



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Center for
Action and
Contemplation

Financial Statements
and
Independent Auditors' Report
December 31, 2022 and 2021

Center for Action and Contemplation, Inc.

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Independent Auditors' Report

Board of Directors and Management
Center for Action and Contemplation, Inc.

Opinion

We have audited the accompanying financial statements of the Center for Action and Contemplation, Inc. (the "Center") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center 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. 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 Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' 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, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 Center'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.

SJT Group LLC

Albuquerque, New Mexico
May 24, 2023

Financial Statements

Center for Action and Contemplation, Inc.

Statements of Financial Position

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,640,530	\$ 2,184,512
Investments	10,623,019	11,115,250
Receivables	118,490	141,816
Inventory	234,587	178,914
Prepaid expenses	160,551	185,228
Total current assets	<u>13,777,177</u>	<u>13,805,720</u>
Noncurrent assets		
Property and equipment, net	1,309,335	1,400,084
Intangibles, net	53,981	58,786
Total noncurrent assets	<u>1,363,316</u>	<u>1,458,870</u>
Total assets	<u>\$ 15,140,493</u>	<u>\$ 15,264,590</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 68,930	\$ 147,029
Accrued payroll liabilities	251,182	273,350
Deferred revenue	270,117	20,495
Other liabilities	333,095	317,899
Total current liabilities	<u>923,324</u>	<u>758,773</u>
Net assets		
Without donor restrictions:		
Board designated for operating reserve	3,940,000	3,350,000
Board designated for strategic initiative reserve	5,373,000	4,310,000
Investment in property, equipment and intangibles	1,363,316	1,458,870
Other	3,379,735	5,219,822
Total without donor restriction	<u>14,056,051</u>	<u>14,338,692</u>
With donor restrictions	<u>161,118</u>	<u>167,125</u>
Total net assets	<u>14,217,169</u>	<u>14,505,817</u>
Total liabilities and net assets	<u>\$ 15,140,493</u>	<u>\$ 15,264,590</u>

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

Center for Action and Contemplation, Inc.

Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 7,867,430	\$ 61,145	\$ 7,928,575
Webcasts	276,659	-	276,659
Living school	603,250	-	603,250
Royalties	219,965	-	219,965
Investment income, net	192,327	-	192,327
Other	394	-	394
Total revenues and support	9,160,025	61,145	9,221,170
BOOK AND MEDIA REVENUES			
Sales	1,780,115	-	1,780,115
Cost of sales	(133,396)	-	(133,396)
Gross profit	1,646,719	-	1,646,719
Net assets released from restrictions	67,152	(67,152)	-
Total support and revenue	10,873,896	(6,007)	10,867,889
EXPENSES			
Program services	6,927,816	-	6,927,816
Support services			
Management and general	2,956,815	-	2,956,815
Fundraising	699,504	-	699,504
Total expenses before other (income) expense	10,584,135	-	10,584,135
OTHER INCOME (EXPENSE)			
Unrealized loss on investments	(572,402)	-	(572,402)
Total other income (expense)	(572,402)	-	(572,402)
Total expenses	11,156,537	-	11,156,537
Change in net assets	(282,641)	(6,007)	(288,648)
Net assets, beginning of year	14,338,692	167,125	14,505,817
Net assets, end of year	\$ 14,056,051	\$ 161,118	\$ 14,217,169

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

Center for Action and Contemplation, Inc.

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 8,331,202	\$ 92,538	\$ 8,423,740
Conferences	1,362,477	-	1,362,477
Living school	949,651	-	949,651
Royalties	337,732	-	337,732
Investment income, net	103,246	-	103,246
Services	7,000	-	7,000
Other	53,732	-	53,732
Total revenues and support	11,145,040	92,538	11,237,578
BOOK AND MEDIA REVENUES			
Sales	1,702,537	-	1,702,537
Cost of sales	(131,369)	-	(131,369)
Gross profit	1,571,168	-	1,571,168
Net assets released from restrictions	164,951	(164,951)	-
Total support and revenue	12,881,159	(72,413)	12,808,746
EXPENSES			
Program services	7,321,914	-	7,321,914
Support services			
Management and general	2,763,581	-	2,763,581
Fundraising	428,382	-	428,382
Total expenses before other (income) expense	10,513,877	-	10,513,877
OTHER INCOME (EXPENSE)			
Unrealized loss on investments	(210,500)	-	(210,500)
Total other income (expense)	(210,500)	-	(210,500)
Total expenses	10,724,377	-	10,724,377
Change in net assets	2,156,782	(72,413)	2,084,369
Net assets, beginning of year	12,181,910	239,538	12,421,448
Net assets, end of year	\$ 14,338,692	\$ 167,125	\$ 14,505,817

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

Center for Action and Contemplation, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,319,990	\$ 1,372,963	\$ 212,271	\$ 3,905,224
Employee benefits	348,507	229,927	20,755	599,189
Payroll taxes	177,328	103,192	16,347	296,867
	2,845,825	1,706,082	249,373	4,801,280
Professional services	1,215,520	735,501	25,618	1,976,639
Information technology	552,756	142,469	142,894	838,119
Donations and gifts	770,294	9,962	2,503	782,759
Scholarship expense	429,484	-	-	429,484
Bank and credit card fees	107,702	2,961	164,291	274,954
Facilities	195,394	336	44	195,774
Postage	159,981	925	24,792	185,698
Royalties	173,322	-	-	173,322
Printing and copies	86,910	65	67,909	154,884
Advertising	-	123,656	-	123,656
Utilities	74,441	42,822	5,142	122,405
Meals and entertainment	55,866	26,763	3,558	86,187
Travel	60,000	15,865	3,356	79,221
Maintenance	42,984	22,690	2,957	68,631
Production cost	45,790	-	-	45,790
Board meetings	-	36,495	-	36,495
Insurance	-	35,996	-	35,996
Professional development	16,480	7,259	946	24,685
Office expenses	14,341	1,778	232	16,351
Total expenses before depreciation and amortization	6,847,090	2,911,625	693,615	10,452,330
Depreciation and amortization	80,726	45,190	5,889	131,805
Total expenses	\$ 6,927,816	\$ 2,956,815	\$ 699,504	\$ 10,584,135

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

Center for Action and Contemplation, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,353,318	\$ 1,388,021	\$ 143,214	\$ 3,884,553
Employee benefits	358,981	230,395	16,729	606,105
Payroll taxes	178,263	106,238	11,350	295,851
	2,890,562	1,724,654	171,293	4,786,509
Professional services	808,747	546,787	18,845	1,374,379
Information technology	513,257	189,543	18,080	720,880
Donations and gifts	910,005	283	310	910,598
Scholarship expense	359,230	-	-	359,230
Bank and credit card fees	112,952	2,956	167,324	283,232
Postage	156,600	961	11,897	169,458
Royalties	180,976	-	-	180,976
Printing and copies	83,166	599	25,212	108,977
Advertising	-	94,332	-	94,332
Utilities	76,810	49,392	3,224	129,426
Meals and entertainment	8,561	3,107	447	12,115
Travel	13,790	1,699	6,094	21,583
Maintenance	40,982	23,089	1,558	65,629
Production cost	10,769	210	14	10,993
Board meetings	-	33,769	-	33,769
Insurance	-	33,089	-	33,089
Professional development	18,895	5,750	388	25,033
Office expenses	9,545	1,217	178	10,940
Conferences	1,045,327	13	1	1,045,341
	7,240,174	2,711,450	424,865	10,376,489
Total expenses before depreciation and amortization				
Depreciation and amortization	81,740	52,131	3,517	137,388
Total expenses	\$ 7,321,914	\$ 2,763,581	\$ 428,382	\$ 10,513,877

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

Center for Action and Contemplation, Inc.

Statements of Cash Flows For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Contributions	\$ 7,836,919	\$ 8,363,564
Conferences	-	441,064
Living school	603,250	936,851
Webcasts	276,659	-
Royalties	247,910	307,633
Other	394	64,072
Sales	1,836,049	1,522,305
Cash paid to suppliers and employees	<u>(10,512,724)</u>	<u>(10,146,861)</u>
Net cash provided by operating activities	<u>288,457</u>	<u>1,488,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(36,251)	(67,313)
Transfers from investment account	203,812	1,688,191
Transfers to investment account	-	(1,750,000)
Net cash provided (used) by investing activities	<u>167,561</u>	<u>(129,122)</u>
Net change in cash	456,018	1,359,506
Cash and cash equivalents, beginning of year	<u>2,184,512</u>	<u>825,006</u>
Cash and cash equivalents, end of year	<u>\$ 2,640,530</u>	<u>\$ 2,184,512</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	<u>\$ (288,648)</u>	<u>\$ 2,084,369</u>
Depreciation and amortization expense	131,805	137,388
Realized/unrealized loss (gain) on investments	572,788	209,008
Donation of stock	(91,656)	(60,176)
Interest income, net of fees, reinvested in the investment account	(192,713)	(101,754)
Changes in assets and liabilities		
Receivables	23,326	(11,519)
Inventory	(55,673)	(21,338)
Prepaid expenses	24,677	(35,443)
Accounts payable	(78,099)	95,478
Accrued payroll and other liabilities	(6,972)	169,593
Deferred revenue	<u>249,622</u>	<u>(976,978)</u>
Total adjustments	<u>577,105</u>	<u>(595,741)</u>
Net cash provided by operating activities	<u>\$ 288,457</u>	<u>\$ 1,488,628</u>

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

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

1) Organization

The Center for Action and Contemplation, Inc. (the “Center”) introduces spiritual seekers to the transformative wisdom of the Christian contemplative tradition and nurtures its emergence in services to the healing of our world.

This mission is realized through a variety of programs, including:

- Daily e-mail meditations circulated to approximately 400,000 people;
- Regular online courses and live webcast teachings serving thousands of seekers around the world;
- Live teaching and community-building events held in Albuquerque, New Mexico;
- A two-year enrichment program called the Living School, featuring online learning, community-based spiritual formation, and in-person teaching experiences; and
- An online resource center offering dozens of books, video, and audio teachings.

The Center is committed to financial practices that embody the Center’s spiritual lineage and values. A comprehensive financial philosophy guides decision-making in all areas of financial management in direct support of the Center’s mission.

The Internal Revenue Service issued a determination letter stating that the Center qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3).

2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Center is presented to assist in the understanding of the Center’s financial statements. The financial statements and notes are the representations of the Center’s management who is responsible for their integrity and objectivity.

The Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the Codification) as the source of authoritative accounting principles recognized by the FASB to be used by nongovernmental entities when preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Codification essentially reduces the GAAP hierarchy to two levels: authoritative and non-authoritative, with the Codification being authoritative GAAP.

Basis of Accounting

The financial statements of the Center are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Basis of Presentation

The accompanying financial statements are prepared in accordance with generally accepted accounting principles for non-profit organizations. Under these provisions, net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

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 Center'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 Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2022 and 2021, the Center reported no net assets with donor restrictions that are perpetual in nature.

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.

Cash and Cash Equivalents

The Center considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents, with the exception of money market accounts designated for investment and temporarily on deposit with investment firms in accounts designated as investments, which are included in investments.

Investments

Investments consist of marketable investments which are recorded at fair value in accordance with Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* (see Note 4). Realized and unrealized gains and losses less external and direct internal investment expenses are recognized in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Receivables

Management believes receivables are fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Prepaid Expenses

Prepaid expenses consist mainly of prepaid insurance, prepaid IT services, prepaid conference expenses, and prepaid postage.

Inventory

The Center's inventory includes program related books, media (including CDs, DVDs, MP3s, and other multi-media materials) and other miscellaneous items for sale. Inventory is stated at cost.

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Expenditures for property and equipment with a cost of \$1,000 or more and with a useful life of one year or greater are capitalized and depreciated on a straight-line basis over their estimated useful life. Items with a cost of less than \$1,000 are expensed in the year of acquisition.

The major classifications of property and equipment and the related depreciable lives are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Equipment and furniture	3-7 years
Building and improvements	7-14 years

Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

Impairment of Long-Lived Assets

The Center accounts for long-lived assets in accordance with the provisions of ASC 360-10 and subsections, *Accounting for the Impairment of Long-Lived Assets*. The provision requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2022 and 2021.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Intangibles

Intangibles acquired are carried at cost and amortized over the economic or technological life of the intangible asset.

Deferred Revenue

Income from advance sales and tuition is deferred and recognized over the fiscal years to which the sales and tuition relate.

Donated Services and Materials

A substantial number of volunteers have made significant contributions of their time in the furtherance of the Center's activities. The value of this contributed time is not reflected in these statements as it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Contributions

The Center has adopted ASC 958-605, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. All contributions are considered available for the Center's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with time restrictions that are met in the same reporting period are reported as net assets without donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Contributions-continued

Gifts of long-lived assets are reported as unrestricted support unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributed long-lived assets are recorded at their fair market value on the date of receipt.

Revenue Recognition

Contributions are recognized as revenue when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions upon which they depend have been met. Contributions received are recorded as net assets with or without donor restrictions. Revenues from conferences are recognized when the conference occurs, and revenues from the Living School are recognized when the course program begins. Amounts received in advance for services not yet rendered are recorded as deferred revenue in the statements of financial position.

Advertising

The Center expenses advertising costs as they are incurred, which were \$123,656 and \$94,332 for the years ending December 31, 2022 and 2021, respectively.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. These costs include salaries and benefits, occupancy, information technology and other shared costs and are allocated based on estimates of time and effort.

Use of Estimates

The preparation 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income. The Center evaluates uncertain tax positions in accordance with FASB ASC 450, *Accounting for Contingencies*, whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. The Center believes that there is appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center's open audit periods are for the fiscal year ended December 31, 2019 and thereafter.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued. The Center has evaluated subsequent events through May 24, 2023, which is the date the financial statements were available to be issued.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

3) Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets as of December 31:		
Cash and cash equivalents	\$ 2,640,530	\$ 2,184,512
Investments	10,623,019	11,115,250
Receivables	118,490	141,816
	<u>13,382,039</u>	<u>13,441,578</u>
Total financial assets	13,382,039	13,441,578
Less amounts not available to be used within one year:		
Restricted by donor for scholarships	(161,118)	(167,125)
Scholarships committed in future years	(53,530)	(172,660)
Board Designations:		
Operating Reserve	(3,940,000)	(3,350,000)
Strategic Initiative Reserve	(5,373,000)	(4,310,000)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,854,391</u>	<u>\$ 5,441,793</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies sources and uses of cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

4) Investments and Fair Value Measurements

The Center follows ASC 820, *Fair Value Measurements and Disclosure*, which provides a framework for measuring fair value under GAAP and expands disclosures about fair value measurement. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs.

The fair value hierarchy prioritizes the inputs into valuation techniques to measure fair value into three broad levels. They are as follows:

Level 1 – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 – are unobservable inputs for the asset or liability that are inputs that reflect the Center's own assumptions about the assumptions market participants would use in pricing the asset or liability.

The fair value hierarchy gives the highest priority for quoted prices (unadjusted) in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The Government Agency and U.S. Treasury notes and bonds are United States Government issues that generally have maturities of one year or less and are valued based on various pricing sources.

Money Market and Mutual Funds – classifications consist of investments in various funds that have differing investment goals that are traded in an active market.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

4) Investments and Fair Value Measurements — continued

A summary of investment accounts are as follows, all of which are Level 1 investments, at December 31:

	<u>2022</u>	<u>2021</u>
Government agency	\$ 5,714,681	\$ 8,102,906
U.S. Treasury notes and bonds	786,772	1,845,656
Money market funds	4,072,304	1,166,688
Mutual funds	49,262	-
Total investments	<u>\$ 10,623,019</u>	<u>\$ 11,115,250</u>

Net investment income, including unrealized gains and losses on investments, consisted of the following for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Interest	\$ 218,205	\$ 128,893
Investment management fees	(25,492)	(27,139)
Realized (loss) gain on investments	(386)	1,492
Unrealized loss on investments	<u>(572,402)</u>	<u>(210,500)</u>
	<u>\$ (380,075)</u>	<u>\$ (107,254)</u>

5) Receivables

Receivables consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Royalties receivable	\$ 113,067	\$ 140,000
Other receivables	<u>5,423</u>	<u>1,816</u>
Total receivables	<u>\$ 118,490</u>	<u>\$ 141,816</u>

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Notes to Financial Statements

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6) Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 1,201,474	\$ 1,202,499
Furniture and equipment	<u>769,217</u>	<u>744,962</u>
Subtotal	1,970,691	1,947,461
Less accumulated depreciation	<u>(1,221,333)</u>	<u>(1,107,354)</u>
Total property and equipment being depreciated, net	749,358	840,107
Land	<u>559,977</u>	<u>559,977</u>
Total property and equipment, net	<u>\$ 1,309,335</u>	<u>\$ 1,400,084</u>

Depreciation expense was \$127,000 and \$132,583 for the years ended December 31, 2022 and 2021, respectively.

7) Intangibles

During 2018, the Center acquired domain names for the Living School. The gross amount of the asset subject to amortization is \$7,883. Management has determined the economic useful life of the intangible asset to be 15 years. During 2019, the Center received assignment of interest in copyright of the online course, *The Introductory Wisdom School eCourse*, for \$64,200 subject to amortization. Management has determined that the economic useful life of the intangible asset to be 15 years. As of December 31, 2022 and 2021, accumulated amortization was \$18,102 and \$13,297, respectively. The net realizable value of intangibles as of December 31, 2022 and 2021 was \$53,981 and \$58,786, respectively. The amortization expense was \$4,805 and \$4,805 for the years ended December 31, 2022 and 2021, respectively.

8) Compensated Absences

The Center allows its employees to accrue time off with pay, beginning on their date of hire. Employees accrue paid time off based on their years of service. The maximum amount of accrued leave is limited to 120 hours, 160 hours or 200 hours depending upon years of service, and up to 80 hours is paid out upon termination. As of December 31, 2022 and 2021, employees' accrued leave totaled \$155,612 and \$184,849, respectively. These amounts are included in accrued payroll liabilities on the statements of financial position.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

9) Net Assets with Donor Restrictions

At December 31, 2022 and 2021, the Center had \$161,118 and \$167,125, respectively, in net assets with donor restrictions. The funds are restricted for the Living School. During the years ended December 31, 2022 and 2021, net assets with donor restrictions totaling \$67,152 and \$164,951, respectively, were released from donor restrictions as expenses were incurred to satisfy the restricted purpose (Living School).

10) Sales and Cost of Goods Sold

Sales, cost of goods sold, and the resulting profit margin percent are as follows:

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Sales	\$ 1,780,115	100%	\$ 1,702,537	100%
COGS - production supplies	<u>(133,396)</u>	<u>-7%</u>	<u>(131,369)</u>	<u>-8%</u>
	<u>\$ 1,646,719</u>	<u>93%</u>	<u>\$ 1,571,168</u>	<u>92%</u>

11) Scholarship Commitments

The Center awards multiple-year awards for some Living School scholarship recipients, which are considered conditional scholarships until school enrollment is complete and tuition is due and are not accrued in the accompanying financial statements. Scholarship commitments approved during 2022 or prior years for future funding subject to future conditions are \$53,530 and \$172,660 for the years ending December 31, 2022 and 2021, respectively.

12) Economic Dependency

The Center receives a significant portion of its revenue from contributions, royalties, and sales of books and recordings. Most of the inventory as well as the royalty proceeds are from materials authored by the founder. In December 2022, the founder stepped back from active leadership at the Center to become Core Faculty Emeritus. While not actively involved in the Center's management, our founder will continue to be involved in the Center's publishing, courses, and podcasts. It is not possible for us to assess the impact of our founder's new role, if any, on the Center, including enrollment in our courses, attendance at our webcasts and other events, engagement with our publishing and other media, and the amount of contributions we receive. The Board of Directors approved a strategic plan in December 2022 to prepare for the future of the Center without active founder involvement.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

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12) Economic Dependency — continued

A schedule of program revenues and support are as follows:

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Contributions	\$ 7,928,575	72.9%	\$ 8,423,740	65.8%
Conferences	-	0.0%	1,362,477	10.6%
Webcasts	276,659	2.5%	-	0.0%
Living school	603,250	5.6%	949,651	7.4%
Royalties	219,965	2.0%	337,732	2.6%
Investment income, net	192,327	1.8%	103,246	0.8%
Services	-	0.0%	7,000	0.1%
Other	394	0.0%	53,732	0.4%
Gross profit book and media revenues	<u>1,646,719</u>	<u>15.2%</u>	<u>1,571,168</u>	<u>12.3%</u>
Total support and revenues	<u>\$ 10,867,889</u>	<u>100%</u>	<u>\$ 12,808,746</u>	<u>100%</u>