

**Michael's Cause Inc.
(a not-for-profit organization)**

Financial Statements

And

Independent Auditor's Report

December 31, 2022

***Peter & Roseanne Bozzo, PC
Certified Public Accountants***

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Peter & Roseanne Bozzo, PC
Certified Public Accountants

Board of Directors
Michael's Cause Inc.
Staten Island, New York

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Michael's Cause Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for Michael's Cause Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

June 25, 2023
Freehold, New Jersey

Peter & Roseanne Bozzo, PC
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Michael's Cause Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,028,078
Total Current Assets	\$ 1,028,078

Property, Equipment and Right of Use Asset

Computers	2,583
Right of Use Asset	15,464
Less: Accumulated Depreciation	<u>(2,043)</u>
Net Property, Equipment and Right of Use Assets	\$ 16,004

Total Assets **\$ 1,044,082**

See Accountants' Independent Auditor's Report and Accompanying Notes to Financial Statements

Michael's Cause Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	478
Accrued Expenses		7,924
Lease Liability		<u>5,398</u>
Total Current Liabilities	\$	<u>13,800</u>

Long-Term Liabilities

Lease Liability	\$	<u>10,066</u>
Total Long-Term Liabilities	\$	<u>10,066</u>

Total Liabilities

\$ 23,866

Net Assets Without Donor Restrictions 1,020,216

Total Net Assets **\$ 1,020,216**

Total Liabilities and Net Assets

\$ 1,044,082

See Accountants' Independent Auditor's Report and Accompanying Notes to Financial Statements

Michael's Cause Inc.
Statement of Revenues, Expenses, and Other Changes in Net
Assets
Year Ended December 31, 2022

Revenues with/without Donor Restrictions

Support and Revenues with/without Donor Restrictions

Direct Public Support, Grants and Contributions	\$	73,985
Special Events		81,561
Fundraising		201,584
Donor Restricted Contributions		45,602
Other Income		868
Investment Income		<u>632</u>
<u>Total Revenues with/without Donor Restrictions</u>	\$	<u>404,232</u>

Functional Expenses:

Program Services:

Research		51,761
Benevolent Assistance		<u>133,476</u>
<i>Total Program Services</i>	\$	<u>185,237</u>

Support Services:

Fundraising Expenses		118,101
Administrative Expenses		<u>42,629</u>
<i>Total Support Services</i>	\$	<u>160,730</u>

<u>Total Functional Expenses</u>	\$	<u>345,967</u>
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<u>Total Expenses</u>	\$	<u>345,967</u>
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<u>Change in Net Assets Without Donor Restrictions</u>	\$	<u>58,265</u>
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<u>Net Assets at Beginning of Year</u>	\$	<u>961,951</u>
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<u>Net Assets at End of Year</u>	\$	<u><u>1,020,216</u></u>
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See Accountants' Independent Auditor's Report and Accompanying Notes to Financial Statements

Michael's Cause Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Research	Total	Fundraising	Administrative
	Other Prog Serv	Program Services	Expenses	Expenses
University of Washington	\$ 51,761	\$ 51,761		
Benevolent Assistance	133,476	133,476		
Fundraising Expenses			109,709	
Advertising			7,261	
Computer Supplies				1,159
Food Expenses				1,909
Operations				15,140
Insurance				1,680
Bank Service Charges				175
Operating lease payments				3,500
Vehicle expenses				13,337
Other Administrative Expenses				3,924
Professional Fees	0		1,131	1,445
Depreciation	0		0	360
Total Functional Expenses	\$ 185,237	\$ 185,237	\$ 118,101	\$ 42,629

See Accountants' Independent Auditor's Report and Accompanying Notes to Financial Statements

Michael's Cause Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	58,265
Adjustments to reconcile change in Net Assets (Loss) to net Cash provided by (used in) operating activities:		
Depreciation and Amortization		360
Decrease (Increase) in Operating Assets:		
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		(52,375)
Accrued Expenses		174
Total Adjustments	\$	(51,841)
Net Cash Provided By Operating Activities	\$	6,424

CASH FLOWS FROM INVESTING ACTIVITIES

Net Cash Used By Investing Activities	\$	0
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CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Used By Financing Activities	\$	-
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NET INCREASE IN CASH AND CASH EQUIVALENTS	\$	6,424
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Cash and Cash Equivalents at Beginning of Year	1,021,654
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,028,078
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Non-cash Investing and Financing Activities

The Company signed an operating lease for a vehicle and recognized a Right of Use Asset in an initial amount of \$18,775 and a corresponding lease liability in an identical amount. The Right of Use Asset and a lease liability were amortized by \$3,311 during the year ended December 31, 2022.

See Accountants' Independent Auditor's Report and Accompanying Notes to Financial Statements

Michael's Cause Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

1. Nature of Activities and Significant Accounting Policies

Michael's Cause Inc. ("The Organization") was incorporated as a New York Corporation in April 2011 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization registers annually as a public charity with the New York State Department of Law-Charities Bureau. The mission of the Organization is to promote awareness of the disease Duchenne Muscular Dystrophy, provide funds for additional research to be done in search of a cure for this disease, and provide benevolent assistance for others with the disease.

The Organization is primarily funded through special events, grants, fundraising events, and donations from the general public.

Program Services

The Organization engages in the following program services to fulfill its mission of providing funds for research for the cure of Duchenne Muscular Dystrophy.

The Organization funded one project during the year to advance research to find a cure for Duchenne Muscular Dystrophy.

The Organization provided benevolent assistance for individuals with Duchenne Muscular Dystrophy during the year ended December 31, 2022.

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles. The Organization's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when earned and expenses and losses are recognized when a liability has been incurred. A summary of the Organization's accounting policies is as follows:

Cash and Cash Equivalents

Cash and cash equivalents consist of operating checking and money market accounts. The Organization considers all short-term, highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to the concentration of credit risk, consist primarily of temporary cash investments. The Organization places its temporary cash investments in high-credit financial institutions. However, a portion of temporary cash investments may exceed FDIC-insured levels from time to time.

Michael's Cause Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

Fair Value of Financial Instruments

Generally Accepted Accounting Principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization uses the following three levels of the fair value hierarchy:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access.

- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization does not have any assets that require fair market value measurement according to the above framework.

Property, Equipment and Right of Use Assets

Property, Equipment and Right of Use Asset consist of computers depreciated over a three-year period and an operating lease for a vehicle. The Organization capitalizes all equipment when the asset has a benefit beyond the current year. The Organization depreciates a full month in the year of acquisition and records no depreciation for the month of disposition. The Organization capitalizes operating leases in accordance with FASB ASC 842 as both a Right of Use Asset and a lease liability. Both the Right of Use Asset and lease liability are reduced over the life of the lease. The Organization did not have any finance leases.

Net Assets

The Organization reports information on its statement of financial position and statement of activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All net assets at December 31, 2022 are without donor restrictions.

Support and Revenues with and without Donor Restrictions

The Organization receives revenue from direct public support and contributions, special events, grants, and fundraising activities. Revenues with restrictions are recorded as donor restricted contributions in the Statement of Revenues, Expenses, and Other Changes in Net Assets for the year ended December 31, 2022. Special events are recorded at gross revenue received with a corresponding cost of direct benefits provided to donors shown as an expense in the Statement of Revenues, Expenses, and Other Changes in Net Assets. Special Event revenue, including contributions and donor direct benefits received for a subsequent year, are recorded as refundable advances in the Statement of Financial Position.

Special Event Costs

The Organization reports special event costs that directly benefit donors as an expense called Cost of Direct Benefits to Donors in the Statement of Revenues, Expenses, and Other Changes in Net Assets. There were no special event costs for the year ended December 31, 2022.

Michael's Cause Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

Functional Expenses

The Organization records its expenses in the Statement of Revenues, Expenses, and Other Changes in Net Assets according to program and support services. The expenses are recorded to research and benevolent assistance, fundraising and administrative expenses according to function. Direct costs that relate to a specific program or support service are allocated directly to that expense account. Indirect costs are allocated to an expense account based on the direct costs incurred to total direct costs of all expense accounts.

Advertising

Advertising expenses are expensed as incurred and are charged to fundraising expenses in the Statement of Revenues, Expenses, and Other Changes in Net Assets.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state taxes has been provided for in the financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ("ASU 2014-09"), "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods and services to customers at an amount that reflects consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted the guidance effective January 1, 2019, and the adoption did not have an impact on the Organization's financial statements.

In February 2016, the FASB issued (ASU 2016-02) Leases (Topic 842) referred to as ASC 842 requiring an organization to recognize operating lease assets and liabilities on the balance sheet and increased the disclosure requirements of leasing arrangements. Private Organizations are required to have adopted the provisions of ASC 842 effective January 1, 2022. The Organization adopted ASC 842 on January 1, 2022.

2. Liquidity

All the Organization's financial assets within one year of the balance sheet date in the amount of \$1,028,078 are available to meet the general expenditures of the Organization. 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 come due. The Organization invests cash more than daily requirements in money market accounts.

Michael's Cause Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

3. Property, Equipment and Right of Use Asset

Property and equipment are recorded at cost. Maintenance and repairs are charged to the Statement of Revenues, Expenses, and Other Changes in Net Assets in the year in which the expense is incurred. The Organization owns computers to assist in supporting the program and support activities of the Organization. The computers are being depreciated over a three-year period. The cost of the computers is \$2,583 and depreciation expense for the year ended December 31, 2022, is \$360.

The Organization signed a three-year lease for a new vehicle in September 2022. The Organization has recorded the lease as an operating lease as required by ASC 842 and recorded an initial Right of Use Asset and lease liability in the amount of \$18,774. The Organization recorded a reduction of the Right of Use Asset and lease liability for use of the asset in the amount of \$3,310 and operating lease payments in the amount of \$3,500 during the year ended December 31, 2022.

4. Lease Liability

Future payments required by the operating lease are as follows:

2023	5,398
2024	5,652
2025	4,414
Total	15,464
Less: Current portion	<u>(5,398)</u>
Long-term portion	<u>\$10,066</u>

5. Contributions and Net Assets With/Without Donor Restrictions

The Organization received donor restricted contributions in the amount of \$45,602 to fund a van for a child with Duchenne disease. The total cost of the van was \$65,000 and is shown in Benevolent Assistance on the Statement of Revenues, Expenses, and Other Changes in Net Assets for the year ended December 31, 2022. Since the total donor restricted contributions of \$39,602 were met in the same reporting period as the contribution, the net assets with donor restrictions at December 31, 2022, is \$0. The entire net asset balance of \$1,020,216 is without donor restrictions.

6. Income Taxes

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2020, through 2022 are subject to examination by the Internal Revenue Service, for three years after they were filed.

Michael's Cause Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

7. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 25, 2023, the date the financial statements were available to be issued, and did not note any material subsequent events which occurred after December 31, 2022, except as noted below.

The financial markets and economy may be impacted by the COVID-19 pandemic for an extended period, which may have a material adverse effect on the Organization's future operating results