

# JOSEPH JAMES MORELLI

LEGACY FOUNDATION



*Empowering Students with Dyslexia*

## Financial Statements

As of and for the Years Ended December 31, 2023 and 2022

With Independent Auditors' Report:



**COOPER SAVAS**

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Salt Lake City, UT 84101

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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, 2023 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, 2023, 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 Auditors' 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.

### **Auditors' 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 auditors' 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.



Salt Lake City, Utah  
January 17, 2024

**JOSEPH JAMES MORELLI LEGACY FOUNDATION**

**Statement of Financial Position**

**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 52,675	\$ 124,575
Accounts receivable	506	1,247
Prepaid expenses	9,367	12,967
Investments, current portion	<u>206,102</u>	<u>58,685</u>
Total current assets	268,650	197,474
Investments	200,580	248,043
Total Assets	<u>\$ 469,230</u>	<u>\$ 445,517</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Without donor restrictions	469,230	435,417
With donor restrictions	<u>-</u>	<u>10,100</u>
Total net assets	<u>469,230</u>	<u>445,517</u>
Total Liabilities and Net Assets	<u>\$ 469,230</u>	<u>\$ 445,517</u>

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*See Independent Auditors' Report and the notes to these financial statements*

**JOSEPH JAMES MORELLI LEGACY FOUNDATION**  
**Statement of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2023 and 2022**

<b>REVENUES AND OTHER SUPPORT</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2023</b>	<b>2022</b>
Contributions	\$ 132,824	\$ 30,000	\$ 162,824	\$ 284,551
Contributions - donation in-kind	59,879	-	59,879	71,213
Interest, dividends and unrealized gains/(loss)	21,576	-	21,576	(5,751)
Net assets released from donor restrictions	<u>40,100</u>	<u>(40,100)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>254,379</u>	<u>(10,100)</u>	<u>244,279</u>	<u>350,013</u>
 <b>EXPENSES</b>				
Program Services	201,974	-	201,974	139,790
Fundraising expenses	6,265	-	6,265	50,494
Management and general	<u>12,327</u>	<u>-</u>	<u>12,327</u>	<u>8,999</u>
Total Expenses	<u>220,566</u>	<u>-</u>	<u>220,566</u>	<u>199,283</u>
 Change in Net Assets	 33,813	 (10,100)	 23,713	 150,730
 Net Assets, Beginning of Year	 <u>435,417</u>	 <u>10,100</u>	 <u>445,517</u>	 <u>294,787</u>
 Net Assets, End of Year	 <u>\$ 469,230</u>	 <u>\$ -</u>	 <u>\$ 469,230</u>	 <u>\$ 445,517</u>

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**JOSEPH JAMES MORELLI LEGACY FOUNDATION**  
**Statement of Functional Expenses**  
**For the Years Ended December 31, 2023 and 2022**

2023 FUNCTIONAL EXPENSES	Program Services -					Management and General	Total
	Program Services - Scholarships	Program Services - Mentoring	Educational Outreach	Fundraising			
Scholarships	\$ 129,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,572
Mentoring Program	-	34,200	-	-	-	-	34,200
Educational Outreach	-	-	24,345	-	-	-	24,345
Fundraising Expenses	-	-	-	428	-	-	428
Insurance	-	-	-	-	-	648	648
Professional Services	3,462	1,540	956	2,861	2,616	-	11,435
Bookkeeping Services	-	-	-	-	-	2,480	2,480
Audit and 990 Fees	-	-	-	-	-	2,500	2,500
Stationary and Mailings	760	760	761	-	-	2,281	4,562
Processing Fees	-	-	327	2,474	-	148	2,949
Software	4,548	188	98	502	-	929	6,265
Taxes and Licensing	-	-	-	-	-	75	75
Website	457	-	-	-	-	457	914
Other	-	-	-	-	-	193	193
	<u>\$ 138,799</u>	<u>\$ 36,688</u>	<u>\$ 26,487</u>	<u>\$ 6,265</u>	<u>\$ 12,327</u>	<u>\$ -</u>	<u>\$ 220,566</u>

2022 FUNCTIONAL EXPENSES	Program Services -					Management and General	Total
	Program Services - Scholarships	Program Services - Mentoring	Educational Outreach	Fundraising			
Scholarships	\$ 93,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,750
Mentoring Program	-	17,500	-	-	-	-	17,500
Educational Outreach	-	-	18,946	-	-	-	18,946
Fundraising Expenses	-	-	-	35,942	-	-	35,942
Insurance	-	-	-	-	-	254	254
Professional Services	3,505	252	251	3,825	2,782	-	10,615
Audit and 990 Fees	-	-	-	-	-	2,330	2,330
Stationary and Mailings	168	-	168	3,009	-	-	3,345
Processing Fees	-	-	-	1,563	-	2,926	4,489
Other	-	-	-	-	-	-	-
Software	4,450	59	177	1,079	632	-	6,397
Taxes and Licensing	-	-	-	-	-	75	75
Website	564	-	-	5,076	-	-	5,640
	<u>\$ 102,437</u>	<u>\$ 17,811</u>	<u>\$ 19,542</u>	<u>\$ 50,494</u>	<u>\$ 8,999</u>	<u>\$ -</u>	<u>\$ 199,283</u>

*See Independent Auditors' Report and the notes to these financial statements*

**JOSEPH JAMES MORELLI LEGACY FOUNDATION**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 23,713	\$ 150,730
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments, net	(8,397)	12,513
Change in operating assets and liabilities:		
Accounts receivable	741	(589)
Prepaid expenses	3,600	(10,000)
Accrued expenses	-	(430)
Net cash from operating activities	19,657	152,224
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	60,000	-
Purchase of investments	(151,557)	(120,499)
Net cash used in investing activities	(91,557)	(120,499)
Net increase in cash and cash equivalents	(71,900)	31,725
Cash and cash equivalents, beginning of year	124,575	92,850
Cash and cash equivalents, end of year	\$ 52,675	\$ 124,575
<b>Supplemental Cash Flow Data:</b>		
Interest paid during the year	\$ -	\$ -

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*See Independent Auditors' Report and the notes to these financial statements*



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**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 empowers 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. In 2020, the Foundation launched a peer-to-peer mentoring program for scholarship recipients. The mentorship program pairs upperclassmen with college freshmen to help them navigate the challenges that college presents, particularly for students with learning disabilities. The Foundation also added an educational outreach program, establishing a collaborative network of institutions and people to provide continued education and support to students and their parents. These additional programs enhance the Foundation's mission and provide additional support to scholarship recipients as they face the challenges of college.

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 (U.S. 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, whereby 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 \$0 and 10,100 of assets with donor restrictions as of December 31, 2023 and 2022, respectively.

**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

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Foundation's cash and cash equivalents balances will vary based on fundraising and applicant needs. The Foundation maintains cash and cash equivalents balances to award scholarships to new applicants and returning students who continue to qualify as they pursue their degree in a STEM field, as well as to fund mentoring and educational outreach programs for these students.

**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. Realized and unrealized gains and losses are included in the change of net assets. Interest and dividends are recognized when earned. Investment transactions are recorded on a trade date basis. Investments are considered non-current if not expected to be utilized for more than twelve months.

**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.

**In-kind donations** – The Foundation received donated professional services and goods of \$59,879 and \$71,213 for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, in-kind donations included approximately \$53,000 in stock donations (which were liquidated immediately) and approximately \$7,000 in goods and services. For the year ended December 31, 2022, in-kind donations included approximately \$53,000 in stock (which was liquidated immediately), and approximately \$18,000 in items contributed for a fundraising auction. None of the contributions contained restrictions. 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 U.S. 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

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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.

**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.

**Fair Value Measurement** – The Foundation has adopted the provisions of FASB ASC 820, Fair Value Measurement. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

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

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 was adopted January 1, 2022 with no effect on the 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.

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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, 2023, all investments held by the Foundation were mutual funds and U.S. Treasury notes which are all Level 1 investments. The mutual funds and U.S. Treasury notes with a maturity over one year are classified as non-current as the Foundation's current cash position and anticipated contributions should be adequate to support expenditures over the next twelve months. The statement of activities includes \$13,019 in dividends and interest and \$8,557 of realized and unrealized gains for 2023.

As of December 31, 2022, all investments held by the Foundation were mutual funds and U.S. Treasury notes which are all Level 1 investments. The mutual funds and U.S. Treasury notes with a maturity over one year are classified as non-current as the Foundation's current cash position and anticipated contributions should be adequate to support expenditures over the next twelve months. The statement of activities includes \$4,370 in dividends and interest and \$10,121 of realized and unrealized losses for 2022.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

For the year ended December 31, 2023, the Foundation received one \$30,000 contribution for scholarships and mentoring for Utah students. During 2023, the Foundation awarded \$28,500 in scholarships to Utah students and \$11,600 was used to provide mentoring services to Utah students.

For the year ended December 31, 2022, the Foundation received two separate contributions which contained donor restrictions. The first was a \$35,000 donation for scholarship and mentoring for Utah students. The second was a \$2,000 donation restricted for mentoring Utah students. In 2022, the Foundation awarded \$22,500 in scholarships to Utah students and \$4,400 was used to provide mentoring services to Utah students.

**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 January 17, 2024, the date on 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.