NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

Financial Statements

For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

and
Report Thereon

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

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For the Year Ended December 31, 2022

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
National Energy Education Development Project, Inc.

Opinion

We have audited the financial statements of National Energy Education Project, Inc. (NEED), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NEED 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NEED 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.

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 NEED's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Marcum LLP ▪ 1899 L Street, NW ▪ Suite 850 ▪ Washington, DC 20036 ▪ **Phone** 202.227.4000 ▪ **www.marcumllp.com**

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 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 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 NEED'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 NEED'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited NEED's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2022 In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
May 9, 2023

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 4,454,080	$ 3,795,545
Certificates of deposit	319,049	318,288
Grants, contracts and contributions receivable	3,143,639	398,768
Inventory	207,077	229,289
Prepaid expenses	48,615	35,806
Property and equipment, net	28,294	24,491
Right-of-use asset - operating	470,402	-
TOTAL ASSETS	$ 8,671,156	$ 4,802,187
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 306,225	$ 114,798
Operating lease liabilities	478,967	-
Deferred rent	-	2,334
TOTAL LIABILITIES	785,192	117,132
Net Assets		
Without donor restrictions	153,221	348,293
With donor restrictions	7,732,743	4,336,762
TOTAL NET ASSETS	7,885,964	4,685,055
TOTAL LIABILITIES AND NET ASSETS	$ 8,671,156	$ 4,802,187

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

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Grants, contracts and contributions	$ 2,261,732	$ 6,686,663	$ 8,948,395	$ 4,111,812
Conference and youth awards	285,754	-	285,754	194,643
Curriculum and kit sales	84,399	-	84,399	105,281
In-kind contributions	18,500	-	18,500	12,500
Interest income	1,151	-	1,151	1,541
Other income	20,930	-	20,930	20,843
Net assets released from restrictions:				
Satisfaction of purpose restrictions	3,289,682	(3,289,682)	-	-
Satisfaction of time restrictions	1,000	(1,000)	-	-
TOTAL REVENUE AND SUPPORT	5,963,148	3,395,981	9,359,129	4,446,620
EXPENSES				
Program Services:				
Workshops and conferences	2,201,317	-	2,201,317	1,051,999
Program administration	987,926	-	987,926	686,538
Kits and Materials	904,801	-	904,801	740,382
Scholarships	846,149	-	846,149	149,635
Youth awards	364,590	-	364,590	225,139
Curriculum development	312,592	-	312,592	302,869
Training conferences	200,839	-	200,839	189,195
Program development	149,520	-	149,520	80,127
Total Program Services	5,967,734	-	5,967,734	3,425,884
Supporting Services:				
Fundraising	117,184	-	117,184	42,865
General and administrative	73,302	-	73,302	60,896
Total Supporting Services	190,486	-	190,486	103,761
TOTAL EXPENSES	6,158,220	-	6,158,220	3,529,645
CHANGE IN NET ASSETS	(195,072)	3,395,981	3,200,909	916,975
NET ASSETS, BEGINNING OF YEAR	348,293	4,336,762	4,685,055	3,768,080
NET ASSETS, END OF YEAR	$ 153,221	$ 7,732,743	$ 7,885,964	$ 4,685,055

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

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services									Supporting Services				
	Workshops and Conferences	Scholarships	Kits and Materials	Program Administration	Curriculum Development	Youth Awards	Training Conferences	Program Development	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2022 Total	2021 Total
Personnel costs	$ 415,297	$ 38,457	$ 176,144	$ 477,525	$ 265,911	$ 35,338	$ 22,359	$ 64,221	$ 1,495,252	$ 46,796	$ 40,803	$ 87,599	$ 1,582,851	$ 1,440,376
Scholarships, awards and grants	163,507	774,667	-	256,153	-	7,500	-	300	1,202,127	-	-	-	1,202,127	189,635
Event expenses	577,878	-	-	4,387	-	248,508	105,630	23,746	960,149	-	36,878	36,878	997,027	281,557
Kit purchases	-	-	488,276	-	-	-	-	-	488,276	-	-	-	488,276	364,731
Travel	248,159	3,446	1,517	9,119	2,675	37,706	39,299	34,668	376,589	446	13,597	14,043	390,632	121,811
Computer Equipment and Supplies	307,620	2,668	5,513	13,461	3,963	17,902	7,213	8,012	366,352	1,918	8,093	10,011	376,363	228,393
Professional services	48,086	2,388	5,440	165,831	14,632	6,386	691	9,479	252,933	6,202	3,981	10,183	263,116	133,079
Stipends	197,789	14,200	-	1,350	-	4,200	15,325	900	233,764	-	4,540	4,540	238,304	203,440
Postage and shipping	158,567	1,003	35,892	10,565	1,001	3,733	8,149	904	219,814	598	4,005	4,603	224,417	221,714
Rent	12,447	1,153	81,202	14,312	7,969	1,059	670	1,925	120,737	6,018	1,222	7,240	127,977	108,696
Curriculum	-	-	88,633	-	-	-	-	-	88,633	-	-	-	88,633	84,330
Dues and subscriptions	11,776	6,429	2,279	10,774	4,001	661	403	2,137	38,460	2,252	1,874	4,126	42,586	38,138
Substitute pay	31,157	-	-	-	-	-	-	-	31,157	-	-	-	31,157	12,551
Insurance	10,430	510	2,758	6,329	3,525	468	296	851	25,167	2,662	541	3,203	28,370	17,468
Telephone and communications	5,562	391	6,288	7,117	3,123	359	226	717	23,783	2,039	501	2,540	26,323	27,499
Office equipment rental	3,270	303	3,968	3,759	2,093	278	176	506	14,353	1,581	321	1,902	16,255	14,680
Repairs and maintenance	1,246	115	4,222	1,433	798	106	66	193	8,179	603	122	725	8,904	18,469
Depreciation	1,548	143	657	1,781	991	132	83	239	5,574	749	152	901	6,475	6,590
Utilities	1,223	113	519	1,406	783	104	66	189	4,403	593	120	713	5,116	5,040
Miscellaneous expenses	2,643	13	806	409	89	12	8	282	4,262	65	275	340	4,602	6,721
Bank service charges	1,092	101	463	1,255	699	93	59	169	3,931	526	107	633	4,564	3,905
Printing and copying	2,020	49	224	960	339	45	120	82	3,839	254	52	306	4,145	822
TOTAL EXPENSES	$ 2,201,317	$ 846,149	$ 904,801	$ 987,926	$ 312,592	$ 364,590	$ 200,839	$ 149,520	$ 5,967,734	$ 73,302	$ 117,184	$ 190,486	$ 6,158,220	$ 3,529,645

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

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,200,909	$ 916,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,475	6,590
Amortization of Right-of-use asset - operating	114,741	-
Change in assets and liabilities:		
Grants, contracts and contributions receivable	(2,744,871)	1,124,735
Inventory	22,212	(48,694)
Prepaid expenses	(12,809)	11,397
Accounts payable and accrued expenses	191,427	6,733
Operating lease liabilities	(108,510)	-
Deferred rent	-	(2,791)
NET CASH PROVIDED BY OPERATING ACTIVITIES	669,574	2,014,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,278)	-
Reinvestment of interest on certificates of deposit	(761)	(1,287)
NET CASH USED IN INVESTING ACTIVITIES	(11,039)	(1,287)
NET INCREASE IN CASH AND CASH EQUIVALENTS	658,535	2,013,658
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,795,545	1,781,887
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,454,080	$ 3,795,545
SUPPLEMENTAL CASH FLOW INFORMATION		
NONCASH INVESTING ACTIVITIES		
Proceeds from matured certificates of deposit	$ 319,049	$ 318,288
Purchase of certificates of deposits	(319,049)	(318,288)
	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization

The National Energy Education Development Project, Inc. (NEED) was incorporated under the laws of the Commonwealth of Virginia on November 20, 1991. NEED develops and provides comprehensive trainings and curricula on energy resources to teachers and students nationwide. NEED also annually conducts a national awards program to recognize excellence in energy programming. These activities are funded primarily through grants, contracts and contributions from major energy-related corporations and associations, federal and state governments, local sponsors, and school districts throughout the United States.

Basis of Accounting

The financial statements of NEED have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Cash Equivalents

Cash equivalents include money market funds and highly liquid investments with initial maturities of three months or less.

Certificates of Deposit

Certificates of deposit with initial maturities of more than three months are not considered cash equivalents. Certificates of deposit are recorded in the financial statements at amortized cost which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP), and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

The three levels of the fair value hierarchy are described as follows:

> *Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
>
> *Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
>
> *Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of and for the year ended December 31, 2022, only NEED's certificates of deposit, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis.

Grants, Contracts and Contributions Receivable

NEED uses the allowance method to record potentially uncollectible grants, contracts and contributions receivable. The allowance is based on management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is not probable.

Inventory

Inventory, which consists of printed materials and educational kits, is valued at net realizable value using the average cost method.

Property and Equipment and Related Depreciation

Property and equipment with a useful life of more than one year and an acquisition cost greater than $1,000 are capitalized at cost. Depreciation on computers, furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Classification of Net Assets

NEED's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of NEED's operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of NEED or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2022, NEED had no net assets with donor restrictions that are required to be maintained in perpetuity.

Right-of-Use Assets and Lease Liabilities

NEED determines if an arrangement is or contains a lease at inception. Leases are included in operating right of use (ROU) assets and lease liabilities in the statement of financial position. The ROU assets and operating lease liabilities are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using risk-free rate and is adjusted for lease incentives. The ROU assets are amortized on a straight-line basis over the lease term and is reflected as rent expenses for office rent and office equipment rental for copier leases in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue Recognition

Unconditional grants and contributions are reported as revenue in the year in which the payments are received and/or unconditional promises to give are made. NEED reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of a 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. Donor restricted grants and contributions whose restrictions are met in the same reporting period in which they are received are reported as revenue and support without donor restrictions. Unconditional grants and contributions that have been committed to NEED, but have not been received as of year-end, are reflected as grants, contracts and contributions receivable in the accompanying statement of financial position.

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 on which they depend have been substantially met. NEED has cost-reimbursable grants with private companies and organizations that are considered conditional contributions. Revenue from these grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue recognized on cost reimbursable grants for which payments have not been received is reflected as grants, contracts and contributions receivable in the

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

accompanying statement of financial position. Grant payments received but not yet expended for the purpose of the grant are reflected as refundable advances in the accompanying statement of financial position. Contracts which represent services performed are recognized at the time the services are provided based on deliverables established in the contracts.

Revenue and the related costs of the conference and youth awards are recognized at the point in time the conference is held or youth awards are awarded.

Curriculum and kit sales are recorded as revenue when the related materials are shipped.

Scholarships, Grants and Awards Expense

Unconditional scholarships, grants and awards are expensed in the year in which the commitment is made. Conditional scholarships, grants and awards are not included as expenses until such time as the conditions are substantially met.

In-Kind Contributions

In-kind contributions consist of contributed materials and legal services. The value of the in-kind contributions is recorded as revenue and expenses at the estimated fair based on what NEED would have paid for the goods or services.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of NEED are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets, except for the Executive Director's salary, which is allocated based on the estimate of her time and effort expended on each program and supporting service area. General and administrative expenses (which include administrative personnel costs, computer equipment and supplies, occupancy costs, and depreciation) are allocated to programs and supporting services based on actual payroll costs charged to each program and supporting service area.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the FASB issued guidance 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. NEED adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. NEED utilized the government treasury rates while calculating the value of ROU assets and ROU liabilities on adoption as well as commencement date. As a result of the adoption of the new lease accounting guidance, NEED recognized on January 1, 2022 lease liabilities of $204,295, and right-of-use assets of $201,961. The standard had a material impact on NEED's statement of financial position but did not have an impact on the statement of activities or statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

In September 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. NEED adopted ASU 2020-07 retrospectively on January 1, 2022. The adoption of the standard did not result in a material change to the financial statements.

2. Grants, Contracts and Contributions Receivable

Grants, contracts and contributions receivable primarily represent grants and contributions from foundations and corporations. As of September 30, 2022, all grants and contributions receivables were considered fully collectible and were expected to be received as follows:

Less than one year	$ 2,993,639
One to five years	150,000
Total Grants and Contributions Receivable	$ 3,143,639

The discount on year one to five years is immaterial and was calculated using the rate of 4.22%.

3. Certificates of Deposit

The following table summarizes NEED's certificates of deposit measured at fair value on a recurring basis as of December 31, 2022, aggregated by the fair value hierarchy level with which those measurements were made:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 319,049	$ -	$ 319.049	$ -

The certificates of deposit are recorded at amortized cost which approximates fair value.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2022:

Computer Equipment	$ 40,839
Office furniture and equipment	67,130
Total Property and Equipment	107,969
Less: Accumulated Depreciation	(79,675)
Property and Equipment, Net	$ 28,294

During the year ended December 31, 2022, NEED recorded depreciation expense related to property and equipment of $6,475.

5. Net Assets

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:	
Scholarship Programs	$ 2,988,001
Workshops and conferences	2,122,272
Kits and materials	1,432,990
Program administration	1,182,830
Curriculum Development	5,000
Training conferences	1,650
Total Net Assets With Donor Restrictions	$ 7,732,743

6. Commitments, Risks and Contingencies

Leases

NEED had a noncancelable operating lease agreement for its office space in Manassas, Virginia, which expired on April 30, 2021. On August 18, 2020, NEED entered into an amendment to the non-cancelable operating lease for its office space in Manassas, Virginia to extend the lease period through April 30, 2026. The amended lease calls for monthly payments of $3,357 in the first year, with annual increases thereafter. The ROU asset and ROU liability balance as of December 31, 2022 is $139,438 and $142,783 respectively.

NEED has a second noncancelable operating lease for its second office and a warehouse location in Roanoke, Virginia, which was to expire on February 29, 2022. The lease called for monthly payments of $5,885 in the first year, with annual increases thereafter. On January 20, 2022, NEED entered into an amendment to the non-cancelable operating lease for its second office and warehouse location in Roanoke, Virginia to extend the lease period through February 28, 2027. The amended lease calls for monthly payments of $5,948 in the first year, with annual increases thereafter. The ROU asset and ROU liability balance as of December 31, 2022 is $312,220 and $317,440 respectively.

The terms of Manassas lease provide for a 3% increase in future minimum rental payments, while the new Roanoke lease has a 6% escalation in future minimum rental payments in the second year, with a 3% escalation in the remaining years.

NEED had a noncancelable operating lease agreement for a copier that is used in its Manassas, Virginia office. The lease expires on July 1, 2026. The lease calls for quarterly payments of $575. The ROU asset and ROU liability balances as of December 31, 2022, are both $8,419.

In October 2022, NEED entered into a noncancelable operating lease agreement for a copier that is used in the Roanoke, Virginia office space. The lease expires on September 30, 2026. The lease calls for monthly payments of $249. The ROU asset and ROU liability balances as of December 31, 2022, are both $10,325.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating right-of-use assets	$ 470,402
Operating lease liabilities	$ 478,967

As of December 31, 2022, future minimum lease payments under the lease are as follows:

For the Year Ending December 31,	
2023	$ 122,614
2024	126,500
2025	130,137
2026	101,428

6. Commitments, Risks and Contingencies (continued)

Leases (continued)

2027	$ 13,792
Total	494,471
Lease: Present Value Discount	(15,504)
Total	$ 478,967

Rent expense, which is included in rent and office equipment rental was $144,232 for the year ended December 31, 2022. Cash paid for operating leases for the year end December 31, 2022 totaled $115,512. There were no non cash investing and financing transactions relating to leasing other than the entry described in Note 1 related to the adoption of the new standard.

Concentration of Credit Risk

NEED maintains its cash and cash equivalents and certificates of deposit with commercial financial institutions, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2022, NEED's account balances exceeded the maximum limit insured by the FDIC by approximately $4,668,000. NEED monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents or certificates of deposit.

7. Availability and Liquidity

NEED regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. NEED's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2022, were as follows:

Cash and cash equivalents	$ 4,454,080
Grants, contracts and contributions receivable, current	2,993,639
Certificates of deposit	319,049
Total Financial Assets Available Within One Year	$ 7,766,768

NEED has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. NEED's working capital and cash flows come from grants, contracts and contributions that are received at various times throughout the year. Management is focused on sustaining the financial liquidity of NEED throughout the year. This is done through monitoring and reviewing NEED's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NEED's cash flows related to NEED's various funding sources and is therefore able to ensure that there is cash available to meet current

7. Availability and Liquidity (continued)

liquidity needs. As part of its liquidity plan, excess cash is invested in certificates of deposit. NEED can liquidate the certificates of deposit at any time, and therefore the certificates of deposit are available to meet current cash flow needs. To help manage unanticipated liquidity needs, NEED has a committed line of credit of $75,000 of which $75,000 was unused and available to draw upon as of December 31, 2022. NEED's line of credit is secured by NEED's certificates of deposit. NEED considers all net assets with donor restrictions apart from the mutli-year contribution amounts mentioned in Note 2 to be available to cover general operating needs within one year as they are either due to be collected within one year or used for general operations. NEED defines its general operating expenses as covering program expenses.

8. In-Kind Contributions

During the year ended December 31, 2022, NEED received in-kind contributions consisting of contributed materials and legal services. Contributed materials are recognized based on the current price based on publicly available information on websites. Contributed legal services are based on the current rate for the lawyer providing the donated services. For the year ended December 31, 2022, in-kind contributions consisted of $15,000 of contributed materials and $3,500 of contributed legal services. There were no donor restrictions related to the in-kind contributions and NEED does not sell the in-kind goods or services.

9. Pension Plan

NEED maintains a Section 403(b) pension benefit plan for its employees. NEED's matching tax-sheltered annuity plan allows for a pretax employee contribution up to the maximum amount currently permitted by law and a 100% employer match up to 6% of compensation. The Plan provides for immediate vesting for employees. Pension expense was $52,311 for the year ended December 31, 2022.

10. Line of Credit

NEED has a revolving line of credit agreement with a bank. The line of credit has a borrowing limit of $75,000. Funds drawn against this line of credit accrue interest at a variable rate based on the prime rate established by the bank plus 0.75%, which totaled 10.5% at December 31, 2022. The line of credit is secured by NEED's certificates of deposit. As of December 31, 2022, NEED had no outstanding balance on this line of credit.

11. Income Taxes

NEED is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2022, as NEED had no unrelated business

11. Income Taxes (continued)

income. NEED follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NEED performed an evaluation of uncertainty in income taxes for the year ended December 31, 2022, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status, and there are currently no examinations pending or in progress. It is NEED's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax or interest expense. As of December 31, 2022, NEED had no accruals for interest and/or penalties.

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with NEED's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

13. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

14. Subsequent Events

In preparing these financial statements, NEED has evaluated events and transactions for potential recognition or disclosure through May 9, 2023, the date the financial statements were available to be issued. There were no subsequent events identified which are required to be disclosed in these financial statements.