

onePULSE FOUNDATION, INC.
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Report

onePULSE Foundation, Inc.
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
onePULSE Foundation, Inc.:

Opinion

We have audited the financial statements of onePULSE Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Withum Smith + Brown, PC

July 14, 2023

onePULSE Foundation, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,909,970	\$ 2,194,017
Grants and accounts receivable	106,234	722,526
Unconditional promises to give, net		
Without donor restrictions	51,457	306,050
With donor restrictions	52,464	40,327
Donated facilities use - current portion	36,599	38,207
Merchandise inventory	<u>12,559</u>	<u>13,648</u>
Total current assets	<u>2,169,283</u>	<u>3,314,775</u>
Noncurrent assets		
Long-term unconditional promises to give		
With donor restrictions	137,260	164,280
Property and equipment, net	4,655,556	3,672,646
Donated facilities use - noncurrent portion	26,574	63,173
Other assets	<u>10,910</u>	<u>30,558</u>
Total noncurrent assets	<u>4,830,300</u>	<u>3,930,657</u>
Total assets	<u>\$ 6,999,583</u>	<u>\$ 7,245,432</u>
Liabilities and Net Assets		
Current liabilities		
Account payable and accrued expenses	\$ 254,000	\$ 325,645
Deferred revenue	-	51,000
Line of credit	6,000	6,000
Current portion of long-term debt	<u>262,370</u>	<u>990</u>
Total current liabilities	<u>522,370</u>	<u>383,635</u>
Noncurrent liabilities		
Long-term debt - less current maturities	<u>484,705</u>	<u>149,010</u>
Total noncurrent liabilities	<u>484,705</u>	<u>149,010</u>
Total liabilities	<u>1,007,075</u>	<u>532,645</u>
Net assets		
Without donor restrictions	1,139,276	1,402,568
With donor restrictions	<u>4,853,232</u>	<u>5,310,219</u>
Total net assets	<u>5,992,508</u>	<u>6,712,787</u>
Total liabilities and net assets	<u>\$ 6,999,583</u>	<u>\$ 7,245,432</u>

The Notes to Financial Statements are an integral part of these statements.

onePULSE Foundation, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Support						
Contributions						
Individuals	\$ 506,220	\$ 40,075	\$ 546,295	\$ 381,641	\$ 136,800	\$ 518,441
Businesses	466,981	231,010	697,991	841,755	631,358	1,473,113
Foundations and trusts	108,483	200,000	308,483	26,350	295,255	321,605
Grant revenue	327,454	-	327,454	1,868,170	1,000	1,869,170
In-kind donations	438,047	-	438,047	398,642	-	398,642
Releases from restriction	944,694	(944,694)	-	1,017,488	(1,017,488)	-
Total support	<u>2,791,879</u>	<u>(473,609)</u>	<u>2,318,270</u>	<u>4,534,046</u>	<u>46,925</u>	<u>4,580,971</u>
Revenue						
Special events, net of expenses of \$287,483 and \$127,618 for 2022 and 2021, respectively	245,519	-	245,519	185,363	-	185,363
Merchandise sales	40,382	-	40,382	79,339	-	79,339
Investment income	2,172	-	2,172	1,962	-	1,962
Other	144,359	16,622	160,981	84,331	76,621	160,952
Total revenue	<u>432,432</u>	<u>16,622</u>	<u>449,054</u>	<u>350,995</u>	<u>76,621</u>	<u>427,616</u>
Total support and revenue	<u>3,224,311</u>	<u>(456,987)</u>	<u>2,767,324</u>	<u>4,885,041</u>	<u>123,546</u>	<u>5,008,587</u>
Expenses						
Program services	<u>2,275,161</u>	<u>-</u>	<u>2,275,161</u>	<u>3,214,409</u>	<u>-</u>	<u>3,214,409</u>
Supporting services						
General and administrative	332,701	-	332,701	395,693	-	395,693
Fundraising	879,741	-	879,741	394,968	-	394,968
Total expenses	<u>1,212,442</u>	<u>-</u>	<u>1,212,442</u>	<u>790,661</u>	<u>-</u>	<u>790,661</u>
Total expenses	<u>3,487,603</u>	<u>-</u>	<u>3,487,603</u>	<u>4,005,070</u>	<u>-</u>	<u>4,005,070</u>
Changes in net assets	(263,292)	(456,987)	(720,279)	879,971	123,546	1,003,517
Net assets						
Beginning of year	<u>1,402,568</u>	<u>5,310,219</u>	<u>6,712,787</u>	<u>522,597</u>	<u>5,186,673</u>	<u>5,709,270</u>
End of year	<u>\$ 1,139,276</u>	<u>\$ 4,853,232</u>	<u>\$ 5,992,508</u>	<u>\$ 1,402,568</u>	<u>\$ 5,310,219</u>	<u>\$ 6,712,787</u>

The Notes to Financial Statements are an integral part of these statements.

onePULSE Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$ (720,279)	\$ 1,003,517
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	28,155	40,524
Amortization of other assets	2,062	2,062
Amortization of discounts on unconditional promises to give	(16,622)	(76,621)
Amortization of donated facilities use	38,207	68,786
Forgiveness of debt	-	(205,326)
Changes in		
Grants receivable	616,292	(379,593)
Unconditional promises to give	286,098	580,892
Merchandise inventory	1,089	7,885
Other assets	17,586	(7,083)
Accounts payable and accrued expenses	(173,645)	(80,646)
Deferred revenue	<u>51,000</u>	<u>(51,000)</u>
Net cash provided by operating activities	<u>129,943</u>	<u>903,397</u>
Investing activities		
Purchase of property and equipment	<u>(511,065)</u>	<u>-</u>
Net cash used in investing activities	<u>(511,065)</u>	<u>-</u>
Financing activities		
Payments on long-term debt	(252,925)	(90,000)
Proceeds from long-term debt	<u>350,000</u>	<u>205,326</u>
Net cash provided by financing activities	<u>97,075</u>	<u>115,326</u>
Net change in cash and cash equivalents	(284,047)	1,018,723
Cash and cash equivalents		
Beginning of year	<u>2,194,017</u>	<u>1,175,294</u>
End of year	<u>\$ 1,909,970</u>	<u>\$ 2,194,017</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 30,384</u>	<u>\$ 7,453</u>
Supplemental disclosure of noncash investing and financing information		
Purchase of land through issuance of note payable	<u>\$ 500,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

onePULSE Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Subtotal</u>	
Salaries and wages	\$ 735,839	\$ 133,017	\$ 336,919	\$ 469,936	\$ 1,205,775
Payroll taxes	49,523	8,177	24,205	32,382	81,905
Employee benefits	27,942	4,610	13,657	18,267	46,209
Other payroll costs	1,871	309	914	1,223	3,094
Design and construction	350,813	-	-	-	350,813
Accounting	-	21,888	-	21,888	21,888
Legal fees	1,518	6,921	456	7,377	8,895
Advertising and promotion	2,875	1,601	83,478	85,079	87,954
Merchandise expenses	1,895	1,736	25,918	27,654	29,549
Contract labor	-	18,900	242,793	261,693	261,693
Public relations	54,338	5,567	14,387	19,954	74,292
Office expense	11,714	14,424	8,909	23,333	35,047
Information technology	9,391	3,066	11,471	14,537	23,928
Occupancy	22,187	13,283	14,513	27,796	49,983
Business operations	105	38,454	826	39,280	39,385
Interest expense	18,654	11,730	-	11,730	30,384
Depreciation and amortization	24,116	6,101	-	6,101	30,217
Insurance	8,614	1,945	938	2,883	11,497
Community awareness and marketing	449,474	24,197	93,188	117,385	566,859
Bank charges and merchant fees	-	1,928	2,944	4,872	4,872
Memorial operations	147,787	1,516	-	1,516	149,303
Taxes and licenses	68,335	3,298	260	3,558	71,893
Employee relations and education	1,525	10,033	2,692	12,725	14,250
Dues and subscriptions	-	-	1,273	1,273	1,273
Scholarships	286,645	-	-	-	286,645
	<u>\$ 2,275,161</u>	<u>\$ 332,701</u>	<u>\$ 879,741</u>	<u>\$ 1,212,442</u>	<u>\$ 3,487,603</u>

The Notes to Financial Statements are an integral part of this statement.

onePULSE Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Subtotal</u>	
Salaries and wages	\$ 983,178	\$ 54,009	\$ 151,137	\$ 205,146	\$ 1,188,324
Payroll taxes	71,244	3,773	11,112	14,885	86,129
Employee benefits	31,808	906	1,541	2,447	34,255
Other payroll costs	1,726	91	269	360	2,086
Design and construction	1,305,633	-	-	-	1,305,633
Accounting	-	29,149	-	29,149	29,149
Legal fees	7,730	4,156	-	4,156	11,886
Advertising and promotion	4,400	12,207	27,415	39,622	44,022
Merchandise expenses	344	9,766	30,811	40,577	40,921
Contract labor	12,800	96,200	125,443	221,643	234,443
Public relations	9,214	431	3,243	3,674	12,888
Office expense	35	23,617	415	24,032	24,067
Information technology	-	19,311	-	19,311	19,311
Occupancy	-	49,477	-	49,477	49,477
Business operations	-	450	25	475	475
Conferences, conventions, and meetings	-	144	-	144	144
Interest expense	-	7,453	-	7,453	7,453
Depreciation and amortization	25,949	16,637	-	16,637	42,586
Insurance	-	5,935	-	5,935	5,935
Community awareness and marketing	382,925	50,507	42,280	92,787	475,712
Bank charges and merchant fees	35	2,306	607	2,913	2,948
Memorial operations	134,724	7,154	-	7,154	141,878
Taxes and licenses	45,942	565	-	565	46,507
Employee relations and education	129	1,449	-	1,449	1,578
Dues and subscriptions	-	-	670	670	670
Scholarships	196,593	-	-	-	196,593
	<u>\$ 3,214,409</u>	<u>\$ 395,693</u>	<u>\$ 394,968</u>	<u>\$ 790,661</u>	<u>\$ 4,005,070</u>

The Notes to Financial Statements are an integral part of this statement.

onePULSE Foundation, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

onePULSE Foundation (the “Foundation”) is the official 501(c)(3) nonprofit incorporated to manage the design and construction of the permanent national memorial and museum dedicated to the PULSE nightclub (“Pulse”) tragedy. Its mission is to create and support a memorial that opens hearts, a museum that opens minds, educational programs that open eyes and legacy scholarships that open doors. Its vision is to establish a sanctuary of healing and a beacon of hope by memorializing the lives taken, the lives saved, and all the lives affected by the Pulse nightclub tragedy of June 12, 2016 – ensuring Pulse’s legacy of love lives on forever.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). According to U.S. GAAP, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation and unavailable for use at management’s discretion.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. These stipulations either require the Foundation to maintain the net asset permanently, generally permitting all or part of the income earned on related investments for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time that may or will be met, either by actions of the Foundation and/or the passage of time.

The financial statements of the Foundation include program services and supporting services. Program services expenses include primarily staff salaries, benefits, payroll taxes, rent, and professional fees to support the Foundation’s programs. Supporting services expenses include program development and general and administrative expenses which include staff salaries, benefits, payroll taxes, professional fees, insurance, and other general expenses required to administer program services.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in net assets without donor restrictions unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

onePULSE Foundation, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

Grant revenues are recognized as costs are incurred and as invoiced in accordance with the terms of the grant or as received in the absence of grant requirements. Costs incurred for which payment has not been received are accrued as grants receivable.

Special event revenues consist primarily of registration and sponsorship fees and represent exchange transactions based on benefits received. The Foundation's performance obligation is satisfied and revenue is recognized at a point in time upon completion of the scheduled event. Deferred revenue consists of special event sponsorships for special events scheduled subsequent to year-end.

Merchandise sales are recorded when the customer receives the promised goods in exchange for consideration.

Cash and Cash Equivalents

Cash and cash equivalents include funds in checking and money market accounts. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Included in cash and cash equivalents are funds segregated and held for future use in donor-restricted activities, including scholarships, education and construction of the onePULSE museum and memorial totaling \$1,266,527 and \$1,207,553 at December 31, 2022 and 2021, respectively. Additionally, the board of trustees has elected to designate 2% of all contributions in excess of \$25,000 to a reserve fund for future use at the discretion of the investment committee. At December 31, 2022 and 2021, the reserve balance was \$25,584 and \$25,545, respectively.

Grants and Accounts Receivable

Grants and accounts receivable are stated at net realizable value. The Foundation writes off grants and accounts receivable at the time they are deemed to be uncollectible. At December 31, 2022 and 2021, management considered all grants and accounts receivable to be collectible. The balance of grants and accounts receivable at January 1, 2021 totaled \$342,933.

Merchandise Inventory

Inventory of promotional clothing and accessories is stated at the lower of cost (first-in, first-out basis) or net realizable value.

Property and Equipment

The Foundation capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
Interim Memorial	3-10
Leasehold improvements	Shorter of estimated useful life or lease term
Computer equipment, website, and software	3

onePULSE Foundation, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

Other Assets

Other assets consist of various deposits and documentary costs which are amortized over a five-year period, and logo and trademark costs, the fair value of which is annually evaluated by management and adjusted for impairment. Amortization expense for both of the years ended December 31, 2022 and 2021 was \$2,062. Amortization expense for each of the years ended December 21, 2023 – 2027 amounts to \$2,062.

In-Kind Contributions

In-kind contributions consisting of advertising, facilities usage, contributed services, and other goods and services are recognized as support and expenses in the statements of activities at their estimated fair values at the date of the donation.

A number of volunteers have contributed significant amounts of their time to the Foundation's programs and support. Contributions of services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an other-than-private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements.

Management analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, management believes that no accruals for tax liabilities related to uncertain income tax positions are required. Therefore, no reserves for uncertain tax positions have been recorded. When applicable, interest and penalties will be reported as income tax expense.

Advertising

Advertising and promotion costs are expensed as incurred. Advertising expenses totaled \$87,954 and \$44,022 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been charged to program services or supporting services based on a combination of specific identification and allocation by management.

Directly identifiable expenses are charged to programs and supporting services. Management and general administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support of the Foundation. Such expenses have been allocated across program and supporting services based on an estimate of actual time spent or an allocation based on estimated time spent in each area for all employees.

Subsequent Events

The Foundation has evaluated subsequent events through July 14, 2023, the date which the financial statements were available to be issued. Based on this analysis, the Foundation's management has determined that no additional subsequent events occurred which require adjustment to or disclosure in the financial statements.

onePULSE Foundation, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

3. PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,516,799	\$ 3,505,734
Interim memorial	253,060	253,060
Leasehold improvements	12,000	12,000
Computer equipment, website, and software	<u>39,024</u>	<u>39,024</u>
	4,820,883	3,809,818
Less: Accumulated depreciation and amortization	<u>(165,327)</u>	<u>(137,172)</u>
Total property and equipment, net	<u>\$ 4,655,556</u>	<u>\$ 3,672,646</u>

Depreciation expense of property and equipment for the years ended December 31, 2022 and 2021 was \$28,155 and \$40,524, respectively.

During 2019, land with an approximate cost of \$3,500,000 was acquired under a grant agreement with Orange County, Florida, (the "County") as the site of a future museum. Under the terms of this contract, the County may exercise the option to repossess the land if it ceases to be used for its intended purpose.

In May 2022, the Foundation purchased a building and parcel of land adjacent to the interim memorial site for \$1,000,000. As part of the transaction, the Foundation executed a mortgage note in the amount of \$500,000, payable in a single installment of \$250,000 plus accrued interest on December 31, 2022, with the remaining unpaid principal and accrued interest due on December 31, 2023. Interest accrues at a rate equal to the prime rate (7.50% at December 31, 2022).

4. LINE OF CREDIT

The Foundation has a \$300,000 bank line of credit collateralized by certain assets of the Foundation. Interest is payable monthly at a rate equal to the prime rate plus 2% (9.5% at December 31, 2022 and 5.25% at December 31, 2021), and is due on demand. The line of credit matures in April 2024. For each of the years ending December 31, 2022 and 2021, the outstanding balance on the line was \$6,000. Interest expense for the years ended December 31, 2022 and 2021 totaled \$416 and \$2,180, respectively.

5. NOTES PAYABLE

During 2020, the Foundation obtained an Economic Injury Disaster Loan in the amount of \$150,000. The loan is guaranteed by the Small Business Administration (the "SBA") and is collateralized by all assets of the Foundation. During 2022, the Foundation received a loan modification increasing the principal balance of the loan to \$500,000. Under the terms of the modified agreement, monthly principal and interest payments of \$2,174 commence one year from the effective date of the loan, with the balance of principal and interest due thirty years from the date of the agreement. Interest expense for the year ended December 31, 2022 totaled \$11,730.

During 2022, the Foundation entered into an agreement to purchase property adjacent to the PULSE Memorial site as part of its efforts to finalize the design and construction plans for the Federal designated National PULSE Memorial site (see Note 3). In connection with the purchase, the Foundation executed a mortgage note for \$500,000 with the owners of the adjacent property of which \$250,000 remains unpaid as of December 31, 2022. Interest expense for the year ended December 31, 2022 totaled \$18,238.

onePULSE Foundation, Inc.
Notes to Financial Statements
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Future maturities of the note payable, taking into consideration the loan modification, are as follows for the years ending December 31:

2023	\$ 262,370
2024	12,643
2025	13,038
2026	13,407
2027	13,785
Thereafter	<u>431,832</u>
	<u>\$ 747,075</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, restrictions on net assets consist of the following:

	<u>2022</u>	<u>2021</u>
Capital campaign		
Land acquisition and design costs	\$ 3,505,734	\$ 3,505,734
Memorial and museum construction	100,193	380,982
Programs		
Scholarship	786,521	644,644
onePULSE Academy	341,062	506,827
Pledges and contributions which are time restricted for use in future periods	<u>119,722</u>	<u>272,032</u>
	<u>\$ 4,853,232</u>	<u>\$ 5,310,219</u>

Capital Campaign

The Foundation intends to construct a museum as a memorial to the victims of the Pulse nightclub mass shooting. On October 30, 2018, the Foundation and Orange County, Florida entered into a funding agreement to acquire property and pay acquisition and design costs for the construction located in downtown Orlando. The County will provide up to \$10,000,000 through Excess Tourist Development Tax Revenue (“TDT”) as appropriated for capital projects. As of December 31, 2022 and 2021, amounts raised for land acquisition, design, and construction are restricted for the permanent museum, including parking and ancillary needs.

Scholarship

The Foundation will award 49 scholarships annually, each up to \$10,000, for use at an accredited institution of higher learning, including career and technical schools. At December 31, 2022 and 2021, the Foundation accrued \$57,321 and \$77,610, respectively, in scholarships approved but not yet paid which has been included in accounts payable and accrued expenses in accompanying statements of financial position.

onePULSE Academy

onePULSE Academy is the education arm of the onePULSE Foundation. It is committed to promoting acceptance and inclusion through innovative, reflective, experiential learning methods. Its four specific functions are to provide educational programs that facilitate prosocial behavior; educational platforms that promote acceptance and inclusion; educational site tours that create safer learning communities; and an education hub for knowledge and information on social issues. It aims to positively impact social change at the individual, group and community levels.

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CommUNITY Run

The CommUNITY Rainbow Run is an annual fundraising event held partnership with the DeVos Sport Business MBA Program and presented by Orlando Health and Hard Rock International. The run occurred in person and on schedule at Wadeview Park, Orlando, June 4, 2022. Over 3,000 people attended the in-person run and festival including 999 individuals who joined the event virtually from around the globe.

7. UNCONDITIONAL PROMISES TO GIVE

At December 31, 2022 and 2021, unconditional promises to give consist of the following:

	December 31, 2022		
	Due in 1 Year	Due in 2-10 Years	Total
Pledges receivable			
Individuals	\$ 45,000	\$ 35,000	\$ 80,000
Businesses	25,000	105,000	130,000
Foundations	<u>50,000</u>	<u>40,000</u>	<u>90,000</u>
	120,000	180,000	300,000
Less: Discount to present value	<u>(16,079)</u>	<u>(42,740)</u>	<u>(58,819)</u>
	<u>\$ 103,921</u>	<u>\$ 137,260</u>	<u>\$ 241,181</u>
	December 31, 2021		
	Due in 1 Year	Due in 2-5 Years	Total
Pledges receivable			
Individuals	\$ 47,500	\$ 110,000	\$ 157,500
Foundations	<u>310,000</u>	<u>90,000</u>	<u>400,000</u>
	357,500	200,000	557,500
Less: Discount to present value	<u>(11,123)</u>	<u>(35,720)</u>	<u>(46,843)</u>
	<u>\$ 346,377</u>	<u>\$ 164,280</u>	<u>\$ 510,657</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques in the period the unconditional promise to give is received. Management uses a discount rate which approximates the Foundation's cost of borrowing consistent with that of its bank line of credit (Note 4). At December 31, 2022 and 2021, the unamortized discount associated with promises to give collectible beyond one year is \$58,819 and \$46,843, respectively.

No allowance for doubtful accounts is recorded as management believes all promises to give are collectible.

8. DONATED FACILITIES USE

During 2020, the Foundation entered into a lease with a related party for use of the interim memorial site (Note 10). The lease is for a period of two years and calls for annual rent of \$10. For the year ended December 31, 2020, the Foundation recorded the discounted present value of the contribution of the donated facilities use at \$59,533 on the statement of activities as an in-kind donation.

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The lease expired in January 2022, and subsequently the Foundation recorded in-kind rental revenue and expense of \$31,776 for use of the interim memorial site following the lease termination for the year ended December 31, 2022.

During 2019, the Foundation entered into a building lease with the City of Orlando (the "City"). The lease is for a period of five years and calls for annual rent of \$1. For the year ended December 31, 2019, the Foundation recorded the discounted present value of the City's contribution of the donated facilities use at \$193,425 on the statement of activities as an in-kind donation.

The donated facilities use is being amortized over the terms of the leases and are included as a component of occupancy expense in the statements of functional expenses. The net balance of the donated facilities use related to future years at December 31, 2022 and 2021, is included in net assets with donor restrictions in the accompanying statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Donated facilities use	\$ 252,958	\$ 252,958
Less: Accumulated amortization	<u>(189,785)</u>	<u>(151,578)</u>
	63,173	101,380
Less: Donated facilities use - current portion	<u>(36,599)</u>	<u>(38,207)</u>
Donated facilities use - noncurrent portion	<u>\$ 26,574</u>	<u>\$ 63,173</u>

9. IN-KIND CONTRIBUTIONS

Contributed services and facilities reflected in the financial statements as in-kind donations consist of the following:

	<u>2022</u>	<u>2021</u>
Billboard, print, and media advertising and supplies	\$ 381,172	\$ 334,187
Professional services and office supplies	19,055	64,455
Donated facilities use, net of discount	<u>37,820</u>	<u>-</u>
	<u>\$ 438,047</u>	<u>\$ 398,642</u>

10. RELATED PARTY TRANSACTIONS

The Foundation currently employs a social media, website and marketing services company whose owner is a family member of a Foundation staff. Total design and social media expenses for the years ended December 31, 2022 and 2021 were \$25,963 and \$40,355, which are included with in-kind donations and advertising and promotion expenses on the accompanying statements of activities and functional expenses, respectively.

The Foundation received in-kind legal services from a law firm for which a board member serves as an executive. Total legal fees expenses for the years ended December 31, 2022 and 2021 were \$8,895 and \$11,886, respectively, of which, \$0 and \$162, respectively, are included with in-kind donations and legal fees on the accompanying statements of activities and functional expenses, respectively.

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The Foundation leases real estate on the site of the former Pulse nightclub on which it constructed an interim memorial in use during the years ended December 31, 2022 and 2021 (Note 8). The underlying property is owned by two limited liability companies whose owners include the Foundation's executive director and another family member. Lease terms provide for a nominal lease payment and lessee's obligation to pay applicable taxes and insurance over a two-year term which expired January 31, 2022. The fair rental value of the property exceeds the amount described in the lease. Accordingly, the Foundation treats the excess of fair value for the use of the property as an in-kind donation management originally estimated to be approximately \$29,000 (based on 14,500 square feet of land at \$2 per foot for the twelve months of the year it occupied the property, adjusted annually for inflation). The in-kind donation is offset in the financial statements as rent included in occupancy costs.

Trustees and other Foundations with whom they are affiliated contributed \$72,227 and \$265,447 to the Foundation during the years ended December 31, 2022 and 2021, respectively.

The Foundation received in-kind production equipment use and services related to their annual Remembrance Ceremony during 2021 from an engineering firm for which a board member serves as an executive. Production equipment use and services provided totaled \$307,000 and are included with in-kind donations and community awareness expense on the accompanying statements of activities and functional expenses, respectively.

11. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments which potentially expose the Foundation to concentrations of credit risk consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), grants, and unconditional promises to give. The Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows. Grants receivable are from governmental entities, and unconditional promises to give are primarily from large medical institutions and foundations. Management considers the risk of loss to be remote for grants and unconditional promises to give.

Revenue and Support

The Foundation receives substantially all of its revenue and support through state and local grants, as well as contributions from foundations, businesses, and individuals. During 2022 and 2021, the Foundation received 14% and 25% of its total support from one contributor, respectively.

The Foundation operates a major portion of its program activity from the Pulse Interim Memorial, which it expects to replace by acquiring and developing a new site for construction of a permanent National Memorial, museum and education center, which will be located approximately one-third of a mile from Pulse, and Orlando Health Survivors Walk. Completion of the project and other operating needs is contingent upon success of future fundraising endeavors.

Marketing Contract

The Foundation engages a marketing consultant to assist with fundraising efforts through December 2023. Under the terms of the contract, fees not-to-exceed \$85,000 are payable in monthly installments through 2023 with incremental merit-based bonuses payable upon the fulfillment of pre-determined fundraising benchmarks. Fees paid to the consultant during the years ended December 31, 2022 and 2021 totaled \$192,527 and \$138,443, respectively.

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12. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Foundation's financial assets available within one year of the financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,909,970	\$ 2,194,017
Grants and accounts receivable	106,234	722,526
Short-term unconditional promises to give	<u>103,921</u>	<u>346,377</u>
Total financial assets available within one year	2,120,125	3,262,920
Less: Amounts unavailable for general expenditures within one year due to		
Donor restrictions	(1,318,991)	(1,247,880)
Board designated for specific purposes	<u>(25,584)</u>	<u>(25,545)</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 775,550</u>	 <u>\$ 1,989,495</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

13. PAYCHECK PROTECTION PROGRAM LOAN

On January 22, 2021, the Foundation obtained an unsecured promissory note ("PPP Loan") in the amount of \$204,325 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Foundation was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On August 8, 2021, the Foundation was informed that its application for forgiveness of \$204,235 of the PPP Loan and interest of \$1,091 was approved. Accordingly, the Foundation recorded the forgiveness of debt as grant revenue on the accompanying statement of activities for the year ended December 31, 2021.

14. EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2021, the Foundation filed for the Employee Retention Credit ("ERC"), which is a refundable tax credit akin to a government grant for eligible entities. The Foundation is following the guidance in Accounting Standards Codification 958-605, *Not for Profit Entities - Revenue Recognition*, by analogy. Thus, the ERC is recognized over time as qualifying expenses that give rise to the credit are incurred. The full amount of the ERC of \$238,105 is recognized in grant income in the accompanying statement of activities for the year ended December 31, 2021. At December 31, 2022, the Company has received full payment for the refundable portion of the ERC.