

CLEAR BROOK FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

(With comparative financial information as of and for the year ended December 31, 2022)

Rainey & Rainey
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Clear Brook Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Clear Brook Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clear Brook Foundation, Inc. as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clear Brook Foundation, 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clear Brook Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clear Brook Foundation, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clear Brook Foundation, 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.

Report on Summarized Comparative Information

We have previously audited Clear Brook Foundation, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Scranton, Pennsylvania
October 31, 2024

CLEAR BROOK FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Financial Information as of December 31, 2022)

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 359,802	\$ 446,039
Prepaid expenses	18,473	14,116
Total Current Assets	378,275	460,155
Property, plant and equipment, net	3,058,511	1,604,975
Investments (at Market) (Cost \$11,478,105)	11,580,968	11,544,697
TOTAL ASSETS	\$ 15,017,754	\$ 13,609,827
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 28,999	\$ 220,383
Line of credit	1,249,667	500,000
Payroll deductions and withholdings	5,835	4,714
Total Current Liabilities	1,284,501	725,097
TOTAL LIABILITIES	1,284,501	725,097
NET ASSETS:		
Without donor restrictions	13,733,253	12,884,730
TOTAL LIABILITIES AND NET ASSETS	\$ 15,017,754	\$ 13,609,827

See Independent Auditor's Report and Notes to Financial Statements

CLEAR BROOK FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
	Without Donor Restrictions	Without Donor Restrictions
Operating Activities:		
Grants and Gifts	\$ 5,100	\$ 40,000
Contributions and Donations	7,229	8,416
Interest & Dividends	173,989	186,883
Other Income	-	1,192
Total Unrestricted Income	186,318	236,491
Expenses:		
Program Expense	671,129	614,474
Support	152,227	164,979
Total Operating Expenses	823,356	779,453
Change in Net Assets from Operating Activities	(637,038)	(542,962)
Nonoperating Activities:		
Realized Gain (Loss) on Investments	(472,273)	(46,641)
Unrealized Gain (Loss) on Investments	1,957,834	(2,610,400)
Change in Net Assets from Nonoperating Activities	1,485,561	(2,657,041)
Change in net Assets	848,523	(3,200,003)
Net Assets, Beginning of the Year	12,884,730	16,084,733
Net Assets, End of the Year	\$ 13,733,253	\$ 12,884,730

See Independent Auditor's Report and Notes to Financial Statements

CLEAR BROOK FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 848,523	\$ (3,200,003)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation Expense	34,651	28,980
(Gain) Loss - Investments	(1,485,561)	2,657,041
(Increase) Decrease in Prepaid Expenses	(4,357)	99,626
(Increase) Decrease in Accounts Receivable	-	-
Increase (Decrease) in Accrued Payroll and Taxes	1,777	656
Increase (Decrease) in Accounts Payable	<u>(191,384)</u>	<u>207,393</u>
 Net cash used by operating activities	 \$ (796,351)	 \$ (206,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building and Equipment	(1,488,187)	(800,747)
Proceeds from Sales of Investments	6,747,874	1,206,044
Purchase of Investments	<u>(5,299,238)</u>	<u>(939,310)</u>
Net cash used by investing activities	<u>\$ (39,551)</u>	<u>\$ (534,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	<u>749,665</u>	<u>500,000</u>
Net cash from financing activities	<u>\$ 749,665</u>	<u>\$ 500,000</u>
 Net Decrease in Cash and Cash Equivalents	 \$ (86,237)	 \$ (240,320)
 Cash and cash equivalents, beginning of year	 <u>446,039</u>	 <u>686,359</u>
 Cash and cash equivalents, end of year	 <u>\$ 359,802</u>	 <u>\$ 446,039</u>
Cash and Cash Equivalents at December 31 are:		
Cash		
Checking	\$ 273,079	\$ 130,362
Money Market	<u>86,723</u>	<u>315,677</u>
	<u>\$ 359,802</u>	<u>\$ 446,039</u>
Supplemental Cash Flow Information:		
Cash Paid for:		
Interest	NONE	NONE

See Independent Auditor's Report and Notes to Financial Statements

CLEAR BROOK FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	Program Services				Support Services		Total 2023	Total 2022
	Families Helping Families	Recovery Connect	House Next Door	Total Program Services	Management and General	Total Support Services		
Salaries and Wages	\$ 20,000	\$ 71,087	\$ 30,550	\$ 121,637	\$ 40,545	\$ 40,545	\$ 162,182	\$ 153,000
Employee Benefits	3,840	6,842	4,253	14,935	3,937	3,937	18,872	22,424
Contributions	67,790	67,790	67,795	203,375	-	-	203,375	291,862
Payroll Taxes	765	6,203	2,337	9,305	3,102	3,102	12,407	11,704
Program Expenses	55,086	-	5,500	60,586	-	-	60,586	63,005
Supplies/Expenses	-	10,274	7,886	18,160	2,569	2,569	20,729	5,884
Professional fees and contracted services	5,000	5,000	20,810	30,810	92,429	92,429	123,239	60,975
Miscellaneous	-	-	-	-	2,208	2,208	2,208	3,779
Insurance	6,300	12,995	6,235	25,530	1,344	1,344	26,874	18,609
Utilities	-	8,453	4,501	12,954	-	-	12,954	6,560
Telephone	677	1,250	690	2,617	872	872	3,489	2,777
Marketing	650	650	909	2,209	2,959	2,959	5,168	8,397
Dues and Subscriptions	-	-	-	-	2,262	2,262	2,262	879
Depreciation Expense	-	28,980	5,671	34,651	-	-	34,651	28,980
Interest Expense	-	-	80,706	80,706	-	-	80,706	3,729
Consultation Expense	-	-	-	-	-	-	-	55,200
Repairs & Maintenance	-	45,569	8,085	53,654	-	-	53,654	41,689
TOTAL EXPENSES	\$ 160,108	\$ 265,093	\$ 245,928	\$ 671,129	\$ 152,227	\$ 152,227	\$ 823,356	\$ 779,453

CLEAR BROOK FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clear Brook Foundation, Inc. (The Foundation) was incorporated June 15, 1998 under Pennsylvania’s Nonprofit Foundation Law of 1988, as amended, for educational purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1986. The mission of the Foundation is to assist both individual currently in active addiction, as well as those already engaged in their recovery. The Foundation works to facilitate a welcoming environment where people from all walks of life can learn about and better understand the effects addiction has on not only the individual, but also on the family members and loved ones. Their service area is the thirteen counties that comprise Northeastern Pennsylvania. On September 1, 2021, the Foundation successfully registered for a fictitious name with the Commonwealth of Pennsylvania and will be doing business as “Recovery Rises Foundation.”

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Building maintenance and depreciation expense are allocated among the programs and supporting services benefited. Other operating costs are allocated using various allocation methodologies.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and investments with original maturities of three months or less.

Investments

Equity and debt securities are valued at fair value based on quoted market prices, which are considered Level 1 inputs. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statement of activities. All realized gains and losses arising from the sale of investment and ordinary income from investments are reported as

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(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

changes in net assets without donor restrictions, unless their use is donor-imposed restricted.

The cost of investments received as gifts is fair value as determined upon receipt.

Property & Equipment

Property & Equipment are stated at cost. Donated items will be stated at fair market value at the date of the gift. Repairs and maintenance on fixed assets which extend the useful life of an asset will be capitalized; normal repairs and maintenance will be expensed as incurred. Major maintenance activities are capitalized and depreciated in accordance with the capitalization policy. Depreciation is recognized on the straight-line method over the following estimated lives:

Building	30-40 Years
Land Improvements	15-20 Years
Furniture & Fixtures	7-10 Years

Impairment losses are recognized in the statement of activities and changes in net assets as components of the decrease in unrestricted net assets as they are determined. The Foundation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Foundation calculates the net estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. No impairment losses were recognized for 2023 and 2022.

Income Taxes

The Foundation filed Form 1023, Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code and received a favorable advance ruling determination on February 3, 1999. The Service issued an advance ruling granting tax-exempt status to the Foundation under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) of the Code. The advance ruling period began on June 15, 1998 and will continue in effect until the shorter of termination by the Internal Revenue Service or December 31, 2002. In February 2003 the Foundation filed form 8724 with the Internal Revenue requesting that their tax-exempt status remain in effect. In a letter dated March 17, 2003 the Service acknowledged the tax-exempt status would remain in effect. The Foundation is obligated to file Federal Form 990 since its annual audited gross receipts exceed \$50,000. The code imposes an excise tax of 1.39% on net investment income of private foundations. Excise tax expense for the year ended December 31, 2023 was \$1,387.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the estimated amounts.

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(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Amounts received that are designated for future periods or restricted by donors for specific purposes are reported as donor restricted support that increases those net asset classes. When a donor restriction expires, restricted net assets are classified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Grants and Contracts

Revenues received under grants and contracts with private foundations are recorded when the related direct costs are incurred but not reimbursed. Any cash received in advance of the related expenditures is reflected as deferred revenue.

Net Assets

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

Net Assets without Donor Restrictions – Net assets are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the Foundation or the passage of time; or b) require that they be maintained in perpetuity by the Foundation; generally, the donor of these assets permit the Foundation to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions.

Advertising Costs

The Organization expenses advertising costs when incurred. Advertising costs were \$5,168 and \$8,397 for the years ended December 31, 2023 and 2022.

Leases

In November 2021 FASB issued statement 2021-09 Leases. This standard has become effective for fiscal years beginning after December 15, 2021. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use

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an underlying asset. This statement was effective for 2023, however the adoption had no effect on the financial statements of the foundation for this particular year.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Foundation may be subject to credit risk on its cash and cash equivalent assets, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Foundation (“FDIC”) coverage has been \$250,000 for substantially all depository accounts and unlimited coverage for certain qualifying and participant non-interest-bearing transaction accounts. The coverage was reduced on January 1, 2014 and the FDIC limit will return to \$250,000 for all accounts. At December 31, 2023, the bank balance of the Foundation’s deposits with financial institutions, including cash equivalents, was \$109,522, compared to a carrying amount of \$359,802. The difference is caused by in-transit items and outstanding checks. None of the Foundation’s deposits were exposed to custodial credit risk.

NOTE 3 – FAIR VALUE DISCLOSURES

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Assets at Fair Value as of December 31, 2023

	Level 1	Level 2	Level 3	Total
U. S. Common Stock	\$ 7,698,800	\$ 0	\$ 0	\$ 7,698,800
Mutual Funds	3,640,595	0	0	3,640,595
International Common Stock	<u>241,573</u>	<u>0</u>	<u>0</u>	<u>241,573</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$11,580,968</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,580,968</u>

CLEAR BROOK FOUNDATION, INC.
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(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

Assets at Fair Value as of December 31, 2022

U. S. Common Stock	\$ 7,387,651	\$ 0	\$ 0	\$ 7,387,651
Mutual Funds	3,627,350	0	0	3,627,350
International Common Stock	<u>529,696</u>	<u>0</u>	<u>0</u>	<u>529,696</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$11,544,697</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,544,697</u>

Mutual funds and equities are valued based on quoted market prices.

NOTE 4 – INVESTMENTS

Investments at December 31 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Mutual funds - Equity	<u>\$ 11,580,968</u>	<u>\$ 11,544,697</u>

Investment return on the above investments for the years ended December 31 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 310,241	\$ 311,878
Unrealized gain/(loss) on investments	1,957,834	(2,610,400)
Realized gain/(loss) on investments	(472,273)	(46,641)
Investment fees	<u>(136,252)</u>	<u>(124,994)</u>
Total	<u>\$ 1,659,550</u>	<u>\$ (2,470,157)</u>

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, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

NOTE 5 – PROPERTY & EQUIPMENT

Property and equipment on December 31 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 502,272	\$ -0-
Construction in progress	-0-	803,136
Building & improvements	\$ 2,604,756	\$ 869,393

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(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

Furniture & fixtures	123,421	69,733
Equipment	2,623	2,623
Less: accumulated depreciation	<u>174,561</u>	<u>139,910</u>
Property & equipment, net	<u>\$ 3,058,511</u>	<u>\$ 1,604,975</u>

Depreciation expense was \$34,350 in 2023 and \$28,980 in 2022.

NOTE 6 – COMMITMENT AND CONTINGENCY

The Foundation is participating in a grant programs, which are governed by various rules and regulations of the grantor agency. In the opinion of the Foundation, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements.

As a not-for-profit corporation in the commonwealth of Pennsylvania, the Foundation qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

NOTE 7 – LIQUIDITY

As part of the Foundation’s liquidity management plan, cash in excess of daily requirements is invested in short- and long-term investments and money market funds. At December 31, 2023, the funds available for daily operations was \$359,802.

The following table reflects the Foundation’s financial assets as of December 31, 2023 and 2022 that are available to meet cash needs for operating expenditures within one year.

	December 31,	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		\$ 359,802	\$ 446,039
Total		<u>\$ 359,802</u>	<u>\$ 446,039</u>

NOTE 8 – LINE OF CREDIT

In 2023, the Foundation had been extended an additional \$750,000 line of credit with a bank, secured by the Foundation’s financial assets held in their securities account. Borrowings under the line bear interest at a rate determined by the Federal Reserve Bank of New York’s 30-day Average Secured Overnight Financing Rate, plus 225 basis points. As of December 31, 2023,

CLEAR BROOK FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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\$1,249,667 has been drawn down on the line of credit and used towards the construction of a new facility. The agreement requires the Foundation to comply with certain financial and non-financial covenants.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through October 31, 2024, the date on which the financial statements were available to be issued, and has determined that with the exception to the item noted below, no material subsequent events exist that require disclosure.