IRYNA
Accountancy Corporation

Activate

ACTIVATE GLOBAL, INC.

(A California Nonprofit Public Benefit Corporation

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED June 30, 2023

ACTIVATE GLOBAL, INC.

June 30, 2023

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IRYNA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ACTIVATE GLOBAL, INC.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of ACTIVATE GLOBAL, INC. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACTIVATE GLOBAL, INC. as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 ACTIVATE GLOBAL, INC. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACTIVATE GLOBAL, INC.'s ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 ACTIVATE GLOBAL, INC.'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACTIVATE GLOBAL, INC.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2024, on our consideration of ACTIVATE GLOBAL, INC.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ACTIVATE GLOBAL, INC.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACTIVATE GLOBAL, INC.'s internal control over financial reporting and compliance.

Iryna Accountancy Corporation
Oakland, California
March 3, 2024

BASIC FINANCIAL STATEMENTS

ACTIVATE GLOBAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

Assets		
Current assets		
Cash and cash equivalents	$	13,493,522
Accounts receivable		1,521,430
Pledges receivable, current		7,762,361
Loan receivable		15,181
Prepaid expense		962,157
Security deposits, current		29,162
Total current assets		23,783,813
Pledges receivable, net of current		1,098,401
Investments (SAFEs)		525,000
Security deposits, net of current		42,531
Property and equipment, net		101,704
Operating lease right-of-use assets		830,172
Total assets	$	26,381,621
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	396,517
Deferred revenue		58,333
Accrued expenses		886,268
Operating lease liability, current		197,220
Total current liabilities		1,538,338
Operating lease liability, net of current		668,425
Total liabilities		2,206,763
Net assets		
Without donor restrictions		8,070,814
With donor restrictions		
Purpose and time restrictions		16,104,044
Total net assets		24,174,858
Total liabilities and net assets	$	26,381,621

See Independent Auditor's Report and Accompanying Notes to Consolidated Financial Statement.

ACTIVATE GLOBAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Philanthropic and corporate support	$ 5,719,638	$ 12,397,715	$ 18,117,353
In-kind support	86,184	-	86,184
Total public support	5,805,822	12,397,715	18,203,537
Fees and grants from government agencies			
States grants	3,445,023	-	3,445,023
Federal grants	5,033,971	-	5,033,971
Total fees and grants	8,478,994	-	8,478,994
Interest income	106,664	-	106,664
Other revenue	32,826	-	32,826
Net assets released from donor restrictions	8,071,962	(8,071,962)	-
Total public support and revenue	22,496,268	4,325,753	26,822,021
Expenses			
Program services	13,842,318	-	13,842,318
General and administrative	4,687,171	-	4,687,171
Fundraising	575,751	-	575,751
Total expenses	19,105,240	-	19,105,240
Change in net assets	3,391,028	4,325,753	7,716,781
Net assets, beginning of year	4,679,786	11,778,291	16,458,077
Net assets, end of year	$ 8,070,814	$ 16,104,044	$ 24,174,858

See Independent Auditor's Report and Accompanying Notes to Consolidated Financial Statements.

ACTIVATE GLOBAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program	General and Administrative	Fundraising	Total
Salaries	$ 3,797,755	$ 2,381,992	$ 486,796	$ 6,666,543
Payroll tax	243,427	151,610	30,903	425,940
Employee benefits	318,866	209,403	38,983	567,252
Insurance	6,411	27,791	743	34,945
Consultants	468,660	840,823	-	1,309,483
Accounting	-	276,648	-	276,648
Legal services	5,947	159,126	-	165,073
Depreciation	9,371	14,389	-	23,760
Travel	135,246	90,145	5,776	231,167
Meetings	362,765	137,494	12,550	512,809
Outreach	16,135	7,898	-	24,033
Fellowship costs	6,957,296	-	-	6,957,296
Subawards and grants	927,254	-	-	927,254
IT and telecommunications	86,645	224,934	-	311,579
Occupancy	477,561	296	-	477,857
Office expense	11,489	11,779	-	23,268
Program materials	16,362	4,042	-	20,404
Fees, charges, and licenses	78	13,135	-	13,213
Recruitment and staff development	1,050	135,666	-	136,716
Total	$ 13,842,318	$ 4,687,171	$ 575,751	$ 19,105,240

See Independent Auditor's Report and Accompanying Notes to Consolidated Financial Statements.

ACTIVATE GLOBAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities		
Change in net assets	$	7,716,781
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities:		
Depreciation		23,760
Operating lease right-of-use assets		(830,172)
Change in assets and liabilities:		
Accounts receivable		439,110
Pledges receivable		(4,770,773)
Prepaid expense		(528,528)
Security deposits		(8,642)
Accounts payable		(373,764)
Deferred revenue		25,000
Accrued expenses		193,711
Operating lease liability		865,645
Net cash provided (used) in operating activities		2,752,128
Cash flows from investing activities		
Lending funds		(22)
Purchase of property and equipment		(14,619)
Purchase of investments (SAFEs)		(525,000)
Net cash provided (used) in investing activities		(539,641)
Cash and cash equivalents, beginning of year		
Unrestricted cash and cash equivalents		3,554,101
Restricted cash and cash equivalents		7,726,934
Total cash and cash equivalents, beginning of year		11,281,035
Cash and cash equivalents, end of year		
Unrestricted cash and cash equivalents		5,383,292
Restricted cash and cash equivalents		8,110,230
Total cash and cash equivalents, end of year	$	13,493,522

See Independent Auditor's Report and Accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Nature of activities and summary of significant accounting policies

Nature of Activities

Physical Science Innovations, Inc. (the Organization) was incorporated on July 27, 2015, as a nonprofit corporation under the laws of the State of California. On August 8, 2016, the Organization changed the name to Activation Energy, Inc. On July 17, 2020, the Organization changed the name to Activate Global, Inc.

The mission of the Organization is to empower scientists to reinvent our world by bringing their research to market. The Organization's entrepreneurial fellowship model originated at Cyclotron Road, a division of Lawrence Berkeley National Laboratory and founding Activate partner. The Organization partners with U.S. based funders and research institutions to support entrepreneurial fellows.

The Organization works between government and the private sector, transforming scientists into high-impact entrepreneurs through a fellowship experience that guides them along every step of the journey. The Organization provides these innovators with essential strategic guidance and services, educational programming, and access to a tailored network of scientific and business mentors and advisors. Today, the Organization supports a growing network of Activate Fellows and alumni across the United States.

By 2028, the Organization plans to expand to 100 new fellows each year, across the U.S.

Principle of Consolidation

The consolidated financial statements include the activities of one commonly controlled public benefit corporation namely, Activate Finance Corp., PBC. (AFC). All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Adopted Accounting Pronouncement

The Organization adopted Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842") on July 01, 2022, using the modified retrospective transition method and used the effective date as the date of initial application. The Organization elected the "package of practical expedients," which permits not to reassess under ASC 842 prior conclusions about lease identification, lease classification and initial direct costs. The Organization made a policy election not to separate non-lease components from lease components, therefore, the Organization accounts for lease and non-lease components as a single lease component. The Organization elected the short-term lease recognition exemption for all leases that qualify.

The Organization determines if a contract contains a lease at inception of the arrangement based on whether there is the right to obtain substantially all of the economic benefits from the use of an identified asset and whether the Organization has the right to direct the use of an identified asset in exchange for consideration. Right of use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets are recognized as the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the risk-free discount rate, which is determined using a period comparable with the lease term, because the interest rate implicit in most of the leases is not readily determinable. Lease payments may be fixed or variable; however, only fixed payments or in-substance fixed payments are included in the lease liability calculation. Variable lease payments may include costs such as common area maintenance, utilities, real estate taxes or other costs. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on the statement of financial position (balance sheet). Finance leases are included in property and equipment, net, accrued and other current liabilities, and other long-term liabilities on the statement of financial position (balance sheet). For operating leases, lease expense is recognized on a straight-line basis in operations over the lease term. For finance leases, lease expense is recognized as depreciation and interest; depreciation on a straight-line basis over the lease term and interest using the effective interest method.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment. There was no board-designated endowment as of June 30, 2023.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

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 those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no donor-imposed restrictions perpetual in nature as of June 30, 2023.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

In-kind Contributions

Donated goods are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their market value at the time the services are rendered. Donated services that do not meet the criteria for recognition, but which are, nonetheless, central to the Organization's operations are not reflected in the financial statements.

Accounts Receivable

Accounts receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization charges off uncollectible accounts receivable when management determines amounts are not collectable.

Pledges Receivable

Pledges receivable, including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for not-for-profit organizations. Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence or nature of any donor restrictions. Restricted contributions are reported as an increase in net assets with donor restrictions. When the restriction is met, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Subscription revenue is recognized over the subscription period in accordance with ASC 606. Cost reimbursable awards are recognized as revenue in the period in which the service is provided. Grants are recognized as revenue when unconditional and awarded in writing. The Organization's primary revenue sources are grants and awards from governments and foundations, and donations from individuals and corporations.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable government contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701 (d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended June 30, 2023.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions 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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to fifteen years.

Functional Allocation of Expenses

The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on management estimates. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the management's best estimate.
The expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries, wages and related	Time and effort
Consultants	Time and effort
Accounting	Time and effort
Travel	Time and effort
Meetings	Time and effort
Fellowship costs, subawards, and grants	Program
Information technology	Function and usage
Occupancy	Function and usage

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts and pledges receivable, prepaid expenses, security deposits, accounts and grants payable and accrued compensation, deferred revenue and refundable advances approximate fair value because of the short maturity of these instruments.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses a fair value hierarchy which is categorized into three levels as follows:
Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these balances does not entail a significant degree of judgment. *Level 2* – Valuations are based on quoted prices for similar assets or liabilities in active markets from those willing to trade that are not active or for which other inputs can be corroborated by market data. *Level 3* – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement and represent the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's assets recognized at fair value are as follows:

	Carrying Value	Fair Value (Level 3)
Investment (SAFEs)	$ 525,000	$ 525,000

The fair value of the SAFEs investments is estimated based on the initial investment and is based on quoted prices for identical or similar assets in markets that are not active and are provided by the investee companies.

Concentration of Revenue

The Organization is supported by five major donors that contributed 54% of the Organization's total revenue for the year ended June 30, 2023. 29% of total receivables is due from one donor.

Prepaid Expenses

Prepaid expenses are amortized over the period of future benefit.

Deferred Revenue

Deferred revenue represents an unearned portion of revenue.

Advertising Expenses

Non-direct-response advertising costs are expensed when the advertising first occurs. Advertising expenses for the year ended June 30, 2023 are $2,894.

Note 2. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	$	13,493,522
Accounts receivable		1,521,430
Pledges receivable, current		7,762,361
Loan receivable		15,181
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions		(15,005,643)
Financial assets available to meet cash needs for general expenditure within one year	$	7,786,851

$7,786,851 of financial assets are available to cover the Organization's liquidity needs within one year.

The Organization has a goal to maintain sufficient financial assets on hands, which consists of cash and receivables, to meet the total of next fiscal year's projected general, administrative and fundraising expenses, which are expected to be approximately $5,262,922 (based on the expenses for the year ended June 30, 2023). The Organization's program activity is funded by expense reimbursement contracts, primarily. Based on projected estimates, the Organization has sufficient liquid assets to cover its current liabilities.

Note 3. Concentration of Credit Risk

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. The Organization's concentrations of credit risk consist principally of cash accounts held at financial institutions. At times, a portion of these cash investments may not be insured by the Federal Deposit Insurance Corporation. The potential concentration of credit risk pertaining to temporary cash investments will vary throughout the year depending upon the level of cash deposits versus amounts insured. The Organization is maintaining all deposits in high quality financial institutions. At June 30, 2023, the Organization's uninsured cash balance is $12,768,684. Management believes the Organization is not exposed to significant credit risk related to cash.

Note 4. Property and Equipment

Property and equipment as of June 30, 2023 consists of the following:

Computers and office equipment	$	52,705
Intangible asset – domain name		12,500
Leasehold improvements		67,864
Accumulated depreciation and amortization		(31,365)
Net book value	$	101,704
Depreciation and amortization expense	$	23,760

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions consists of cash and receivables designated for a specific purpose or period. As of June 30, 2023, the Organization's net assets with donor restrictions are as follows:

Restrictions		06/30/2022		Additions		Releases		06/30/2023
Activate Fellowship Program	$	9,141,645	$	4,085,217	$	5,064,277	$	8,162,585
General/ Time Restricted		1,329,167		6,262,175		1,682,609		5,908,733
Government Affairs		28,154		-		28,154		-
Catalyst		-		2,050,323		375,000		1,675,323
Fiscal Sponsorship		1,279,325		-		921,922		357,403
Total	$	11,778,291	$	12,397,715	$	8,071,962	$	16,104,044

Note 6. Federal and States Awards

In August 2019, Defense Advanced Research Projects Agency (DARPA) with U.S. Department of Defense awarded the Organization $7,114,677 through September 30, 2023, to invent novel approaches for micro-electronics technology. In September 2023, the amount of the award was increased to $8,125,299, through May 31, 2024. For the year ended June 30, 2023, the Organization earned $2,109,652 on the grant.

In September 2022, National Science Foundation awarded the Organization $20,000,000 through August 2027, to empower scientists and engineers to translate their research from lab to market and to develop personally, as national leaders in innovation and entrepreneurship. For the year ended June 30, 2023, the Organization earned $2,924,319 on the grant.

In November 2021, New York State Energy Research and Development Authority (NYSERDA) entered agreement for $9,146,000 with the Organization through September 2027, to stablish a program in New York to support scientists to build to innovate carbon-tech business to achieve New York climate goals. For the year ended June 30, 2023, the Organization earned $2,450,000 on the grant .

In May 2016, the Organization entered agreement with State Energy Resources Conservation and Development Commission for the award of $,4,980,000 through March 2022, to assist entrepreneurs to establish a Bay Area Regional Energy Innovation and provide commercialization supporting services to Bay Area entrepreneurs developing breakthrough materials and hardware devices in energy efficiency, energy storage, distribution, grid management, and power generation. The agreement was extended till March 31, 2026, and increased to $9,960,000. For the year ended June 30, 2023, the Organization earned $960,023 on the grant.

In April 2023, the Organization entered agreement with the Massachusetts Clean Energy Technology Center for the award of $75,000 thought May 2024, to support its fellowship program, aimed at accelerating the establishment and success of early stage cleantech startups. For the year ended June 30, 2023, the Organization earned $35,000 on the grant.

Note 7. Donated Services and Other In-kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b)require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

During the year ended June 30, 2023, the Organization received donated services from seven unpaid board members who provided 1,500 hours assisting in board services and fellows services that do not satisfy the criteria for recognition under *FASB ASC 958-605-25-16*.

Additionally, the Organization received 93 hours of in-kind legal support of $86,184 during the year ended June 30, 2023 that is recognized on the statement of activities. The valuation of legal services was determined utilizing the fair market price for such services.

Note 8. Receivables

As end of June 30, 2023, the receivable is classified as below:

Period		Accounts Receivable		Pledges Receivable		Total
Within one year	$	1,521,430	$	7,762,361	$	9,283,791
Within two to five years		-		1,098,401		1,098,401
Total	$	1,521,430	$	8,860,762	$	10,382,192

Note 9. Retirement Plan

The Organization provides an employer match 401k plan for full-time regular employees equal to 100% of the employee's elective deferral not to exceed 3% of compensation. Employees are eligible for the employer match when they reach their one-year anniversary with the organization. The matching contributions are calculated on a per pay period basis. As of June 30, 2023, the Organization contributed $94,755 to the plan.

Note 10. Conditional Pledges

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2023 contributions approximating $28,339,312, have not been recognized in the accompanying statement of activities because the condition (barriers) on which they depend has not yet been met:

Barriers		Amounts
Satisfactory financial market performance	$	200,000
Meeting the budget		6,296,000
Appropriate use of funds		21,843,312
Total	$	28,339,312

Note 11. Operating Leases

During the year ended June 30, 2023, the Organization had two long-term leases as following:

(1) An office space at 2600 Tenth Street, Berkeley, California, starting January 1, 2022, for 65 months starting $9,172/month and increasing each year thereafter. Security deposit $42,531.
(2) A copier from KBA Document Solutions, LLC for 36 months starting February 2022. The Organization pays $209 per month plus tax.

Total lease expenses for all leases are $450,811 for the year ended June 30, 2023.

The lease agreement listed above does not contain any residual value guarantees or restrictive covenants.

The components of our lease expense were as follows:

Right of use assets and lease liabilities consist of:

Operating lease right-of-use assets	$	830,172
Operating lease liability, current		197,220
Operating lease liability, net of current		668,425
Total lease liabilities	$	865,645
Weighted average remaining lease term		4 years
Weighted average discount rate		4.31%

As of June 30, 2023, the maturity of lease liabilities is as follows:

Fiscal Year Ending June 30,			
	2024	$	230,700
	2025		237,621
	2026		244,749
	2027		230,826
Total undiscounted lease payments			943,896
Less amount representing interest			78,250
Total lease liabilities		$	865,646

Note 12. Related Party - Activate Finance Corporation

In January 2021, the Organization formed a 100% owned subsidiary, Activate Finance Corporation (the Company) in Delaware to carry out the formation and management of an investment fund to increase sources of venture financing for the Organization.

Note 13. Loan to Others

On April 29, 2021, Activate Finance Corporation entered into a loan agreement with Impact Science Ventures Investment Management Company, LLC. to lend $15,000, at an annual interest rate of 0.15%. The loan is payable on demand. As of June 30, 2023, the loan with accrued interest is $15,181.

In August 2023, the Organization's board of directors approved Activate Finance Corporation to forgive the $15,000 loan to Impact Science Ventures subject to reviewing the final loan forgiveness document. In February 2024, Activate Finance Corporation's board of directors signed a loan forgiveness agreement with Impact Science Ventures.

Note 14. Related Party Transactions

During the year ended June 30, 2023, the Organization paid $63,000 for the consulting services to a board member. In addition, the same board member was a full-time CEO for a part of the year.

Note 15. Investments in SAFEs

As of June 30, 2023, the Organization has made investments in various early-stage companies using Simple Agreements for Future Equity (SAFEs). These agreements establish contractual relationships with the invested companies, allowing the Organization to contribute funds in exchange for the potential to receive equity in the future, contingent upon specified trigger events.

The conversion of these SAFEs depends on subsequent qualified equity financing rounds or specific triggering events. If the investee companies issue preferred stocks, the SAFEs may convert to preferred stock with an 20% discount. Furthermore, in the event of a change in control, an initial public offering, or direct listing of the investee, the Organization has the option to be repaid with the higher of the purchase amount or the conversion amount.

As of June 30, 2023, the fair value of the SAFEs investments is estimated at $525,000 based on the initial investment. Each early-stage company received an investment of $75,000. The Organization commits to reassessing the fair value annually and when qualifying events trigger the conversion.

The Organization acknowledges the inherent risks associated with early-stage investments, recognizing uncertainties in the valuation of investee companies and the unpredictable timing of conversion-triggering events. These risks are inherent in investments in startups and emerging businesses.

It is expected that the SAFEs will convert into equity upon the occurrence of qualifying events, subject to negotiations at the time of triggering events. The specific details regarding the timing and terms of conversion will be determined by the unique provisions outlined in each SAFEs agreement.

Note 16. Restricted Cash and Cash Equivalents

As of June 30, 2023, the Organization's cash and cash equivalents are classified as follows:

- Unrestricted cash and cash Equivalents: $5,383,292 representing funds available for general operations and not subject to donor-imposed restrictions.
- Restricted cash and cash equivalents: $8,110,230, which is comprised of funds that are restricted by donors for specific purposes.

Note 17. Discount on Long Term Pledges Receivable

The Organization receives pledges for future contributions, which are recognized as pledges receivable.

Pledges receivable are initially recorded at their estimated fair value. As of June 30, 2023, the discount on long-term pledges receivable, totaling $248,485, is amortized over the expected collection period.

The fair value of pledges receivable involves significant estimates and assumptions by management and is determined based on discounted cash flow models, considering the discount rate of 6.3%, expected future cash flows, and other relevant factors. Changes in these assumptions could impact the reported fair value of pledges. Management assesses the sensitivity of the fair value of discounted long-term pledges receivable to changes in key assumptions, such as discount rates. Sensitivity analysis is performed to evaluate the potential impact on fair value under different scenarios. There are inherent uncertainties related to the collectability of pledges receivable. Management regularly reviews the collectability of outstanding pledges, considering the applied discount rate, and assesses any indicators of impairment.

Note 18. Subsequent Events

In accordance with ASC 855, Subsequent Events topic, the Organization evaluated subsequent events for recognition and disclosure through March 3, 2024, the date these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in such financial statements.

Since July 1, 2023, The Organization has invested over two million dollars in Catalyst investments (SAFEs), allocating approximately $75,000 to each selected company.

SUPPLEMENTARY INFORMATION

ACTIVATE GLOBAL, INC.
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance (AL) Listing Number	Pass-Through Entity's Identifying Number	Passed-Through to Subrecipient	Total Federal Expenditures
Research and Development Cluster *				
U.S. Department of Defense				
Research and Technology Development:				
Direct awards				
Defense Advanced Research Projects Agency INNOVATE HR0011-19-2-0026	12.910	-	23,750	2,109,652
Total U.S. Department of Defense			23,750	2,109,652
Research and Development Cluster *				
National Science Foundation				
NSF Technology, Innovation, and Partnerships:				
Direct awards				
NSF Entrepreneurial Fellowships for Increased Diversity and Impact TI-2153564	47.084	-	-	2,924,319
Total National Science Foundation			-	2,924,319
Total Research and Development Cluster			23,750	5,033,971
Total Federal Awards			$ 23,750	$ 5,033,971

** Tested as major programs*

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

ACTIVATE GLOBAL, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of ACTIVATE GLOBAL, INC. under programs of the federal government for the year ended June 30, 2023 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule of expenditures of federal awards presents only a selected portion of the operations of ACTIVATE GLOBAL, INC. it is not intended to and does not present the financial position, change in net assets or cash flows of ACTIVATE GLOBAL, INC.

Note 2. Program Cost

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including spending from other contributions, are more than shown.

Note 3. Indirect Cost Rate

ACTIVATE GLOBAL, INC. did not elect to use the 10% de minims indirect cost rate allowed under the *Uniform Guidance*, and used a negotiated rate.

OTHER AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
ACTIVATE GLOBAL, INC.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States , the consolidated financial statements of ACTIVATE GLOBAL, INC. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 3, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACTIVATE GLOBAL, INC.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACTIVATE GLOBAL, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of ACTIVATE GLOBAL, INC.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a consolidation of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a consolidation of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as an item **Finding: 2023-001** that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACTIVATE GLOBAL, INC.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

ACTIVATE GLOBAL, INC. Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on ACTIVATE GLOBAL, INC.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ACTIVATE GLOBAL, INC.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Iryna Accountancy Corporation
Oakland, California
March 3, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
ACTIVATE GLOBAL, INC.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ACTIVATE GLOBAL, INC.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of ACTIVATE GLOBAL, INC.'s major federal programs for the year ended June 30, 2023. ACTIVATE GLOBAL, INC.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ACTIVATE GLOBAL, INC. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ACTIVATE GLOBAL, INC. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of ACTIVATE GLOBAL, INC.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ACTIVATE GLOBAL, INC.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ACTIVATE GLOBAL, INC.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ACTIVATE GLOBAL, INC.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 ACTIVATE GLOBAL, INC.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of ACTIVATE GLOBAL, INC.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ACTIVATE GLOBAL, INC.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a consolidation of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a consolidation of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Iryna Accountancy Corporation

Oakland, California
March 3, 2024

FINDING AND RECOMMENDATIONS

ACTIVATE GLOBAL, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:			*Unmodified*
Internal control over financial reporting:			
Material weakness(es) identified?	___ Yes	X	No
Significant deficiencies identified that are not considered to be material weakness(es)?	X Yes		None reported
Noncompliance material to consolidated financial statements noted?	___ Yes	X	No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	___ Yes	X	No
Significant Deficiencies identified that are not considered to be material weakness(es)?	___ Yes	X	None reported
Type of auditors' report issued on compliance for major programs:			*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with Uniformed Guidance?	___ Yes	X	No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
12.910	Research and Development Cluster
47.084	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

ACTIVATE GLOBAL, INC.
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION II—FINANCIAL STATEMENT FINDINGS

Finding: 2023-001

Significant Deficiency:

Lack of Internal Controls to Ensure the Accurate Recording of Discount on Long-Term Pledges Receivable

Criteria: The Organization is required to properly account for a discount on long-term pledges receivable to ensure accurate revenue recognition.

Condition: A discount on long-term pledges receivable was recorded as $870,486, while the correct amount is $248,485, resulting in a significant difference of $622,001.

Cause: Lack of review or ineffective oversight on calculation of a discount on long-term pledges receivable. A miscalculation during the recording process led to the $622,001 discrepancy.

Effect: This deficiency deviates from Generally Accepted Accounting Principles, posing a risk of misstatement in the financial statements and potential non-compliance with accounting standards.

Context: The discount on long-term pledges was miscalculated.

Recommendations: Provide additional training to the responsible employee, enhance internal controls with thorough verification processes, and critically review and improve the reconciliation process to ensure financial accuracy.

Views of Responsible Officials and Planned Corrective Actions: Management acknowledges the finding and commits to implementing checks and balances to prevent recurrence. Refer to the corrective action plan on page 35 for details.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SECTION IV—STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.

ACTIVATE GLOBAL, INC.
(A California Nonprofit Public Benefit Corporation)

CORRECTIVE ACTION PLAN
JUNE 30, 2023

SECTION II—FINANCIAL STATEMENT FINDINGS

Finding: 2023-001

Name of contact person: Steven Tran

Corrective Actions:

Training on the discount for long-term pledges:

The individual responsible for the calculation will be trained by an individual knowledgeable in the calculation of long-term discounts on grants. This training will include the factors that make up the calculations for these year-end transactions. A procedure will be made available to help ensure that the long-term discount spreadsheet is completed properly.

Completion Date: February 6, 2024

Segregation of duties built into this year's calculation:

One individual will review the grants receivable at year-end, including ensuring that all grants received and that have balances outstanding are included in accounts receivable. Another individual will perform the calculation on the long-term discount spreadsheet. A third individual will review the underlying data (the pertinent grants, length of terms, and amounts receivable) and verify that the calculation is correct. A fourth person will enter the transaction into the books. The financial statements and restricted net asset schedule will be reviewed to ensure the calculated amounts are properly reflected.

Proposed Completion Date: June 30, 2024

Signature: Mattew Price

Matthew Price

Title: CFO

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