



Island Institute

FINANCIAL STATEMENTS

June 30, 2023 and 2022

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Island Institute

Opinion

We have audited the accompanying financial statements of Island Institute (the Institute), 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute 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 U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. 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 Institute 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Institute adopted Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases* (Topic 842), and related guidance in 2023. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; 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 Institute'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 U.S. 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 U.S. 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 Institute'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 Institute'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.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
January 30, 2024

ISLAND INSTITUTE

Statements of Financial Position

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 2,694,231	\$ 1,501,809
Accounts receivable, net	88,377	52,040
Notes receivable, current portion	-	16,765
Pledges and grants receivable, current portion	567,140	716,123
Prepaid expenses and deferred costs	152,006	142,313
Inventory	<u>299,624</u>	<u>256,149</u>
Total current assets	<u>3,801,378</u>	<u>2,685,199</u>
Other assets		
Long-term investments	29,014,253	27,090,189
Beneficial interest in perpetual trust	1,909,132	1,887,693
Pledges and grants receivable, non-current portion	150,533	623,391
Notes receivable, non-current portion, net of allowance	51,700	1,000,000
Cash surrender value of life insurance policy	530,203	476,800
Other	204,728	260,501
Right-of-use operating lease assets	<u>51,386</u>	<u>-</u>
Total other assets	<u>31,911,935</u>	<u>31,338,574</u>
Property and equipment		
Land and buildings	2,261,608	2,147,751
Boats	76,918	76,918
Electronic equipment	809,526	809,526
Furniture and fixtures	<u>202,349</u>	<u>202,349</u>
Total property and equipment	3,350,401	3,236,544
Less accumulated depreciation	<u>2,417,172</u>	<u>2,317,913</u>
Net property and equipment	<u>933,229</u>	<u>918,631</u>
Total assets	<u>\$ 36,646,542</u>	<u>\$ 34,942,404</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 398,391	\$ 475,922
Accrued expenses	428,907	318,924
Deferred revenue	23,596	11,367
Current portion of operating lease liabilities	<u>26,463</u>	<u>-</u>
Total current liabilities	877,357	806,213
Non-current liabilities		
Long-term debt, net of current portion	100,000	100,000
Operating lease liabilities, net of current portion	<u>24,923</u>	<u>-</u>
Total liabilities	<u>1,002,280</u>	<u>906,213</u>
Net assets		
Without donor restrictions		
Undesignated	2,604,810	1,186,748
Board-designated endowment	13,220,606	12,350,348
Net investment in property and equipment	<u>881,843</u>	<u>918,631</u>
Total net assets without donor restrictions	16,707,259	14,455,727
With donor restrictions	<u>18,937,003</u>	<u>19,580,464</u>
Total net assets	<u>35,644,262</u>	<u>34,036,191</u>
Total liabilities and net assets	\$ <u>36,646,542</u>	\$ <u>34,942,404</u>

ISLAND INSTITUTE

Statements of Activities

Years Ended June 30, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>2023 With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>2022 With Donor Restrictions</u>	<u>Total</u>
Support and revenue						
Support						
Grants	\$ -	\$ 240,916	\$ 240,916	\$ -	\$ 299,947	\$ 299,947
Contributions	5,756,863	881,249	6,638,112	2,412,856	2,426,791	4,839,647
Gifts in-kind	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>8,400</u>	<u>-</u>	<u>8,400</u>
Total support	<u>5,762,863</u>	<u>1,122,165</u>	<u>6,885,028</u>	<u>2,421,256</u>	<u>2,726,738</u>	<u>5,147,994</u>
Revenue (losses)						
Publications	51,648	-	51,648	59,145	-	59,145
Earned income	154,613	-	154,613	105,538	-	105,538
Archipelago store sales	606,877	-	606,877	666,941	-	666,941
Net investment income, excluding unrealized loss	1,739,148	2,081,538	3,820,686	599,229	750,366	1,349,595
Loan forgiveness	-	-	-	686,934	-	686,934
Change in beneficial interest in perpetual trust	-	21,439	21,439	-	(254,808)	(254,808)
Other income	<u>51,040</u>	<u>-</u>	<u>51,040</u>	<u>58,056</u>	<u>-</u>	<u>58,056</u>
Total revenue	2,603,326	2,102,977	4,706,303	2,175,843	495,558	2,671,401
Change in donor restriction	53,879	(53,879)	-	-	-	-
Net assets released from restrictions	<u>3,383,503</u>	<u>(3,383,503)</u>	<u>-</u>	<u>2,663,938</u>	<u>(2,663,938)</u>	<u>-</u>
Total support and revenue (losses)	<u>11,803,571</u>	<u>(212,240)</u>	<u>11,591,331</u>	<u>7,261,037</u>	<u>558,358</u>	<u>7,819,395</u>
Expenses						
Program services						
Economic and Climate Resilience	3,889,873	-	3,889,873	2,744,287	-	2,744,287
Centralized Resources and Brand Awareness	2,039,651	-	2,039,651	1,726,506	-	1,726,506
Social Resilience	<u>1,850,336</u>	<u>-</u>	<u>1,850,336</u>	<u>1,644,713</u>	<u>-</u>	<u>1,644,713</u>
Total program services	<u>7,779,860</u>	<u>-</u>	<u>7,779,860</u>	<u>6,115,506</u>	<u>-</u>	<u>6,115,506</u>

The accompanying notes are an integral part of these financial statements.

ISLAND INSTITUTE

**Statements of Activities
(Concluded)**

Years Ended June 30, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>2023 With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>2022 With Donor Restrictions</u>	<u>Total</u>
Supporting services						
General and administrative	\$ 292,228	\$ -	\$ 292,228	\$ 321,016	\$ -	\$ 321,016
Philanthropy	<u>1,120,024</u>	<u>-</u>	<u>1,120,024</u>	<u>991,160</u>	<u>-</u>	<u>991,160</u>
Total supporting services	<u>1,412,252</u>	<u>-</u>	<u>1,412,252</u>	<u>1,312,176</u>	<u>-</u>	<u>1,312,176</u>
Total expenses	<u>9,192,112</u>	<u>-</u>	<u>9,192,112</u>	<u>7,427,682</u>	<u>-</u>	<u>7,427,682</u>
Total change in net assets before unrealized loss on investments	2,611,459	(212,240)	2,399,219	(166,645)	558,358	391,713
Unrealized loss on investments	<u>(359,927)</u>	<u>(431,221)</u>	<u>(791,148)</u>	<u>(2,277,223)</u>	<u>(2,851,585)</u>	<u>(5,128,808)</u>
Total change in net assets	2,251,532	(643,461)	1,608,071	(2,443,868)	(2,293,227)	(4,737,095)
Net assets beginning of year	<u>14,455,727</u>	<u>19,580,464</u>	<u>34,036,191</u>	<u>16,899,595</u>	<u>21,873,691</u>	<u>38,773,286</u>
Net assets, end of year	<u>\$ 16,707,259</u>	<u>\$ 18,937,003</u>	<u>\$ 35,644,262</u>	<u>\$ 14,455,727</u>	<u>\$ 19,580,464</u>	<u>\$ 34,036,191</u>

The accompanying notes are an integral part of these financial statements.

ISLAND INSTITUTE

Statement of Functional Expenses

Year Ended June 30, 2023

	<u>Program Services</u>			<u>Supporting Services</u>				<u>Total</u>
	<u>Economic and Climate Resilience</u>	<u>Centralized Resources and Brand Awareness</u>	<u>Social Resilience</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Philanthropy</u>	<u>Total Supporting Services</u>	
Salaries and other personnel expenses	\$ 1,407,574	\$ 971,744	\$ 980,163	\$ 3,359,481	\$ 972,304	\$ 771,332	\$ 1,743,636	\$ 5,103,117
Professional expenses	74,248	149,275	54,110	277,633	343,439	9,783	353,222	630,855
Printing and publications	273	189,843	484	190,600	234	39,818	40,052	230,652
Cost of goods sold	356,841	-	-	356,841	-	-	-	356,841
Scholarships	-	-	140,805	140,805	-	-	-	140,805
Operating	481,188	(185,972)	247,651	542,867	(60,391)	38,636	(21,755)	521,112
Events, meetings, and programs	24,845	45,825	9,605	80,275	26,882	21,352	48,234	128,509
Building maintenance and cleaning	190	-	300	490	156,011	-	156,011	156,501
Sponsorship	100	13,500	-	13,600	-	-	-	13,600
Grant expense	1,079,070	273,790	31,000	1,383,860	-	-	-	1,383,860
Bank fees	31,709	220	20	31,949	2,095	8,807	10,902	42,851
Equipment costs	7,542	7,265	1,345	16,152	9,680	6,138	15,818	31,970
IT costs	5,791	65,380	2,781	73,952	238,809	17,429	256,238	330,190
Other expenses	<u>18,365</u>	<u>(31,730)</u>	<u>23,075</u>	<u>9,710</u>	<u>5,800</u>	<u>6,480</u>	<u>12,280</u>	<u>21,990</u>
Total expenses before depreciation and indirect allocation	<u>3,487,736</u>	<u>1,499,140</u>	<u>1,491,339</u>	<u>6,478,215</u>	<u>1,694,863</u>	<u>919,775</u>	<u>2,614,638</u>	<u>9,092,853</u>
Depreciation	<u>36,928</u>	<u>9,075</u>	<u>15,366</u>	<u>61,369</u>	<u>27,603</u>	<u>10,287</u>	<u>37,890</u>	<u>99,259</u>
Total expenses before indirect allocation	<u>3,524,664</u>	<u>1,508,215</u>	<u>1,506,705</u>	<u>6,539,584</u>	<u>1,722,466</u>	<u>930,062</u>	<u>2,652,528</u>	<u>9,192,112</u>
Indirect allocation	<u>365,209</u>	<u>531,436</u>	<u>343,631</u>	<u>1,240,276</u>	<u>(1,430,238)</u>	<u>189,962</u>	<u>(1,240,276)</u>	<u>-</u>
Total expenses	<u>\$ 3,889,873</u>	<u>\$ 2,039,651</u>	<u>\$ 1,850,336</u>	<u>\$ 7,779,860</u>	<u>\$ 292,228</u>	<u>\$ 1,120,024</u>	<u>\$ 1,412,252</u>	<u>\$ 9,192,112</u>

The accompanying notes are an integral part of these financial statements.

ISLAND INSTITUTE

Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Economic and Climate Resilience</u>	<u>Centralized Resources and Brand Awareness</u>	<u>Social Resilience</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Philanthropy</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries and other personnel expenses	\$ 1,217,073	\$ 776,046	\$ 929,052	\$ 2,922,171	\$ 778,325	\$ 600,805	\$ 1,379,130	\$ 4,301,301
Professional expenses	99,874	174,714	47,188	321,776	308,590	57,413	366,003	687,779
Printing and publications	11,303	217,788	422	229,513	225	21,458	21,683	251,196
Cost of goods sold	393,767	-	-	393,767	-	-	-	393,767
Scholarships	-	-	101,335	101,335	-	-	-	101,335
Frenchboro historic building maintenance	7,344	-	-	7,344	-	-	-	7,344
Operating	279,312	(145,423)	213,666	347,555	25,015	53,348	78,363	425,918
Events, meetings, and programs	8,928	20,657	6,031	35,616	6,831	15,749	22,580	58,196
Building maintenance and cleaning	2,995	-	-	2,995	104,539	-	104,539	107,534
Sponsorship	-	7,350	-	7,350	-	-	-	7,350
Grant expense	389,035	182,871	28,500	600,406	-	-	-	600,406
Bank fees	32,181	212	9	32,402	2,102	7,811	9,913	42,315
Equipment costs	10,678	3,765	3,157	17,600	14,951	8,449	23,400	41,000
IT costs	9,213	40,470	6,356	56,039	217,979	13,118	231,097	287,136
Other expenses	<u>917</u>	<u>2,169</u>	<u>4,361</u>	<u>7,447</u>	<u>757</u>	<u>12,066</u>	<u>12,823</u>	<u>20,270</u>
Total expenses before depreciation and indirect allocation	2,462,620	1,280,619	1,340,077	5,083,316	1,459,314	790,217	2,249,531	7,332,847
Depreciation	<u>30,704</u>	<u>9,280</u>	<u>16,283</u>	<u>56,267</u>	<u>28,210</u>	<u>10,358</u>	<u>38,568</u>	<u>94,835</u>
Total expenses before indirect allocation	2,493,324	1,289,899	1,356,360	5,139,583	1,487,524	800,575	2,288,099	7,427,682
Indirect allocation	<u>250,963</u>	<u>436,607</u>	<u>288,353</u>	<u>975,923</u>	<u>(1,166,508)</u>	<u>190,585</u>	<u>(975,923)</u>	<u>-</u>
Total expenses	<u>\$ 2,744,287</u>	<u>\$ 1,726,506</u>	<u>\$ 1,644,713</u>	<u>\$ 6,115,506</u>	<u>\$ 321,016</u>	<u>\$ 991,160</u>	<u>\$ 1,312,176</u>	<u>\$ 7,427,682</u>

The accompanying notes are an integral part of these financial statements.

ISLAND INSTITUTE

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 1,608,071	\$ (4,737,095)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities		
Depreciation	99,259	94,835
Amortization of right-of-use operating lease assets	27,835	-
Change in pledge and grant discounts	(76,975)	58,348
Forgiveness of loan—Paycheck Protection Program	-	(686,934)
Change in beneficial interest in perpetual trust	(21,439)	(254,808)
Change in cash surrender value of life insurance policy	(53,403)	(88,488)
Net realized and unrealized (appreciation) depreciation on investments	(2,467,787)	5,110,735
(Increase) decrease in		
Accounts receivable	(59,637)	52,256
Notes receivable	988,365	(358,641)
Prepaid expense and deferred costs	(9,693)	(24,935)
Inventory	(43,475)	(5,886)
Grants receivable	617,552	(1,112,500)
Pledges receivable	81,263	228,667
Other	55,774	73,369
(Decrease) increase in		
Accounts payable	(77,531)	49,436
Accrued expenses	109,983	16,013
Operating lease liabilities	(27,835)	-
Deferred revenue	12,229	1,144
	<u>762,556</u>	<u>(1,584,484)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(113,857)	(42,569)
Purchases of investments	(27,667,960)	(5,464,793)
Proceeds from the sale of investments	28,211,683	5,106,395
	<u>429,866</u>	<u>(400,967)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Payments on capital lease	-	(4,157)
Contributions received for long-term purposes	-	10,000
	<u>-</u>	<u>5,843</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	1,192,422	(1,979,608)
Cash and cash equivalents, beginning of year	1,501,809	3,481,417
Cash and cash equivalents, end of year	\$ 2,694,231	\$ 1,501,809
Supplemental disclosure		
Cash paid for interest	\$ 2,000	\$ 2,000

The accompanying notes are an integral part of these financial statements.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Background Information

Island Institute (the Institute) is a 39-year-old non-profit organization whose mission is to work to sustain Maine's island and coastal communities, and exchange ideas and experiences to further the sustainability of communities here and elsewhere. All of the Institute's programming is directly aligned to three strategic priorities informed by broad community input: economic and climate resilience, centralized resources and brand awareness, and social resilience. Located in Rockland, Maine, the expert staff collaborate to meet community needs in an interdisciplinary and integrated way. The Institute acknowledges and responds to unexpected issues, and envisions a future where Maine islands and coastal communities thrive and lead as examples of sustainability.

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting. As a result, revenues and gains are reported when earned, and expenses and losses are recorded when incurred.

Basis of Presentation

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

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and Board of Trustees.

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 on the Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of the assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Management considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, with the exceptions of brokerage cash balances and money market accounts held to finance certain annuity obligations of the Institute and similar items held as components of endowment assets, which are reported as long-term investments and are not considered to be cash equivalents.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Grants Receivable

Grants are recognized as grants receivable when a grantor makes an unconditional promise to give to the Institute. All 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 that are temporary in nature are reclassified to net assets without donor restrictions. Grants receivable, net of an estimated allowance for uncollectible amounts, are reported at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. For the years ended June 30, 2023 and 2022, management considered all outstanding grant balances to be fully collectible, thus an allowance for uncollectible amounts was not deemed necessary.

Pledges Receivable

Contributions are recognized as pledges receivable when a donor makes an unconditional promise to give to the Institute. All 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 that are temporary in nature are reclassified to net assets without donor restrictions. Pledges receivable, net of an estimated allowance for uncollectible amounts, are reported at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. For the years ended June 30, 2023 and 2022, management considered all outstanding pledge balances to be fully collectible, thus an allowance for uncollectible amounts was not deemed necessary.

The Institute received 58% and 31% of contributions from one donor during the years ended June 30, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. For the years ended June 30, 2023 and 2022, the Institute maintained no allowance for the doubtful accounts, as a general reserve, which is netted against accounts receivable within the statements of financial position.

Inventory

Inventory is valued at the lower of cost (first-in, first-out basis) or market (net realizable value) and consists of publications and gift shop products. Contributed inventory is recorded at fair value on the date the inventory was received.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Investments

The Institute reports its investments at fair value, other than its investment in closely-held stock, which is carried at cost, which is not believed to differ materially from fair value. It is not practical to estimate the fair value of closely-held stock. The Institute identified no events or changes in circumstances that may have a significant adverse effect on the fair value of the closely-held stock.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statements of financial position.

Income and net appreciation (depreciation) on investments of endowment and similar funds are reported as increases (decreases) in net assets with donor restrictions if 1) the term of the gift or the Board's interpretation of relevant state laws requires that they be added to the principal of a perpetual endowment fund, 2) the terms of the gift impose restrictions on the use of the income, or 3) absent donor stipulations, they are related to gifts of perpetual duration for which appropriation has not been made. Otherwise, income and appreciation (depreciation) on investment of endowment and similar funds are reported as increases (decreases) in net assets without donor restrictions.

Property and Equipment

Purchased land, buildings, and non-expendable equipment valued at \$5,000 or more individually are capitalized and recorded at cost. Donated property and equipment is recorded at its estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Buildings, boats, equipment, and furniture and fixtures are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 30 years. Included in land and buildings is land in the amount of \$85,919 at both June 30, 2023 and 2022.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Leases

Effective July 1, 2022, the Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* (Topic 842), which modifies lease accounting to increase transparency and comparability by recording lease right-of-use (ROU) assets and lease liabilities for leases and disclosing key information about leasing arrangements. The Institute adopted the new standard using the effective date transition method, under which amounts in prior periods were not restated. Consequently, leases and the related disclosures for the year ended June 30, 2022 are reported in accordance with prior accounting guidance (ASC Topic 840, *Leases*). For contracts existing at the time of adoption, the Institute elected the practical expedients not to reassess contracts to determine whether (i) any are or contain leases (ii) the lease classification and (iii) initial direct costs.

Upon adoption of Topic 842 on July 1, 2022, the Institute recognized in the statement of financial position ROU operating lease assets and operating lease liabilities of \$79,221.

Leases are classified as either operating or finance leases at the lease commencement date. Lease expense on operating leases is recognized over the expected lease term, on a straight-line basis, while expense on finance leases is recognized using the effective interest rate method. Lease expense on operating leases is reported as rental expense. For finance leases, ROU assets are amortized, with the expense included in depreciation of property, plant, and equipment. The Institute uses the interest rate implicit within the lease to determine present value; however, if the implicit rate is not readily available, the Institute uses the risk-free rate.

Income Taxes

The Institute is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Institute 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)(2) of the Code.

U.S. generally accepted accounting principles (U.S. GAAP) require management to evaluate tax positions taken by the Institute and recognize a liability if the Institute has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP 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.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting activities based on estimated time spent and other statistical data.

Revenue Recognition

Archipelago is a retail store, specializing in one-of-a-kind items made in Maine, that works to sustain the island and working waterfront communities. Revenues from Archipelago are primarily earned from store sales and are recognized upon the sale of goods.

Subsequent Events

In accordance with FASB ASC Topic 855-10, *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through January 30, 2024, which is the date these financial statements were available to be issued.

2. Pledges and Grants Receivable

Pledges and grants receivable are included in the financial statements and consisted of amounts due within the following time frames at June 30:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 567,140	\$ 716,123
Between one and five years	<u>160,167</u>	<u>710,000</u>
	727,307	1,426,123
Less discount at 4%	<u>(9,634)</u>	<u>(86,609)</u>
	<u>\$ 717,673</u>	<u>\$ 1,339,514</u>

The Institute has been named in certain bequests that have not been recorded as they have not yet been through probate. Subsequent to June 30, 2023, the Institute received initial distribution from a bequest of approximately \$500,000, the final balance of which will be determined upon the closing of the estate.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

3. Investments

Investments were comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Charitable gift annuity investments		
Money market funds	\$ <u>162,054</u>	\$ <u>162,136</u>
Other long-term investments		
Money market funds	60,060	97,156
Fixed income	10,330,029	9,421,198
Equities	18,367,553	17,315,142
Closely-held stock	<u>94,557</u>	<u>94,557</u>
Total other long-term investments	<u>28,852,199</u>	<u>26,928,053</u>
Total long-term investments	<u>\$ 29,014,253</u>	<u>\$ 27,090,189</u>

4. Endowment

At June 30, 2023 and 2022, the Institute held donor-restricted and board designated endowments amounting to \$28,677,517 and \$26,762,060, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Institute.

The Institute follows the provisions of FASB ASC Topic 958-205-50-1A, *Reporting Endowment Funds*. Accordingly, the Institute is required to classify and report net assets associated with endowment funds, including those designated by the Board of Trustees to function as endowments, based on the existence or absence of donor-imposed restrictions. The Institute is also required to provide the following disclosures relating to its endowment activities.

Interpretation of Relevant Law—In accordance with the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Institute has interpreted UPMIFA to require investment return on endowment funds with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all net investment return, net investment return on endowment funds with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Absent explicit donor stipulations to the contrary, the Institute has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Institute retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Institute in a manner consistent with the standard of prudence by UPMIFA.

The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Institute
- The Institute's investment policies

Endowment Spending Policy—The Board of Trustees has approved an annual distribution of up to 4% of the average value of the endowment fund over the preceding 12 quarters to support current operations. Investment income, net of fees, is appropriated for expenditure immediately.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Institute has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Institute's current policy allows for continued spending from funds that are underwater. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The Institute did not have any underwater endowment funds as of June 30, 2023 and 2022.

Endowment Investment Policy—The Institute's endowment assets are held in a variety of marketable securities, including money market instruments, equities, fixed income obligations, and a closely-held stock, aimed at providing an appropriate mix of current income, protection of principal, and long-term growth.

ISLAND INSTITUTE
Notes to Financial Statements
June 30, 2023 and 2022

The Institute's endowment fund balances were comprised of the following as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 13,220,606	\$ -	\$ 13,220,606
Donor-restricted endowments			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	12,675,995	12,675,995
Accumulated investment gains	<u>-</u>	<u>2,780,916</u>	<u>2,780,916</u>
Total	<u>\$ 13,220,606</u>	<u>\$ 15,456,911</u>	<u>\$ 28,677,517</u>

Changes in the Institute's endowment fund balances for the year ended June 30, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,350,348	\$ 14,411,712	\$ 26,762,060
Contributions	4,150,000	10,000	4,160,000
Change in donor restriction	53,879	(53,879)	-
Investment return, net	1,268,439	1,650,515	2,918,954
Amounts appropriated for expenditure	<u>(4,602,060)</u>	<u>(561,437)</u>	<u>(5,163,497)</u>
Endowment net assets, end of year	<u>\$ 13,220,606</u>	<u>\$ 15,456,911</u>	<u>\$ 28,677,517</u>

The Institute's endowment fund balances were comprised of the following as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 12,350,348	\$ -	\$ 12,350,348
Donor-restricted endowments			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	12,715,985	12,715,985
Accumulated investment gains	<u>-</u>	<u>1,695,727</u>	<u>1,695,727</u>
Total	<u>\$ 12,350,348</u>	<u>\$ 14,411,712</u>	<u>\$ 26,762,060</u>

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Changes in the Institute's endowment fund balances for the year ended June 30, 2022 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 13,967,794	\$ 17,020,184	\$ 30,987,978
Contributions	683,333	11,000	694,333
Investment loss, net	(1,729,656)	(2,101,219)	(3,830,875)
Amounts appropriated for expenditure	<u>(571,123)</u>	<u>(518,253)</u>	<u>(1,089,376)</u>
Endowment net assets, end of year	<u>\$ 12,350,348</u>	<u>\$ 14,411,712</u>	<u>\$ 26,762,060</u>

5. Assets Measured at Fair Value on a Recurring Basis

In accordance with FASB ASC Topic 820-10 *Fair Value Measurement and Disclosure*, the Institute is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The Institute follows the provisions of FASB Accounting Standards Update (ASU) No. 2015-07: *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements.

Beneficial interest in perpetual trust are assets held by the Maine Community Foundation and are valued using the net asset value per share (NAV) as a practical expedient. As discussed in the "beneficial interest in perpetual trust" Note 6, upon transfer of the assets to the Maine Community Foundation, variance power over the assets is granted to the Maine Community Foundation, with no opportunity for redemption, and the Institute is designated the sole beneficiary.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money market funds	\$ 222,114	\$ 222,114	\$ -	\$ -
Fixed income				
Investment grade	8,051,333	8,051,333	-	-
Other	2,278,696	2,278,696	-	-
Equities				
Domestic	13,305,114	13,305,114	-	-
International	<u>5,062,439</u>	<u>5,062,439</u>	-	-
Total investments	28,919,696	<u>\$ 28,919,696</u>	<u>\$ -</u>	<u>\$ -</u>
Cash surrender value of life insurance policy	530,203	<u>\$ -</u>	<u>\$ 530,203</u>	<u>\$ -</u>
Beneficial interest in perpetual trust—measured at NAV	<u>1,909,132</u>			
Total assets measured at fair value on a recurring basis	<u>\$ 31,359,031</u>			

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money market funds	\$ 259,292	\$ 259,292	\$ -	\$ -
Fixed income				
Investment grade	7,080,151	7,080,151	-	-
Other	2,341,047	2,341,047	-	-
Equities				
Domestic	12,079,254	12,079,254	-	-
International	4,687,970	4,687,970	-	-
Other	<u>547,918</u>	<u>547,918</u>	-	-
Total investments	26,995,632	<u>\$ 26,995,632</u>	<u>\$ -</u>	<u>\$ -</u>
Cash surrender value of life insurance policy	476,800	<u>\$ -</u>	<u>\$ 476,800</u>	<u>\$ -</u>
Beneficial interest in perpetual trust— measured at NAV	<u>1,887,693</u>			
Total assets measured at fair value on a recurring basis	<u>\$ 29,360,125</u>			

Transfers between asset levels are recognized on the actual date of the event, or change in circumstances, that caused the transfer. There were no such transfers between levels during the years ended June 30, 2023 and 2022.

Fair value for cash surrender value of life insurance is equal to the cash surrender value of the life insurance policy and is categorized as Level 2 fair value measurement.

6. Beneficial Interest in Perpetual Trust

During 2003, the Institute was named an income beneficiary of a perpetual trust, which has subsequently been converted to an agency endowment fund held at the Maine Community Foundation. The Institute has granted variance power over these assets to the Maine Community Foundation, who may redirect distributions from this fund in the event that it deems distributions to the Institute to be, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Institute has reported the fair value of the allocable share of the underlying assets, which approximates the present value of the expected future cash flows from these assets, as a beneficial interest in a perpetual trust in the statements of financial position. A percentage of the market value of the funds, as determined by Maine Community Foundation, will be distributed annually for operations.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

7. Long-term Debt

Long-term debt is comprised of a fixed rate (2%) limited recourse notes payable through August 2026 to be used to support the Institute's micro financing program for local businesses.

The Institute has an unsecured line of credit agreement in the amount of \$900,000. Interest expense is payable monthly at the highest rate published in the Wall Street Journal (8.25% at June 30, 2023). There was no outstanding balance at June 30, 2023 and 2022 on this credit line.

8. Restrictions and Limitations of Net Asset Balances

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Endowment funds, with income restricted for		
Island education funds	\$ 2,859,875	\$ 2,859,875
Swan's Island Fellows	688,431	688,431
William Bingham Fellow	699,615	699,615
Deer Isle-Stonington Fellow	400,000	400,000
Vinalhaven Island Fellow	472,952	472,952
North Haven Fellow	200,000	200,000
Louis Cabot Fellow	751,000	751,000
Isleboro Fellow	250,000	250,000
Frenchboro Historical Building Maintenance Fund	200,000	200,000
Frenchboro Island Community Fund	100,000	100,000
Funds for Maine Islands	1,622,581	1,622,581
Kellogg Retirement Plan Fund	1,010,300	1,010,300
Isaacs-DeFrancis Fund	102,783	102,783
Tom Glenn Community Impact Fund	<u>3,318,458</u>	<u>3,358,448</u>
Total endowment funds with income restricted	12,675,995	12,715,985
Pledges receivable restricted for endowment	120,000	120,000
Funds received restricted for endowment—Glenn Fund	-	10,000
Beneficial interest in perpetual trust	<u>1,909,132</u>	<u>1,887,693</u>
Total net assets to be held in perpetuity	<u>14,705,127</u>	<u>14,733,678</u>

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Subject to appropriation and expenditure when a specified event or time occurs:

Economic and Climate Resilience	284,256	1,409,458
Social Resilience	28,500	160,765
Pledges to be realized—time restricted	102,271	183,886
Restricted excess endowment earnings	2,816,470	1,695,727
Shared allocation	<u>1,000,379</u>	<u>1,396,950</u>
Total subject to appropriation and expenditure	<u>4,231,876</u>	<u>4,846,786</u>
Total net assets with donor restrictions	<u>\$ 18,937,003</u>	<u>\$19,580,464</u>

9. Net Assets Released from Restrictions

Net assets released from donor restrictions are comprised of the following for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Economic and Climate Resilience	\$ 1,703,018	\$ 623,376
Social Resilience	205,723	313,047
Centralized Resources and Brand Awareness	-	3,000
Pledges realized—time restricted	81,615	238,536
Shared allocation	590,795	667,779
Appropriated endowment earnings	561,436	518,253
Grant revenues	<u>240,916</u>	<u>299,947</u>
Total net assets released from restrictions	<u>\$ 3,383,503</u>	<u>\$ 2,663,938</u>

10. Notes Receivable

Notes receivable presented within the statements of financial position include balances due under promissory notes amounting to \$51,700 and \$1,016,765 as of June 30, 2023 and 2022, respectively. These notes have been issued to local businesses as part of the Institute's economic development initiatives, and bear interest at fixed rates ranging from 6% to 8% and are repayable in monthly installments of principal and interest with final maturities extending through August 2024. The current portion of such notes receivable amounted to \$16,765 at June 30, 2022, there was no current portion of notes receivable at June 30, 2023. Management has determined a \$6,700 allowance for uncollectible accounts is deemed necessary as of June 30, 2023 and no allowance as of June 30, 2022.

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

11. Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Institute maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Risk on bank deposit accounts has been mitigated through overnight sweep arrangements with financial institutions, which, by design, address federal insurance limits. The Institute has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

12. Contingencies

The Institute participates in various intergovernmental grant programs, which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Institute's compliance with applicable grant requirements may be established at some future date. The amount, if any, of liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

13. Retirement Benefit Plan

The Institute offers a Section 403(b) retirement plan to its eligible employees, and currently matches employee contributions up to 6% of eligible employees' compensation. For the years ended June 30, 2023 and 2022, contributions to the plan were \$147,457 and \$137,775, respectively.

14. Leases

The Institute leases certain office equipment and rental space under the terms of operating leases with initial non-cancelable terms greater than one year.

The table below sets forth a reconciliation of total lease cost and supplemental statement of financial position information related to leases for the year ended June 30, 2023:

Lease cost	
Operating lease cost	\$ 29,803
Short-term lease cost	<u>140,783</u>
Total lease cost	<u>\$ 170,586</u>
Operating lease weighted average remaining lease term (years)	1.89 years
Operating lease weighted average discount rate	2.83 %
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 29,803</u>
ROU assets obtained in exchange for new operating lease liabilities	<u>\$ 79,221</u>

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

The following is a summary of future minimum lease payments for operating leases for the years ending June 30:

2024		\$ 27,500
2025		<u>25,200</u>
Total future minimum lease payments		52,700
Less amount of imputed interest		<u>1,314</u>
Present value of future minimum lease payments		51,386
Current portion of operating lease liabilities		<u>26,463</u>
Operating lease liabilities, excluding current portion		<u>\$ 24,923</u>

Prior to the adoption of Topic 842 on July 1, 2022, the Institute presented the following information for leases:

The Institute leases certain office equipment and rental space under the terms of operating leases with initial non-cancelable terms greater than one year. The lease agreements require monthly rental payments and expire in fiscal year 2024. Operating lease expense for the year ended June 30, 2022 totaled \$120,145.

15. Liquidity and Availability of Financial Assets

The Institute has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,694,231	\$ 1,501,809
Accounts receivable, net	88,377	52,040
Notes receivable, current portion	-	16,765
Pledges and grants receivable, current portion, net	567,140	716,123
Endowment spending draw	<u>1,050,185</u>	<u>1,085,049</u>
Total financial assets	4,399,933	3,371,786
Less amounts not available to be used within one year:		
Cash restricted for perpetual investment	10,000	10,000
Current portion of pledges receivable restricted for long-term purposes	<u>-</u>	<u>10,000</u>
Total financial assets available at year end for current use	<u>\$ 4,389,933</u>	<u>\$ 3,351,786</u>

ISLAND INSTITUTE

Notes to Financial Statements

June 30, 2023 and 2022

Included within cash and cash equivalents are donor contributions restricted for endowment to be held in perpetuity of \$10,000 as of June 30, 2023 and 2022. In addition, portions of the endowment spending draw are donor restricted as to use. None of the remaining financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current portion of the pledges receivable are subject to implied time restrictions, but are expected to be collected within one year.

The Institute's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowment. As described in Note 4, the Institute's Board of Trustees has adopted an endowment spending policy under which an annual distribution of up to 4% of the average value of the endowment fund over the preceding 12 quarters to support current operations is approved.

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 7, the Institute has one committed line of credit in the amount of \$900,000, which it could draw upon in the event of an unanticipated liquidity need. The Institute also maintains a Board-designated contingency reserve account within its invested funds, which is funded at \$150,000 per year and may be drawn upon as needed and under certain conditions. The balance of this fund was \$1,429,049 at June 30, 2023 and \$1,199,107 at June 30, 2022. Additionally, although the Institute does not intend to spend from its Board-designated quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its Board-designated quasi-endowment fund could be made available if necessary. The Board authorized \$1,700,000 in such draws during the year ended June 30, 2023, no such draws were taken in the year ended June 30, 2022.

During 2020, the Institute qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA), in the amount of \$627,059. The PPP provided funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the loan was dependant upon compliance with this and other terms and conditions of the CARES Act. In December 2020, the Institute received approval for forgiveness from the SBA and recognized the funds as revenue in the statement of activities. During 2021, the Institute qualified for and received a second PPP loan in the amount of \$686,934. The PPP loan was forgiven during 2022. PPP forgiveness is subject to audit by the SBA for six years from the date of forgiveness.