

GIDEON'S PROMISE
FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022
With Independent Auditor's Report Thereon

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gideon's Promise, Inc.

Opinion

We have audited the accompanying financial statements of Gideon's Promise, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 Gideon's Promise, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Gideon's Promise, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Gideon's Promise, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence 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 Gideon's Promise, 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 Gideon's Promise, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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.

A handwritten signature in blue ink, appearing to read "J. S. H. & K. L. LLC".

Morrow, Georgia
December 9, 2024

GIDEON'S PROMISE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

ASSETS		2023	2022
CURRENT ASSETS			
Cash		\$ 1,177,289	\$ 2,173,371
Investments		2,258,327	240,452
Accounts receivables		53,256	74,223
Pledges receivable		-	350,000
Prepaid expenses		<u>51,289</u>	<u>19,236</u>
TOTAL CURRENT ASSETS		3,540,161	2,857,282
NON-CURRENT ASSETS			
Operating lease right-of-use asset		128,475	223,845
Deposits		<u>7,875</u>	<u>7,875</u>
TOTAL ASSETS		<u>\$ 3,676,511</u>	<u>\$ 3,089,002</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 65,858	\$ 37,840
Accrued expenses		14,014	16,720
Deferred revenue		400,800	375,965
Lease liability – short-term		<u>110,876</u>	<u>113,607</u>
TOTAL CURRENT LIABILITIES		<u>591,548</u>	<u>544,132</u>
NON-CURRENT LIABILITIES			
Lease liability – long-term		<u>46,925</u>	<u>157,801</u>
TOTAL LIABILITIES		638,473	701,933
NET ASSETS			
Without donor restrictions		3,038,038	1,993,787
With donor restriction		<u>-</u>	<u>393,282</u>
TOTAL NET ASSETS		<u>3,038,038</u>	<u>2,387,069</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,676,511</u>	<u>\$ 3,089,002</u>

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

GIDEON'S PROMISE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Program and training income	1,078,839	-	1,078,839
Contributions	\$ 1,002,914	\$ -	\$ 1,002,914
Contributed professional services	513,000	-	513,000
Special events	422,194	-	422,194
Investment income	65,132	-	65,132
Other income	8,863	-	8,863
Less: Direct benefit to donors	<u>(116,219)</u>	<u>-</u>	<u>(116,219)</u>
Public support and revenue	2,974,723	-	2,974,723
Net assets released from restrictions	<u>393,282</u>	<u>(393,282)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	3,368,005	(393,282)	2,974,723
EXPENSES			
Program activities	1,749,493	-	1,749,493
Supporting services			
Management and general	367,481	-	367,481
Fundraising	<u>206,780</u>	<u>-</u>	<u>206,780</u>
Total supporting services	<u>574,261</u>	<u>-</u>	<u>574,261</u>
TOTAL EXPENSES	<u>2,323,754</u>	<u>-</u>	<u>2,323,754</u>
CHANGE IN NET ASSETS	1,044,251	(393,282)	650,969
NET ASSETS AT BEGINNING OF YEAR	<u>1,993,787</u>	<u>393,282</u>	<u>2,387,069</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,038,038</u>	<u>\$ -</u>	<u>\$ 3,038,038</u>

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

GIDEON'S PROMISE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 716,162	\$ 25,000	\$ 741,162
Other income	13,186	-	13,186
Special events	428,785	-	428,785
Less: Direct benefit to donors	(82,919)	-	(82,919)
Program and training income	1,027,288	-	1,027,288
Investment income	<u>(12,030)</u>	<u>-</u>	<u>(12,030)</u>
Public support and revenue	2,090,472	25,000	2,115,472
Net assets released from restrictions	<u>759,487</u>	<u>(759,487)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	2,849,959	(734,487)	2,115,472
EXPENSES			
Program activities	2,200,182	-	2,200,182
Supporting services			
Management and general	248,401	-	248,401
Fundraising	<u>306,839</u>	<u>-</u>	<u>306,839</u>
Total supporting services	<u>555,240</u>	<u>-</u>	<u>555,240</u>
TOTAL EXPENSES	<u>2,755,422</u>	<u>-</u>	<u>2,755,422</u>
CHANGE IN NET ASSETS	94,537	(734,487)	(639,950)
NET ASSETS AT BEGINNING OF YEAR	<u>1,899,250</u>	<u>1,127,769</u>	<u>3,027,019</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,993,787</u>	<u>\$ 393,282</u>	<u>\$ 2,387,069</u>

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

GIDEON'S PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel and benefits	\$ 589,176	\$ 106,379	\$ 122,744	\$ 818,299
Professional fees	366,198	222,067	39,379	627,644
Travel	334,964	10,578	7,052	352,594
Program expenses	298,570	-	-	298,570
Office expense	76,384	13,792	15,913	106,089
Occupancy	75,701	13,668	15,771	105,140
Marketing and other expense	3,442	84	4,869	8,395
Telephone	<u>5,058</u>	<u>913</u>	<u>1,052</u>	<u>7,023</u>
 TOTAL EXPENSES	 <u>\$ 1,749,493</u>	 <u>\$ 367,481</u>	 <u>\$ 206,780</u>	 <u>\$ 2,323,754</u>

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

GIDEON'S PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel and benefits	\$ 1,008,013	\$ 182,003	\$ 210,002	\$ 1,400,018
Professional fees	114,536	11,791	42,109	168,436
Travel	538,077	16,992	11,328	566,397
Program expenses	331,233	-	-	331,233
Office expense	61,443	11,094	12,801	85,338
Occupancy	51,600	9,317	10,750	71,667
Marketing and other expense	81,380	14,694	16,954	113,028
Telephone	<u>13,900</u>	<u>2,510</u>	<u>2,895</u>	<u>19,305</u>
 TOTAL EXPENSES	 <u>\$ 2,200,182</u>	 <u>\$ 248,401</u>	 <u>\$ 306,839</u>	 <u>\$ 2,755,422</u>

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

GIDEON'S PROMISE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 650,969	\$ (639,950)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Loss on securities	2,500	17,770
Amortization of right-of-use asset	95,370	96,457
Decrease (Increase) in operating assets		
Accounts receivables	20,967	(56,254)
Pledges receivable	350,000	750,000
Prepaid expenses	(32,053)	(12,244)
Increase (Decrease) in operating liabilities		
Accounts payable	28,018	5,825
Accrued expenses	(2,706)	(8,370)
Deferred revenue	24,835	(194,932)
Lease liability	<u>(113,607)</u>	<u>(112,557)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,024,293	(154,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,221,738)	(281,608)
Proceeds from sale of investments	<u>8,201,363</u>	<u>29,846</u>
NET CASH USED IN INVESTING ACTIVITIES	(2,020,375)	(251,762)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	(996,082)	(406,017)
CASH AT THE BEGINNING OF THE YEARS	<u>2,173,371</u>	<u>2,579,388</u>
CASH AT THE END OF THE YEARS	<u>\$ 1,177,289</u>	<u>\$ 2,173,371</u>

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

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. ORGANIZATION

Gideon's Promise, Inc. ("Gideon's Promise, Inc.") is an organization created to improve the quality of representation for indigent defendants across the Southern United States. Their mission is to provide outstanding public defender training to young lawyers and to develop a community of Gideon's Promise, Inc. members, graduates, public defender offices, and other organizations, tied together by the mutual objective to advance standards of public defense, and thereby optimize the collective ability to advocate for systemic indigent defense reform. Gideon's Promise, Inc. revenue comes from its training program, government and foundation grants, and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of presentation

Gideon's Promise, Inc. classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Gideon's Promise, Inc. and changes therein are classified and reported 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 objective of the organization. These net assets may be used at the discretion of Gideon's Promise, Inc.' management and the board of directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of Gideon's Promise, Inc. and/or passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when 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.

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue recognition

Gideon's Promise, Inc. records unconditional promises to give and contributions received as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized as contributions or grants without donor restrictions once the conditions of the promise or grant have been substantially met.

Gideon's Promise, Inc. reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gideon's Promise, Inc. has chosen to report donor-restricted support whose restrictions are met in the same reporting period as support without donor restrictions.

Gideon's Promise, Inc. recognizes training fees when the training session occurs, in an amount that reflects the consideration Gideon's Promise, Inc. expects to be entitled to in exchange for the service. Revenue is recognized as service is provided, at a point in time. Gideon's Promise, Inc.'s training fees are quoted based off the number of participants.

Estimates in the financial statements

Management of Gideon's Promise, Inc. makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

Cash and cash equivalents

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents. For the years ended December 31, 2023 and 2022, Gideon's Promise, Inc. had no cash equivalents.

Financial instruments

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

Accounts receivable

Accounts receivables are presented net of the allowance for doubtful accounts. There were no allowance balances for the years ended December 31, 2023 and 2022.

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of donation. Items whose cost is in excess of \$1,500 are considered for capitalization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred. As of December 31, 2023 and 2022, there was no depreciation expense.

Investments

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

Deferred revenue

Training revenue paid to Gideon's Promise, Inc. in advance is recorded as deferred revenue. Such revenue will be recognized in the period the training occurs and expenditures are incurred.

Allocation of functional expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Gideon's Promise, Inc. Those expenses include occupancy which is allocated on a square footage basis, as well as personnel and benefits, travel, professional fees, office expense, telephone, marketing and other expenses, contracted services, and depreciation, which are allocated on the basis of estimates of time and effort

Income taxes

Gideon's Promise, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. Gideon's Promise, Inc. had no income from unrelated activities and has no income taxes due as of December 31, 2023 and 2022.

Gideon's Promise, Inc.'s application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes Gideon's Promise, Inc. has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. Gideon's Promise, Inc. would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. Gideon's Promise, Inc. is no longer subject to examination by federal, state or local tax authorities for periods before 2020.

Subsequent events

Subsequent events have been evaluated through December 9, 2024, which is the date the financial statements were available to be issued.

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

3. INVESTMENTS

The fair value of investments is follows at December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 30,972	\$ 29,815
Exchange traded funds	2,019,514	31,568
Equities	188,853	165,683
REITs	<u>18,988</u>	<u>13,386</u>
	<u>\$ 2,258,327</u>	<u>\$ 240,452</u>

4. FAIR VALUE MEASUREMENT

Gideon’s has adopted the provisions of Accounting Standards Codifications 820 (“ASC 820”), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on 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 order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3:** Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

Gideon’s investments are measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2023 and 2022, and are deemed as Level 1.

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

5. AVAILABILITY AND LIQUIDITY

The following represents Gideon’s Promise Inc.’s financial assets at December 31, 2023:

Financial assets:	
Cash and cash equivalents	\$ 1,177,289
Investments	2,258,327
Other receivables	<u>53,256</u>
Financial assets at year end	3,488,872
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,488,872</u>

Gideon’s Promise, Inc.’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$450,000). As part of its liquidity plan, excess cash is invested in various investments.

6. LEASE ACTIVITIES

Gideon’s Promise Inc. has an operating lease for office space. They assess whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating lease right-of-use asset and liability are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Since Gideon’s Promise Inc.’s lease did not provide an implicit rate, to determine the present value of lease payments, management elected to use the risk-free rate based on the information available at lease commencement. The operating lease right-of-use asset is adjusted for any prepaid or accrued lease payments.

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

6. LEASE ACTIVITIES – Continued

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2023:

Operating Leases	
Right-of-use asset – operating lease	<u>\$ 128,475</u>
Operating lease liabilities – short term	\$ 110,876
Operating lease liabilities – long term	<u>46,925</u>
Total operating lease liabilities	<u>\$ 157,801</u>

Supplemental Cash Flows Information for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 109,880
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 383,965
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Weighted Average Remaining Lease Term

Operating leases	17 months
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Weighted Average Discount Rate

Operating leases	1.04 %
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Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

Year Ending December 31,	
2024	\$ 111,992
2025	<u>47,048</u>
Total lease payments	159,040
Less: imputed interest	<u>(1,239)</u>
Present value of lease liabilities	<u>\$ 157,801</u>

GIDEON'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

7. NET ASSETS

Net assets with donor restrictions were as follows for the years ended 2023 and 2022:

	2023	2022
Subject to expenditures for specific purpose:		
Restricted for time	\$ -	\$ 350,000
Restricted for mentor support and travel	-	18,281
Restricted for faculty development	-	25,000
	\$ -	\$ 393,281

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Restricted for time	\$ 350,000	\$ 750,000
Restricted for mentor support and travel	18,281	9,488
Restricted for faculty development project	25,000	-
Total Released from Restrictions	\$ 393,281	\$ 759,488

8. CONCENTRATION OF RISK

Gideon's Promise, Inc. maintains its cash in accounts, which at times may exceed federally insured limits. Gideon's Promise, Inc. has not experienced any losses in such accounts. Management believes it is not exposed to any undue credit risk with regards to the cash in excess of federally insured limits. As of December 31, 2023, the amount which exceeded the insurance limits held in banks was \$541,966.