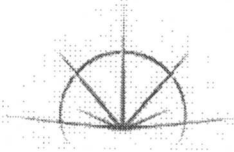


**MARY C. SCHANZ FOUNDATION
INDEX TO AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mary C. Schanz Foundation
Tucson, Arizona

Opinion

We have audited the accompanying financial statements of Mary C. Schanz Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Mary C. Schanz Foundation as of December 31, 2022 and 2021, 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. 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 Mary C. Schanz Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mary C. Schanz Foundation'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 Mary C. Schanz Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mary C. Schanz Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

October 4, 2023

Addington & Associates, PLLC

ADDINGTON & ASSOCIATES, PLLC

MARY C. SCHANZ FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 and 2021

ASSETS	2022	2021
Cash and cash equivalents	\$ 1,454,768	\$ 1,026,774
Other receivables	36,010	23,373
Investments	83,875	13,520
Investments - certificates of deposit	1,085,985	817,352
Prepaid expenses and other assets	65,711	6,276
Total current assets	2,726,349	1,887,295
Property and equipment, net	172,989	177,037
Total assets	\$ 2,899,338	\$ 2,064,332

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 48,112	\$ 22,459
Accrued expenses and other liabilities	37,524	35,265
Total current liabilities	85,636	57,724
Total liabilities	85,636	57,724

Net assets:

Without donor restrictions	2,813,702	1,955,108
With donor restrictions	-	51,500
Total net assets	2,813,702	2,006,608
Total liabilities and net assets	\$ 2,899,338	\$ 2,064,332

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

MARY C SCHANZ FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 2,536,990	\$ -	\$ 2,536,990
In-kind donations	111,200	-	111,200
Legacies and bequests	808,282	-	808,282
Interest income	19,822	-	19,822
Other income	4,282	-	4,282
Investment income/(loss), net	(5,178)	-	(5,178)
Net assets released from restriction	51,500	(51,500)	-
	<u>3,526,898</u>	<u>(51,500)</u>	<u>3,475,398</u>
Total public support and revenue			
Expenses:			
Program services	2,253,603	-	2,253,603
General and administrative	155,912	-	155,912
Fundraising	258,789	-	258,789
Total expenses	<u>2,668,304</u>	<u>-</u>	<u>2,668,304</u>
Change in net assets	858,594	(51,500)	807,094
Net assets, beginning of year	<u>1,955,108</u>	<u>51,500</u>	<u>2,006,608</u>
Net assets, end of year	<u>\$ 2,813,702</u>	<u>\$ -</u>	<u>\$ 2,813,702</u>

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

**MARY C SCHANZ FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 2,407,188	\$ 51,500	\$ 2,458,688
In-kind donations	111,200	-	111,200
Legacies and bequests	67,698	-	67,698
Interest income	23,738	-	23,738
Other income	5,766	-	5,766
Investment income, net	2,803	-	2,803
Net assets released from restriction	15,000	(15,000)	-
	<u>2,633,393</u>	<u>36,500</u>	<u>2,669,893</u>
Total public support and revenue			
Expenses:			
Program services	1,873,260	-	1,873,260
General and administrative	134,115	-	134,115
Fundraising	357,141	-	357,141
Total expenses	<u>2,364,516</u>	<u>-</u>	<u>2,364,516</u>
Change in net assets	268,877	36,500	305,377
Net assets, beginning of year	<u>1,686,231</u>	<u>15,000</u>	<u>1,701,231</u>
Net assets, end of year	<u>\$ 1,955,108</u>	<u>\$ 51,500</u>	<u>\$ 2,006,608</u>

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

MARY C SCHANZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program services	General and administrative	Fundraising	Total
Bank charges	\$ 14,813	\$ 3,911	\$ -	\$ 18,724
Depreciation	16,584	-	-	16,584
Fundraising campaign	-	-	257,677	257,677
In-kind expenses	78,952	31,136	1,112	111,200
Insurance	18,359	965	-	19,324
Miscellaneous expense	12,626	3,866	-	16,492
Office expenses	-	49,441	-	49,441
Outreach	58,448	-	-	58,448
Professional fees	13,500	11,423	-	24,923
Publications	163,789	-	-	163,789
Related party rent expense	8,002	-	-	8,002
Repairs and maintenance	6,122	-	-	6,122
Salaries, taxes, and employee related	1,048,228	55,170	-	1,103,398
Sanctuary operating expenses	717,310	-	-	717,310
Truck expense	65,332	-	-	65,332
Utilities	31,538	-	-	31,538
Total functional expenses	<u>\$ 2,253,603</u>	<u>\$ 155,912</u>	<u>\$ 258,789</u>	<u>\$ 2,668,304</u>

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

MARY C SCHANZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program services	General and administrative	Fundraising	Total
Bank charges	\$ 13,220	\$ 5,069	\$ -	\$ 18,289
Depreciation	17,063	-	-	17,063
Fundraising campaign	-	-	355,933	355,933
In-kind expenses	78,952	31,136	1,112	111,200
Insurance	18,234	918	-	19,152
Miscellaneous expense	9,422	1,333	96	10,851
Office expenses	-	48,948	-	48,948
Outreach	92,038	-	-	92,038
Professional fees	16,700	2,214	-	18,914
Publications	137,877	-	-	137,877
Related party rent expense	7,811	-	-	7,811
Repairs and maintenance	2,167	-	-	2,167
Salaries, taxes, and employee related	845,436	44,497	-	889,933
Sanctuary operating expenses	564,169	-	-	564,169
Truck expense	40,851	-	-	40,851
Utilities	29,320	-	-	29,320
Total functional expenses	<u>\$ 1,873,260</u>	<u>\$ 134,115</u>	<u>\$ 357,141</u>	<u>\$ 2,364,516</u>

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

**MARY C SCHANZ FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 807,094	\$ 305,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,584	17,063
Unrealized (gain)/loss on investments	5,178	(2,261)
Reinvested interest and dividends	(19,465)	(23,040)
Forgiveness of debt	-	(141,633)
(Increase) decrease in operating assets:		
Accounts receivable	(12,637)	740
Prepaid expenses and other assets	(59,435)	24,013
Increase (decrease) in operating liabilities:		
Accounts payable	25,653	(28,997)
Accrued expenses	2,259	11,376
Net cash provided by operating activities	<u>765,231</u>	<u>162,638</u>
Cash flows from investing activities:		
Purchase of fixed assets	(12,536)	(47,416)
Purchase of investments	(324,701)	-
Net cash (used) in investing activities	<u>(337,237)</u>	<u>(47,416)</u>
Cash flows from financing activities:		
Payments made due to related party	-	(18,143)
Net cash provided by (used) in financing activities	<u>-</u>	<u>(18,143)</u>
Change in cash and cash equivalents	427,994	97,079
Cash and cash equivalents, beginning of year	<u>1,026,774</u>	<u>929,695</u>
Cash and cash equivalents, end of year	<u>\$ 1,454,768</u>	<u>\$ 1,026,774</u>
<i>Supplemental cash flow information:</i>		
Non-cash in-kind donations	<u>\$ 111,200</u>	<u>\$ 111,200</u>

Noncash investing and financing activity - During 2021, the Small Business Administration forgave the \$141,633 balance of the Paycheck Protection Program loan.

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

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. Summary of significant accounting policies

Nature of organization

The Mary C. Schanz Foundation (the "Foundation") was organized as a not-for-profit corporation in 2000. The Foundation is dedicated to eliminating the suffering of potbellied pigs in Arizona and surrounding states by promoting spaying and neutering, assisting owners and other sanctuaries, and providing a permanent home in a safe, nurturing environment for those that are abandoned, abused, neglected, or unwanted. The Foundation is supported primarily through public contributions.

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.

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2022 and 2021, net assets with donor restrictions for a specific purpose to be released within one year were \$0 and \$51,500, respectively. There were no net assets with donor restrictions of a perpetual nature at December 31, 2022 or 2021.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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.

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021 - continued

1. Summary of significant accounting policies – continued

Contributions – continued

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations, regarding how long the contributed assets must be used, are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property, plant and equipment

Donated fixed assets are reported at estimated fair value at the date of contribution. Purchased fixed assets of the Foundation are stated at cost. Asset lives ranges from 5 to 30 years. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Asset additions over \$1,000 are capitalized and depreciated. Repairs and maintenance are charged to expense as incurred.

Donation of services

It is the policy of the Foundation not to report on its financial statements the value of donated personal services unless they enhance non-financial assets or consist of specialized services performed by individuals that possess the required specialized skills. The Foundation's two co-directors donate all of their time to the Foundation. Total donated in-kind salaries of \$105,000 have been recorded for December 31, 2022 and 2021.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers cash and cash equivalents to include cash on deposit in banks, certificates of deposit and cash temporarily invested in interest bearing money market accounts with original maturities of three months or less.

Certificates of deposit

It is the Foundation's policy to account for certificates of deposit at cost (purchase price plus accrued interest) which approximates fair value. Any penalties for early withdrawal would not have a material effect on the financial statements

Advertising costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct advertising are capitalized and amortized over its estimated useful life. No advertising costs were capitalized or incurred at December 31, 2022 and 2021.

Income taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 502(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021 - continued

1. Summary of significant accounting policies – continued

Income taxes - continued

is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Investments

Investments are recorded at their fair market value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, general and administrative, and fund-raising expenses. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and Effort
Professional Fees	Time and Effort
In-Kind	Time and Effort

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 support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and revenue recognition

The Foundation 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. As of the year ended December 31, 2022 and 2021, there were no conditional promises to give.

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021 - continued

1. Summary of significant accounting policies – continued

Revenue and revenue recognition - continued

During 2020 the Foundation adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the full retrospective method. This ASU superseded the previous revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of this ASU did not have a significant impact on the Foundation's financial statements. No changes were required to previously reported assets or revenues as a result of the adoption. Based on the Foundation's evaluation process and review of its revenue sources, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

2. Significant estimates

The Foundation's co-directors perform significant services for the Foundation for which they receive no compensation. Donated in-kind salary expense and donated in-kind income has been reported at an estimated fair value. These reported amounts represent a significant estimate.

The Foundation has acquired assets since inception and through December 31, 2022. The estimated useful lives and corresponding net book value of these assets represent a significant estimate.

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Availability and liquidity

The following represents the Foundation's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,454,768	\$ 1,026,774
Other receivables	36,010	23,373
Investments	83,875	13,520
Investments, CD's	1,085,985	817,352
Total financial assets	2,660,638	1,881,019
Less amounts not available to be used within one year:		
Net asset with donor restrictions	-	51,500
Less net assets with purpose restrictions to be met in less than one year	-	(51,500)
Financial assets available to meet general expenditures over the next twelve months	\$ 2,660,638	\$ 1,881,019

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021 - continued

3. Availability and liquidity – continued

The Foundation’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term highly liquid, low risk instruments, including money market accounts and certificates of deposit classified as cash and cash equivalents.

4. Investments/fair value measurements

U.S. generally accepted accounting principles establish a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, level 2 inputs consist of observable inputs other than quoted prices for identical assets, and level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair values using level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 fair value measurements are based on inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a level 2 input must be observable for substantially the full-term of the asset.

Level 3 fair value measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that hold the asset. Therefore, unobservable inputs shall reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity’s own data.

Fair value measurements were reported based on the following:

	Level 1	
	2022	2021
Stocks	\$ 4,922	\$ 6,532
Exchange traded fund	2,469	4,741
Mutual fund	76,484	2,247
Total	\$ 83,875	\$ 13,520

MARY C. SCHANZ FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021 - continued

4. Property and equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

		2022		2021
Land	\$	81,618	\$	81,618
Buildings and improvements		268,935		268,935
Office equipment		2,180		2,180
Machinery and equipment		243,169		230,633
		595,902		583,366
Less accumulated depreciation		(422,913)		(406,329)
	\$	172,989	\$	177,037

Depreciation expense for the years ended December 31, 2022 and 2021, were \$16,584 and \$17,063 respectively.

5. Related party transactions

The Foundation also rents property on a month-to-month basis from the directors. Total rents were \$8,002 and \$7,811 respectively for years ended December 31, 2022 and 2021.

6. Paycheck protection program note payable

On May 4, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$141,633. Under the terms of the agreement, the loan was unsecured, there were no payments due and interest did not accrue during the period from the loan date through the date the SBA determined the loan forgiveness amount. The Foundation accounted for the PPP loan in accordance with FASB ASC 470, Debt and recorded the PPP loan as debt as of December 31, 2020.

On February 16, 2021, the Foundation was notified that their application for forgiveness was fully approved by the SBA. The forgiveness of the outstanding debt of 141,633 was recognized as a gain on extinguishment during the fiscal year ending December 31, 2021.

7. Concentrations of credit risk

Cash in banks

The Foundation maintains operating cash balances and savings accounts in various banks insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per bank. Total cash balances at December 31, 2022 exceeded the \$250,000 FDIC insurance coverage limit by \$1,037,296.

8. Subsequent events

Management has evaluated subsequent events through October 4, 2023, the date the financial statements were available to be issued.