MAKE WAY FOR BOOKS

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2023 and 2022

JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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TABLE OF CONTENTS

Independent auditor's report 1

Statements of financial position 3

Statement of activities - 2023 4

Statement of activities - 2022 5

Statement of functional expenses - 2023 6

Statement of functional expenses - 2022 7

Statements of cash flows 8

Notes to financial statements 9

JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Make Way For Books
Tucson, Arizona

Opinion

I have audited the accompanying financial statements of Make Way For Books (an Arizona nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make Way For Books as of June 30, 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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Make Way For Books'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

My 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 my 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, I:

- 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 Make Way For Books' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Make Way For Books' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Jennifer J Phillips, CPA, PLLC

JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

September 27, 2023

MAKE WAY FOR BOOKS
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,163,350	$ 1,362,186
Unconditional promises to give	536,347	157,034
Other receivables	769	4,162
Prepaid expenses	4,908	2,472
Other assets - Note 4	74,699	7,360
Property and equipment - Note 5	1,105,019	1,136,984
	$ 2,885,092	$ 2,670,198
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 73,638	$ 37,793
Accrued expenses	57,054	40,893
Refundable advances - Note 6	216,678	284,828
	347,370	363,514
Net assets:		
Without donor restrictions:		
Available for operations	866,234	495,901
Expended for property and equipment	1,105,019	1,136,984
	1,971,253	1,632,885
With donor restrictions - Note 9	566,469	673,799
	2,537,722	2,306,684
	$ 2,885,092	$ 2,670,198

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 367,009	$ 3,079	$ 370,088
Grants and contracts	2,143,372	401,500	2,544,872
Fundraising events, net of direct donor benefit costs of $1,417	6,976	-	6,976
In-kind contributions - Note 10	61,516	-	61,516
Miscellaneous	23,630	-	23,630
	2,602,503	404,579	3,007,082
Releases from restrictions	511,909	(511,909)	-
Total public support and revenues	3,114,412	(107,330)	3,007,082
Expenses:			
Program services	2,279,559	-	2,279,559
General and administrative	293,497	-	293,497
Fundraising	202,988	-	202,988
Total expenses	2,776,044	-	2,776,044
Change in net assets	338,368	(107,330)	231,038
Net assets, beginning of year	1,632,885	673,799	2,306,684
Net assets, end of year	$ 1,971,253	$ 566,469	$ 2,537,722

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 224,248	$ 124,002	$ 348,250
Grants and contracts	1,840,032	501,595	2,341,627
Fundraising events, net of direct donor benefit costs of $0	1,000	-	1,000
In-kind contributions - Note 10	10,713	-	10,713
Miscellaneous	3,736	-	3,736
	2,079,729	625,597	2,705,326
Releases from restrictions	320,615	(320,615)	-
Total public support and revenues	2,400,344	304,982	2,705,326
Expenses:			
Program services	1,924,113	-	1,924,113
General and administrative	264,517	-	264,517
Fundraising	102,293	-	102,293
Total expenses	2,290,923	-	2,290,923
Change in net assets	109,421	304,982	414,403
Net assets, beginning of year	1,523,464	368,817	1,892,281
Net assets, end of year	$ 1,632,885	$ 673,799	$ 2,306,684

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Program services					
	Family literacy	**Story project**	**Total program services**	**General and administrative**	**Fundraising**	**Total**
Salaries and wages	$ 830,353	488,072	$ 1,318,425	$ 144,092	$ 93,559	$ 1,556,076
Payroll taxes and benefits	135,786	76,519	212,305	41,052	9,685	263,042
	966,139	564,591	1,530,730	185,144	103,244	1,819,118
Program support services	-	-	-	-	-	-
Bank and credit card fees	-	-	-	5,601	1,914	7,515
Books	159,242	182,304	341,546	3,433	24,026	369,005
Depreciation/amortization	20,805	9,737	30,542	980	3,503	35,025
Insurance	8,569	4,014	12,583	387	1,443	14,413
Occupancy	16,328	7,649	23,977	1,007	2,750	27,734
Office expenses	29,505	11,026	40,531	1,795	3,989	46,315
Postage and printing	5,831	3,042	8,873	-	7,847	16,720
Promotion	4,674	938	5,612	2,137	1,041	8,790
Professional services	91,264	31,036	122,300	91,573	36,100	249,973
Repairs and maintenance	6,418	2,351	8,769	250	845	9,864
Supplies	62,338	59,959	122,297	209	2,123	124,629
Travel and meetings	6,077	5,293	11,370	726	523	12,619
Miscellaneous	12,896	7,533	20,429	255	13,640	34,324
	$ 1,390,086	$ 889,473	$ 2,279,559	$ 293,497	$ 202,988	$ 2,776,044

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program services					
	Family literacy	**Story project**	**Total program services**	**General and administrative**	**Fundraising**	**Total**
Salaries and wages	$ 376,292	$ 618,430	$ 994,722	$ 110,122	$ 60,668	$ 1,165,512
Payroll taxes and benefits	58,992	113,223	172,215	20,355	14,102	206,672
	435,284	731,653	1,166,937	130,477	74,770	1,372,184
Program support services	185	245	430	-	-	430
Bank and credit card fees	1,610	3,396	5,006	957	1,818	7,781
Books	304,252	92,368	396,620	-	-	396,620
Depreciation/amortization	14,784	31,174	45,958	5,018	1,849	52,825
Insurance	5,294	11,164	16,458	1,797	662	18,917
Occupancy	5,583	11,773	17,356	1,896	698	19,950
Office expenses	9,295	9,860	19,155	2,877	640	22,672
Postage and printing	2,689	4,934	7,623	3,290	5,620	16,533
Promotion	1,265	-	1,265	4	10,638	11,907
Professional services	60,135	28,470	88,605	109,253	1,195	199,053
Repairs and maintenance	6,480	11,158	17,638	1,801	662	20,101
Supplies	90,876	28,682	119,558	586	298	120,442
Travel and meetings	2,412	896	3,308	4,379	56	7,743
Miscellaneous	6,302	11,894	18,196	2,182	3,387	23,765
	$ 946,446	$ 977,667	$ 1,924,113	$ 264,517	$ 102,293	$ 2,290,923

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 231,038	$ 414,403
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	-	(2,400)
Proceeds from sale of donated stock	-	2,400
Depreciation and amortization	35,025	52,825
(Increase) decrease in operating assets:		
Unconditional promises to give	(379,313)	(53,938)
Other receivables	3,393	(4,162)
Prepaid expenses	(2,436)	11,579
Increase (decrease) in operating liabilities:		
Accounts payable	35,845	27,096
Accrued expenses	16,161	1,149
Refundable advances	(68,150)	(366,860)
Net cash provided by (used in) operating activities	(128,437)	82,092
Cash flows from investing activities:		
Proceeds from sale of property and equipment	2,500	-
Purchases of other assets	(69,045)	-
Purchases of property and equipment	(3,854)	(6,750)
Net cash (used in) investing activities	(70,399)	(6,750)
Net change in cash and cash equivalents	(198,836)	75,342
Cash and cash equivalents, beginning of year	1,362,186	1,286,844
Cash and cash equivalents, end of year	$ 1,163,350	$ 1,362,186

Supplemental cash flow information:
No cash paid for interest or income taxes in 2023 or 2022.

See Accompanying Notes.

NOTE 1 – Organization and purpose

Make Way For Books is a not-for-profit organization incorporated under the laws of Arizona on January 9, 1998. The purpose of Make Way for Books (MWFB) is to give children the chance to read and succeed. MWFB is committed to giving young children the opportunity to develop emergent literacy skills that help them to thrive in the classroom and throughout life. MWFB fosters the success of children through cultivating the love of books and reading. MWFB's highest priority is to serve economically disadvantaged young children and families in southern Arizona. Since 1998, MWFB has provided a comprehensive continuum of services to strengthen a culture of literacy in the community by developing and implementing research-based early literacy programs and resources that reach young children and families at low-resource preschools/childcare centers and at other community locations. MWFB uses a variety of proven strategies to empower children with the skills they need to thrive by reaching them with quality early literacy experiences before they enter kindergarten.

During the year ended June 30, 2018, the IRS approved the tax-exempt status of Make Way for Good, Inc., a Section 509(a)(3) supporting organization of MWFB. Make Way for Good had no activity through the year ended June 30, 2023. Any future activity will be consolidated with the financial statements of MWFB.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

MWFB considers all cash and highly liquid investments with an original maturity of three months or less which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. MWFB has no restricted cash as of either June 30, 2023 or 2022.

Unconditional promises to give

MWFB records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. All receivables at both June 30, 2023 and 2022 are due within one year.

MWFB determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management believes that all receivables are collectible, and, accordingly, has recorded no allowance for uncollectible amounts.

Other assets

MWFB has entered into contracts with mobile application developers to expand the uses and capabilities of MWFB's early literacy app. Costs related to application, infrastructure and graphics development are capitalized. The first project was completed during the year ended June 30, 2019, and the second project is in progress as of June 30, 2023. Amortization is computed using the straight-line method over the estimated useful life of the app of four years. Content development and operating costs are expensed as incurred.

Trademark costs are recorded at historical cost. Because the trademarks have indefinite lives, the costs are not amortized but will be evaluated for impairment on an annual basis. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2023 or 2022.

NOTE 2 – Summary of significant accounting policies – continued

Property and equipment

Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. MWFB capitalizes purchases in excess of $1,000 with a useful life of more than one year. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

MWFB reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2023 or 2022.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor 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 the resources be maintained in perpetuity.

MWFB reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and revenue recognition

MWFB records fundraising events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. All goods and services are transferred at a point in time.

MWFB recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. MWFB's federal, state and certain other contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2023 and 2022, conditional grants approximating $935,000 and $891,020, respectively, representing the unexpended portion of MWFB's contracts and grants, have not been recognized as revenue in the accompanying financial statements.

NOTE 2 – Summary of significant accounting policies – continued

In-kind contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services (Note 10). MWFB does not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation.

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills, and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although MWFB's volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional allocation of expenses

Costs are allocated to various programs, grants, contracts, agreements and functions of the organization. The general approach of the plan follows:

- All allowable direct costs are charged to programs, grants, activities and functions;
- Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base more appropriate to the particular cost being prorated;
- All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated using a base that results in an equitable distribution.

Advertising

Advertising costs are expensed as incurred. Advertising costs, which are included in promotion expense, totaled $1,975 and $673 for the years ended June 30, 2023 and 2022, respectively.

Library costs

The cost of circulating books and other library materials are not recorded as collections but are recorded as an expense in the year purchased, as the useful lives of such items are relatively short.

Income tax status

MWFB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to MWFB's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, MWFB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

NOTE 2 – Summary of significant accounting policies – continued

Management of MWFB considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that MWFB met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, MWFB has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for either of the years ended June 30, 2023 or 2022.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments and credit risk

MWFB manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, MWFB has not experienced losses in any of these accounts. Uninsured cash totaled $5,697 at June 30, 2023.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of MWFB's mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts. These amounts contain no collateral provisions for collection.

NOTE 3 – Liquidity and availability

MWFB has no internally designated net assets. Financial assets available for general expenditure (without donor or other restrictions limiting their use) within one year of the statement of financial position date comprise the following at June 30:

	2023	2022
Cash and cash equivalents	$ 380,202	$ 403,558
Unconditional promises to give	536,347	157,034
	$ 916,549	$ 560,592

As part of MWFB's liquidity management plan, cash in excess of annual operating requirements is invested in savings and money market funds.

NOTE 4 – Other assets

Other assets at June 30, 2023 and 2022 were as follows:

	2023	2022
App development costs, net	$ 69,045	$ 1,706
Trademark costs	5,654	5,654
	$ 74,699	$ 7,360

NOTE 5 – Property and equipment

Property and equipment at June 30, 2023 and 2022 was as follows:

	2023	2022
Land	$ 240,000	$ 240,000
Building and improvements	1,109,243	1,111,742
Computer equipment and software	28,506	24,652
Office furniture and fixtures	19,085	19,085
Vehicle	28,188	28,188
	1,425,022	1,423,667
Less accumulated depreciation	(320,003)	(286,683)
	$ 1,105,019	$ 1,136,984

NOTE 6 – Refundable advances

Cost-reimbursable federal, state and foundation grants and contracts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. These refundable advances totaled $216,678 and $284,828 as of June 30, 2023 and 2022, respectively.

NOTE 7 – Line of credit

MWFB has an unsecured $100,000 revolving line of credit with a financial institution maturing April 2024. The interest rate is variable, 10.25% and 6.75% at June 30, 2023 and 2022, respectively. There was no outstanding balance on the line of credit at either June 30, 2023 or 2022.

NOTE 8 – Retirement plan

MWFB has a SIMPLE retirement plan (Plan) available for all employees to defer compensation. MWFB must make matching employer contributions to the Plan of up to 3% of the employee's compensation for the year. MWFB made contributions of $25,148 and $24,542 to the Plan for the years ended June 30, 2023 and 2022, respectively. All contributions made under the Plan are fully vested.

NOTE 9 – Net assets with donor restrictions

Net assets with donor-specified purpose restrictions were as follows for the year ended June 30, 2023:

	Beginning balance	Additions	Releases	Ending balance
Blue Book House	$ 2,870	$ 3,000	$ (2,871)	$ 2,999
Cover to Cover	86,904	-	(16,844)	70,060
Family education and literacy	391,967	290,000	(333,698)	348,269
Storytime	6,000	6,000	(6,000)	6,000
The Story Project	-	3,079	-	3,079
The Story School	186,058	102,500	(152,496)	136,062
	$ 673,799	$ 404,579	$ (511,909)	$ 566,469

NOTE 9 – Net assets with donor restrictions – continued

Net assets with donor-specified purpose restrictions were as follows for the year ended June 30, 2022:

	Beginning balance	Additions	Releases	Ending balance
Blue Book House	$ 2,340	$ 2,500	$ (1,970)	$ 2,870
Cover to Cover	142,015	-	(55,111)	86,904
Family education and literacy	98,637	479,345	(186,015)	391,967
Storytime	7,103	6,000	(7,103)	6,000
The Story Project	4,751	-	(4,751)	-
The Story School	113,971	137,752	(65,665)	186,058
	$ 368,817	$ 625,597	$ (320,615)	$ 673,799

NOTE 10 – In-kind contributions

MWFB received in-kind contributions which are in included in the statements of functional expenses as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Books	$ 24,026	$ 8,861
Professional services	36,000	-
Miscellaneous	1,490	1,852
	$ 61,516	$ 10,713

Contributed books and miscellaneous items are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed professional services are provided by specially trained educators and are recognized at fair value based on similar rates for similar services. Contributed goods and services are used in program services.

NOTE 11 – Contingencies

During the year ended June 30, 2016, MWFB was awarded a grant in the amount of $492,700 from Angel Charity for Children for the full and complete payment of MWFB’s mortgage note payable. As a condition of the grant, a lien was placed on the property, forgivable on a pro-rata basis over ten years if MWFB continues to use the property for its children and youth programs prior to April 27, 2026. As of June 30, 2023, the remaining balance on the award was $139,598; however, MWFB was in compliance with the terms of the funding agreement.

NOTE 12 – Subsequent events

Management has evaluated subsequent events through September 27, 2023 which is the date the financial statements were available to be issued.

NOTE 13 – Recently adopted accounting standard

During the year ended June 30, 2023, MWFB adopted Accounting Standards Update (ASU) No. 2016-02, *Leases,* which requires lessees to recognize leases with terms of twelve months or more on the statement of financial position and disclose key information about leasing arrangements. There were no such leases, other than immaterial assets and liabilities which were not recognized for long-term leases. Lease payments for these leases continue to be recognized on a straight-line basis.