Pediatric Brain Tumor Foundation of the United States, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2022 and 2021

Table of Contents

FORVIS

Independent Auditor's Report

Members of the Board of Directors
Pediatric Brain Tumor Foundation of the United States, Inc.
Atlanta, Georgia

Opinion
We have audited the financial statements of Pediatric Brain Tumor Foundation of the United States, Inc. (the "Foundation") which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2022 and 2021, 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 (GAAS). 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 audits. 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 the Foundation's ability to continue as a going concern within one year after the date that these 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 GAAS 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 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 GAAS, 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.

FORVIS, LLP

Asheville, North Carolina
June 26, 2023

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	**$ 1,407,813**	$ 2,257,178
Investments	**3,491,679**	3,462,091
Accounts receivable	**963,326**	519,490
Other assets	**94,517**	27,545
Property and equipment, net	**35,725**	11,427
Total assets	**$ 5,993,060**	$ 6,277,731
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 289,128**	$ 74,541
Grants payable	**438,871**	772,299
Total liabilities	**727,999**	846,840
Net assets:		
Net assets without donor restrictions:		
Board designated–quasi-endowment	**1,473,767**	1,041,946
Available for operations	**951,802**	1,036,101
Total net assets without donor restrictions	**2,425,569**	2,078,047
Net assets with donor restrictions	**2,839,492**	3,352,844
Total net assets	**5,265,061**	5,430,891
Total liabilities and net assets	**$ 5,993,060**	$ 6,277,731

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Activities
Years ended September 30, 2022 and 2021

	September 30, 2022			September 30, 2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains, and other support:						
Contributions and grants	$ 4,628,921	$ 1,597,822	$ 6,226,743	$ 5,578,575	$ 591,709	$ 6,170,284
Less direct benefits to donors	(236,674)	-	(236,674)	(268,552)	-	(268,552)
Non-cash contributions	10,508	-	10,508	113,725	-	113,725
Investment income, net	20,537	-	20,537	1,147	-	1,147
Net assets released from restrictions	2,111,174	(2,111,174)	-	544,836	(544,836)	-
Total revenues, gains, and other support	6,534,466	(513,352)	6,021,114	5,969,731	46,873	6,016,604
Expenses:						
Programs	4,680,458	-	4,680,458	3,966,114	-	3,966,114
Management and general	880,042	-	880,042	600,700	-	600,700
Fundraising	626,443	-	626,443	717,602	-	717,602
Total expenses	6,186,943	-	6,186,943	5,284,416	-	5,284,416
Change in net assets	347,522	(513,352)	(165,830)	685,315	46,873	732,188
Net assets at beginning of year	2,078,047	3,352,844	5,430,891	1,392,732	3,305,971	4,698,703
Net assets at end of year	$ 2,425,569	$ 2,839,492	$ 5,265,061	$ 2,078,047	$ 3,352,844	$ 5,430,891

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Functional Expenses
Years ended September 30, 2022 and 2021

	September 30, 2022					September 30, 2021				
	Program	Management and General	Fundraising	Total Supporting Services	Total	Program	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 1,337,453	$ 440,529	$ 336,508	$ 777,037	$ 2,114,490	$ 1,203,491	$ 368,480	$ 335,430	$ 703,909	$ 1,907,400
Research grants	2,023,357	-	-	-	2,023,357	1,668,820	-	-	-	1,668,820
Direct aid to families	421,748	-	-	-	421,748	459,794	-	-	-	459,794
Awards and honorariums	-	-	125	125	125	206	-	1,007	1,007	1,213
Conferences	19,323	848	850	1,698	21,021	15,719	-	1,550	1,550	17,269
Services	511,813	85,570	15,255	100,825	612,638	219,044	49,729	107,501	157,230	376,275
Office expenses	912	18,837	716	19,553	20,465	586	357	437	794	1,380
Equipment rental	6,581	1,763	1,051	2,814	9,395	-	10,734	-	10,734	10,734
Video	3,850	148	1,863	2,011	5,861	20	-	2,827	2,827	2,847
Advertising	21,247	614	97,295	97,909	119,155	38,142	-	5,536	5,536	43,678
Repairs and maintenance	-	-	-	-	-	-	929	-	929	929
Rent and utilities	8,394	50,656	3,973	54,629	63,023	141,680	28,687	-	28,687	170,367
Telephone	41,606	33,222	3,379	36,601	78,207	42,388	7,724	4,466	12,190	54,578
Auto expense	4,723	5,407	2,979	8,387	13,109	2,578	1,484	-	1,484	4,062
Travel	30,918	16,416	12,220	28,636	59,554	6,014	1,684	-	1,684	7,698
Training	389	281	-	281	670	176	190	-	190	366
Professional fees	64	33,049	-	33,049	33,113	-	41,403	-	41,403	41,403
Insurance	8,007	13,989	-	13,989	21,996	4,260	12,898	-	12,898	17,158
Printing and postage	67,916	6,097	40,423	46,520	114,436	62,431	2,185	33,478	35,663	98,093
Fees and licenses	98,893	155,664	80,239	235,903	334,796	68,906	46,856	224,996	271,852	340,758
IT services	7,176	5,740	-	5,740	12,916	13,037	2,373	-	2,373	15,410
Depreciation	-	5,703	-	5,703	5,703	15,000	797	-	797	15,797
Other	66,089	5,509	29,567	35,076	101,165	3,824	24,190	375	24,565	28,388
Total expenses before direct benefits to donors	4,680,458	880,042	626,443	1,506,485	6,186,943	3,966,114	600,700	717,602	1,318,302	5,284,416
Direct benefits to donors	-	-	-	-	236,674	-	-	-	-	268,552
Total expenses	$ 4,680,458	$ 880,042	$ 626,443	$ 1,506,485	$ 6,423,618	$ 3,966,114	$ 600,700	$ 717,602	$ 1,318,302	$ 5,552,968

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Cash Flows
Years ended September 30, 2022 and 2021

	September 30, 2022	September 30, 2021
Cash flows from operating activities:		
Change in net assets	$ (165,830)	$ 732,188
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,703	15,797
Net realized and unrealized gains on investments	-	(920)
Non-cash contributions of investments	(10,898)	(37,097)
(Gain) loss on sale of property and equipment	(694)	17,208
Changes in assets and liabilities:		
Accounts receivable	(443,836)	(317,091)
Other assets	(66,972)	6,314
Accounts payable and accrued expenses	214,587	(164,022)
Grants payable	(333,428)	461,364
Net cash provided (used) by operating activities	(801,368)	713,741
Cash flows from investing activities:		
Purchase of Investments	(19,373)	(1,147)
Sales of investments	683	-
Proceeds from sale of property and equipment	693	4,769
Purchase of property and equipment	(30,000)	(8,134)
Net cash used by investing activities	(47,997)	(4,512)
Net change in cash and cash equivalents	(849,365)	709,228
Cash and cash equivalents, beginning of year	2,257,178	1,547,950
Cash and cash equivalents, end of year	$ 1,407,813	$ 2,257,178

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization

The Pediatric Brain Tumor Foundation of the United States, Inc. (the “Foundation”) is a national non-profit organization dedicated to funding pediatric brain tumor research, increasing public awareness about the disease of pediatric brain tumors, and providing financial, educational and emotional support to the families of children with brain tumors.

The Foundation’s goals are achieved through the funding of scientific research projects at leading research facilities across the United States and internationally, that are related to the disease of childhood brain tumors. Research funds are granted through a scientific peer review process. Grants are provided to sponsor medical symposiums in the United States and internationally. The Foundation also provides grants designed to attract new researchers in the field of study.

With a special interest in promoting partnerships and collaborations in science, the Foundation has provided innovative funding, such as for the operations center of the Pacific Pediatric Neuro-Oncology Consortium (PNOC) Clinical Trials housed at the University of California, San Francisco, in which fifteen of the leading pediatric brain tumor institutions participate.

The Foundation provides support to patients and their families through educational resources in a variety of medias: on its website, such as an online video learning series; through a new toolkit for newly diagnosed families, which provides disease information and a place for families to store and organize their child’s medical records, appointments, healthcare providers, scans, etc.; and through educational conferences in major cities across the country. The Foundation also provides emergency financial assistance to families in twelve states and college scholarships for survivors throughout the nation. The Foundation also provides programs to support families with bereavement support, peer support and family camps.

The Foundation continues to make critical investments of financial and human capital to achieve key objectives, including growing existing fundraising programs and creating new revenue sources to fund more research. The Foundation also intentionally invested in creating a network of local chapters to reach and serve more families affected by childhood brain tumors.

The Foundation offers three main fundraising programs included Ride for Kids®, Vs. Cancer and the Starry Night 8.5K walk/run. The Foundation has also developed corporate partnerships; created an annual and major giving program to increase non-event revenue; and introduced low-cost, efficient online fundraising pages for community members. The Ride for Kids® program worked with motorcycle industry experts to increase new and return participation; cross-promoted with the Starry Night program and added components to increase general community participation.

In 2020, the Foundation’s live events had to be canceled due to the impact of the Coronavirus and the resulting government orders to shut down. The Foundation moved all in-person events to virtual events in 2020 and was able to resume some in-person events in 2021. In 2020, the Foundation launched GameON, an online partnership with video live-streamers to help increase awareness of the disease and to raise funds for the Foundation.

The Foundation's research investment strategy included establishing a framework for prioritizing funding; creating a Research Advisory Network to provide highly informed perspectives on the biomedical research enterprise; and broadening the scope of the Foundation's research funding and expertise. The Foundation began to expand family support program offerings, including hosting its first educational conference for survivors and parents. On the organizational side, the Foundation recruited new board members from the legal, financial services, insurance marketing and hospitality industries; and increased board involvement in fundraising.

The Foundation continues to develop an integrated marketing and communications plan; established stronger brand identity by developing branded websites, fundraising events and educational literature; and expanded communications resources to support new programs and initiatives such as chapters and online fundraising. The Foundation increased the use of social media to communicate mission-driven stories and developed new and updated educational resources for families.

Method of reporting

The Foundation's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated quasi-endowments.
>
> 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.

Contributions

Unconditional promises to give and contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of donor restrictions.

The Foundation records gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or purchased long-lived assets are acquired and/or placed in service.

Accordingly, the Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

Donated assets are recorded at fair market value on the date of receipt. A substantial number of unpaid volunteers have donated significant amounts of their time to the Foundation's programs. If donated services either created or enhanced non-financial assets or required specialized skills that would have to be purchased if not donated, the value of those donated services would be recorded. To that end, non-cash contributions of equipment, materials, motorcycles, food, and professional and other services in the amount of $10,508 and $113,725 are included in the 2022 and 2021 statements of activities, respectively.

Functional expenses

The Foundation allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expense classification. Other expenses that are common to several functions are allocated based upon management's best estimates of time spent or facilities used.

Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 reporting date. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and amounts on deposit in financial institutions with original maturities of three months or less.

Receivables

The Foundation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectable, they will be charged to operations when the determination is made.

Investments

Investments have included cash and cash equivalents, money market funds, mutual funds, common stock, and corporate obligations and bond funds. Investments in equity securities with readily determinable fair value and all investments in debt securities would be measured at fair value in the statements of financial position. Currently, the Foundation only has cash and cash equivalents. Due to the short-term nature of cash and cash equivalents, they have not been classified in the three-tier fair value hierarchy.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Depreciable lives range from three to seven years. The Foundation capitalizes and depreciates all capital expenditures in excess of $5,000.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2022.

Concentration of credit risk

The Foundation maintains bank accounts with various financial institutions throughout the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times, the Foundation has cash balances that exceed the insured amount. Management believes that the risks related to these deposits are minimal.

Subsequent events

Subsequent events have been evaluated through June 26, 2023, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	**2021**
Cash and cash equivalents	**$ 1,407,813**	$ 2,257,178
Investments	**3,491,679**	3,462,091
Accounts receivable	**963,326**	519,490
Less donor-restricted amounts	**(2,839,492)**	(3,352,844)
Total	**$ 3,023,326**	$ 2,885,915

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments.

3. Fair Value of Financial Assets

The Foundation has $3,491,679 and $3,462,091 of cash and cash equivalents held in money market funds included in investment accounts as of September 30, 2022 and 2021, respectively, which was not classified as a level as prescribed within the provision.

The components of investment income for the years ended September 30, 2022 and 2021 are as follows:

	2022	**2021**
Interest and dividend income	**$ 20,874**	$ 1,747
Less advisors' fees	**(337)**	(600)
	$ 20,537	$ 1,147

4. Property and Equipment

At September 30, 2022 and 2021, property and equipment consist of the following:

	2022	2021
Computer equipment	**$ 11,440**	$ 20,493
Furniture	**-**	1,451
Telephone system	**2,950**	2,950
Website enhancements	**30,000**	-
	44,390	24,894
Less accumulated depreciation	**(8,665)**	(13,467)
Property and equipment, net	**$ 35,725**	$ 11,427

5. Grants Payable

Grants payable at September 30, 2022 and 2021, include the following:

	2022	2021
Pediatric Brain Tumor Foundation Research Institute grants	**$ 269,723**	$ 555,055
Other grants	**169,148**	217,244
Grants Payable	**$ 438,871**	$ 772,299

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2022 and 2021, consist of the following:

	2022	2021
Research	**$ 2,839,492**	$ 3,352,844
Net assets with donor restrictions	**$ 2,839,492**	$ 3,352,844

7. Quasi-Endowment

The Foundation’s quasi-endowment was organized to support the financial operations of the Foundation. The Foundation’s board designated funds include amounts classified as unrestricted. During 2022, the Board elected to increase the amount of the board designated funds by $431,821, from $1,041,946 to $1,473,767 to fund future reserves. During 2021, the Board elected to increase the amount of the board designated funds by $225,703, from $816,243 to $1,041,946 to fund future reserves. The Board resolved to adjust the board designated funds as needed for the reserve to be held at a minimum of 30 percent of annual budgeted expenses. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulated is added to the fund. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Foundation

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for board designated assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the quasi-endowment. The quasi-endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the board designated assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Foundation expects its board designated funds, over time, to provide a rate of return similar to that of other investments of the Foundation.

Strategies employed for achieving objectives

Historically, to satisfy its long-term rate-of-return objectives, the Foundation relied on a total return strategy in which investment returns were achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targeted a diversified asset allocation that included fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints. In 2020, the Foundation changed its investment strategy to have cash on hand as a result of the coronavirus pandemic.

8. Net Assets Released from Restrictions

Net assets released from restrictions for the years ended September 30, 2022 and 2021, consist of the following:

	2022	2021
Research	**$ 1,312,763**	$ 544,836
Net assets released from restrictions	**$ 1,312,763**	$ 544,836

9. Commitments

Operating lease

The Foundation had operating lease agreements for the rental of office space in Asheville, North Carolina and Atlanta, Georgia. Rent expense totaled $48,500 and $152,459 for the years ended September 30, 2022 and 2021, respectively. The agreement for the Asheville space expired in August 2021 and was not renewed as the Foundation transitioned certain employees to a virtual work arrangement. The agreement for the Atlanta space will expire in July 2024. Annual future minimum payments are as follows for the next five years ending September 30:

2023	$ 43,230
2024	36,921
	$ 80,152

Conditional grants

During 2022, the Foundation approved $664,726, in grants from the Foundation and $2,174,765 in grants from the PLGA fund to be awarded between 2021 and 2022. No additional grants were approved in 2022 or 2021. The Foundation is not under any legal obligation to make these grants and all payments of the awards are conditional upon the Foundation raising the monies necessary to fund such payments.

10. Retirement Plan

The Foundation sponsors a 401(k) defined contribution pension plan covering all its employees. The Foundation matches 100% of eligible employee contributions up to 3% of employees' annual compensation plus 50% of eligible employee contributions up to 6% of the employees' annual compensation. The employees are immediately vested in their contributions. Foundation matching contributions begin when an employee begins contributing and are 100% vested immediately. Retirement plan expense amounted to $58,951 and $39,738 for the years ended September 30, 2022 and 2021, respectively.

11. Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases". Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For statement of operations purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. This guidance requires enhanced disclosures, must be adopted using a modified retrospective transition model, and provides for certain practical expedients. The new standard will be effective for the Foundation on October 1, 2022, and the Foundation is currently evaluating the effect this ASU may have on its financial statements.

12. COVID-19 Pandemic and PPP Proceeds

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and donors, and governmental, regulatory, and private sector responses. The financial statements do not reflect any adjustments as a result of this economic uncertainty.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the law included the expansion of the availability of funds by establishing the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program. An additional feature of this program is that a portion or all of the loans under the PPP may effectively be converted to a grant through a special loan forgiveness provision if certain criteria are met.

The Foundation received a PPP loan in January 2021 in the amount of $476,162. Management elected to recognize PPP proceeds as grant revenue during the year ended September 30, 2021. On November 19, 2021, the Foundation received full forgiveness of the PPP loan from the Small Business Administration.

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during calendar years 2020 or 2021. The credit is available for 50 percent of qualified wages for calendar years 2020 or 2021 with a maximum credit per qualified employee of $28,000 for calendar year 2021 and $5,000 for calendar year 2020. The Foundation qualifies for the ERC and accounts for the ERC as a government grant under ASC 958-605. Under this ASC, the ERC may be recognized once the conditions attached to the grant have been substantially met. During the years ended September 30, 2022 and 2021, the Foundation incurred qualifying wages and has recognized $434,679 and $164,907, respectively, associated with the ERC as grant income in the statement of activities and a corresponding receivable in the statement of financial position presented in accounts receivable.