

Consolidated Statements of Functional Expenses

For the Year Ended December 31, 2023

	Programs and Missions	Management and General	Fundraising and Development	Total
Bank fees	\$ 14,591	\$ 155,668	\$ 7	\$ 170,266
Charitable contributions	7,551,639	-	-	7,551,639
Contract labor	7,146,179	108,922	86,291	7,341,392
Cost of merchandise sold	1,080,944	2,032	14,859	1,097,835
Depreciation and amortization	491,850	356,719	102,834	951,403
Employee benefits	1,205,930	217,687	382,987	1,806,604
Insurance	6,172	147,807	9,411	163,390
Intelligence gathering	92,375	-	-	92,375
Interest expense	-	757,714	-	757,714
Loss on disposal of property and equipment	16,618	24,196	13,893	54,707
Meals and entertainment	283,788	65,702	13,985	363,475
Merchant service fees	119,196	-	1,365,447	1,484,643
Occupancy	396,711	354,174	109,534	860,419
Office expense	28,663	7,003	9,854	45,520
Postage and shipping	415,926	8,326	2,233	426,485
Professional	86,494	7,302,128	3,237	7,391,859
Promotion and marketing	1,899,994	25,707	250,340	2,176,041
Repairs and maintenance	35,335	97,862	52,933	186,130
Salaries and wages	9,428,972	2,462,339	2,387,050	14,278,361
Supplies and equipment	487,980	78,204	47,947	614,131
Training	135,544	22,906	5,976	164,426
Travel	2,899,268	158,472	135,955	3,193,695
Other	458,453	1,003,007	232,578	1,694,038
Total expenses	\$ 34,282,622	\$ 13,356,575	\$ 5,227,351	\$ 52,866,548

Consolidated Statements of Functional Expenses - Continued

For the Year Ended December 31, 2022

	Programs and Missions	Management and General	Fundraising and Development	Total
Bank fees	\$ 25,751	\$ 92,170	\$ 13,554	\$ 131,475
Charitable contributions	9,502,944	865	30,000	9,533,809
Contract labor	4,852,474	3,208,380	140,908	8,201,762
Cost of merchandise sold	568,149	-	206,520	774,669
Depreciation and amortization	385,774	123,557	51,179	560,510
Employee benefits	1,222,301	107,750	421,469	1,751,520
Insurance	144,060	102,587	13,075	259,722
Intelligence gathering	50,950	-	-	50,950
Interest expense	-	129,325	-	129,325
Loss on disposal of property and equipment	58,398	-	-	58,398
Meals and entertainment	276,385	101,702	29,086	407,173
Merchant service fees	64,160	-	547,977	612,137
Occupancy	358,498	185,001	141,768	685,267
Office expense	56,728	14,194	140,371	211,293
Postage and shipping	203,238	8,052	36,505	247,795
Professional	-	293	-	293
Promotion and marketing	721,052	8,084	625,597	1,354,733
Repairs and maintenance	28,054	87,451	25,165	140,670
Salaries and wages	9,068,167	1,219,547	2,773,663	13,061,377
Supplies and equipment	524,942	203,554	192,749	921,245
Training	63,328	3,236	136,546	203,110
Travel	3,346,246	347,459	335,675	4,029,380
Other	256,648	351,726	155,326	763,700
Total expenses	\$ 31,778,247	\$ 6,294,933	\$ 6,017,133	\$ 44,090,313

Consolidated Statements of Cash Flows

For the Years Ended December 31,

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (4,253,959)	\$ (20,127,672)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	951,403	560,510
Loss on disposal of property and equipment	54,707	58,398
Loss on impairment of intangibles	4,967,766	-
Noncash contribution of other assets	(79,600)	-
Net unrealized and realized losses (gains) on cryptocurrency	(88,942)	-
Net unrealized and realized losses (gains) on investments	(5,608,448)	5,730,019
Donated stocks and intangibles	(369,212)	(121,797)
Reinvested interest and dividends	(668,113)	(659,693)
Changes in operating assets and liabilities:		
Contributions receivable	(50,860)	1,088,160
Prepaid expenses and other assets	(122,779)	476,779
Merchandise inventory	(126,813)	(643,408)
Operating lease asset and liability	(6,392)	32,344
Accounts payable	(654,862)	487,058
Accrued liabilities	813,825	337,003
Net cash used in operating activities	(5,242,279)	(12,782,299)
Cash flows from investing activities:		
Purchases of property and equipment	(4,411,227)	(5,522,891)
Proceeds from sale of property and equipment	460,565	-
Purchases of intangibles	(1,671,000)	(1,863,812)
Net change in investments	9,608,837	(8,788,776)
Net cash provided by (used in) investing activities	3,987,175	(16,175,479)
Cash flows from financing activities:		
Borrowing on line of credit	9,300,000	4,350,061
Payments on line of credit	(4,350,061)	-
Proceeds from note payable	-	3,000,000
Payments on note payable	(2,899,917)	(100,083)
Net cash provided by investing activities	2,050,022	7,249,978
Net change in cash	794,918	(21,707,800)
Cash at beginning of year	4,952,087	26,659,887
Cash at end of year	\$ 5,747,005	\$ 4,952,087
Supplemental disclosure of cash flow information:		
Operating lease assets acquired under operating leases	\$ 160,363	\$ 1,779,236
Cash paid for interest	757,714	129,325
Supplemental disclosure of non-cash investing information:		
Property reclassified as asset available for sale and included in other assets	\$ 3,317,393	\$ -

Notes to Consolidated Financial Statements

1. Organization and Nature of Activities

Operation Underground Railroad, Inc. was incorporated in the state of Utah as a not-for-profit corporation on September 6, 2013.

Operation Underground Railroad, Inc. (O.U.R.) was formed for the purposes of rescuing victims of childhood sexual and other exploitation and prevention of child exploitation, which constitute its major program activities. Operation Underground Railroad, Inc. holds 100% ownership in Abuse Relief Corps, O.U.R Uganda, LLC, O.U.R. Aftercare Group, LLC, O.U.R Aftercare Holdings, O.U.R. AOA, O.U.R Belize, LLC, O.U.R Bulgaria, LLC, O.U.R. Cambodia, LLC, O.U.R Canda, LLC, O.U.R Colombia, LLC, O.U.R Costa Rica, LLC, O.U.R Dominican Republic, LLC, O.U.R Ecuador LLC, O.U.R Florida, LLC, O.U.R Greece, LLC, O.U.R Greece MAKE, O.U.R Honduras, LLC, O.U.R Indonesia, LLC, O.U.R International, LLC, O.U.R Italy, LLC, O.U.R Jordan, LLC, O.U.R Malaysia, LLC, O.U.R Mexico, LLC, O.U.R Murray, LLC, O.U.R OHL, LLC, O.U.R Panama, LLC, O.U.R Peru, LLC, , O.U.R Romania, LLC, O.U.R Store, LLC, O.U.R Thailand, LLC, O.U.R Therapeutic Services, LLC, O.U.R Uganda, LLC, The Underground Xfit, LLC. The other entities were all formed for purposes primarily supporting the purpose of Operation Underground Railroad, Inc.

The consolidated financial statements present the accounts and activities of Operation Underground Railroad, Inc., and its subsidiaries (collectively, the Organization). All significant inter-company balances and transactions have been eliminated from the consolidated financial statements.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). The significant accounting policies are described below.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from such estimates.

Financial Statement Presentation

The Organization reports its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are able to be spent by the Organization at its discretion and are subject to self-imposed limits by action of the Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. As of December 31, 2023 and 2022, there were no board-designated net assets.

Net Assets With Donor Restrictions – Net assets with donor restrictions include contributions of cash and other assets received with donor stipulations that limit the use of the donated assets, or have been restricted by the donor to be held and invested in perpetuity. When a donor restriction expires or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions Receivable

Donations are recorded at the earlier of either the receipt of funds or at the date an unconditional promise to give is received from the donor. Contributions receivable are reported at the amount management expects to collect from donors. Differences between the amount due and the amount management expects to collect are reported in the statements of activities of the year in which those differences are determined, with an offsetting entry to a valuation allowance for contributions receivable.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. As of December 31, 2023 and 2022, management did not identify any uncollectible contributions receivable and, accordingly, did not record a valuation allowance.

Investments

Investments in equity, alternative investments, and debt securities are measured at fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment returns are reported net of related external and direct internal investment expenses.

Merchandise Inventory

Merchandise inventory consists of merchandise sold as part of programs and missions and fundraising and developing activities. Inventory is valued at the lower of cost or net realizable value based on the first-in first-out method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter) as follows:

Buildings and improvements	15-39 years
Leasehold improvements	15-20 years
Furniture, fixtures, and equipment	5-20 years
Vehicles	5 years
Software	3 years

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the consolidated statements of activities.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangibles, are 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 are measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13. On January 1, 2023, the Organization adopted this new accounting standard and all the related amendments using the modified retrospective method. The Organization's adoption did not result in a significant impact to the opening balance of net assets and the comparative information has not been adjusted or restated. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. ASU 2023-08 requires that an entity present (1) crypto assets measured at fair value separately from other intangible assets in the balance sheet and (2) changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the statement of activities for not-for-profit entities. The Organization’s adoption did not result in a significant impact to the opening balance of net assets and the comparative information has not been adjusted or restated. Results for reporting periods beginning after January 1, 2023, are presented under ASU 2023-08.

Lease Commitments

The Organization leases certain office spaces. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use (ROU) assets and lease liabilities are recorded within the statement of financial position as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the implicit rate determined from the contract or the Organization’s incremental borrowing rate applicable to the lease, which is determined by estimating what it would cost the Organization to borrow a collateralized amount equal to the total lease payments over the lease term based on the contractual terms of the lease and the location of the leased asset. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization’s leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the ROU assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the ROU asset and lease liability as the Organization does not separate lease and non-lease components.

Lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise that option. The exercise of lease renewal options is at the Organization’s sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization rented or sublet a portion of the Organization’s headquarters to a third party through an operating lease.

Donations and Contributed Goods and Services

The Organization’s primary source of revenue is from individual and corporate donations. Unconditional donations received are recorded as with or without donor restrictions, depending on the existence of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization has no conditional promises to give as of December 31, 2023 and 2022.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their estimated fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. The Organization does not recognize in the consolidated financial statements any services contributed that did not meet the criteria outlined above. During the years ended December 31, 2023 and 2022, the Organization recognized \$114,968 and \$161,671, respectively, in contributed services and related expenses. The value of these services is based on invoices provided by the Company providing the service. The contributed services are primarily used for headquarters and other Utah locations, which represent technology services and donated space in American Fork, Utah. There were no donor restrictions on these donations. Of this amount, \$0 and \$117,783, respectively, were applicable to fundraising and development activities, \$112,638 and \$5,388, respectively, were applicable to management and general activities, \$2,330 and \$18,000, respectively, were applicable to programs and missions, and \$0 and \$20,500, respectively, were used to directly benefit donors through special events.

During the years ended December 31, 2023 and 2022, the Organization also received \$149,806 and \$387,754, respectively, of donated cryptocurrency and \$219,406 and \$78,535, respectively, of donated stock. The value of these cryptocurrencies and stock is the fair value based on readily available market data on the date of donation. The Organization generally sells donated stock as quickly as possible. Those not sold by the end of the year are included in investments. The Organization records donated cryptocurrency as intangible assets.

The Organization receives donated supplies, primarily of gift cards, shirts, books, and other small items, which are valued at fair value at the time they are received. Fair value of such donated supplies is based on third party vendor quotes and local store prices. During the years ended December 31, 2023 and 2022, the Organization recognized approximately \$80,891 and \$274,400, respectively, of in-kind support related to such donations. The contributed supplies were used for the care of victims or were liquidated shortly after being received. There were no donor restrictions on these donations.

The Organization had the following nonfinancial contributions received during the years ended December 31:

	2023	2022
Services	\$ 114,968	\$ 161,671
Supplies	80,891	274,400
	<u>\$ 195,859</u>	<u>\$ 436,071</u>

Revenue Recognition

The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when control of the goods or services promised under a contract is transferred to the customer either at a point in time (e.g., upon delivery) or over time (e.g., as the Organization performs under the contract) in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods or services. The Organization accounts for a contract when it has approval and commitment from both parties to perform their respective obligations, the rights and payment terms to be transferred are identified, the contract has commercial substance and collectability of consideration is probable. If collectability is not probable, the sale is deferred until collection becomes probable or payment is received. Gym memberships are recognized over time (generally monthly) and merchandise sales are recognized at a point in time.

Concentrations of Credit Risk

The Organization maintains cash and cash equivalents in bank deposit accounts which often exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to any significant credit risk on its cash and cash equivalents.

Allowance for Credit Losses

Management has determined that the current and reasonable and supportable forecasted economic conditions have improved as compared with the economic conditions included in the historical information as higher inflationary rates in 2023 are projected to decrease in 2024. As a result, management applied the applicable updated credit loss rates to determine the expected credit loss estimate for each aging category. As of December 31, 2023 and 2022, management has determined that the allowance amount estimated would be immaterial to the overall financial statements and thus has not recorded an allowance amount as of December 31, 2023 and 2022.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statements of activities and statements of functional expenses. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization, primarily salaries and wages and expenses related to buildings. The methodology management uses to allocate indirect expenses are square footage, time and efforts.

Advertising

Advertising costs are expensed as incurred. The Organization incurred \$1,824,435 and \$256,935 in advertising costs for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

Operation Underground Railroad, Inc. is exempt from federal income taxes in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code. No income taxes have been recorded and no deferred tax assets or liabilities recognized for any subsidiaries, due to the immaterial amounts. Limited Liability Companies wholly-owned by Operation Underground Railroad, Inc. are treated as disregarded entities for income tax purposes and their operations are reflected along with Operation Underground Railroad, Inc. in its Form 990 filing. The Organization evaluates tax positions taken or expected to be taken to determine whether the tax positions will be sustained by tax authorities. There are no tax returns pertaining to the Organization which are currently under examination.

Reclassifications in Previously Issued Financial Statements

Certain amounts in the financial statements for the year ended December 31, 2022 have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through May 6, 2024, which is the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprised the following as of December 31:

	2023	2022
Cash	\$ 5,747,005	\$ 4,952,087
Investments	40,598,875	43,711,745
Contributions receivable	171,727	120,867
Other current assets	133,898	135,154
	46,651,505	48,919,853
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,036,928)	(609,531)
	\$ 45,614,577	\$ 48,310,322

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. In addition, the Organization invests cash in excess of daily requirements in short-term liquid investments. To help manage unanticipated liquidity needs, or in the event of financial distress, the Organization has investments in securities that can be quickly turned into cash, and which bear favorable rates in the investment strategy.

4. Investments

Investments consisted of the following as of December 31:

	2023	2022
Common Stock	\$ 22,335,309	\$ 14,772,896
Bonds	12,537,484	13,994,155
Equity ETPs	-	12,417,102
Alternative investments	5,087,411	2,138,165
REIT	638,671	389,427
	\$ 40,598,875	\$ 43,711,745

Components of investment income for the years ended December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Net unrealized gains (losses)	\$ 5,372,242	\$ (707,249)
Dividend income	493,897	594,244
Net realized gains (losses)	236,206	(5,022,770)
Interest income	174,216	65,449
	\$ 6,276,561	\$ (5,070,326)

Investment expenses for the years ended December 31, 2023 and 2022 totaled \$255,807 and \$206,170, respectively, and were netted against related interest income and dividends on the accompanying consolidated statements of activities.

Alternative investments, which are valued at NAV, are comprised primarily of shares owned in various limited partnerships, valued at \$5,087,411 and \$2,138,165 as of December 31, 2023 and 2022, respectively. The following tables outline the specific alternative investments and their terms and investment strategies as of December 31, 2023:

Investments	Unfunded Commitments	Fund Terms and Investment Strategy
CAA-Akkadian Ventures Annex VI, LP - Class 1	\$ 94,808	<ul style="list-style-type: none"> - Fund will invest in co-investment opportunities stemming from CAA-Akkadian Ventures VI, LP - First Close: 4/28/2022 - Final Close (anticipated): on or before December 31, 2022. - Investment Period: 5 years after initial close.
CAA-Point Olema U.S. VC Portfolio, L.P.	479,222	<ul style="list-style-type: none"> - Perpetual with liquidity options after 2 years - Early-stage VC strategy managed by Stanford Endowment and Makena alumni in a unique evergreen fund format. - US Venture Capital, smaller fund focus, concentrated portfolio, Angel, Seed, Series A/B rounds, emerging managers, downside protection via structured strategies like venture debt, direct co-investment opportunities, opportunistic secondaries to manage j-curve. - Launched on January 1, 2022.
CAA-Akkadian Ventures VI, LP	425,000	<ul style="list-style-type: none"> - The Partnership's investment period will be 5 years after initial close, and its term will be 10 years. - Secondary and opportunistic investments in growth-stage (\$10m+ ARR) technology companies - First Close: April 28, 2022. - Final Close (anticipated): on or before December 31, 2022.
CAA-Montauk Triguard IX Access Fund, LP	1,740,000	<ul style="list-style-type: none"> - 12-years from the Final Closing Date with two possible 12 months extensions. - Niche secondary private equity strategy focused on serving as an intermediary for the evolving secondary marketplace. - Targeting a mid-teens IRR with a minimal j-curve and rapid and reliable distributions. - The Access fund will invest 75% of it's capital into Montauk Triguard Fund IX and allocate to select co-investment opportunities out of the remaining 25%.
GT Partners Private Credit Offshore Fund I	93,750	<ul style="list-style-type: none"> - 5 years with two possible 12 months extensions. - GT Partners ("Ghost Tree") aims to build a portfolio of diversified, cashflow-orient private credit investments, by partnering with specialists across the private credit sub-sectors including asset backed lending, hard-money lending, specialty finance, among others.

CAA-Tramview Real Estate Fund II, LP	606,148	<ul style="list-style-type: none"> - Perpetual, investor liquidity provision after 9 years. - Value-add focused real estate strategy ran by former Head of Special Situations Group for Townsend. - Team oversaw and managed \$4.5B of equity invested across 100+ transactions. - The fund will target opportunistic, cashflow oriented investments.
Nuveen Churchill Direct Lending Corp	334,261	<ul style="list-style-type: none"> - Consistent with the terms of the Initial Offering, the Company's investment period will remain five (5) years from March 13, 2020, the date of the commencement of the Initial Offering, subject to up to two 1-year extensions. - Private BDC structure managed by Churchill Asset Management, investing primarily in directly originated, senior secured loans to private equity owned US middle market companies. - Targeting 8-10% IRR.
CAA-WCP Enhanced Loan Fund I	136,179	<ul style="list-style-type: none"> - Senior secured loans, leveraged and warehoused across different tranches. - Will be diversified across hundreds of loans to large corporations. - Targeting 10-15% cashflow with 12-18% net IRR over the life of the fund
CAA-Hunter Point Capital Investors Offshore Access Fund, L.P.	905,000	<ul style="list-style-type: none"> - Perpetual with potential liquidity options after 10 years - Hunter Point aims to acquire minority stakes in Private Equity, Credit, Real Estate, and Infrastructure GPs, targeting established firms with \$3B+ in AUM and poised for growth - CAA-Hunter Point Capital Investors Access Fund will allocate 70% of its commitments to the underlying fund and 30% to no-fee, no-carry co-investments.
Total	\$ 4,814,368	

5. Fair Value Measurements

US GAAP defines fair value and establishes a framework for measuring fair value. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

All investments are considered to be Level 1 with the exception of certain alternative investments valued at \$5,087,411 and \$2,138,165 as of December 31, 2023 and 2022, respectively, which have not been classified in the fair value hierarchy and are measured using the net asset value per share (or its equivalent) practical expedient and are summarized in Note 4.

The fair value of the copyright asset (see Note 8) was calculated by management based on the appraisal of a third-party using Level 3 inputs. The valuation was determined using a discounted cash flow analysis where the intellectual property is valued with the present value of the projected cash flows. The cost of capital was determined to be 10% and the evaluation was used with forecasted cash flows through 2024.

6. Cryptocurrency Assets

Cryptocurrency assets, included in intangibles on the consolidated statements of financial position, recognized the following activity for the year ended December 31, 2023:

Balance as of December 31, 2022	\$	456,452
Donated cryptocurrency		149,806
Disposed cryptocurrency		-
Gain on fair value		88,942
Balance as of December 31, 2023	\$	695,200

7. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2023	2022
Buildings and improvements	\$ 4,524,728	\$ 4,986,584
Land	5,117,909	5,117,909
Furniture, fixtures, and equipment	3,475,788	2,594,464
Leasehold improvements	2,044,962	2,021,977
Vehicles	291,210	335,088
Software	252,922	229,722
	15,707,519	15,285,744
Less: accumulated depreciation and amortization	(1,942,535)	(1,147,919)
	\$ 13,764,984	\$ 14,137,825

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 totaled \$951,403 and \$560,510, respectively.

8. Intangibles

Intangible assets consisted of the following as of December 31:

	2023	2022
Cryptocurrency	\$ 695,200	\$ 456,452
Music video	112,705	112,705
Website	96,000	-
Other	3,043	3,043
Film footage	-	1,392,766
Copyright	-	2,064,056
	906,948	4,029,022
Less: accumulated amortization	-	(64,056)
	\$ 906,948	\$ 3,964,966

During 2022, the Organization acquired a music video and animations for \$115,748, which was determined to be the fair value. No additions occurred in the current year. The music video and animations are reported as intangible assets and will be amortized on a straight-line basis over their estimated useful lives of 5 years. The Organization has not begun to use the music video or animations; therefore, the amortization period has not yet begun. The Organization expects to begin using the music video and animations in 2024.

Due to changes that occurred during 2023, the Organization's management determined that the film footage and copyright were no longer able to be used as planned, and accordingly, wrote off the full balances of these assets.

9. Other Assets

Other assets consisted of the following as of December 31:

	2023	2022
Property available for sale	\$ 3,317,393	\$ -
Other assets	51,959	52,765
	\$ 3,369,352	\$ 52,765

As of December 31, 2023, the Organization owned property that was classified as property available for sale. The property is currently listed for sale and the Organization does not anticipate any losses related to the property.

10. Line of Credit

In July 2022, the Organization entered a revolving loan agreement with a bank with an interest rate of 0.5% below the Wall Street Journal Prime Rate, but not less than 3.5%, and a borrowing capacity of \$5,000,000. The LOC matured in July 2023 and was paid in full. As of maturity, the interest rate was 8%. Additionally, the line of credit (LOC) called for an "unused fee" equal to 0.25% fee of the unused LOC commitment amount, payable quarterly in arrears. The LOC was collateralized by substantially all the Organization's assets. The outstanding balance was \$0 and \$4,350,061 as of December 31, 2023 and 2022, respectively. Interest was due monthly, and principal was paid in full.

In January 2023, the Organization withdrew cash on a line of credit agreement with a bank with an interest rate of the Federal Funds Target rate + .75% (6.25% as of year end) in the amount of \$9,300,000, with payments due on demand. The availability of funds fluctuates with the market value of the securities held by the Organization.

11. Note Payable

In July 2022, the Organization entered a note payable agreement with a bank with an interest rate of 4.78% in the amount of \$3,000,000, and due in monthly installments of \$31,645 plus accrued interest. The Organization paid the balance in full in June 2023.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions comprised the unspent portion of various restricted donations, which are restricted due to time or purpose, as shown below as December 31:

	2023	2022
Aftercare	\$ 638,532	\$ 19,919
Domestic operations	243,111	40,430
International operations	155,285	549,182
	<u>\$ 1,036,928</u>	<u>\$ 609,531</u>

13. Commitments and Contingencies

Operating Leases

The Organization is committed under various noncancelable operating leases, including lease agreements for office space in Utah, Thailand, Indonesia, Cambodia, and Costa Rica. The lease agreements expire at various times through 2026. For the years ended December 31, 2023 and 2022, total rent expenses on such operating leases were approximately \$764,000 and \$404,000, respectively.

Lease assets and liabilities consisted of the following as of December 31, 2023 and 2022:

Leases Classification	2023	2022
Assets		
Operating lease right-of-use assets	\$ 907,913	\$ 1,366,310
Liabilities		
Current:		
Current portion of long term operating lease liability	564,107	624,990
Noncurrent:		
Long term operating lease liability, less current portion	369,758	773,664
Total lease liabilities	<u>\$ 933,865</u>	<u>\$ 1,398,654</u>

The components of lease expense were as follows for the years ended December 31, 2023 and 2022:

Lease Cost	Classification	2023		2022	
Operating	Occupancy	\$	764,470	\$	378,528
Short-term lease cost	Occupancy		-		25,815
Variable lease cost	Occupancy		95,949		280,924
Sublease income	Rental income		(15,194)		(136,667)
Net lease cost		\$	845,225	\$	548,600

The weighted average remaining lease terms and interest rates were as follows as of December 31, 2023 and 2022:

Lease Term and Discount Rate	2023	2022
Weighted Average Remaining Lease Term (years)		
Operating leases	1.64	2.48
Weighted Average Discount Rate		
Operating leases	1.76%	2.15%

The following table reconciles the undiscounted future cash flows for the next five years and thereafter to the operating lease liabilities recorded within the consolidated statement of financial position as of December 31, 2023:

Maturities of Lease Liabilities	
Years ending December 31:	Operating
2024	\$ 578,061
2025	341,893
2026	30,988
Total lease payments	950,942
Less: interest	(17,077)
Present value of lease liabilities	\$ 933,865

Supplemental cash flow information related to lease commitments was as follows for the years ended December 31:

Supplemental Cash Flow Information	2023		2022	
Cash paid for amounts included in measurement of lease liabilities:				
Operating cash flows from operating leases	\$	-	\$	402,226
Lease assets obtained in exchange for lease obligations:				
Operating leases	\$	-	\$	1,779,236

Litigation

The Organization is involved in various legal proceedings. Litigation is inherently unpredictable, and as such, it is not possible to predict the ultimate outcome of these matters. The effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the outcome of these claims. However, at this time, the Organization does not anticipate these matters will have a material negative impact on the Organization's financial position, results of operations, or liquidity.

14. Related Party Transactions

The Organization contracted a member of the Board of Directors to perform legal services for \$186,550 and \$230,534 during the years ended December 31, 2023 and 2022, respectively. A company owned and operated by a member of the Board of Directors was paid, during the years ended December 31, 2023 and 2022, a total of \$0 and \$490,000, respectively, for goods, materials and services in connection with renovations and remodeling of office space owned and used by the Organization.

15. Employee Benefit Plan

The Organization has established a Simple 401(k) plan, which is available to all employees. The plan allows employees to defer up to the federal maximum limit of their income on a pre-tax basis through contributions to the plan. The Organization matches 100% of an employee's contributions up to 6% of total wages. During the years ended December 31, 2023 and 2022, the Organization made matching contributions of \$451,635 and \$412,772, respectively.