

THE 15-40 CONNECTION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
AND
INDEPENDENT AUDITOR'S REPORT

THE 15-40 CONNECTION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
15-40 Connection, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of 15-40 Connection, Inc., (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 of 15-40 Connection, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bollus Lynch, LLP

Worcester, Massachusetts
July 7, 2021

THE 15-40 CONNECTION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,552,413	\$ 2,162,287
Contributions receivable	143,828	42,789
Prepaid expenses	<u>2,500</u>	<u>-</u>
Total current assets	2,698,741	2,205,076
Contributions receivable	50,000	-
Property and equipment, net	6,801	9,157
Investments	<u>659,782</u>	<u>620,375</u>
	<u>\$ 3,415,324</u>	<u>\$ 2,834,608</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 39,076	\$ 49,058
Accrued expenses	66,430	60,554
Deferred revenue	<u>5,450</u>	<u>2,000</u>
	<u>110,956</u>	<u>111,612</u>
Net Assets		
Without donor restrictions		
Undesignated	2,452,898	2,013,875
Board designated operating reserve	655,642	614,905
With donor restrictions	<u>195,828</u>	<u>94,216</u>
	<u>3,304,368</u>	<u>2,722,996</u>
	<u>\$ 3,415,324</u>	<u>\$ 2,834,608</u>

See accompanying independent auditor's report and notes to financial statements.

THE 15-40 CONNECTION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Contributions and grants	\$ 1,731,629	\$ 195,828	\$ 1,927,457
Interest income	19,375	-	19,375
Net investment return	39,407	-	39,407
Program service fees	8,750	-	8,750
Net assets released from restriction due to:			
Satisfaction of purpose and time restrictions	94,216	(94,216)	-
Total revenue and other support	<u>1,893,377</u>	<u>101,612</u>	<u>1,994,989</u>
Expenses			
Program	972,486	-	972,486
General and administrative	184,788	-	184,788
Fundraising	256,343	-	256,343
Total expenses	<u>1,413,617</u>	<u>-</u>	<u>1,413,617</u>
Change in net assets	479,760	101,612	581,372
Net assets, beginning of year	<u>2,628,780</u>	<u>94,216</u>	<u>2,722,996</u>
Net assets, end of year	<u><u>\$ 3,108,540</u></u>	<u><u>\$ 195,828</u></u>	<u><u>\$ 3,304,368</u></u>

See accompanying independent auditor's report and notes to financial statements.

THE 15-40 CONNECTION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Contributions and grants	\$ 771,905	\$ 142,789	\$ 914,694
Net investment return	<u>65,361</u>	<u>-</u>	<u>65,361</u>
Special fundraising events			
Sponsorships and tournament revenue	1,288,095	-	1,288,095
Less: direct benefit to donors	<u>(428,072)</u>	<u>-</u>	<u>(428,072)</u>
	<u>860,023</u>	<u>-</u>	<u>860,023</u>
Net assets released from restriction due to:			
Satisfaction of purpose and time restrictions	<u>196,844</u>	<u>(196,844)</u>	<u>-</u>
Total revenue and other support	<u>1,894,133</u>	<u>(54,055)</u>	<u>1,840,078</u>
Expenses			
Program	903,033	-	903,033
General and administrative	178,425	-	178,425
Fundraising	<u>377,548</u>	<u>-</u>	<u>377,548</u>
Total expenses	<u>1,459,006</u>	<u>-</u>	<u>1,459,006</u>
Change in net assets	435,127	(54,055)	381,072
Net assets, beginning of year	<u>2,193,653</u>	<u>148,271</u>	<u>2,341,924</u>
Net assets, end of year	<u><u>\$ 2,628,780</u></u>	<u><u>\$ 94,216</u></u>	<u><u>\$ 2,722,996</u></u>

See accompanying independent auditor's report and notes to financial statements.

THE 15-40 CONNECTION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Year ended December 31, 2020				
Payroll	\$ 581,810	\$ 101,575	\$ 150,668	\$ 834,053
Payroll taxes and benefits	107,546	18,776	27,851	154,173
Rent	23,800	4,900	6,300	35,000
Depreciation expense	1,643	287	426	2,356
Travel, meetings, & seminars	5,719	504	1,324	7,547
Insurance	10,411	1,818	2,696	14,925
Media development	44,054	94	-	44,148
Miscellaneous expense	1,915	-	6,695	8,610
Office operations	22,133	19,550	5,386	47,069
Professional fees	173,455	37,284	7,119	217,858
Promotional events and fundraising	-	-	47,878	47,878
Total functional expenses	<u>\$ 972,486</u>	<u>\$ 184,788</u>	<u>\$ 256,343</u>	<u>\$ 1,413,617</u>
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Year ended December 31, 2019				
Payroll	\$ 434,295	\$ 92,916	\$ 117,769	\$ 644,980
Payroll taxes and benefits	71,971	14,818	19,051	105,840
Rent	23,800	4,900	6,300	35,000
Depreciation expense	12,171	2,505	3,222	17,898
Travel, meetings, & seminars	35,342	485	6,632	42,459
Insurance	3,484	717	922	5,123
Media development	62,804	300	900	64,004
Miscellaneous expense	320	-	2,575	2,895
Office operations	62,954	20,581	4,503	88,038
Professional fees	195,229	41,203	11,867	248,299
Promotional events and fundraising	663	-	631,879	632,542
Total expenses	903,033	178,425	805,620	1,887,078
Special fundraising events				
Direct benefit to donors	-	-	(428,072)	(428,072)
Total functional expenses	<u>\$ 903,033</u>	<u>\$ 178,425</u>	<u>\$ 377,548</u>	<u>\$ 1,459,006</u>

See accompanying independent auditor's report and notes to financial statements.

THE 15-40 CONNECTION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 581,372	\$ 381,072
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,356	17,898
Net investment gains	(28,061)	(51,942)
Gain on extinguishment of debt	(134,000)	-
Increase in operating assets:		
Contributions receivable	(151,039)	(16,679)
Prepaid expenses	(2,500)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(9,982)	13,318
Accrued expenses	5,876	12,802
Deferred revenue	3,450	(2,000)
Total adjustments	<u>(313,900)</u>	<u>(26,603)</u>
Net cash provided by operating activities	<u>267,472</u>	<u>354,469</u>
Cash flows for investing activities:		
Purchases of property and equipment	-	(3,664)
Payments for purchases of investments	<u>(11,346)</u>	<u>(13,419)</u>
Net cash used for investing activities	<u>(11,346)</u>	<u>(17,083)</u>
Cash flows for financing activities:		
Proceeds from note payable, other	<u>134,000</u>	<u>-</u>
Net cash provided by financing activities	<u>134,000</u>	<u>-</u>
Net increase in cash and cash equivalents	390,126	337,386
Cash and cash equivalents, beginning of year	<u>2,162,287</u>	<u>1,824,901</u>
Cash and cash equivalents, end of year	<u>\$ 2,552,413</u>	<u>\$ 2,162,287</u>

See accompanying independent auditor's report and notes to financial statements.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

The 15-40 Connection, Inc. (the “Organization”) is a non-profit organization located in Westborough, Massachusetts. The Organization’s mission is to save lives by teaching people how to recognize early warning signs of cancer and how to collaborate with health care professionals to help save their own lives. Early cancer detection is the most effective and most successful treatment for cancer.

Subsequent to year end, effective January 7, 2021, The 15-40 Connection, Inc. changed its name to DetecTogether, Inc.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board’s discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor’s instructions.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases net assets without donor restriction unless its use is restricted by explicit donor stipulations or by law.

The Organization transferred \$500,000 of cash in 2015 to establish a fund at Community Foundation of North Central MA (the "CFN"). The Organization did not grant variance power to CFN and can request a full distribution of its fund. The fund is held and invested by CFN for the benefit of the Organization and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. The amounts transferred are considered a board designated operating reserve.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred revenue

Deferred revenue represents program fees and other amounts received by the Organization in advance of the period for which they apply.

Contributions and grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. If terms of restricted donations are satisfied in the year they are received, the donations are reflected as without donor restrictions in the statement of activities. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-kind contributions

The Organization receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Organization receives use of its facility without charge and has recorded these contributions at fair value. Rent was \$35,000 in 2020 and 2019. The Organization receives donated auction items for its fundraising event. There were no donated special event items as of December 31, 2020. Donated special event items were \$334,528 as of December 31, 2019.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising events. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Rent, depreciation, and insurance are allocated on a square foot basis depend on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

Tax-exempt status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for the years before 2017.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 2,552,413	\$ 2,162,287
Contributions receivable	193,828	42,789
Long-term investments	<u>659,782</u>	<u>620,375</u>
Total financial assets	3,406,023	2,825,451
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	77,000	51,427
Less: Financial asset not available within one year:		
Contributions receivable	50,000	-
Less: Board-designated operating reserve	<u>655,642</u>	<u>614,905</u>
Amount available for general expenditures within one year	<u>\$ 2,623,381</u>	<u>\$ 2,159,119</u>

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - LIQUIDITY AND AVAILABILITY (Continued)

The above table reflects the board-designated funds as unavailable because it is the Organization's intention to retain those resources for the long-term support of the Organization. Note 7 provides more information about those funds and about the spending policy for board-designated funds.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization operates with a balanced budget and anticipates collecting sufficient revenue through direct contributions to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for 2020 and 2019.

4 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 143,828	\$ 42,789
One to five years	<u>50,000</u>	<u>-</u>
	<u>\$ 193,828</u>	<u>\$ 42,789</u>

There were no material allowances or discounts considered necessary at December 31, 2020 and 2019.

5 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	Estimated Useful Lives	<u>2020</u>	<u>2019</u>
Leasehold improvements	3 years	\$ 5,000	\$ 5,000
Computers	5 years	1,419	1,419
Furniture and equipment	3 years	27,400	27,400
Website development	5 years	<u>49,719</u>	<u>49,719</u>
		83,538	83,538
Less: Accumulated depreciation		<u>76,737</u>	<u>74,381</u>
		<u>\$ 6,801</u>	<u>\$ 9,157</u>

Depreciation expense was \$2,356 and \$17,898 in 2020 and 2019, respectively.

6 - INVESTMENTS

Investments are comprised of the following:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 4,140	\$ 5,470
Managed investments	<u>655,642</u>	<u>614,905</u>
	<u>\$ 659,782</u>	<u>\$ 620,375</u>

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - INVESTMENTS (Continued)

Net investment return (loss) for 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 14,272	\$ 19,264
Gains on investments	28,061	51,942
Investment fees	<u>(2,926)</u>	<u>(5,845)</u>
Net investment return	<u>\$ 39,407</u>	<u>\$ 65,361</u>

7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are board-designated funds reserved for future operations. All spending from this reserve must be approved by the governing board. The balance in the board designated operating reserve is \$655,642 and \$614,905 at December 31, 2020 and 2019, respectively.

8 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Purpose restrictions, available for spending:		
Let's Move	\$ 2,000	\$ -
E-Learning	<u>75,000</u>	<u>51,427</u>
Total purpose restricted net assets	77,000	51,427
Time restrictions		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	<u>118,828</u>	<u>42,789</u>
Total net assets with donor restrictions	<u>\$ 195,828</u>	<u>\$ 94,216</u>

During 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Operations	\$ 42,789	\$ 26,110
Curriculum 2.0	-	39,880
Educational programming	-	17,799
Heightening awareness	-	40,000
Data research project	-	24,482
E-Learning	<u>51,427</u>	<u>48,573</u>
	<u>\$ 94,216</u>	<u>\$ 196,844</u>

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 - GRANT REVENUE

The Organization was granted a \$134,000 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. In November 2020, the Organization recognized \$134,000 as grant revenue for the year ended December 31, 2020. The Organization received formal forgiveness for the full amount of the loan and accrued interest from the SBA.

10 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or 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: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization’s financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2020 and 2019.

Common Stock: Determined by the closing price on the last business day of the fiscal year.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

Managed investments: The Company estimates the fair value of these assets based on the per-unit market value as calculated and reported by the community foundation. The Company has evaluated the valuation policies of the community foundation and the reported value of its holdings as of the balance sheet date and believes that the reported value is reasonable and reflects the value at which the Company can redeem its holdings.

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of December 31, 2020 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common stock	\$ 4,140	\$ -	\$ -	\$ 4,140
Managed investments	<u>-</u>	<u>655,642</u>	<u>-</u>	<u>655,642</u>
Total recurring fair value measurements	<u>\$ 4,140</u>	<u>\$ 655,642</u>	<u>\$ -</u>	<u>\$ 659,782</u>

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of December 31, 2019 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common stock	\$ 5,470	\$ -	\$ -	\$ 5,470
Managed investments	<u>-</u>	<u>614,905</u>	<u>-</u>	<u>614,905</u>
Total recurring fair value measurements	<u>\$ 5,470</u>	<u>\$ 614,905</u>	<u>\$ -</u>	<u>\$ 620,375</u>

There are no liabilities measured at fair value on a recurring basis.

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

11 - SPECIAL FUNDRAISING EVENTS

The Organization's main fundraising event is a golf tournament. The Organization collected all of the proceeds and performed all administrative functions related to the tournament and has reflected all of the event revenue and costs of direct benefits to donors in its statement of activities as of December 31, 2019. As a result of the COVID-19 pandemic, the fundraising event was cancelled for 2020 and all contributions were used for general operating needs at the direction of the donors.

12 - CONCENTRATIONS OF RISK

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 - RELATED PARTY TRANSACTIONS

The Organization had the following balances and transactions with related parties:

	<u>2020</u>	<u>2019</u>
Contributions, founder	\$ 50,000	\$ 71,113
Contributions, immediate family	14,741	20,944
Contributions, foundation	50,000	1,600
Rent expense	35,000	35,000

14 - SIMPLE IRA RETIREMENT PLAN

The Organization maintains a simple IRA retirement plan for certain qualified employees. The Organization contributes up to a maximum of 3% of the eligible employee's compensation. Contributions to the retirement plan by the Organization were \$29,704 and \$18,965 for the years ended December 31, 2020 and 2019, respectively.

15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 7, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.