

**SOCIETY FOR CREATIVE ANACHRONISM, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

AND

INDEPENDENT AUDITORS' REPORT



SOCIETY FOR CREATIVE ANACHRONISM, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Society for Creative Anachronism, Inc.
San Jose, California

Opinion

We have audited the accompanying consolidated financial statements of Society for Creative Anachronism, Inc. (a California nonprofit public benefit corporation) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Society for Creative Anachronism, Inc. as of December 31, 2022, and the change 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Society for Creative Anachronism, 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 - Adjustment to Prior Period Financial Statements

As disclosed in Note 9 to the financial statements, certain errors resulting in an understatement of amounts previously reported in net assets as of December 31, 2021 were discovered during the year. Accordingly, adjustments were made to net assets as of December 31, 2021 to correct the errors. Our opinion was not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Society for Creative Anachronism, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 Society for Creative Anachronism, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Society for Creative Anachronism, 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.

Johanson & Yau Accountancy Corporation

Campbell, California
January 16, 2024

SOCIETY FOR CREATIVE ANACHRONISM, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 7,366,090
Investments - Note 3	866,582
Other receivables	28,318
Inventory	129,982
Prepaid expenses	<u>124,214</u>
Total current assets	8,515,186
Property and equipment, net - Note 4	101,766
Other assets	32,100
Operating lease right-of-use assets - Note 6	<u>39,809</u>
	<u><u>\$ 8,688,861</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 9,614
Accrued expenses	35,157
Subscription liability and deferred revenue	302,289
Other liabilities	4,275
Operating lease liabilities - short-term - Note 6	<u>27,072</u>
Total current liabilities	378,407
Operating lease liabilities - long-term - Note 6	<u>12,972</u>
	<u>391,379</u>
Net assets	
Without donor restrictions	8,206,189
With donor restrictions - Note 5	<u>91,293</u>
	<u>8,297,482</u>
	<u><u>\$ 8,688,861</u></u>

See accompanying notes to financial statements

SOCIETY FOR CREATIVE ANACHRONISM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities			
Support and revenue			
Donations	\$ 123,794	\$ -	\$ 123,794
Fundraising	125,375	-	125,375
Membership fees	822,802	-	822,802
Program service revenue	2,912,193	-	2,912,193
Affiliation fee	5,168	-	5,168
Stock clerk	21,896	-	21,896
Interest and dividends income	27,595	-	27,595
Sales of inventory, net	879	-	879
Other income	26,368	-	26,368
	<u>4,066,070</u>	<u>-</u>	<u>4,066,070</u>
Total support and revenue			
Expenses			
Program services	2,605,310	-	2,605,310
Supporting expenses			
Management and general	1,333,209	-	1,333,209
Fundraising	19,802	-	19,802
	<u>3,958,321</u>	<u>-</u>	<u>3,958,321</u>
Total expenses			
Change in net assets from operations	107,749	-	107,749
Non-operating activities			
Investment return, net - Note 3	<u>(181,551)</u>	<u>(10,488)</u>	<u>(192,039)</u>
Change in net assets	<u>(73,802)</u>	<u>(10,488)</u>	<u>(84,290)</u>
Net assets, beginning of the year as previously stated	7,926,734	-	7,926,734
Prior period adjustments - Note 9			
Canadian Kingdoms	455,038	-	455,038
Kingdom of Northshield Endowment Fund	<u>(101,781)</u>	<u>101,781</u>	<u>-</u>
Net assets, beginning of the year as restated	<u>8,279,991</u>	<u>101,781</u>	<u>8,381,772</u>
Net assets, end of year	<u>\$ 8,206,189</u>	<u>\$ 91,293</u>	<u>\$ 8,297,482</u>

See accompanying notes to financial statements

SOCIETY FOR CREATIVE ANACHRONISM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ -	\$ 219,406	\$ -	\$ 219,406
Payroll taxes	-	17,071	-	17,071
Employee benefits	-	24,971	-	24,971
Total salaries and related expenses	-	261,448	-	261,448
Tournaments Illuminated magazine	-	23,513	-	23,513
Food	235,051	6,361	4,122	245,534
Bank fees	721	66,411	-	67,132
Printing and publication	17,783	94,929	15	112,727
Professional services	-	112,148	-	112,148
Lease costs and site charges	1,175,400	207,481	-	1,382,881
Equipment rental and maintenance	583,719	80,335	3,419	667,473
Dues and fees	136,579	32,365	-	168,944
Insurance	4,000	141,417	-	145,417
Advertising	202	-	-	202
Bad debts	373	691	-	1,064
Repairs and maintenance	-	21,344	-	21,344
Property tax	-	1,845	-	1,845
Donations	8,416	-	-	8,416
Stock clerk	-	17,266	-	17,266
Postage	4,627	28,871	73	33,571
Supplies	287,438	51,482	12,006	350,926
Office expense	-	42,059	-	42,059
Depreciation expense	34,901	5,659	167	40,727
Utilities	59	6,291	-	6,350
Other expenses	37	75,901	-	75,938
Travel, meetings and conferences	116,004	12,322	-	128,326
Website	-	43,070	-	43,070
Total functional expenses	<u>\$ 2,605,310</u>	<u>\$ 1,333,209</u>	<u>\$ 19,802</u>	<u>\$ 3,958,321</u>

See accompanying notes to financial statements

SOCIETY FOR CREATIVE ANACHRONISM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash flow from operating activities	
Change in net assets	\$ (84,290)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Reinvested dividends and interest	(26,070)
Net realized and unrealized loss on investment	180,583
Depreciation	40,727
Amortization of right-of-use assets - operating lease	41,774
(Increase) decrease in assets	
Other receivables	4,623
Inventory	(22,830)
Prepaid expenses	78,450
Other asset	11,799
Increase (decrease) in liabilities	
Accounts payable	(2,452)
Accrued expenses	5,647
Subscription liability and deferred revenue	(20,473)
Repayment of operating lease liabilities	(41,539)
Other liabilities	(12,715)
	<u>153,234</u>
Net cash provided by operating activities	<u>153,234</u>
Cash flows from investing activities	
Purchase of property and equipment	(27,764)
Proceeds from sales of investments	785,327
Purchase of investments	(895,791)
	<u>(138,228)</u>
Net cash used for investing activities	<u>(138,228)</u>
Net increase in cash and cash equivalents	15,006
Cash and cash equivalents, beginning of year	<u>7,351,084</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,366,090</u></u>
Supplemental disclosures	
Non-cash transactions	
Recognition of right-of-use assets obtained from operating lease liabilities	<u><u>\$ 81,583</u></u>

See accompanying notes to financial statements

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Society for Creative Anachronism, Inc. (the Organization) is an international organization dedicated to researching and re-creating the arts and skills of pre-17th century Europe. The Organization consists of kingdoms across the United States of America, Canada, Europe and other foreign countries and wholly owned subsidiaries, with over 30,000 members residing in countries around the world. Members, dressed in clothing of the Middle Ages and Renaissance, attend events which may feature tournaments, arts exhibits, classes, workshops, dancing, feasts and more.

Consolidation - These consolidated financial statements include the activities of the Corporate Office, 16 Kingdoms operating in the United States of America and 2 Kingdoms operating in Canada that are not considered to be an affiliate or subsidiary and 16 Subsidiaries in the United States of America in which the Organization has both an economic interest and controlling interest. There is an element of economic interest since the Subsidiaries hold significant resources that must be used only for the purposes of the Organization. The Organization and Subsidiaries have common control since officers of the Organization's Board of Directors sit on the Subsidiaries' Board of Directors. Accordingly, the accounts of the Subsidiaries have been consolidated herein, in accordance with accounting principles generally accepted in the United States of America. All material intra-entity balances and transactions have been eliminated.

The Corporate Office runs the day to day operations of the Organization including the processing of memberships and all membership-related matters, while the Kingdoms support administration and activities of the local groups.

The following 100% owned Subsidiaries, all granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code, are included in the consolidated financial statements of the Organization:

- Society for Creative Anachronism – Gulf Wars, Inc.
- Society for Creative Anachronism – Illinois, Inc.
- Society for Creative Anachronism – Maine, Inc.
- Society for Creative Anachronism – Maryland, Inc.
- Society for Creative Anachronism – Massachusetts, Inc.
- Society for Creative Anachronism – Michigan, Inc.
- Society for Creative Anachronism – Mississippi, Inc.
- Society for Creative Anachronism – New Hampshire, Inc.
- Society for Creative Anachronism – New Jersey, Inc.
- Society for Creative Anachronism – New York, Inc.
- Society for Creative Anachronism – Pennsic War, Inc.
- Society for Creative Anachronism – Pennsylvania, Inc.
- Society for Creative Anachronism – Rhode Island, Inc.
- Society for Creative Anachronism – Tennessee, Inc.
- Society for Creative Anachronism – West Virginia, Inc.
- Society for Creative Anachronism – Wisconsin, Inc.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Financial Statement Presentation - The Organization reports information regarding its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations - The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of consolidated cash flows, cash equivalents include unrestricted cash in banks and money market fund accounts and highly liquid investments with an original maturity of three months or less. The Organization often maintains cash balances in excess of the federally insured maximum.

Investments - Investments in marketable securities with readily determinable fair value are stated at market value. Dividends and interest are accrued as earned and recorded as revenue without donor restrictions unless income is restricted by the donor. Any unrealized gains or losses from the current period are reported as investment income or loss.

Inventory - Inventory consists of printed publications and materials that are related to its exempt purpose. Inventories are stated at the lower of cost or market applied on a first-in, first-out basis.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are recorded at cost, or if contributed, at the estimated fair value when donated. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets ranging from 5 to 10 years. Depreciation is recorded as a decrease in net assets without donor restrictions and the expense is charged to the activity benefiting from the use of the property or equipment.

Subscription Liability - Subscription liability represents amounts received and allocated to subscriptions but not yet earned. Subscriptions are from 12 to 36 months and are amortized accordingly.

Revenue Recognition - Membership fees are charged on an annual basis. The amount internally allocated to membership is recognized when received and the portion allocated to subscriptions is recorded as revenue ratably over the membership term. The balance is recorded as subscription liability on the statement of financial position.

Program service revenue includes event income that is recognized as earned. Prepayments collected for future events are recorded as deferred revenue.

Donations are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and support services benefited based on management's estimate. The method of allocation for all expenses is direct usage.

Contributed Services - Various individuals contribute administrative services to the Organization. The value of the contributed services, that do not require expertise but are nonetheless central to the Organization's operations, are not reflected in the financial statements.

Income taxes - The Organization is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and similar state provisions and has been determined to be an organization which is not a private Organization. The Organization's tax filings are subject to audit by various taxing authorities.

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the year ended December 31, 2022 totaled \$202.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases - The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance leases.

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term using a risk-free rate based on the information available at commencement date. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain it will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization used an estimated risk-free rate comprised of an adjusted High-Quality Market corporate bond rate. Determining the risk-free rate requires significant judgments.

New Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842). The new guidance requires lessees to recognize lease assets and lease liabilities for all leases with terms more than 12 months in the statement of financial position and disclose key information about leasing agreements. This new guidance is effective for annual reporting periods beginning after December 15, 2021.

The Organization adopted this new accounting guidance on January 1, 2022 and recognized and measured leases existing at January 1, 2022, the beginning of the period of adoption, through a cumulative effect adjustment with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 three lease liabilities of \$81,583, which represents the present value of the remaining operating lease payments of \$82,427, discounted using the risk-free borrowing rates from 0.4% to 1.04%, and right-of-use assets of \$81,583, which represents the operating lease liabilities without any adjustments.

The adoption of standard did not have an impact on the Organization's income statement nor statement of cash flows. The most notable impact was the recognition of right-of-use assets and lease liabilities for operating leases. See Note 6.

Subsequent Events - Subsequent events were evaluated through January 16, 2024, the date the financial statements were available to be issued.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - AVAILABILITY AND LIQUIDITY

As of December 31, 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$	7,366,090
Investments		866,582
Other receivables		28,318
		8,260,990
Less amounts not available to be used within one year		
Net assets with donor restrictions		91,293
		\$ 8,169,697

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. In addition, excess cash is invested in short-term investments, including money market accounts, certificates of deposit and mutual funds.

NOTE 3 - INVESTMENTS

Generally accepted accounting principles establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the assets based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - INVESTMENTS (Continued)

The Organization's investments recorded at fair value, have been categorized based upon a fair value hierarchy in accordance with generally accepted accounting principles. The following table presents information about the Organization's assets measured at fair value.

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>
Mutual Funds	\$ 866,582	\$ 866,582

The Organization did not have any Level 2 or Level 3 investments at December 31, 2022.

Net investment return was as follows for the year ended December 31, 2022:

Net realized and unrealized investment loss	\$ (180,583)
Investment fees	<u>(11,456)</u>
	<u>\$ (192,039)</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Following is a summary of property and equipment for the year ended December 31, 2022:

Computer equipment - Corporate	\$ 46,426
Furniture and equipment - Corporate	9,595
Software - Corporate	41,949
Furniture and equipment - Kingdoms	1,109,121
Furniture and equipment - Subsidiaries	<u>551,350</u>
	1,758,441
Accumulated depreciation	<u>(1,656,675)</u>
	<u>\$ 101,766</u>

Depreciation expense for the year ended December 31, 2022 was \$40,727.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, the Organization's net asset with donor restrictions consist of the following:

Kingdom of Northshield Enowment Fund	\$ <u>91,293</u>
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Endowment

The Kingdom of Northshield Endowment Fund (the Endowment Fund) was established for the purpose of providing a perpetual source of funds to support the operation costs of the Kingdom of Northshield. The endowment is subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for the purposes stipulated. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified in donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide its operations with current income while seeking to maintain the purchasing power of the endowment assets. Assets should be invested with a balanced objective of market appreciation, capital preservation and income generation.

At June 30, 2022, the Endowment Fund is composed of:

Amount required to be held in perpetuity	\$ 100,000
Investment loss, net	<u>(8,707)</u>
	<u>\$ 91,293</u>

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following summarized the activity in the endowment fund for the year ended June 30, 2022:

Endowment fund, beginning of the year	\$ 101,781
Investment loss, net	<u>(10,488)</u>
Endowment fund, end of year	<u><u>\$ 91,293</u></u>

NOTE 6 - LEASES

The Organization leases office and equipment under non-cancellable lease agreements that expire in 2023 and 2025, with automatic subsequent twelve month commitments unless the agreement is canceled. The Organization recognized right-of-use assets and an operating lease liabilities. The balance of the right-of-use assets and lease liabilities as of December 31, 2022 was \$39,809 and \$40,044, respectively.

Future minimum lease payments for the years ending December 31 are as follows:

2023	\$ 27,286
2024	7,140
2025	<u>5,950</u>
Total future minimum lease payments	40,376
Less: interest	<u>(332)</u>
	<u><u>\$ 40,044</u></u>

For the year ended December 31, 2022, operating lease cost was \$41,539 and is included in lease costs and site charges on the statement of functional expenses. The risk-free borrowing rates were used as the discount rates. The annual discount rates associated with the operating leases are 0.4% and 1.04%.

NOTE 7 - RETIREMENT PLAN

The Organization maintains a 403(b) pension plan. Permanent employees are eligible to participate after 90 days of employment. The Organization contributes 7% of the employee's gross salary. In addition, employees make elective contributions to the plan. The Organization contributed \$11,521 to the plan for the year ended December 31, 2022.

SOCIETY FOR CREATIVE ANACHRONISM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 - UNCERTAINTIES

The COVID-19 outbreak is disrupting events typically held by the Organization. The extent of the impact of COVID-19 on the Organization's operational performance will depend on certain developments, including the duration and spread of the outbreak and the overall impact on the community, all of which are uncertain and cannot be predicted. As of the date of the report, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain. No adjustments related to the effects of the pandemic have been recorded in the accompanying financial statements.

NOTE 9 - RESTATEMENT OF BEGINNING NET ASSETS

Adjustments have been made to the 2021 financial statements to account for Kingdom of Northshield Endowment Fund as net assets with donor restrictions that was improperly reported as without donor restrictions in previous years. Also see Note 5. The effect of this change increases net assets with donor restrictions by \$101,781 and decreases net assets without donor restrictions by the same amount as of December 31, 2021.

Additional adjustments have been made to the 2021 financial statements to account for two Canadian Kingdoms and 3 branch locations improperly omitted from 2021 and prior financial statements due to administrative error. The effect of this change increases net assets without donor restrictions by \$455,038 as of December 31, 2021.

The restatement in total increased net asset without donor restrictions and with donor restrictions by \$353,257 and \$101,781, respectively, on beginning net assets as of December 31, 2021.