Joseph James Morelli
LEGACY FOUNDATION

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Financial Statements

As of and for the Year Ended December 31, 2020 and 2019

With Independent Auditors' Report:

COOPER SAVAS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Joseph James Morelli Legacy Foundation

Opinion

We have audited the accompanying financial statements of the Joseph James Morelli Legacy Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2020 and the related statement of activities and changes in net assets, functional expenses and cash flows for the year 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 the Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Cooper Savas

Salt Lake City, Utah
February 19, 2021

JOSEPH JAMES MORELLI LEGACY FOUNDATION

Statement of Financial Position

December 31, 2020 and 2019

		2020		2019
ASSETS				
Cash and cash equivalents	$	33,618	$	101,336
Certificate of deposit		-		120,000
Accounts receivable		2,970		-
Investments		200,645		-
Total current assets		237,233		221,336
Total Assets	$	237,233	$	221,336
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	$	683	$	1,118
Total current liabilities		683		1,118
NET ASSETS				
Without donor restrictions		229,050		220,218
With donor restrictions		7,500		-
Total net assets		236,550		220,218
Total Liabilities and Net Assets	$	237,233	$	221,336

JOSEPH JAMES MORELLI LEGACY FOUNDATION

Statement of Activities and Changes in Net Assets

For the Years Ended December 31, 2020 and 2019

REVENUES AND OTHER SUPPORT	Without Donor Restrictions	With Donor Restrictions	2020	2019
Contributions	$ 81,720	$ 32,500	$ 114,220	$ 301,373
Contributions - donation in-kind	1,594	-	1,594	2,550
Interest, dividends and unrealized gains	2,492	-	2,492	346
Net assets released from donor restrictions	25,000	(25,000)	-	-
Total Revenues and Other Support	110,806	7,500	118,306	304,269
EXPENSES				
Program Services	91,867	-	91,867	69,906
Fundraising expenses	4,688	-	4,688	12,705
Management and general	5,419	-	5,419	1,700
Total Expenses	101,974	-	101,974	84,311
Change in Net Assets	8,832	7,500	16,332	219,958
Net Assets, Beginning of Year	220,218	-	220,218	260
Net Assets, End of Year	$ 229,050	$ 7,500	$ 236,550	$ 220,218

JOSEPH JAMES MORELLI LEGACY FOUNDATION

Statement of Functional Expenses

For the Years Ended December 31, 2020 and 2019

2020 FUNCTIONAL EXPENSES	Program Services - Scholarships	Program Services - Mentorships	Fundraising	Management and General	Total
Scholarships	$ 75,626	$ -	$ -	$ -	$ 75,626
Mentorship Program	-	7,500	-	-	7,500
Fundraising Expenses	-	-	1,607	-	1,607
Insurance	-	-	-	244	244
Professional Services	3,439	340	1,582	911	6,272
Audit and 990 Fees	-	-	-	3,000	3,000
Stationary and Mailings	577	57	634	633	1,901
Other	39	4	42	42	127
Software	3,950	-	488	514	4,952
Taxes and Licensing	-	-	-	75	75
Website	305	30	335	-	670
	$ 83,936	$ 7,931	$ 4,688	$ 5,419	$ 101,974

2019 FUNCTIONAL EXPENSES	Program Services - Scholarships	Program Services - Mentorships	Fundraising	Management and General	Total
Scholarships	$ 59,747	$ -	$ -	$ -	$ 59,747
Fundraising Expenses	-	-	6,967	-	6,967
Insurance	-	-	-	237	237
Professional Services	4,169	-	3,368	616	8,153
Stationary and Mailings	455	-	455	456	1,366
Other	476	-	275	105	856
Software	3,950	-	531	211	4,692
Taxes and Licensing	-	-	-	75	75
Website	1,109	-	1,109	-	2,218
	$ 69,906	$ -	$ 12,705	$ 1,700	$ 84,311

JOSEPH JAMES MORELLI LEGACY FOUNDATION

Statement of Cash Flows

For the Years Ended December 31, 2020 and 2019

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	16,332	$	219,958
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Accounts receivable		(2,970)		-
Accrued expenses		(435)		1,118
Net cash from operating activities		12,927		221,076
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of certificate of deposit		120,000		(120,000)
Purchase of investments		(200,645)		-
Net cash used in investing activities		(80,645)		(120,000)
Net increase in cash and cash equivalents		(67,718)		101,076
Cash and cash equivalents, beginning of year		101,336		260
Cash and cash equivalents, end of year	$	33,618	$	101,336
Supplemental Cash Flow Data:				
Interest paid during the year	$	-	$	-
Non-cash Investing and Financing Activities				
Gift of other non-cash items	$	-	$	-
Gift of equipment	$	-	$	-

NOTE 1 - ORGANIZATION AND PURPOSE

The Joseph James Morelli Legacy Foundation (the Foundation) is a 501(c)(3) nonprofit organization formed on August 20, 2018, with its mission to honor Joseph's spirit. Through the awarding of scholarships, the Foundation recognizes students, who like Joseph struggle with dyslexia, and empower them to believe in themselves. The Foundation supports high school and college students with dyslexia who wish to pursue a degree in a Science, Technology, Engineering or Mathematics (STEM) field. The Foundation also began a mentorship program in 2020, which uses a peer-to-peer mentoring strategy and aims to enhance the Foundation's mission and have a lasting impact on selected dyslexic students.

The Foundation is funded primarily through community fundraising and donor contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) - and specific guidance contained therein related to Not-for Profit entities - which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and which may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. The Foundation has $7,500 of assets with donor restrictions as of December 31, 2020 and none as of December 31, 2019.

Cash and Cash Equivalents – The Foundation's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. The Foundation's cash and cash equivalents balances will vary based on fundraising and applicant needs. The Foundation's intent is to maintain cash and cash equivalents balances in order to award scholarships to new applicants and returning students who continue to qualify as they pursue their degree in a STEM field.

Investments – Under U.S. GAAP, investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change of net assets.

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. It emphasizes that fair value is a market-based measurement and not an entity-specific measurement. Adoption of this standard has not had a material impact on the Organization's financial statements. U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs, which are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlation with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

There have been no changes in the methodologies used at December 31, 2020 and 2019. The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded when received.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributed property and equipment are recorded at fair value at the date of donation.

Prior to the Foundation's formation on August 20, 2018, the charitable purpose for which the Foundation was formed, and all fundraising activities, were carried out as a donor advised fund under the administration of the Park City Community Foundation, a 501(c)(4) organization (PCCF). Pending receipt by the Foundation of its 501(c)(3) status, the charitable purpose for which the Foundation was formed, and all fundraising activities, continued to be carried out by the PCCF. Upon receipt of its 501(c)(3) status on July 1, 2019, the donor advised fund administered by the PCCF was terminated, and the fund's balance of $205,466 was transferred to the Foundation.

In-kind donations – The Foundation received donated professional services, fundraising services and goods of $1,594 and $2,550 for the years ended December 31, 2020 and 2019, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair values determined on the date of contribution and are reported as contributions in-kind and supporting goods and services on the accompanying statement of activities and statement of functional expenses.

Several volunteers have made significant contributions of their time in furtherance of the Foundation's mission. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP**.**

Functional Allocation of Expenditures – The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs have been charged to the respective functional areas. Indirect costs have been charged to programs and supporting services based on an analysis of estimated personnel time, taking into account the nature of the expense and its relation to the functional area. General and administrative costs include those expenses not directly attributable to a specific function, but which contribute to overall administrative support of the Foundation.

Income Taxes – The Foundation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Foundation is subject to audit by various tax jurisdictions. However, Foundation management believe the Foundation is not subject to audits for tax periods before 2018.

Use of Estimates in Preparing Financial Statements – 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 effect 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 such estimates and assumptions.

Recent Accounting Standards – The following accounting pronouncements were recently issued by the FASB:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606).* This ASU changed the effective date of the provisions of ASU No. 2014-09. As a result, the new effective date for not-for-profit entities (generally) is for annual reporting periods beginning after December 15, 2018.

These ASUs, were adopted by the Foundation for the year ended December 31, 2019. However, based on the current nature of contributions to-date, management does not believe the ASUs have a significant impact on the Foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 is effective for annual periods beginning after December 15, 2019. The Foundation adopted this ASU effective January 1, 2020 with no impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded in statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020. The Foundation is currently evaluating the effect that the adoption of this standard will have on its financial statements.

Management has reviewed other new accounting pronouncements issued in the period and concluded that they are not applicable to the Foundation.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Federal Deposit Insurance Corporation (FDIC) provides $250,000 insurance coverage at FDIC-insured depository institutions. The Foundation maintains cash and cash equivalent balances at FDIC insured financial institutions.

The Foundation has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash.

The cash and interest-bearing accounts are not subject to significant market fluctuations; thus, management believes cost and market values are substantially equivalent.

NOTE 4 - INVESTMENTS

As of December 31, 2020, all investments held by the Foundation were mutual funds which are Level 1 investments. These funds are classified as current as the Foundation plans to use a portion of these to fund the programs in 2021. The statement of activities includes $314 in unrealized gains for 2020.

In 2019, the Foundation invested excess funds of $120,000 in a certificate of deposit. This investment was recorded at cost. Investments carried at cost are not required to be classified in one of the levels prescribed by the US GAAP fair value hierarchy.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation received two separate contributions which contain donor restrictions during the year ended December 31, 2020. The first was a $25,000 donation for scholarships to be granted to Utah students. This donation was received and the scholarships were awarded during the year. The second was a $7,500 donation restricted for use in the mentorship program. This amount is intended for services to be provided in 2021.

NOTE 6 - CONTINGENCIES

The Foundation, in the normal course of business, may receive claims, which may occasionally rise to the level of a lawsuit. Management does not believe that the outcome of any such matters will have a material adverse effect on the Foundation’s financial statements.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the financial statements, through February 19, 2021, the date which the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or further disclosure in these financial statements.