



LA COCINA VA **(doing business as Kitchen of Purpose)**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2025

(With Summarized Comparative Information for the Year Ended December 31, 2024)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
La Cocina VA
d/b/a Kitchen of Purpose
Arlington, VA

Opinion

We have audited the accompanying financial statements of La Cocina VA, doing business as Kitchen of Purpose, (the Organization), which comprise the statement of financial position as of December 31, 2025, 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 the Organization as of December 31, 2025, 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 Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
April 28, 2026

LA COCINA VA
d/b/a Kitchen of Purpose
Statement of Financial Position
December 31, 2025
(With Summarized Comparative Information for 2024)

	2025	2024
Assets		
Cash	\$ 868,396	\$ 259,957
Grants and contributions receivable	272,561	158,433
Property and equipment, net	1,161,364	1,215,142
Right-of-use asset – operating lease, net	440,232	533,277
Other assets	-	10,506
Total assets	<u>\$ 2,742,553</u>	<u>\$ 2,177,315</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 45,944	\$ 8,235
Note payable	140,168	220,694
Federal loan payable	287,102	299,600
Operating lease liability	545,549	654,163
Unearned grant revenue	250,000	-
Total liabilities	<u>1,268,763</u>	<u>1,182,692</u>
Net Assets		
Without donor restrictions	851,845	861,373
With donor restrictions	<u>621,945</u>	<u>133,250</u>
Total net assets	<u>1,473,790</u>	<u>994,623</u>
Total liabilities and net assets	<u>\$ 2,742,553</u>	<u>\$ 2,177,315</u>

LA COCINA VA
d/b/a Kitchen of Purpose
Statement of Activities
Year Ended December 31, 2025
(With Summarized Comparative Information for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Grants and contributions	\$ 469,131	\$ 804,596	\$ 1,273,727	\$ 891,683
Government grants	390,166	249,655	639,821	542,650
Kitchen rentals and other income	123,255	-	123,255	101,689
In-kind property donations	65,550	-	65,550	-
Café and catering service income:				
Café sales and catering services	2,070	-	2,070	129,634
Less: cost of goods sold	(54)	-	(54)	(37,196)
Net café and catering service income	2,016	-	2,016	92,438
Loss on PPE disposal	(5,885)	-	(5,885)	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	565,556	(565,556)	-	-
Total revenue and support	1,609,789	488,695	2,098,484	1,628,460
Expenses				
Program services:				
Training and Workforce Development	791,107	-	791,107	535,777
Shared Kitchen and other operations	123,472	-	123,472	405,690
Food assist	209,629	-	209,629	236,200
Small Business Incubator	215,570	-	215,570	216,480
Total program services	1,339,778	-	1,339,778	1,394,147
Supporting services:				
General and administrative	112,342	-	112,342	175,732
Fundraising	167,197	-	167,197	222,803
Total supporting services	279,539	-	279,539	398,535
Total expenses	1,619,317	-	1,619,317	1,792,682
Change in Net Assets	(9,528)	488,695	479,167	(164,222)
Net Assets , beginning of year	861,373	133,250	994,623	1,158,845
Net Assets , end of year	\$ 851,845	\$ 621,945	\$ 1,473,790	\$ 994,623

See accompanying notes.

LA COCINA VA
d/b/a Kitchen of Purpose

Statement of Functional Expenses

Year Ended December 31, 2025

(With Summarized Comparative Information for 2024)

	2025				
	Program Services				
	Training and Workforce Development	Shared Kitchen and Other Operations	Food Assist	Small Business Incubator	Total Program Services
Salaries, benefits, and payroll taxes	\$ 407,556	\$ 40,756	\$ 105,964	\$ 105,964	\$ 660,240
Professional services	53,297	6,792	10,428	33,428	103,945
Depreciation and amortization	90,216	9,022	23,456	23,456	146,150
Food supplies	58,917	7,824	22,697	3,227	92,665
Occupancy	55,753	5,575	14,496	14,496	90,320
Other expenses	18,224	6,210	4,570	4,445	33,449
Utilities	23,880	2,388	6,209	6,209	38,686
Interest	10,031	1,003	2,608	2,608	16,250
Repairs and maintenance	35,266	34,237	9,124	10,250	88,877
Insurance	8,526	853	2,217	2,217	13,813
Computer and software	18,049	7,711	4,693	6,342	36,795
Automobile	4,457	436	1,381	1,133	7,407
Facility and equipment rental	5,454	541	1,416	1,416	8,827
Office expenses	1,481	124	370	379	2,354
Total Expenses	\$ 791,107	\$ 123,472	\$ 209,629	\$ 215,570	\$ 1,339,778

See accompanying notes.

LA COCINA VA
d/b/a Kitchen of Purpose

Statement of Functional Expenses (continued)

Year Ended December 31, 2025

(With Summarized Comparative Information for 2024)

	2025			2024	
	Supporting Services		Total Supporting Services	Total	Total
	General and Administrative	Fundraising			
Salaries, benefits, and payroll taxes	\$ 59,558	\$ 97,813	\$ 157,371	\$ 817,611	\$ 1,037,741
Professional services	8,719	8,704	17,423	121,368	97,108
Depreciation and amortization	12,630	21,652	34,282	180,432	184,938
Food supplies	125	-	125	92,790	146,559
Occupancy	7,804	13,381	21,185	111,505	101,986
Other expenses	3,079	6,173	9,252	42,701	35,103
Utilities	4,203	5,731	9,934	48,620	45,094
Interest	1,405	2,407	3,812	20,062	29,473
Repairs and maintenance	1,531	2,533	4,064	92,941	44,768
Insurance	7,952	2,046	9,998	23,811	22,197
Computer and software	3,843	4,332	8,175	44,970	28,386
Automobile	609	1,046	1,655	9,062	3,472
Facility and equipment rental	709	1,019	1,728	10,555	13,748
Office expenses	175	360	535	2,889	2,109
Total Expenses	\$ 112,342	\$ 167,197	\$ 279,539	\$ 1,619,317	\$ 1,792,682

See accompanying notes.

LA COCINA VA
d/b/a Kitchen of Purpose
Statement of Cash Flows
Year Ended December 31, 2025
(With Summarized Comparative Information for 2024)

	2025	2024
Cash Flows from Operating Activities		
Grants and contributions	\$ 1,407,139	\$ 839,183
Government grants	642,281	484,217
Net café and catering service income	2,016	94,935
Kitchen rentals and other income	123,255	101,689
Cash paid for salaries, benefits, and payroll taxes	(812,377)	(1,037,741)
Cash paid to vendors and suppliers	(573,800)	(619,816)
Cash paid for interest	(20,062)	(29,473)
Net cash provided by (used in) operating activities	<u>768,452</u>	<u>(167,006)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(66,989)	-
Net cash used in investing activities	<u>(66,989)</u>	<u>-</u>
Cash Flows from Financing Activities		
Principal cash payments on notes payable	(80,526)	(152,998)
Principal cash payments on federal loan payable	(12,498)	-
Net cash used in financing activities	<u>(93,024)</u>	<u>(152,998)</u>
Net Increase (Decrease) in Cash	608,439	(320,004)
Cash, beginning of year	<u>259,957</u>	<u>579,961</u>
Cash, end of year	<u>\$ 868,396</u>	<u>\$ 259,957</u>
Indirect Reconciliation of Cash Flows from Operating Activities		
Change in net assets	\$ 479,167	\$ (164,222)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	180,432	184,938
Amortization of ROU asset	93,045	84,425
Noncash property additions	(65,550)	-
Loss on disposal of property and equipment	5,885	-
Decrease (increase) in assets:		
Grants and contributions receivable	(114,128)	(108,436)
Other assets	10,506	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	37,709	(59,414)
Change in operating lease liability	(108,614)	(104,297)
Unearned grant revenue	250,000	-
Net cash provided by (used in) operating activities	<u>\$ 768,452</u>	<u>\$ (167,006)</u>

See accompanying notes.

1. Nature of Operations

La Cocina VA, doing business as Kitchen of Purpose, (the Organization) was formed to create opportunities using food as an agent of social and economic change, through feeding, educating, and empowering the minds of the community. The Organization will carry out a variety of charitable and educational activities to fulfill its purposes, including the following:

- Creating job opportunities by providing culinary training and certifications to unemployed members of the community.
- Creating economic development by training small food business entrepreneurs in food business development and growth.
- Fighting hunger by providing food to the homeless, to social services agencies, to nonprofits, and to low-income families and at-risk neighbors in the state.
- Reducing food waste by implementing environmentally friendly, sustainable food recycling programs with local restaurants and farms.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized as obligations are incurred.

Grants and Contributions Receivable

Unconditional contributions that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at their present value using a risk-adjusted rate. The Organization establishes an allowance for uncollectible accounts, if necessary, based on management's estimate of amounts that will not be collected from contributions receivable. The estimated losses are based on historical collection experience. As of December 31, 2025, no allowance for uncollectible accounts was recorded as the entire balance has been deemed by management to be fully collectible.

Property and Equipment

Property and equipment of \$500 or more with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the related assets, generally five to fifteen years for furniture and equipment, five years for vehicle, and five years for website and software. Leasehold improvements are amortized over the lesser of their useful lives or the life of the lease. Purchases for minor and routine repairs and maintenance are expensed when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is included in revenue or expense.

2. Summary of Significant Accounting Policies (continued)

Leases

The Organization accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*. The Organization determines if an arrangement is or contains a lease at contract inception. The Organization recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date. The Organization has elected to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Organization or the Organization is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with the Organization's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in the same line item as expenses arising from fixed lease payments (operating leases) or amortization of ROU asset (finance leases) on the accompanying statement of functional expenses.

ROU assets for operating and finance leases are periodically reduced by impairment losses. The Organization uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall*, issued by FASB, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. The Organization monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded as a gain or loss.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *Net Assets With Donor Restrictions* represent funds subject to donor-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. The Organization did not have any donor-imposed restrictions which are perpetual in nature at December 31, 2025.

Revenue Recognition

Grants and Contributions

The Organization receives contributions and grants that are considered to be contributions including government grants, in the form of cash and other financial assets. Unconditional grants and contributions are recognized upon receipt or notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Government grants are recognized only to the extent of actual expenses incurred in compliance with the grant agreement. Grants and contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the statement of activities as net assets released from restrictions.

Grants and contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barriers and a right of return, are recognized as revenue once the conditions on which they depend have been met. Revenue recognized on grants and contributions, but have not been received, is reflected as grants and contributions receivable on the accompanying statement of financial position. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances on the accompanying statement of financial position. Unrecognized conditional awards at December 31, 2025 totaled \$1,000,000, of which \$250,000 was received in 2025 and recorded as unearned grant revenue at December 31, 2025 on the statement of financial position.

Kitchen Rentals

Revenue from the rentals of kitchen space is recognized over time as kitchen access and related services are provided. Kitchen rentals are short-term for a term of less than a year.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Café and Catering Service Income

Café and catering service income is recognized as revenue when the service is provided. The Café was discontinued at the end of 2024.

Contributed Kitchen Equipment

Donated kitchen equipment is recorded at its estimated fair value on the donation date, based on market prices for similar items, considering their condition and age. The donated kitchen equipment does not have any donor-imposed restrictions. The Organization's policy is to utilize the donated assets to carry out the mission of the Organization.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as distribution of labor or estimates of time and effort incurred by personnel. Expenses that are allocated include the following: salaries, benefits, and payroll taxes, depreciation and amortization, occupancy, and utilities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized Comparative Information

The accompanying financial statements are presented with summarized comparative information for 2024. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

3. Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to a concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. At times, deposits exceed the amount guaranteed by the Federal Deposit Insurance Corporation. The Organization has not experienced, nor does it anticipate, any losses on its funds and management does not consider this a significant concentration of credit risk.

During the year ended December 31, 2025, revenue from three sources accounted for approximately 44% of the Organization's grants and contributions. In addition, grants and contribution receivables due from three sources comprise approximately 87% of total grants and contribution receivable at December 31, 2025.

4. Grants and Contributions Receivable

Grants and contributions receivable are due as follows at December 31, 2025:

Receivables due in one year	\$ 195,561
Receivables due in two years	<u>77,000</u>
Total grants and contributions receivable	<u>\$ 272,561</u>

Multi-year grants are discounted to their present value using present value techniques incorporating risk-adjusted discount rate of 3.48% over the period of the grants, based on estimated expected cash flows. For the long-term receivable at December 31, 2025, management determined that the present value of the expected future cash flows was not materially different from the stated receivable amount. Accordingly, no discount has been recorded.

5. Property and Equipment

The Organization held the following property and equipment at December 31, 2025:

Furniture and equipment	\$ 382,594
Vehicle	62,029
Website and software	39,023
Leasehold improvements	<u>1,714,117</u>
Total property and equipment	2,197,763
Less: accumulated depreciation and amortization	<u>(1,036,399)</u>
Property and equipment, net	<u>\$ 1,161,364</u>

6. Promissory Note

In August 2019, the Organization obtained a \$900,000 philanthropic promissory note from a funder. The proceeds of this promissory note were used to make leasehold improvements to the Training and Entrepreneurship Center (TEC). The promissory note was secured by all committed and future pledges and the Organization’s assets. The promissory note had a 6.75% fixed interest rate per annum.

On April 1, 2021, the Organization and the lender amended and restated the promissory note. The amended terms state that principal and interest shall be payable on the first day of each month, commencing on May 1, 2021, in installments of \$14,462, with a final installment consisting of all remaining unpaid fees, principal, and accrued and unpaid interest is due and payable on April 1, 2026. At December 31, 2025, the outstanding balance of the promissory note was \$140,168. On March 11, 2026, the Organization paid off the entire outstanding balance of the promissory note.

7. Federal Loan Payable

On June 10, 2020, the Organization received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration totaling \$150,000. On May 2, 2022, the EIDL loan amount was increased to \$299,600. The loan bears interest at 2.75% and is due over thirty years in monthly installments of \$1,349 beginning in December 2022. Each payment will be applied to accrued interest and principal. The loan is collateralized by all tangible and intangible personal property of the Organization.

Principal payments as stated in the note are due as follows:

2026	\$ 8,179
2027	8,406
2028	8,641
2029	8,881
2030	9,128
Thereafter through 2051	<u>243,867</u>
Total principal payments	<u>\$ 287,102</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2025:

Subject to satisfaction of purpose restrictions:	
Small Business Incubator	\$ 86,373
Workforce Development	512,989
Food Assist	<u>22,583</u>
 Total net assets with donor restrictions	 <u><u>\$ 621,945</u></u>

During the year ended December 31, 2025, releases from net assets with donor restrictions were for the following:

Satisfaction of purpose restrictions:	
Small Business Incubator	\$ 107,654
Workforce Development	385,849
Food Assist	<u>72,053</u>
 Total net assets released from donor restrictions	 <u><u>\$ 565,556</u></u>

9. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2025, available for use in the next year, reduced by amounts not available for general use because of donor-imposed restrictions within one year of this date:

Cash	\$ 868,396
Grants and contributions receivable	<u>272,561</u>
 Total financial assets	 1,140,957
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	<u>(621,945)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 519,012</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

10. Leases

In July 2019, the Organization entered into a ten-year lease agreement to lease a 5,000 square foot facility to operate the Zero Barriers TEC. The lease commenced in June 2020 and expires in June 2030. In November 2020, the landlord provided the Organization with a rent abatement for the period from November 2020 to April 2021. The lease provides for annual rent escalations of approximately 3% and an allowance for leasehold improvements.

The balance of ROU operating assets is as follows at December 31, 2025:

Operating lease ROU asset	\$ 941,416
Less: amortization of ROU operating lease asset	<u>(501,184)</u>
Net operating ROU asset	<u>\$ 440,232</u>

The table below presents a maturity analysis of the operating lease liability and a reconciliation of the total amount of the liability in the statement of financial position as of December 31, 2025:

2026	\$ 117,666
2027	121,196
2028	124,832
2029	128,577
2030	<u>65,239</u>
Total future minimum lease payments	557,510
Less: imputed interest	<u>(11,961)</u>
Present value of future minimum lease payments	<u>\$ 545,549</u>

Lease costs and other related information for the year ended December 31, 2025 were as follows:

Lease cost:	
Operating lease cost	\$ 98,754
Variable lease cost	<u>12,751</u>
Total lease cost	<u>\$ 111,505</u>

Other information:

Weighted average remaining years in lease term	4.5
Weighted average discount rate	0.93%

11. Letter of Credit

In April 2020, the Organization obtained a letter of credit from a financial institution in order to secure the aforementioned lease arrangement with Gilliam Retail. Pursuant to the terms of the letter of credit, Gilliam Retail is entitled to draw against this letter of credit which is posted in lieu of a security deposit pursuant to the terms of the lease. The letter of credit is \$100,000 until it expires in June 2030. There was no borrowing against the letter of credit as of December 31, 2025.

12. Retirement Plan

The Organization has a 403(b) retirement plan that covers all eligible employees. Employees are eligible to participate in the plan upon hire. The Organization matches employee contributions at 100% of the first 3% and 50% of the next 2% of each eligible employee's compensation. During the year ended December 31, 2025, the Organization contributed \$17,609 to the plan which is included in salaries, benefits, and payroll taxes on the accompanying statement of functional expenses.

13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2025, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2025, and determined that there were no matters that would require recognition on the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

14. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 28, 2026, the date the financial statements were available to be issued.

On March 11, 2026, the Organization paid off the entire outstanding balance of the promissory note as disclosed in Note 6. There were no other subsequent events that require recognition of, or disclosure in, the financial statements.