puma ensemble	7,225	-
School Partnership for O'Donnell	6,000	-
Latin ensembles	-	15,000
	<u>364,988</u>	<u>71,152</u>
Time restrictions:		
Amounts restricted for use in future periods	456,780	100,479
Total net assets with donor restrictions	<u>\$ 821,768</u>	<u>\$ 171,631</u>

Net assets released from temporary donor restrictions by incurring expenses or otherwise satisfying the purpose restrictions specified by donors were as follows during the years ended March 31:

	<u>2024</u>	<u>2023</u>
Expiration of donor-imposed time restrictions	\$ 86,012	\$ 308,428
Purpose restrictions accomplished:		
Program expenses	71,152	16,119
Net assets released from donor restrictions	<u>\$ 157,164</u>	<u>\$ 324,547</u>

11. Credit Card Line of Credit

The Organization has a business line of credit available from a credit card company allowing for purchases or cash borrowings. The Organization had outstanding balances from purchases of \$2,456 and \$1,962 as of March 31, 2024 and 2023, respectively, which are included in accounts payable and accrued expenses. As of March 31, 2024 and 2023, the Organization had remaining credit available for purchases of \$35,244 and \$30,738, and cash advances of \$5,600 and \$5,600, respectively. Minimum monthly payments, which vary according to the outstanding balances, are due under the agreement including interest at 14.99% for purchases and 25.99% for cash advances, as of March 31, 2024 and 2023.

12. Risks and Uncertainties

Financial instruments which subject the Organization to credit risk consist principally of temporary cash investments. The Federal Deposit Insurance Corporation ("FDIC") provides insurance of up to \$250,000 per depositor, per insured bank. Balances in excess of FDIC insured limits amounted to \$1,359,189 and \$968,745 as of March 31, 2024 and 2023, respectively. Although the Company's balances in these accounts may exceed the FDIC limit, the Company has not experienced any losses on such accounts. This risk is managed by using high-quality financial institutions.

As of March 31, 2024, the Organization's investment securities, including temporary investments in cash equivalents, are held by a brokerage firm that is a member of the Securities Investment Protection Corporation (SIPC). Securities held by member brokerage firms, including up to \$250,000 of cash equivalents, are insured by the SIPC up to \$500,000 per customer, per brokerage firm. SIPC protection would be triggered only in the event of a financial failure and liquidation of a participating brokerage firm or if the customer's securities are not

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Notes to Consolidated Financial Statements

March 31, 2024 and 2023

returned. This protection does not cover investment losses in customer accounts due to market fluctuation or other claims for losses incurred while the brokerage firm remains in business.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and changes in the market value of investment securities, it is possible that the value of the Organization's investments and total net assets balance could fluctuate materially.

13. Retirement Plan

ZUMIX sponsors a defined contribution retirement plan for eligible employees. Annual contributions are at the discretion of ZUMIX. During the years ended March 31, 2024 and 2023, the Organization recognized expenses for its contributions to the plan amounting to \$10,298 and \$8,188, respectively, which represents 1% of the gross salary of eligible ZUMIX employees for each of the fiscal years then-ended.

14. Subsequent Events

The Organization has evaluated subsequent events through September 4, 2024, the date the financial statements were available to be issued.

ZUMIX, INC. AND AFFILIATE

Consolidating Statement of Financial Position

(Supplementary Information)

March 31, 2024

	ZUMIX, Inc.	ZUMIX Firehouse, Inc.	Elimination	Consolidated
<i>Assets</i>				
Current assets:				
Cash and cash equivalents	\$ 1,579,191	\$ 199,903	\$ -	\$ 1,779,094
Contributions receivable, net	562,869	-	-	562,869
Prepaid expenses and other current assets	9,164	-	-	9,164
Total current assets	2,151,224	199,903	-	2,351,127
Contributions receivable, net of curret portion	131,667	-	-	131,667
Due from affiliate	2,109,562	23,100	(2,132,662)	-
Investments	1,142,869	-	-	1,142,869
Property and equipment, net	211,833	2,302,892	(263,250)	2,251,475
Amounts held for others	41,922	-	-	41,922
Interest in the net assets of ZUMIX Firehouse, Inc.	166,000	-	(166,000)	-
Total assets	<u>\$ 5,955,077</u>	<u>\$ 2,525,895</u>	<u>\$ (2,561,912)</u>	<u>\$ 5,919,060</u>
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 90,965	\$ -	\$ -	\$ 90,965
Deferred income	64,667	-	-	64,667
Amounts held for others	41,922	-	-	41,922
Total current liabilities	197,554	-	-	197,554
Due to affiliate	23,100	2,109,562	(2,132,662)	-
Total liabilities	220,654	2,109,562	(2,132,662)	197,554
Net assets:				
Without donor restrictions	4,912,655	416,333	(429,250)	4,899,738
With donor restrictions	821,768	-	-	821,768
Total net assets	5,734,423	416,333	(429,250)	5,721,506
Total liabilities and net assets	<u>\$ 5,955,077</u>	<u>\$ 2,525,895</u>	<u>\$ (2,561,912)</u>	<u>\$ 5,919,060</u>

See accompanying independent auditors' report.

ZUMIX, INC. AND AFFILIATE

Consolidating Statement of Activities and Changes in Net Assets

(Supplementary Information)

For the Year Ended March 31, 2024

	ZUMIX, Inc.			ZUMIX Firehouse, Inc.				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Elimination	Consolidated
Support and revenue:								
Contributions of cash and other financial assets:								
Individual donations	\$ 413,894	\$ 163,333	\$ 577,227	\$ -	\$ -	\$ -	\$ -	\$ 577,227
Corporate donations	233,655	100,000	333,655	-	-	-	(48,000)	285,655
Foundation donations	941,592	504,988	1,446,580	-	-	-	-	1,446,580
Government grants	169,401	38,980	208,381	-	-	-	-	208,381
Contributions of non-financial assets	89,369	-	89,369	-	-	-	-	89,369
Program fees	317,397	-	317,397	-	-	-	-	317,397
Rental income	20,650	-	20,650	48,000	-	48,000	(48,000)	20,650
Sale of products	6,604	-	6,604	-	-	-	-	6,604
Net assets released from restrictions	157,164	(157,164)	-	-	-	-	-	-
Total support and revenue	2,349,726	650,137	2,999,863	48,000	-	48,000	(96,000)	2,951,863
Other income:								
Interest income	38,081	-	38,081	3,008	-	3,008	-	41,089
Investment income	38,298	-	38,298	-	-	-	-	38,298
Net realized and unrealized gains on investments	86,774	-	86,774	-	-	-	-	86,774
Total other income	163,153	-	163,153	3,008	-	3,008	-	166,161
Total revenues	2,512,879	650,137	3,163,016	51,008	-	51,008	(96,000)	3,118,024
Expenses:								
Youth programs	1,396,005	-	1,396,005	38,400	-	38,400	(76,800)	1,357,605
Community art programs	298,508	-	298,508	4,800	-	4,800	(9,600)	293,708
Total program expenses	1,694,513	-	1,694,513	43,200	-	43,200	(86,400)	1,651,313
Management and general	192,210	-	192,210	2,470	-	2,470	(4,800)	189,880
Fundraising	333,299	-	333,299	2,400	-	2,400	(4,800)	330,899
Total operating expenses	2,220,022	-	2,220,022	48,070	-	48,070	(96,000)	2,172,092
Increase in net assets before depreciation	292,857	650,137	942,994	2,938	-	2,938	-	945,932
Depreciation and amortization:								
Program	49,719	-	49,719	111,974	-	111,974	(14,580)	147,113
Management and general	3,172	-	3,172	6,221	-	6,221	(810)	8,583
Fundraising	892	-	892	6,221	-	6,221	(810)	6,303
	53,783	-	53,783	124,416	-	124,416	(16,200)	161,999
Total expenses	2,273,805	-	2,273,805	172,486	-	172,486	(112,200)	2,334,091
Increase (decrease) in net assets	239,074	650,137	889,211	(121,478)	-	(121,478)	16,200	783,933
Net assets, beginning of year	4,673,581	171,631	4,845,212	537,811	-	537,811	(445,450)	4,937,573
Net assets, end of year	\$ 4,912,655	\$ 821,768	\$ 5,734,423	\$ 416,333	\$ -	\$ 416,333	\$ (429,250)	\$ 5,721,506

See accompanying independent auditors' report.

ZUMIX, INC. AND AFFILIATE

Consolidating Statement of Cash Flows

(Supplementary Information)

For the Year Ended March 31, 2024

	<u>ZUMIX, Inc.</u>	<u>ZUMIX Firehouse, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ 889,211	\$ (121,478)	\$ 16,200	\$ 783,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	53,783	124,416	(16,200)	161,999
Net unrealized gains on investments	(87,827)	-	-	(87,827)
Donation of property and equipment	(59,779)	-	-	(59,779)
Changes in operating assets and liabilities:				
Increase in contributions receivable	(441,158)	-	-	(441,158)
Decrease in prepaid expenses and other current assets	34,441	-	-	34,441
Increase in accounts payable and accrued expenses	10,491	-	-	10,491
Increase in deferred revenue	64,667	-	-	64,667
Net cash provided by operating activities	<u>463,829</u>	<u>2,938</u>	<u>-</u>	<u>466,767</u>
Cash flows from investing activities:				
Purchases of investments	(90,571)	-	-	(90,571)
Proceeds from sale of investments	53,317	-	-	53,317
Purchases of property and equipment	(23,683)	-	-	(23,683)
Net cash used in investing activities	<u>(60,937)</u>	<u>-</u>	<u>-</u>	<u>(60,937)</u>
Net increase in cash and cash equivalents	402,892	2,938	-	405,830
Cash and cash equivalents, beginning of year	<u>1,176,299</u>	<u>196,965</u>	<u>-</u>	<u>1,373,264</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,579,191</u></u>	<u><u>\$ 199,903</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,779,094</u></u>

See accompanying independent auditors' report.