

**COMP-U-DOPT, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

## **CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	2-3
Statement of Financial Position.....	4
Statement of Activities .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows.....	7
Notes to Financial Statements .....	8-16

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Comp-U-Dopt, Inc.  
Houston, Texas

### **Opinion**

We have audited the accompanying financial statements of Comp-U-Dopt, Inc. (a nonprofit Texas corporation), 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 Comp-U-Dopt, Inc. 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Comp-U-Dopt, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note B to the financial statements, prior period adjustments were recorded with respect to inventory and contributions that increased beginning net assets by \$1,152,294. Our opinion is not modified with respect to that matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 Comp-U-Dopt, Inc.'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 Comp-U-Dopt, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Comp-U-Dopt, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in dark ink that reads "Harper & Pearson Company, P.C." in a cursive, flowing script.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas  
April 27, 2023

**COMP-U-DOPT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 7,343,692
Contributions and other receivables	1,583,749
Inventory	2,685,804
Prepaid expenses	<u>491,996</u>

TOTAL CURRENT ASSETS	<u>12,105,241</u>
----------------------	-------------------

**PROPERTY AND EQUIPMENT**

Land and building improvements	2,787,066
Communications infrastructure	471,051
Vehicles	<u>300,397</u>

	3,558,514
Less accumulated depreciation	<u>(273,221)</u>

TOTAL PROPERTY AND EQUIPMENT	<u>3,285,293</u>
------------------------------	------------------

**OTHER NONCURRENT ASSETS**

Contributions and other receivables	200,000
Deposits	21,849
Right of use assets	<u>796,913</u>

TOTAL OTHER NONCURRENT ASSETS	<u>1,018,762</u>
-------------------------------	------------------

TOTAL ASSETS	<u>\$ 16,409,296</u>
--------------	----------------------

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 137,904
Refundable advances and deferred revenues	267,083
Current portion of long-term debt	39,544
Current portion of operating lease liabilities	<u>286,361</u>

TOTAL CURRENT LIABILITIES	730,892
---------------------------	---------

OPERATING LEASE LIABILITIES, less current portion	520,607
---	---------

LONG-TERM DEBT, less current portion	<u>1,283,233</u>
--------------------------------------	------------------

TOTAL LIABILITIES	<u>2,534,732</u>
-------------------	------------------

**NET ASSETS**

Net assets without donor restrictions	5,889,526
Net assets with donor restrictions	<u>7,985,038</u>

TOTAL NET ASSETS	<u>13,874,564</u>
------------------	-------------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,409,296</u>
----------------------------------	----------------------

**COMP-U-DOPT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
REVENUES, GAINS AND SUPPORT			
Contributions	\$ 3,248,274	\$ 12,715,310	\$ 15,963,584
Gifts In-kind	2,659,070	-	2,659,070
Program Licensing	176,061	-	176,061
Fundraising and Events	178,240	-	178,240
Interest Income	49,197	-	49,197
Earned Income	29,460	-	29,460
Assets Released From Restrictions	<u>6,647,578</u>	<u>(6,647,578)</u>	<u>-</u>
Total Revenues, Gains and Support	<u>12,987,880</u>	<u>6,067,732</u>	<u>19,055,612</u>
EXPENSES			
Program Services	9,112,598	-	9,112,598
Management and General	784,009	-	784,009
Fundraising	<u>1,110,769</u>	<u>-</u>	<u>1,110,769</u>
Total Expenses	<u>11,007,376</u>	<u>-</u>	<u>11,007,376</u>
CHANGE IN NET ASSETS	1,980,504	6,067,732	8,048,236
NET ASSETS, BEGINNING as previously reported	1,690,942	2,983,092	4,674,034
PRIOR PERIOD ADJUSTMENTS	<u>2,218,080</u>	<u>(1,065,786)</u>	<u>1,152,294</u>
NET ASSETS, BEGINNING as adjusted	<u>3,909,022</u>	<u>1,917,306</u>	<u>5,826,328</u>
NET ASSETS, END OF YEAR	<u>\$ 5,889,526</u>	<u>\$ 7,985,038</u>	<u>\$ 13,874,564</u>

See accompanying notes.

**COMP-U-DOPT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 2,315,084	\$ 424,083	\$ 948,555	\$ 3,687,722
Professional fees	2,500	41,113	-	43,613
Computer purchases and program supplies	3,763,240	48,812	4,436	3,816,488
Travel and auto	281,648	36,834	3,489	321,971
Staff and student meals	6,133	10,894	208	17,235
Training	2,608	24,885	449	27,942
Shipping	39,272	2,422	80	41,774
Gifts in-kind supplies	2,128,828	-	-	2,128,828
Occupancy expense	410,015	56,665	51,897	518,577
Human resources	17,703	21,119	225	39,047
Office expenses	60,750	58,457	3,597	122,804
Insurance	-	50,148	-	50,148
Depreciation expense	84,727	3,710	3,710	92,147
Fundraising and special events	90	4,867	94,123	99,080
	<u>\$ 9,112,598</u>	<u>\$ 784,009</u>	<u>\$ 1,110,769</u>	<u>\$ 11,007,376</u>

**COMP-U-DOPT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

---

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 8,048,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	92,147
Debt issuance costs	(11,420)
Amortization of debt issuance costs	1,904
Non-cash rent expense	10,055
Changes in operating assets and liabilities:	
Contributions and other receivables	(375,549)
Inventory	(1,271,110)
Prepaid expenses	(339,911)
Deposits	(7,437)
Accounts payable and accrued expenses	110,758
Refundable advances and deferred revenues	<u>4,683</u>
 Total adjustments	 <u>(1,785,880)</u>
 Net cash provided by operating activities	 <u>6,262,356</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(769,384)</u>
 Net cash used by investing activities	 <u>(769,384)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on long-term debt	250,536
Repayments of long-term debt	<u>(27,707)</u>
 Net cash provided by financing activities	 <u>222,829</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	5,715,801
---	-----------

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,627,891</u>
--	------------------

CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,343,692</u>
--	---------------------



NOTE A                      ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comp-U-Dopt, Inc. is a national 501(c)(3) nonprofit organization founded in 2007, on the belief that every child deserves equal access to education and opportunity. Comp-U-Dopt, Inc. now serves students across the country with a digital equity solution that addresses the device gap, connectivity, and digital literacy skills through to workforce opportunity.

Comp-U-Dopt, Inc. addresses the lack of access to computers by obtaining gently used devices through donation or purchase, refurbishing the devices and distributing them to underserved communities across the nation. In addition, Comp-U-Dopt, Inc. provides digital literacy training and technology-centered enrichment programs for youth up to age 26. Finally, Comp-U-Dopt, Inc. addresses the need for connectivity at home through supporting enrollment in the federal Affordable Connectivity Program (as applicable) and if needed, installing direct internet solutions to families in the communities who are otherwise underserved.

Basis of Presentation - The accompanying financial statements of Comp-U-Dopt, Inc. have been prepared using the accrual basis of accounting in accordance with accounting principals generally accepted in the United States ("GAAP") Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of Comp-U-Dopt, Inc. and changes therein are classified and reported as follows:

Net assets with donor restrictions - Net assets with donor restrictions include net assets that are either (i) restricted until the donor-imposed stipulations have been met through the passage of time and/or actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions.

Net assets without donor restrictions - Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses and the allocation of expenses among various functions. Actual results could vary from these estimates.

Concentrations of Credit Risk - Financial instruments, which subject Comp-U-Dopt, Inc. to concentrations of credit risk, consist principally of cash and cash equivalents and contributions receivable. Cash and cash equivalents are maintained with financial institutions in the United States. Deposits with financial institutions at year-end and various times during the year exceed the amount of federal deposit insurance provided on such deposits (approximately \$6,787,000 at December 31, 2022); however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, Comp-U-Dopt, Inc. periodically evaluates the stability of the financial institutions.

NOTE A                      ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An allowance for uncollectible contributions is established based on collection experience in prior years and management's analysis of specific promises made. As of December 31, 2022, an allowance for doubtful accounts was not deemed necessary. As of December 31, 2022, 83% of contributions and other receivables are from 2 donors. Two donors contributed approximately 72% of total contributions during 2022.

Cash and Cash Equivalents - Comp-U-Dopt, Inc. considers all highly liquid short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Contributions Receivable - Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to the estimated present value of future cash flows. Discounts at December 31, 2022 and 2021 are considered immaterial.

Inventory - Inventory consists of refurbished and donated laptops, desktops and monitors awaiting distribution and are valued at the price paid if purchased or the estimated fair value of the used device if donated.

Property and Equipment - Property and equipment is stated at cost. Maintenance and repair costs less than \$5,000, are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses on disposals of property and equipment are reflected in earnings in the year of disposal.

Comp-U-Dopt, Inc. depreciates all classes of property and equipment using the straight-line method over their estimated useful lives, which ranges from five (5) to thirty-nine (39) years.

Contributions - Contributions are recognized when the donor makes a commitment to give to Comp-U-Dopt, Inc. that is, in substance, unconditional. Expirations of donor restrictions on contributions are reported as net assets released from restrictions on the statement of activities.

Contributions that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Comp-U-Dopt, Inc. reports expirations of donor restrictions when the acquired assets are placed in service.

Conditional contributions are not included in revenue until such time as the conditions are substantially met. Conditional contributions amounting to \$260,833 received in advance are reported on the statement of financial position as refundable advances. At December 31, 2022, Comp-U-Dopt, Inc. has approximately \$28,000,000 of conditional contributions that have not been recorded because the programmatic conditions have not been met and no related funds have been received.

NOTE A                      ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts in-kind - Donations of assets and services are recorded as gifts in-kind support at their estimated fair value based on published prices of similar assets or services. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Comp-U-Dopt, Inc. receives donations of computers and accessories which are refurbished and placed into inventory until distributed to others. During 2022, Comp-U-Dopt, Inc. received donated assets with an estimated value of \$2,659,070 of which \$2,128,828 are included as program expenses.

Contributions of services are recognized at their estimated fair value if the services received (i) create or enhance long-lived assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services recognized during 2022. Individuals provided approximately 2,000 hours of volunteer time during computer distribution events that did not meet the criteria for recognition.

Program Licensing Revenue - Program licensing revenue consists of partnership agreements with schools or community organizations that are paying for the right to use educational programs developed by Comp-U-Dopt, Inc. Invoicing for each project is determined based on a Memorandum of Understanding between Comp-U-Dopt, Inc. and the partner. Revenues are recognized as the courses are used by the partner.

Functional Expenses - The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that are attributable to more than one program or supporting function have been allocated based on criteria such as square footage (i.e. occupancy and depreciation), approximate time and effort (i.e. payroll and benefits and travel) and management's analysis of the expenditures.

Income Taxes - Comp-U-Dopt, Inc. is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service ("IRS") as other than a private foundation. However, Comp-U-Dopt, Inc. is subject to taxes on unrelated business income. As of December 31, 2022, there were no unrelated business activities; thus, no provision has been made for income taxes.

Comp-U-Dopt, Inc. believes that all significant tax positions utilized by Comp-U-Dopt, Inc. will more likely than not be sustained upon examination. As of December 31, 2022, the tax years that remain subject to examination by the major tax jurisdictions under that statute of limitations are from the 2019 forward (with limited exceptions.)

Tax penalties and interest, if any, would be accrued as incurred and would be classified as management an general expense in the statement of activities.

NOTE A                      ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standard Adopted in 2022 - Comp-U-Dopt, Inc. adopted FASB ASC Topic 842, Leases ("ASC 842") effective January 1, 2022 utilizing the effective date approach to all leases existing at or commencing after January 1, 2022 and elected the package of transition practical expedients for expired or existing contracts, which does not require reassessment of: (1) whether any contracts are or contain leases, (2) lease classification and (3) initial direct costs. There were no cumulative effects recorded from the adoption.

Comp-U-Dopt, Inc. determines if an arrangement is a lease at inception. Comp-U-Dopt, Inc. made the election to not apply the recognition requirements in ASC Topic 842 to short-term leases (i.e., leases of twelve months or less). Instead, Comp-U-Dopt, Inc. recognizes lease expense for short-term leases as payments are made. Long-term operating leases are included in right of use assets (ROU assets) and operating lease liability.

ROU assets represent Comp-U-Dopt, Inc.'s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Comp-U-Dopt, Inc. uses the implicit rate when readily determinable. As most of Comp-U-Dopt, Inc.'s leases do not provide an implicit rate, an incremental borrowing rate is used in determining the present value of lease payments based on the information available at the commencement date. The incremental borrowing rate reflects the estimated rate of interest that would be paid to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Comp-U-Dopt, Inc. elected the practical expedient to utilize a risk free interest rate (the US Treasury rate) as the incremental borrowing rate. The ROU asset also includes any lease payments made and excludes lease incentives received. Comp-U-Dopt, Inc.'s lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Subsequent Events - Comp-U-Dopt, Inc. has evaluated subsequent events through April 27, 2023, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure in the financial statements at December 31, 2022.

**NOTE B                      PRIOR PERIOD ADJUSTMENTS**

During 2022, Comp-U-Dopt, Inc. determined that inventory on hand at December 31, 2021 should have been recorded in accordance with GAAP. In addition, Comp-U-Dopt, Inc. determined that certain contributions previously reported as donor restricted contributions were conditional contributions that should not have been recorded. As a result, refundable advances and deferred revenues were understated and contribution revenues were overstated. Account balances and the effect on beginning net assets is as follows:

Inventory not recorded	\$ 1,414,694
Refundable advances	(230,000)
Deferred revenue	<u>(32,400)</u>
	<u>\$ 1,152,294</u>

These are reflected on the statement of activities as follows:

Net assets without donor restrictions	\$ 2,218,080
Net assets with donor restrictions	<u>(1,065,786)</u>
	<u>\$ 1,152,294</u>

**NOTE C                      LIQUIDITY AND AVAILABILITY**

Comp-U-Dopt, Inc. regularly monitors liquidity required to meet its operating needs and manages its cash flows through the adherence to budgets created annually and updated quarterly. Comp-U-Dopt, Inc. relies on contributions and program administration fees to fund ongoing operations.

As of December 31, 2022, Comp-U-Dopt, Inc. has available the following assets to meet operating expenditures for the next fiscal year:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 7,343,692
Current contributions and other receivables	<u>1,583,749</u>
	8,927,441
Less long-term contributions receivable	<u>(200,000)</u>
Total financial assets available	<u>\$ 8,727,441</u>

NOTE D            CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables are due as follows at December 31, 2022:

Due in 2023	\$ 1,583,749
Due in 2024	<u>200,000</u>
Total contributions and other receivables	<u>\$ 1,783,749</u>

NOTE E            LONG-TERM DEBT

Long-term debt at December 31, 2022 consists of the following:

Note payable to a financial institution, monthly principal and interest payments of \$6,618, interest at 3.19%, maturing on March 2, 2027 with a balloon payment at maturity of \$1,174,761; secured by land and building improvements	\$ 1,332,293
Debt issuance costs	<u>(9,516)</u>
	1,322,777
Less current portion	<u>(39,544)</u>
	<u>\$ 1,283,233</u>

Future estimated annual principal payments, net of the amortization of debt issuance costs as of December 31, 2022 are as follows:

2023	\$ 39,544
2024	50,229
2025	60,659
2026	70,558
2027	<u>1,101,787</u>
	<u>\$ 1,322,777</u>

For the year ended December 31, 2022, interest expense and cash paid for interest amounted to \$44,616 and is included in occupancy expenses on the accompanying statement of functional expenses.

NOTE F            RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022:

Restricted for operating purposes	
Computer Adoption Programs	\$ 4,065,000
Services	557,492
Technology Education	2,513,988
National Capacity Building	<u>448,558</u>
Total purpose restricted	7,585,038
Restricted for time	<u>400,000</u>
	<u>\$ 7,985,038</u>

NOTE G            NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time specified by donors as follows at December 31, 2022:

Restricted for purpose	
Computer Adoption Programs	\$ 877,390
Early Adopters Programs	30,000
L2E Programs	6,324
Services	4,786,622
Technology Education	835,802
National Capacity Building	<u>26,440</u>
Total purpose restricted	6,562,578
Restricted for time	<u>85,000</u>
	<u>\$ 6,647,578</u>

**NOTE H                      CONTRIBUTIONS**

Contributions for the year ended December 31, 2022 were from the following sources:

Board of Directors	\$     84,255
Corporations	13,059,754
Foundations	2,043,329
Individuals	701,246
Government Grants	<u>75,000</u>
	<u>\$ 15,963,584</u>

**NOTE I                      DEFINED CONTRIBUTION PLAN**

Comp-U-Dopt, Inc. offers a 401(k) plan for the benefit of eligible employees who have attained the age of 21, completed one year of eligible service and a minimum of 1,000 hours of eligible service within a Plan Year. A discretionary matching contribution is made and subject to change during times of business hardship. For the year ended December 31, 2022, Comp-U-Dopt, Inc. recorded costs of \$18,786 related to the Plan.

**NOTE J                      OPERATING LEASES**

Comp-U-Dopt, Inc. leases operating facilities and communications infrastructure for various terms under long-term, non-cancelable operating lease agreements from independent third parties. The leases expire at various dates through 2025 and provide for renewal options ranging from two to ten years. Renewal options have not been included in the calculation of lease liabilities as Comp-U-Dopt retains the right to terminate at the end of the lease and management does not anticipate renewal at this time. Variable payments for lease operating expenses are not included in lease liabilities, but rather, are expensed as incurred.

At December 31, 2022, total future minimum commitments are as follows:

2023	\$    288,004
2024	291,462
2025	165,868
2026	<u>91,479</u>
Total minimum lease payments	836,813
Less: Imputed interest	<u>(29,845)</u>
Present value of lease liabilities	<u>\$    806,968</u>
Weighted-average remaining lease term (years)	3
Weighted-average discount rate	2.2%



NOTE J            OPERATING LEASES (CONTINUED)

Total operating leases expense is comprised of the following:

Leases with terms greater than 12 months	\$    243,431
Leases with terms less than 12 months	27,823
Property tax and operating expense	<u>34,804</u>

Total operating lease expense	<u>\$    306,058</u>
-------------------------------	----------------------

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:

Operating cash flows from operating leases	<u>\$    233,376</u>
--	----------------------

Non-Cash Activities:

Additions to right of use asset from new operating lease liabilities	<u>\$    806,968</u>
--	----------------------

NOTE K            COMMITMENTS

During 2022, Comp-U-Dopt, Inc. entered into a communications system and services agreement for an annual fee of approximately \$1,500,000 of which the downpayment of \$377,469 is included in prepaid expenses at December 31, 2022.