ZERO Prostate Cancer

Financial Statements
and Independent Auditor's Report

March 31, 2023 and 2022

ZERO Prostate Cancer

Financial Statements
March 31, 2023 and 2022

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ZERO Prostate Cancer

Opinion

We have audited the accompanying financial statements of ZERO Prostate Cancer ("ZERO"), which comprise the statements of financial position as of March 31, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZERO as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ZERO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, ZERO adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases,* Accounting Standards Codification 842. This change has been applied as of April 1, 2022 using the modified retrospective method, which permits application of the new standard to all leases at the adoption date. The comparative period presented in the accompanying financial statements is not restated and remained to be disclosed under the provisions of the previous lease standard. Our opinion is not modified with respect to this matter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ZERO's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 ZERO'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.

Rogers + Company PLLC

Vienna, Virginia
December 20, 2023

ZERO Prostate Cancer

Statements of Financial Position
March 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 393,949	$ 890,626
Grants and contributions receivable	23,266	196,573
Investments, short-term	6,070,676	6,415,035
Prepaid expenses	159,263	196,927
Employee receivable and other receivable	-	1,426
Right-of-use assets – operating leases, current portion	152,040	-
Total current assets	6,799,194	7,700,587
Investments, long-term	52,619	99,935
Property and equipment, net	248,439	59,670
Security deposit	11,240	11,240
Right-of-use assets – operating leases, long-term portion	205,818	-
Total assets	$ 7,317,310	$ 7,871,432
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 457,756	$ 194,299
Grants payable	575,931	284,468
Deferred rent, current portion	-	16,955
Lease liabilities – operating leases, current portion	175,650	-
Total current liabilities	1,209,337	495,722
Charitable gift annuities	-	774
Deferred rent, long-term portion	-	64,099
Lease liabilities – operating leases, long-term portion	244,508	-
Total liabilities	1,453,845	560,595
Net Assets		
Without donor restrictions	4,802,248	6,342,244
With donor restrictions	1,061,217	968,593
Total net assets	5,863,465	7,310,837
Total liabilities and net assets	$ 7,317,310	$ 7,871,432

See accompanying notes.

ZERO Prostate Cancer

Statement of Activities
For the Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	$ 7,939,810	$ 860,600	$ 8,800,410
Registration income	46,425	-	46,425
Special events	223,823	-	223,823
Investment return, net	(391,111)	-	(391,111)
Other income	280,187	-	280,187
Net assets released from restrictions	767,976	(767,976)	-
Total revenue and support	8,867,110	92,624	8,959,734
Expenses			
Program services:			
Patient support	1,530,347	-	1,530,347
Education and awareness	5,723,834	-	5,723,834
Research	194,452	-	194,452
Advocacy	1,451,779	-	1,451,779
Total program services	8,900,412	-	8,900,412
Supporting services:			
Management and general	518,703	-	518,703
Fundraising	987,991	-	987,991
Total supporting services	1,506,694	-	1,506,694
Total expenses	10,407,106	-	10,407,106
Change in Net Assets	(1,539,996)	92,624	(1,447,372)
Net Assets, beginning of year	6,342,244	968,593	7,310,837
Net Assets, end of year	$ 4,802,248	$ 1,061,217	$ 5,863,465

ZERO Prostate Cancer

Statement of Activities
For the Year Ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	$ 7,288,393	$ 968,593	$ 8,256,986
Registration income	43,834	-	43,834
Special events	109,338	-	109,338
Investment return, net	58,422	-	58,422
Merchandise sales	1,646	-	1,646
Other income	157,418	-	157,418
Net assets released from restrictions	645,000	(645,000)	-
Total operating revenue and support	8,304,051	323,593	8,627,644
Expenses			
Program services:			
Patient support	870,100	-	870,100
Education and awareness	4,270,583	-	4,270,583
Research	104,100	-	104,100
Advocacy	1,001,138	-	1,001,138
Total program services	6,245,921	-	6,245,921
Supporting services:			
Management and general	411,795	-	411,795
Fundraising	744,604	-	744,604
Total supporting services	1,156,399	-	1,156,399
Total expenses	7,402,320	-	7,402,320
Change in Net Assets from Operations	901,731	323,593	1,225,324
Non-Operating Activity			
Gain on merger with Us TOO	1,305,360	-	1,305,360
Total non-operating activity	1,305,360	-	1,305,360
Change in Net Assets	2,207,091	323,593	2,530,684
Net Assets, beginning of year	4,135,153	645,000	4,780,153
Net Assets, end of year	$ 6,342,244	$ 968,593	$ 7,310,837

ZERO Prostate Cancer

Statement of Functional Expenses
For the Year Ended March 31, 2023

	Program Services					Supporting Services			
	Patient Support	Education and Awareness	Research	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 646,326	$ 3,045,321	$ -	$ 611,340	$ 4,302,987	$ 313,809	$ 501,229	$ 815,038	$ 5,118,025
Payroll taxes	47,513	223,867	-	44,941	316,321	23,129	36,846	59,975	376,296
Benefits	91,504	438,688	-	86,528	616,720	69,653	71,581	141,234	757,954
Consultants	534,767	516,959	-	194,042	1,245,768	10,337	6,190	16,527	1,262,295
Advertising and public relations	1,634	232,608	-	35,188	269,430	-	66,051	66,051	335,481
Printing and publications	15,161	68,609	-	15,687	99,457	85	72,750	72,835	172,292
Postage	2,464	23,612	-	936	27,012	2,284	30,011	32,295	59,307
Travel	-	154,342	-	50,484	204,826	21,955	39,489	61,444	266,270
Occupancy	22,478	105,913	-	21,262	149,653	8,709	17,432	26,141	175,794
Equipment and facilities rental	820	202,401	-	346,878	550,099	398	47,638	48,036	598,135
Entry fees	-	18,661	-	-	18,661	-	-	-	18,661
Insurance	3,467	16,338	-	3,280	23,085	1,684	2,689	4,373	27,458
Telephone service	5,016	23,633	-	4,744	33,393	2,435	3,890	6,325	39,718
Depreciation and amortization	5,470	25,775	-	5,174	36,419	2,656	4,242	6,898	43,317
Dues and state registration	14,520	114,640	-	28,484	157,644	12,437	49,427	61,864	219,508
Office supplies	1,340	13,621	-	1,347	16,308	20,279	4,040	24,319	40,627
Professional fees	137,462	132,753	-	-	270,215	28,629	-	28,629	298,844
Bank and credit card fees	101	86,341	-	1,176	87,618	76	28,150	28,226	115,844
Race timing	-	22,380	-	-	22,380	-	-	-	22,380
Medical supplies	-	4,641	-	-	4,641	-	-	-	4,641
Website and database management	-	-	-	-	-	-	6,100	6,100	6,100
Taxes	304	1,433	-	288	2,025	148	236	384	2,409
Grants	-	251,298	194,452	-	445,750	-	-	-	445,750
Total Expenses	$ 1,530,347	$ 5,723,834	$ 194,452	$ 1,451,779	$ 8,900,412	$ 518,703	$ 987,991	$ 1,506,694	$ 10,407,106

ZERO Prostate Cancer

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

	Program Services					Supporting Services			
	Patient Support	Education and Awareness	Research	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 462,999	$ 2,376,607	$ -	$ 489,675	$ 3,329,281	$ 220,663	$ 330,773	$ 551,436	$ 3,880,717
Payroll taxes	33,158	168,693	-	35,069	236,920	15,866	26,604	42,470	279,390
Benefits	75,626	445,933	-	79,953	601,512	52,726	66,534	119,260	720,772
Consultants	138,905	329,670	-	265,096	733,671	9,987	21,988	31,975	765,646
Advertising and public relations	8,199	235,777	-	25,358	269,334	-	24,731	24,731	294,065
Printing and publications	11,113	30,182	-	19,880	61,175	156	77,652	77,808	138,983
Postage	1,541	29,366	-	17,790	48,697	1,296	28,813	30,109	78,806
Travel	687	43,668	-	1,724	46,079	3,266	22,984	26,250	72,329
Occupancy	21,053	107,101	-	22,266	150,420	14,056	16,892	30,948	181,368
Equipment and facilities rental	1,060	29,341	-	7,588	37,989	6,077	17,605	23,682	61,671
Insurance	2,311	11,754	-	2,444	16,509	1,106	1,854	2,960	19,469
Telephone service	4,265	21,821	-	4,510	30,596	2,041	3,422	5,463	36,059
Depreciation and amortization	6,429	32,705	-	6,799	45,933	3,076	5,158	8,234	54,167
Dues and state registration	14,059	174,261	-	21,014	209,334	15,515	62,018	77,533	286,867
Office supplies	797	88,773	-	532	90,102	24,829	1,244	26,073	116,175
Professional fees	87,510	25,987	-	-	113,497	40,805	-	40,805	154,302
Bank and credit card fees	-	55,788	-	1,030	56,818	144	36,021	36,165	92,983
Race timing	-	7,161	-	-	7,161	-	-	-	7,161
Medical supplies	-	1,014	-	-	1,014	-	-	-	1,014
Website and database management	-	7,675	-	-	7,675	-	-	-	7,675
Taxes	388	1,974	-	410	2,772	186	311	497	3,269
Grants	-	45,332	104,100	-	149,432	-	-	-	149,432
Total Expenses	$ 870,100	$ 4,270,583	$ 104,100	$ 1,001,138	$ 6,245,921	$ 411,795	$ 744,604	$ 1,156,399	$ 7,402,320

ZERO Prostate Cancer

Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (1,447,372)	$ 2,530,684
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized loss on investments	549,901	61,457
Donated securities	-	(14,779)
Depreciation and amortization	43,317	54,167
Amortization of right-of-use assets – operating leases	147,592	-
Forgiveness of Paycheck Protection Program loans	(563,351)	(563,351)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	173,307	(195,715)
Prepaid expenses	37,664	(117,555)
Employee receivable and other receivable	1,426	(1,426)
Right-of-use assets – operating leases	(505,450)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	263,457	139,899
Grants payable	291,463	(284,389)
Deferred rent	(81,054)	(11,855)
Refundable advance	563,351	-
Charitable gift annuities	(774)	(1,024)
Lease liabilities – operating leases	420,158	-
Net cash (used in) provided by operating activities	(106,365)	1,596,113
Cash Flows from Investing Activities		
Purchases of property and equipment	(232,086)	(23,528)
Purchases of investments	(1,165,659)	(3,613,784)
Proceeds from sales of investments	1,007,433	2,839,179
Net cash used in investing activities	(390,312)	(798,133)
Net (Decrease) Increase in Cash and Cash Equivalents	(496,677)	797,980
Cash and Cash Equivalents, beginning of year	890,626	92,646
Cash and Cash Equivalents, end of year	$ 393,949	$ 890,626

See accompanying notes.

1. Nature of Operations

ZERO Prostate Cancer ("ZERO") was formerly known as ZERO – The End of Prostate Cancer before changing its name on February 24, 2023. Prior to that date, ZERO was known as ZERO – The Project to End Prostate Cancer before changing its name on June 6, 2012. Prior to that date, ZERO had been known since May 8, 2008 as National Prostate Cancer Coalition Fund (NPCCF). NPCCF, incorporated under the laws of the District of Columbia on July 7, 1998, was the surviving organization from a merger on December 21, 1998 between NPCCF and National Prostate Cancer Coalition, Inc. (NPCCI), an organization incorporated under the laws of the state of Florida on September 6, 1996. On September 29, 2021, ZERO's Board of Directors voted to ratify an Asset Transfer Agreement between ZERO and Us TOO International, Inc. ("US TOO"), a 501(c)(3) nonprofit organization, whereby Us TOO closed its organization and transferred all residual assets and liabilities to ZERO.

ZERO's activities and programs are created to advance research, encourage action, provide patient support, and promote education and awareness of prostate cancer. Programs are funded primarily through contributions from individuals, foundations, and corporations.

On December 5, 2019, ZERO's Board of Directors voted to change ZERO's fiscal year end from December 31 to March 31 of each year to better coincide with its operational activities. This change in reporting cycle began on April 1, 2020.

<u>Program Description</u>

ZERO is the leading national nonprofit with the mission to end prostate cancer and help all who are impacted. ZERO advances research, provides support, and creates solutions to achieve health equity to meet the most critical needs of our community. ZERO is building Generation ZERO, the first generation of men free from prostate cancer, through its national run/walk series, education and patient support programs, and grassroots advocacy. ZERO is a 501(c)(3) philanthropic organization, ranked four stars by Charity Navigator and accredited by the Better Business Bureau, with regional chapters across the country. For more information, visit www.zerocancer.org.

1. Nature of Operations (continued)

Program Description (continued)

ZERO's patient support programs help men navigate their diagnosis and treatment options with a free, customized service that connects them with the resources they need including financial assistance and emotional support. ZERO also provides comprehensive treatment and education information to patients and their families throughout their prostate cancer journeys via ZERO's website and robust social media, webinars, and widely distributed videos and printed materials. ZERO's national platform of events, including the ZERO Prostate Cancer Run/Walk series, the Team ZERO endurance program, and the ZERO Prostate Cancer Summit, is activating the prostate cancer community and increasing research funding while raising awareness and protecting access to care.

ZERO is committed to bridging the gap between racial and health disparities in prostate cancer among Black men. ZERO's team, in collaboration with its Prostate Cancer Health Equity Task Force, will help bring awareness of prostate cancer to high-risk men, strengthen existing early detection and education initiatives, and identify new ways to further address these issues in a consistent and impactful manner.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

ZERO's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statements of cash flows, ZERO considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held in investment portfolios, which are included in investments in the accompanying statements of financial position.

Grants and Contributions Receivable

Grants and contributions receivable primarily consist of promises and gifts from corporations, foundations, and individuals. Management expects all contributions receivable to be fully collectible; accordingly, no allowance for doubtful receivables has been established. If management determines the receivable to be uncollectable, it is directly charged off at that time. All grants and contributions receivable at March 31, 2023 and 2022 are reflected at either net realizable value or at net present value based on projected cash flows. When grants and contributions are receivable beyond one year, ZERO's policy is to discount those receivables to net present value. All receivables at March 31, 2023 and 2022 were due within one year.

Investments

Investments consist of money market funds, certificates of deposit, fixed income bonds, mutual funds, and alternative investments, including hedge funds and an investment in a privately held investment. Investments in marketable securities are recorded at fair value based on quoted market prices.

The investment in a privately held corporation has no readily-determinable market value and is valued at fair value as estimated by the general partners and corporations. Because of inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used as ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with concentrations of investments in one geographic region and in certain industries. The privately held corporation's ability to liquidate certain investments may be inhibited since the issuers may be privately held or the corporation may own a relatively large portion of the issuers' equity securities.

All interest and dividends, realized and unrealized gains and losses, and investment management fees, are reported as a component of net investment return in the accompanying statements of activities.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

ZERO capitalizes all property and equipment acquisitions of $2,500 and above. Property and equipment are carried at cost, if purchased, or fair value at date of donation, if contributed. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for maintenance and repairs are charged to expenses as incurred.

Operating Leases

ZERO determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, which represent ZERO's right to use an underlying asset for the lease terms, and lease liabilities represent ZERO's obligation to make payments arising from leases. Operating ROU lease assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As ZERO's leases do not provide an implicit rate, ZERO used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. ZERO's lease terms may include options to extend or terminate the lease when it is reasonably certain that ZERO will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Grants Payable

Grants payable represent amounts paid to participating cities in ZERO's races for a percentage of the total income generated from the races. Additionally, ZERO funds prostate cancer research through discretionary grants. These grants are recorded in the accompanying statements of financial position as a liability and expense in the fiscal period the grantee completes their request form. All grants payable are due within one year at March 31, 2023 and 2022.

2. Summary of Significant Accounting Policies (continued)

Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. ZERO reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of ZERO's programs or to a future year. When a donor 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 statements of activities as net assets released from restrictions.

ZERO receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. ZERO discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before ZERO is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers

Revenue is recognized when ZERO satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration ZERO expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, ZERO combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue from registrations and special events is recognized as earned in the period in which the events take place or the service is provided. Amounts received in advance are deferred and recognized when the performance obligations are met.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses are allocated among the programs and support services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measure of Operations

ZERO considers items that are unusual in nature to be non-operating items. The gain on the merger with Us TOO, as described in Note 12, is not included in the change in net assets from operations and presented as a non-operating activity in the accompanying statements of activities.

2. Summary of Significant Accounting Policies (continued)

Advertising Expense

ZERO expenses advertising costs as incurred. ZERO spent $139,394 and $107,523 on advertising during the years ended March 31, 2023 and 2022, respectively.

Allocation of Joint Costs

For both years ended March 31, 2023 and 2022, ZERO did not incur any joint costs for program event activities.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. As described in Note 2 and 11, the update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. ZERO adopted ASC 842 on April 1, 2022 using the modified retrospective method, which permits application of the new standard to all leases at the adoption date. The comparative periods presented in the accompanying financial statements were not restated and remained to be disclosed under the provisions of the previous lease standard, ASC 840. The new lease standard provides a number of optional practical expedients in transition. ZERO elected to apply the package of practical expedients, which permits ZERO not to reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. ZERO did not elect the use of hindsight or the practical expedient pertaining to land easements, the latter not being applicable to ZERO.

Recently Issued Accounting Pronouncement

In 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments.* This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the "reasonable and supportable" forecasts that affect collectability of the reported amount. This guidance is effective for ZERO beginning in fiscal year 2024. Management is evaluating the potential impact of this update on ZERO's financial statements.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, ZERO has evaluated events and transactions for potential recognition or disclosure through December 20, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

ZERO strives to maintain liquid financial assets sufficient to cover short-term general expenditures. Management periodically reviews ZERO's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity are invested in various short-term and highly liquid securities.

Additionally, ZERO considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at March 31:

	2023	2022
Cash and cash equivalents	$ 393,949	$ 890,626
Grants and contributions receivable	23,266	196,573
Short-term investments	6,070,676	6,415,035
Employee receivable and other receivable	-	1,426
Total available for general expenditures	$ 6,487,891	$ 7,503,660

4. Concentration of Credit Risk

ZERO maintains cash and cash equivalents, and investments at financial institutions in the Washington, DC metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). At times, deposits may exceed federally insured limits. Management believes the risk in these situations to be minimal.

5. Chapters

ZERO has 9 regional Chapters ("the Chapters") that were established to carry on continuing activities in support of ZERO's mission in the regions outside the Washington, DC metro area, including efforts on runs/walks within each of the Chapters' geographical regions, and also cultivating education and awareness events within their regions. The Chapters cover 9 regions: the Mid-Atlantic Chapter, South Atlantic Chapter, Upper Midwest Chapter, Central Midwest Chapter, Texas/Oklahoma Chapter, East Coast Metro Chapter, Southeast Chapter, the Pacific Northwest Chapter, and Southwest Chapter. The Chapters are field staff territories. Financial activities and net assets of all Chapters are included in the accompanying financial statements as of and for the years ended March 31, 2023 and 2022.

6. Investments and Fair Value Measurements

ZERO follows FASB ASC 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

ZERO recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

<u>Level 1 Investments</u>

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 assets include money market funds, fixed income bonds, and mutual funds held as investments.

6. Investments and Fair Value Measurements (continued)

Level 2 Investments

When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes certificates of deposit, and also hedge funds held as alternative investments. The hedge funds are measured in quantifiable units at quoted market prices on a monthly basis by the broker, and the broker's pricing methodology is assessed when determining the fair value hierarchy. Due to the frequency of the availability of market quotations, the hedge funds are categorized as Level 2 in the valuation hierarchy.

Level 3 Investments

In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Level 3 consists of an investment in a corporation, where ZERO has less than 0.5% ownership of voting interest. Investment in private company stock is determined using techniques consistent with both the market and income approaches, based on the estimates and assumptions in the absence of observable market data.

The market approach considers comparable companies, comparable transactions, and company-specific information, including, but not limited to, restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers and acquisitions, and the current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. The value of these assets is based on unobservable inputs and ZERO's own assumptions, and is therefore classified within Level 3.

Net investment return consists of the following for the years ended March 31:

	2023	2022
Interest and dividends	$ 195,633	$ 133,186
Realized (loss) gain	(123,923)	81,295
Unrealized loss	(425,978)	(142,752)
Less: investment management fees	(36,843)	(13,307)
Total investment return, net	$ (391,111)	$ 58,422

6. Investments and Fair Value Measurements (continued)

The following table presents ZERO's fair value hierarchy for those assets measured on a recurring basis at March 31:

	Level 1	Level 2	Level 3	Total fair value
2023:				
Money market funds	$ 173,649	$ -	$ -	$ 173,649
Certificates of deposit	-	47,765	-	47,765
Fixed income bonds:				
U.S. fixed income	682,098	-	-	682,098
Non-U.S. fixed income	595,781	-	-	595,781
Global fixed income	940,550	-	-	940,550
Mutual funds:				
Large cap	2,217,415	-	-	2,217,415
Equities	1,124,287	-	-	1,124,287
Alternative investments:				
Hedge funds	-	289,131	-	289,131
Privately held investment	-	-	52,619	52,619
Total investments	$ 5,733,780	$ 336,896	$ 52,619	$ 6,123,295
2022:				
Money market funds	$ 98,556	$ -	$ -	$ 98,556
Certificates of deposit	-	97,432	-	97,432
Fixed income bonds:				
U.S. fixed income	620,354	-	-	620,354
Non-U.S. fixed income	642,585	-	-	642,585
Global fixed income	704,054	-	-	704,054
Mutual funds:				
Large cap	2,749,299	-	-	2,749,299
Equities	1,232,586	-	-	1,232,586
Alternative investments:				
Hedge funds	-	319,243	-	319,243
Privately held investment	-	-	50,861	50,861
Total investments	$ 6,047,434	$ 416,675	$ 50,861	$ 6,514,970

6. Investments and Fair Value Measurements (continued)

The following table presents ZERO's activity for its investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Privately Held Investment
Balance, March 31, 2021	$ 37,543
Unrealized gain	13,318
Balance, March 31, 2022	50,861
Unrealized gain	1,758
Balance, March 31, 2023	$ 52,619

7. Property and Equipment

Property and equipment consists of the following at March 31:

	2023	2022
Database	$ 150,978	$ 150,978
Furniture and equipment	163,673	163,673
Website	473,253	241,166
Total property and equipment	787,904	555,817
Less: accumulated depreciation and amortization	(539,465)	(496,147)
Property and equipment, net	$ 248,439	$ 59,670

8. Paycheck Protection Program Loan

ZERO applied for two loans under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which ZERO qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.

On February 18, 2021, ZERO was granted a second-round draw of the PPP loan. The loan was granted in the amount of $563,351 with similar terms as the initial PPP loan, including a 1.00% fixed interest rate and a five-year term, scheduled to mature on February 28, 2026. The amount is reflected as refundable advance in the accompanying statement of financial position at March 31, 2021. On September 8, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. The forgiven amount is recognized as government grant revenue, and is included in grants and contributions in the accompanying statement of activities for the year ended March 31, 2022.

9. Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) was established by the CARES Act in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The CARES Act did not allow businesses that received PPP loans to also claim the ERTC, but the Consolidated Appropriations Act, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERTC.

During the years ended March 31, 2023 and 2022, ZERO filed refund claims in the aggregate amount of $183,978 and $155,334 with the Internal Revenue Service (IRS), which are included in other income in the accompanying statements of activities, respectively. At March 31, 2023 and 2022, $0 and $155,334 of employee retention tax credit amounts are included in grants and contributions receivable in the accompanying statements of financial position, respectively.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at March 31:

	2023	2022
Purpose restricted	$ 686,217	$ 493,593
Time restricted	375,000	475,000
Total net assets with donor restrictions	$ 1,061,217	$ 968,593

Net assets with donor restrictions were released from restrictions as follows for the years ended March 31:

	2023	2022
Purpose restricted	$ 292,976	$ -
Time restricted	475,000	645,000
Total net assets released from restrictions	$ 767,976	$ 645,000

11. Commitments and Contingencies

<u>Operating Leases</u>

ZERO has an operating lease for office space, which commenced on July 27, 2015 and expires July 31, 2025. The lease includes incentives and an annual escalation clause of 2.75%, as defined in the lease agreement. ZERO is responsible for its prorated share of real estate taxes and operating expenses. Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position at March 31, 2022 under ASC 840.

Occupancy expense was $175,794 and $181,368 for the years ended March 31, 2023 and 2022, respectively.

In 2019, ZERO entered into an operating lease agreement for office equipment. The lease term is 63 months, and is scheduled to expire in March 2024. The lease requires fixed quarterly rental payments of approximately $784.

11. Commitments and Contingencies (continued)

Operating Leases (continued)

Supplemental qualitative information related to the operating leases is as follows:

Operating leases cost	$	160,926
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases	$	179,680
ROU assets obtained in exchange for new operating lease liabilities	$	505,451
Weighted-average remaining lease term for operating leases (in years)		2.3
Weighted-average discount rate for operating leases		2.61%

Maturities of the lease liabilities under the operating leases are as follows for the years ending March 31:

2024	$	184,535
2025		186,387
2026		62,688
Total minimum lease payments		433,610
Less: discount to present value at 2.61%		(13,452)
Present value of operating lease liabilities	$	420,158

Hotel Contracts

ZERO holds its meetings at various hotels and venues, and enters into contracts for its future meetings. In the event that ZERO cancels its agreements with the venues, it can be held liable for liquidated damages, depending upon the date of cancellation.

12. Merger with Us TOO

On February 24, 2021, ZERO entered into a letter of intent with Us TOO, whereby ZERO and Us TOO would merge operations in 2021. On October 14, 2021, Us TOO transferred all of its assets, rights, and property to ZERO in the aggregate amount of $1,305,360, which is recorded as a gain on merger with Us TOO, and reflected as non-operating activity in the accompanying statement of activities for the year ended March, 31, 2022. ZERO remains as the surviving entity carrying on programs consistent with the mission of ZERO and Us TOO, and continues to provide direct patient support to Us TOO's support groups nationwide.

13. Consultants

Consultant expenses are allocated as follows for the years ended March 31:

	2023	2022
Programs:		
Event management (runs/walks)	$ 331,872	$ 155,777
Advocacy	246,542	294,096
Patient support	500,564	146,345
Communications	183,317	169,428
Total consultant expenses	$ 1,262,295	$ 765,646

14. Retirement Plan

In 2005, ZERO adopted a Section 403(b) Retirement Plan ("the Plan"). All regular full-time employees are eligible to participate in the Plan through salary deferrals. Participation in the Plan begins on the first day of employment, and full-time employees become eligible for employer matching contributions after attaining one year of service. Upon eligibility, participants are immediately vested in employer matching contributions. All part-time employees who average twenty (20) hours or more weekly are eligible to participate in the Plan through salary deferrals, and are eligible for employer matching contributions, after working 1,000 hours in a plan year. During the year ended December 31, 2015, ZERO began contributing 100% of the first 3% of compensation a participant contributes to the Plan and 50% of the next 2% of the compensation a participant contributes to the Plan. The maximum annual employer contribution for a participant is 4% of a participant's annual salary. Total contribution expense was $136,831 and $136,875 for the years ended March 31, 2023 and 2022, respectively.

15. Income Taxes

ZERO is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). ZERO is, however, subject to income taxes on any unrelated business income. In addition, the IRS has determined that ZERO is not a private foundation within the meaning of IRC Section 509(a). Management has evaluated all tax positions and has concluded that ZERO has taken no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.