

Truth Initiative Foundation

Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
Truth Initiative Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Truth Initiative Foundation (Truth Initiative), which comprise the balance sheets as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truth Initiative Foundation as of June 30, 2021 and 2020, 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.

RSM US LLP

Washington, D.C.
September 24, 2021

Truth Initiative Foundation

Balance Sheets June 30, 2021 and 2020 (In Thousands)

	2021	2020
Assets		
Cash and cash equivalents	\$ 135,135	\$ 120,698
Investments	867,443	727,479
Trades to be settled	75	111
Accrued interest receivable	198	241
Grants receivable	188	176
Prepaid expenses	1,945	902
Property and equipment, net	2,834	3,799
Other assets	278	200
	<u>\$ 1,008,096</u>	<u>\$ 853,606</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,435	\$ 9,542
Deferred revenue	342	196
Refundable advance	3,336	3,508
Loans payable	93,500	63,500
Other liabilities	1,892	916
Deferred rent	3,597	4,096
	<u>114,102</u>	<u>81,758</u>
Commitments and contingencies (Notes 5 and 8)		
Net assets without donor restrictions	<u>893,994</u>	<u>771,848</u>
	<u>\$ 1,008,096</u>	<u>\$ 853,606</u>

See notes to financial statements.

Truth Initiative Foundation

Statements of Activities
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Revenue and support:		
Sponsored projects and other income	\$ 5,609	\$ 4,106
Investment income, net of fees	211,005	32,537
Total revenue and support	216,614	36,643
Expenses:		
Program expenses:		
Counter-marketing and public education	56,115	63,872
Communications	3,674	3,875
Truth Initiative Schroeder Institute	9,026	10,567
Innovations	7,599	7,830
Community and youth engagement	5,470	5,331
Program grants	939	1,630
Other programs	996	1,178
	83,819	94,283
Supporting services:		
General and administrative	10,649	10,982
Total expenses	94,468	105,265
Change in net assets	122,146	(68,622)
Net assets without donor restrictions:		
Beginning	771,848	840,470
Ending	\$ 893,994	\$ 771,848

See notes to financial statements.

Truth Initiative Foundation

Statement of Functional Expenses Year Ended June 30, 2021 (In Thousands)

	Program Services							Supporting Services		
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Community and Youth Engagement	Program Grants	Other Programs	Total Program Services	General and Administrative	Total
Salaries and fringe	\$ 4,005	\$ 1,816	\$ 4,216	\$ 3,480	\$ 2,007	-	\$ 641	\$ 16,165	\$ 6,538	\$ 22,703
Contract services	50,380	1,202	3,728	1,682	2,644	-	44	59,680	151	59,831
Grants	-	-	-	126	298	938	-	1,362	-	1,362
Travel and lodging	-	2	-	-	-	-	-	2	1	3
Digital promotions	-	66	-	152	-	-	-	218	-	218
Sponsorship and contributions	-	47	-	-	19	-	8	74	-	74
Consulting	5	1	-	232	-	-	134	372	31	403
Meetings, events and conferences	3	10	4	38	8	-	3	66	3	69
Miscellaneous expense	6	7	-	14	4	1	2	34	72	106
Dues and subscriptions	15	21	65	9	5	-	23	138	31	169
Insurance	71	-	-	71	-	-	-	71	296	367
Computer expense	665	28	20	333	-	-	1	1,047	262	1,309
Telephone and wireless services	39	39	10	136	7	-	1	232	200	432
Depreciation	6	2	-	422	-	-	-	430	663	1,093
Auditing, accounting and payroll processing	-	-	-	-	-	-	-	-	249	249
Legal fees	-	-	4	-	-	-	-	4	100	104
Occupancy	-	-	-	-	-	-	-	-	2,755	2,755
Meals and entertainment	-	1	-	-	1	-	-	2	1	3
Supplies	-	2	1	-	1	-	-	4	16	20
Professional development	3	4	16	2	8	-	-	33	11	44
Printing and publications	1	6	16	11	1	-	4	39	-	39
Postage and shipping	1	4	-	-	6	-	-	11	8	19
Equipment rental, repairs and maintenance	-	-	-	-	1	-	-	1	38	39
Utilities	-	-	-	-	-	-	-	-	36	36
Temporary services	-	-	-	26	-	-	-	26	-	26
UBIT payments	-	-	-	-	-	-	-	-	504	504
Interest	-	-	-	-	-	-	-	-	2,354	2,354
Survey incentives	2	-	-	46	-	-	-	48	-	48
Outreach materials	-	14	-	1	4	-	-	19	-	19
Recruitment ads	35	2	8	3	2	-	-	50	7	57
Taxes and filing fees	-	-	-	-	-	-	-	-	9	9
Fundraising	-	-	-	-	-	-	-	-	3	3
Intercompany grant expense	(5)	-	-	5	-	-	-	-	-	-
Cost of sales	-	-	-	1	-	-	-	1	-	1
Total expenses	55,232	3,274	8,088	6,719	5,016	939	861	80,129	14,339	94,468
Overhead allocation	883	400	938	880	454	-	135	3,690	(3,690)	-
	\$ 56,115	\$ 3,674	\$ 9,026	\$ 7,599	\$ 5,470	\$ 939	\$ 996	\$ 83,819	\$ 10,649	\$ 94,468

(Continued)

Truth Initiative Foundation

Statement of Functional Expenses (Continued)

Year Ended June 30, 2021

(In Thousands)

	Program Services							Supporting Services		
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Community and Youth Engagement	Program Grants	Other Programs	Total Program Services	General and Administrative	Total
Program summary:										
Youth/young adult public education	\$ 54,518	\$ 1,909	\$ 2,464	\$ -	\$ 340	\$ 252	\$ 93	\$ 59,576	\$ -	\$ 59,576
Research, policy and practice	155	491	5,389	386	330	369	536	7,656	-	7,656
Community and youth engagement	559	637	204	-	4,346	318	141	6,205	-	6,205
Operations	883	547	969	880	454	-	226	3,959	10,645	14,604
Innovations	-	90	-	6,333	-	-	-	6,423	4	6,427
Total expenses	\$ 56,115	\$ 3,674	\$ 9,026	\$ 7,599	\$ 5,470	\$ 939	\$ 996	\$ 83,819	\$ 10,649	\$ 94,468

See notes to financial statements.

Truth Initiative Foundation

Statement of Functional Expenses Year Ended June 30, 2020 (In Thousands)

	Program Services								Supporting Services	
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Community and Youth Engagement	Program Grants	Other Programs	Total Program Services	General and Administrative	Total
Salaries and fringe	\$ 3,995	\$ 2,044	\$ 4,558	\$ 3,932	\$ 2,265	\$ 336	\$ 690	\$ 17,820	\$ 7,009	\$ 24,829
Contract services	57,596	953	4,837	944	962	-	88	65,380	153	65,533
Grants	-	-	-	147	501	1,225	-	1,873	-	1,873
Travel and lodging	277	61	79	29	585	-	16	1,047	93	1,140
Digital promotions	-	43	-	141	-	-	-	184	-	184
Sponsorship and contributions	8	121	-	-	24	-	1	154	-	154
Consulting	32	7	1	115	23	-	196	374	95	469
Meetings, events and conferences	27	72	14	56	128	-	6	303	13	316
Miscellaneous expense	13	11	9	8	27	-	3	71	287	358
Dues and subscriptions	26	25	58	4	2	-	17	132	39	171
Insurance	80	-	-	-	-	-	-	80	287	367
Computer expense	587	30	21	369	3	-	15	1,025	167	1,192
Telephone and wireless services	43	36	12	76	10	1	1	179	193	372
Depreciation	5	2	-	958	3	-	-	968	785	1,753
Auditing, accounting and payroll processing	-	-	-	-	-	-	-	-	224	224
Legal fees	-	-	7	3	-	-	-	10	163	173
Occupancy	-	-	-	-	-	-	-	-	2,756	2,756
Meals and entertainment	33	7	9	2	118	-	2	171	17	188
Supplies	4	3	1	1	2	-	-	11	79	90
Professional development	13	2	6	3	11	-	-	35	39	74
Printing and publications	-	23	8	7	10	-	5	53	1	54
Postage and shipping	13	4	-	2	42	1	-	62	9	71
Equipment rental, repairs and maintenance	-	-	-	-	1	-	-	1	64	65
Utilities	-	-	-	-	-	-	-	-	61	61
Temporary services	-	-	6	-	-	-	-	6	18	24
UBIT payments	-	-	-	-	-	-	-	-	138	138
Interest	-	-	-	-	-	-	-	-	1,921	1,921
Survey incentives	-	-	-	221	2	-	-	223	-	223
Outreach materials	293	13	-	1	153	-	-	460	-	460
Recruitment ads	8	2	10	1	-	-	-	21	11	32
Total expenses	63,053	3,459	9,636	7,020	4,872	1,563	1,040	90,643	14,622	105,265
Overhead allocation	819	416	931	810	459	67	138	3,640	(3,640)	-
	\$ 63,872	\$ 3,875	\$ 10,567	\$ 7,830	\$ 5,331	\$ 1,630	\$ 1,178	\$ 94,283	\$ 10,982	\$ 105,265

(Continued)

Truth Initiative Foundation

Statement of Functional Expenses (Continued)

Year Ended June 30, 2020

(In Thousands)

	Program Services								Supporting Services		Total
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Community and Youth Engagement	Program Grants	Other Programs	Total Program Services	General and Administrative		
Program summary:											
Youth/young adult public education	\$ 62,321	\$ 1,844	\$ 2,724	\$ -	\$ 361	\$ 239	\$ 188	\$ 67,677	\$ -	\$ 67,677	
Research, policy and practice	125	576	6,511	433	316	667	562	9,190	-	9,190	
Engagement, activism and partnerships	607	789	400	27	4,196	656	120	6,795	-	6,795	
Operations	819	579	932	811	458	68	308	3,975	10,982	14,957	
Innovations	-	87	-	6,559	-	-	-	6,646	-	6,646	
Total expenses	\$ 63,872	\$ 3,875	\$ 10,567	\$ 7,830	\$ 5,331	\$ 1,630	\$ 1,178	\$ 94,283	\$ 10,982	\$ 105,265	

See notes to financial statements.

Truth Initiative Foundation

Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 122,146	\$ (68,622)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gain on investments	(203,013)	(21,104)
Other investment gain	(5,438)	(3,394)
Depreciation	1,093	1,753
Change in interest rate swap agreement	-	(4,927)
Deferred rent	(499)	(451)
Changes in assets and liabilities:		
(Increase) decrease in:		
Trades to be settled	36	242
Accrued interest receivable	43	40
Grants receivable	(12)	71
Prepaid expenses	(1,043)	719
Other assets	(78)	227
Increase (decrease) in:		
Accounts payable and accrued expenses	1,893	(726)
Deferred revenue	146	114
Refundable advance	(172)	2,986
Other liabilities	976	(655)
Net cash used in operating activities	(83,922)	(93,727)
Cash flows from investing activities:		
Purchase of property and equipment	(128)	(497)
Proceeds from sale of investments	178,181	268,506
Purchases of investments	(109,694)	(179,174)
Net cash provided by investing activities	68,359	88,835
Cash flows from financing activities:		
Proceeds from borrowings	30,000	3,500
Net cash provided by financing activities	30,000	3,500
Net increase (decrease) in cash and cash equivalents	14,437	(1,392)
Cash and cash equivalents:		
Beginning	120,698	122,090
Ending	\$ 135,135	\$ 120,698
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2,354	\$ 1,921
Cash paid for income taxes	\$ 504	\$ 138

See notes to financial statements.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: In November 1998, a coalition of 46 state attorneys general successfully settled their civil cases with the tobacco companies. As a result, the settling states and the participating tobacco manufacturers entered into two separate settlement agreements: the Master Settlement Agreement (MSA) and the Smokeless Tobacco Master Settlement Agreement (STMSA). The two settlement agreements provided for the establishment and initial funding of a Section 501(c)(3) organization to reduce tobacco and nicotine usage in the United States. Pursuant to these agreements, an organization named Master Settlement Agreement Foundation (MSA Foundation) was created in March 1999, and was later renamed American Legacy Foundation.

As of August 27, 2015, American Legacy Foundation legally changed its name to Truth Initiative Foundation (Truth Initiative) to reflect its objective to align all organization programs more closely with the truth campaign and consistent with its mission to achieve a culture where all youth and young adults reject tobacco.

Truth Initiative is governed by a Board of Directors, which is comprised of state governors, legislators, attorneys general and experts in the medical, education and public health fields.

Truth Initiative's bylaws set forth its functions as follows:

Carrying out a nationwide sustained advertising and education program to: (a) counter the use by youth of tobacco products and (b) educate consumers about the cause and prevention of diseases associated with the use of tobacco products.

Developing and disseminating model advertising and education programs to counter the use by youth of substances that are unlawful for the use or purchase by youth, with an emphasis on reducing youth tobacco and nicotine use; monitoring and testing the effectiveness of such model programs and, based on the information received from such monitoring and testing, continuing to develop and disseminate revised versions of such model programs, as appropriate.

Developing and disseminating model classroom education programs and curriculum ideas about tobacco and nicotine use and substance abuse in the K–12 school system, including specific target programs for special at-risk populations; monitoring and testing the effectiveness of such model programs and ideas and, based on the information received from such model programs or ideas, continuing to develop and disseminate revised versions of such model programs, as appropriate.

Developing and disseminating criteria for the effectiveness cessation program, monitoring and testing the effectiveness of such criteria and continuing to develop and disseminate revised versions of such criteria, as appropriate.

Commissioning studies, funding research and publishing reports and factors that influence youth tobacco and nicotine use and substance abuse and developing strategies to address the conclusions of such studies and research.

Developing other innovative youth tobacco and nicotine use and substance abuse prevention programs.

Providing targeted training and information for parents.

Maintaining a library of Truth Initiative-funded studies, reports and other publications related to the cause and prevention of youth tobacco and nicotine use and substance abuse that will be open to the public.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tracking and monitoring youth tobacco and nicotine use and substance abuse, with a focus on the reason for any increases in or failures to decrease youth tobacco and nicotine use and substance abuse, and what actions can be taken to reduce youth tobacco and nicotine use and substance abuse.

Receiving, controlling and managing contributions and funds provided by other entities for further purposes described in Truth Initiative's certificate of incorporation.

Truth Initiative is organized around its four primary program goals: (i) youth/young adult public education (primarily through the truth[®] anti-tobacco counter-marketing campaign), (ii) research policy and practice including the activity of Truth Initiative's evaluation science research function and its Schroeder Institute for Tobacco Research and Policy Studies, (iii) community and youth engagement activities including our youth activism program and (iv) using innovative digital tools to design, build and market effective and scalable approaches to smoking cessation. Truth Initiative also has an operations function for administration, fiscal, legal, technology and personnel activities.

A summary of Truth Initiative's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, Truth Initiative is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Truth Initiative had no net assets with donor restrictions at June 30, 2021 and 2020.

Cash and cash equivalents: For purposes of the statements of cash flows, Truth Initiative considers all short-term, highly liquid debt instruments to be cash equivalents, including money market funds and repurchase agreements purchased with an original maturity of three months or less.

Financial risk: Truth Initiative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Truth Initiative has not experienced any losses in such accounts. Truth Initiative believes it is not exposed to any significant financial risk on cash. Truth Initiative invests in various equities and alternative investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Securities transactions, interest and dividends: Securities transactions are recorded on a trade-date basis and are carried at their fair value. Realized gains and losses on securities transactions are determined on a specific identification basis and are included in investment income, net of fees in the accompanying statements of activities. The change in the fair value of investments is also included in investment income, net of fees in the accompanying statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of investments and cash equivalents: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Mutual funds, U.S. stocks and global stocks consist of investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded on the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted asked price is used.

Truth Initiative considers repurchase agreements, money market funds, the State Street Institutional Reserves Fund and deposits held at a futures broker to be cash equivalents based on the short maturity and liquidity of the assets. Accordingly, Truth Initiative's management utilizes the dollar per unit price provided by the custodian of the assets as a basis for the fair value assessment.

Investments in commingled/common trust funds, hedge funds, private equity funds and private equity fund of funds are valued at fair value based on the applicable percentage ownership of the underlying fund/partnerships' net assets as of the measurement date, as provided by the fund managers. The underlying investment funds/partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds/partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective funds and investment partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of Truth Initiative's investments in funds and investment partnerships generally represents the amount Truth Initiative would expect to receive if it were to liquidate its investment in the other investment partnerships, excluding any redemption charges that may apply.

The fund managers of underlying funds and investment partnership funds in which Truth Initiative invests may utilize derivative instruments with off-balance-sheet risk. Truth Initiative's exposure to risk is limited to the amount of its investment.

Financial instruments with off-balance-sheet risk: In connection with its trading activities, Truth Initiative enters into transactions involving a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the balance sheets.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Theoretically, Truth Initiative's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease Truth Initiative's overall exposure to market risk. Truth Initiative attempts to control its exposure to market risk through various analytical monitoring techniques.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Concentrations of credit risk: Truth Initiative is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, Truth Initiative may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is Truth Initiative's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, Truth Initiative enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties, and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, Truth Initiative. Truth Initiative's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against Truth Initiative and have not yet occurred. Truth Initiative expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications.

Property and equipment: Truth Initiative capitalizes all property and equipment and buildings purchased with a cost of \$5 or more at cost and depreciates them using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39½ years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the related lease terms. Truth Initiative expenses preliminary project stage costs as incurred. Capitalized application stage software costs are amortized over three years using the straight-line method. Post-implementation and operation stage costs are expensed as incurred.

Valuation of long-lived assets: Truth Initiative reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Interest rate swap agreement and hedging activities: The interest rate swap agreement was carried at fair value. The fair value of the interest rate swap agreement was the estimated amount that the financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Income taxes: Truth Initiative is generally exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). In addition, Truth Initiative has been classified as an organization that is not a private foundation. Income which is not related to its exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Truth Initiative follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Truth Initiative may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de recognition, classification, interest, penalties on income taxes and accounting in interim periods.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Management evaluated Truth Initiative's tax positions and concluded that Truth Initiative had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance for accounting for uncertainty in income taxes.

Allocation of expenses: The costs of providing the program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Expenses are either directly charged to program services as incurred or proportionately allocated to functional categories, based on various allocation methods. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated to programs on a percentage basis.

Revenue recognition: Unconditional contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

Adopted accounting pronouncements: As of July 1, 2020, Truth Initiative adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent ASUs that modified ASC 606. Truth Initiative elected to apply the modified retrospective method to adopt the new standard. There were no material changes to the timing of recognition of revenue and, therefore, no material impact to the financial statements upon adoption.

As of July 1, 2020, Truth Initiative adopted guidance for resource providers in ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the ASU were applied on a modified prospective basis. The adoption of the standard had no material impact on the financial statements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. Truth Initiative adopted this ASU during the year ended June 30, 2021. The adoption of the standard had no material impact on the financial statements

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Truth Initiative is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Truth Initiative evaluated subsequent events through September 24, 2021, which is the date the financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2021 and 2020, consist of the following:

	2021	2020
Mutual funds	\$ 84,131	\$ 93,428
U.S. stocks	106,474	88,333
Global stocks	33,232	25,776
Fixed income bonds	28,249	15,925
Other investments measured at net asset value:		
Commingled/common trust funds	210,733	154,860
Hedge funds	81,427	66,407
Private equity funds	264,812	213,444
Other	58,385	69,306
	<u>\$ 867,443</u>	<u>\$ 727,479</u>

Investment income, net of fees, for the years ended June 30, 2021 and 2020, consists of the following:

	2021	2020
Interest, dividends and accretion income	\$ 6,791	\$ 12,096
Realized and unrealized gain on investments	203,013	21,104
Other investment gain	5,438	3,394
Investment fees	(4,237)	(4,057)
Total investment income, net of fees	<u>\$ 211,005</u>	<u>\$ 32,537</u>

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Notes to Financial Statements (In Thousands)

Note 2. Investments (Continued)

Alternative investments are less liquid than Truth Initiative's other investments. The following tables set forth additional disclosures of Truth Initiative's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2021 and 2020.

As of June 30, 2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled/common trust funds (a):				
Emerging markets	\$ 68,768	\$ -	Daily, monthly	3-90 days
Global developed market	56,640	-	Monthly	10 days
U.S. small cap	33,944	-	Monthly	10 days
Global emerging market	26,381	-	Monthly	7 days
U.S. large cap	25,000	-	Daily	3 days
	<u>210,733</u>	<u>-</u>		
Hedge funds:				
Semi-liquid credit (d)	1,352	-	Semi-annually	90 days
Multi-strategy (c)	56,016	-	Monthly, semi-annually	3-60 days
Long/short (b)	24,059	-	Quarterly, annually	45-60 days
	<u>81,427</u>	<u>-</u>		
Private equity funds:				
Real estate (h)	41,421	16,949	Longer than one year	Not applicable
Private energy (h)	34,174	3,447	Longer than one year	Not applicable
Private debt (g)	44,099	24,665	Longer than one year	Not applicable
Venture/buyout (f)	145,118	20,079	Longer than one year	Not applicable
	<u>264,812</u>	<u>65,140</u>		
Other (e)	58,385	-	Longer than one year	Not applicable
	<u>\$ 615,357</u>	<u>\$ 65,140</u>		
As of June 30, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled/common trust funds (a):				
Emerging markets	\$ 48,959	\$ -	Daily, monthly	3-90 days
Global developed market	42,285	-	Monthly	10 days
U.S. small cap	18,557	-	Monthly	10 days
Global emerging market	23,130	-	Monthly	7 days
U.S. large cap	21,929	-	Daily	3 days
	<u>154,860</u>	<u>-</u>		
Hedge funds:				
Semi-liquid credit (d)	2,397	-	Semi-annually	90 days
Multi-strategy (c)	44,724	-	Monthly, semi-annually	3-60 days
Long/short (b)	19,286	-	Quarterly, annually	45-60 days
	<u>66,407</u>	<u>-</u>		
Private equity funds:				
Real estate (h)	43,554	20,009	Longer than one year	Not applicable
Private energy (h)	30,365	3,463	Longer than one year	Not applicable
Private debt (g)	28,905	26,438	Longer than one year	Not applicable
Venture/buyout (f)	110,620	25,582	Longer than one year	Not applicable
	<u>213,444</u>	<u>75,492</u>		
Other (e)	69,306	-	Longer than one year	Not applicable
	<u>\$ 504,017</u>	<u>\$ 75,492</u>		

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 2. Investments (Continued)

Investment strategies of trusts, hedge fund and other funds are as follows:

- (a) **Common trust funds/commingled funds:** This category invests in common trust funds and commingled funds, which pursue a variety of investment strategies. The fair value of investments in this category has been estimated using an equivalent to a NAV per share and is available to be redeemed at that value.
- (b) **Hedge fund – long/short:** The funds within this category invest in both long and short in various domestic and international common stocks. Approximately 1% and 2% of the value of the category at June 30, 2021 and 2020, respectively, can be redeemed on an annual basis with 45 days' notice. The remaining 99% and 98% of the value of this category can be redeemed on a quarterly basis with 60 days' notice at June 30, 2021 and 2020, respectively. The fair value of investment in this category has been estimated using the NAV per share of the investment.
- (c) **Hedge fund – multi-strategy:** The funds within this category pursue multiple strategies to diversify risk and reduce volatility. Approximately 65% and 62% of the value of category at June 30, 2021 and 2020, respectively, can be redeemed on a monthly basis with three days' notice. The remaining 35% and 38% of the value of this category can be redeemed on a semiannual basis with 60 days' notice at June 30, 2021 and 2020, respectively. The fair value of investment in this category has been estimated using the NAV per share of the investment.
- (d) **Hedge fund – semi-liquid credit:** This category includes an investment in a hedge fund that seeks to generate superior risk-adjusted returns by investing in a broad array of securities within the leveraged finance marketplace. This investment represents one class of shares, which is available to be redeemed annually on the anniversary date of the initial investment. The fair value of investment in this category has been estimated using the NAV per share of the investment.
- (e) **Other:** This category includes an emerging income fund that seeks long-term capital appreciation by investing in and holding a diversified portfolio of revenue-producing intellectual property assets and royalty interests. The fund allows redemption to the extent that there is surplus cash available and is subject to fund management's discretion.

The following categories include various private equity funds and private equity fund of funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in these categories is that distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2021 and 2020, it is probable that the investments in these categories will be liquidated at an amount different from the net asset value of the Truth Initiative's ownership interest in partners' capital. Therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds within these categories would be liquidated over 5 to 10 years.

The investment strategies of the funds within these categories are summarized as follows:

- (f) **Private equity and private equity fund of funds – venture/buyout:** This category includes several private equity funds pursuing venture and/or buyout strategies to generate investment returns.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 2. Investments (Continued)

- (g) **Private equity and private equity fund of funds – private debt:** This category includes several private equity funds focusing on private debt. The investment strategies of these funds focus on debt securities of companies undergoing financial distress, operating difficulties and significant restructuring and on acquiring eligible assets, which include certain commercial mortgage-backed securities and non-agency residential mortgage-backed securities, under the Public-Private Investment Partnership, which seeks to unlock frozen credit markets and expand lending activity.
- (h) **Private equity and private equity fund of funds – private energy and real estate:** These categories invest in various private equity funds focused on generating gains through investments in real assets, specifically real assets within the private energy sector and real estate ventures.

Note 3. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2021, and depreciation expense for the year ended June 30, 2021, consist of the following:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and fixtures	7 years	\$ 1,414	\$ 1,154	\$ 260	\$ 202
Computers and software	3 years	263	249	14	12
Office equipment	5 years	1,069	896	173	60
Leasehold improvements	11½ years	4,377	2,250	2,127	391
Intangible assets	3 years	4,883	4,644	239	422
Vehicles	5 years	439	418	21	6
		<u>\$ 12,445</u>	<u>\$ 9,611</u>	<u>\$ 2,834</u>	<u>\$ 1,093</u>

Property and equipment and accumulated depreciation at June 30, 2020, and depreciation expense for the year ended June 30, 2020, consist of the following:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and fixtures	7 years	\$ 1,414	\$ 952	\$ 462	\$ 202
Computers and software	3 years	263	237	26	20
Office equipment	5 years	884	836	48	180
Leasehold improvements	11½ years	4,377	1,859	2,518	391
Intangible assets	3 years	4,883	4,222	661	958
Assets in progress	N/A	57	-	57	-
Vehicles	5 years	439	412	27	2
		<u>\$ 12,317</u>	<u>\$ 8,518</u>	<u>\$ 3,799</u>	<u>\$ 1,753</u>

Note 4. Interest Rate Swap Agreement

Relating to a previous bond transaction, which was paid in full on July 21, 2015, Truth Initiative entered into an interest rate swap agreement. On July 30, 2019, Truth Initiative settled the interest rate swap for \$4,998.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 5. Leases

During the year ended June 30, 2015, Truth Initiative signed a new lease for 33,216 square feet of office space (new headquarters), which commenced on September 1, 2015, at a base rate of \$52.75 per square foot. The lease term is 135 months and includes a 15-month rent abatement, annual rent escalations and an improvement allowance. These benefits and escalations are recognized on a straight-line basis over the life of the lease. The unrecognized portions are reflected as deferred rent on the accompanying balance sheets. Truth Initiative's share of real estate taxes and operating costs are determined annually.

Future minimum lease payments to be paid under the operating lease are as follows:

Years ending June 30:	
2022	\$ 2,024
2023	2,074
2024	2,126
2025	2,179
2026	2,234
Thereafter	949
	<u>\$ 11,586</u>

Rent expense amounted to \$2,755 and \$2,756 for the years ended June 30, 2021 and 2020, respectively.

Note 6. Retirement Plans

Truth Initiative maintains an employee 401(k) savings plan. Employees who are at least 21 years of age are eligible for enrollment and participation in the first month following the completion of 180 days of employment. During the year ended June 30, 2020, Truth Initiative contributed 15% of the base compensation for each employee. Beginning on July 1, 2020, Truth Initiative contributes 10% of the base compensation for each employee. Participants may elect to defer their compensation subject to statutory limitations of the Internal Revenue Service.

Expenses related to the retirement plan amounted to \$1,496 and \$2,196 for the years ended June 30, 2021 and 2020, respectively.

Truth Initiative has established a deferred compensation plan to provide certain eligible employees the ability to defer a portion of their compensation to provide supplemental retirement benefits under IRC §457. The plan is funded entirely from the compensation of the participants and vested with the employees immediately. At June 30, 2021 and 2020, participants in the 457(b) plan had deferred balances, including income earned, totaling \$1,311 and \$916, respectively.

Truth Initiative has established a second deferred compensation plan to provide certain eligible employees the ability to defer a portion of their compensation to provide supplemental retirement benefits under IRC §457. The plan is funded entirely from the compensation of the participants and the participants will become fully vested on September 30, 2022, with forfeiture if employment ends either voluntarily or involuntarily before this date. At June 30, 2021 and 2020, participants in the 457(f) plan had deferred balances, including income earned, totaling \$580 and \$0, respectively.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 7. Fair Value Measurements

The Codification defines fair value 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. Truth Initiative utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives. As required by the guidance provided by the Codification, Truth Initiative does not adjust the quoted price for these investments, even in situations where Truth Initiative holds a large position and a sale could reasonably impact the quoted price.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

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**Notes to Financial Statements
(In Thousands)**

Note 7. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2021:

	Total	Level 1	Level 2
Assets:			
Cash equivalents:			
Repurchase agreements	\$ 93,112	\$ 93,112	\$ -
Money market funds	35,474	35,474	-
Total cash equivalents	<u>128,586</u>	<u>128,586</u>	<u>-</u>
Investments:			
Mutual funds:			
Global small/mid value	30,785	30,785	-
Fixed income	15,295	15,295	-
Emerging markets	22,762	22,762	-
Real estate	15,289	15,289	-
	<u>84,131</u>	<u>84,131</u>	<u>-</u>
U.S. stocks:			
Large cap	65,760	65,760	-
Small cap	40,714	40,714	-
	<u>106,474</u>	<u>106,474</u>	<u>-</u>
Global stocks – developed markets	33,232	33,232	-
Fixed income bonds	28,249	-	28,249
Other investments measured at net asset value (a)	615,357	-	-
Total investments	<u>867,443</u>	<u>223,837</u>	<u>28,249</u>
Total investment assets and cash equivalents held at fair value	<u>\$ 996,029</u>	<u>\$ 352,423</u>	<u>\$ 28,249</u>
Liabilities:			
Deferred compensation obligation	\$ 1,892	\$ -	\$ 1,892
Total liabilities	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 1,892</u>

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 7. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2020:

	Total	Level 1	Level 2
Assets:			
Cash equivalents:			
Repurchase agreements	\$ 63,631	\$ 63,631	\$ -
Money market funds	29,640	29,640	-
Total cash equivalents	93,271	93,271	-
Investments:			
Mutual funds:			
Global small/mid value	31,864	31,864	-
Fixed income	30,725	30,725	-
Emerging markets	18,107	18,107	-
Real estate	12,732	12,732	-
	93,428	93,428	-
U.S. stocks:			
Large cap	55,093	55,093	-
Small cap	33,240	33,240	-
	88,333	88,333	-
Global stocks – developed markets	25,776	25,776	-
Fixed income bonds	15,925	-	15,925
Other investments measured at net asset value (a)	504,017	-	-
Total investments	727,479	207,537	15,925
Total investment assets and cash equivalents held at fair value	\$ 820,750	\$ 300,808	\$ 15,925
Liabilities:			
Deferred compensation obligation	\$ 916	\$ -	\$ 916
Total liabilities	\$ 916	\$ -	\$ 916

- (a) In accordance with the Fair Measurements topic, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Truth Initiative assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with Truth Initiative's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during the year.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 8. Commitments and Contingencies

Federal awards: Truth Initiative participates in federally assisted grant programs that are subject to financial and compliance audits by the federal agencies or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such audits.

Legal: From time to time, Truth Initiative may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of the management of Truth Initiative, there are no material pending legal proceedings to which Truth Initiative is a party.

Pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including the geographic areas in which Truth Initiative operates. While Truth Initiative has mitigated the financial impact to its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Line of credit: Truth Initiative maintains a \$60,000 line of credit with a financial institution, which matures on September 30, 2022. As of and after September 30, 2019, any amounts drawn on the line will bear interest at a fixed rate of 3.50%. Interest is payable monthly with the full remaining principle due at maturity. Interest incurred on the note was \$2,129 and \$1,877 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, there were outstanding draws of \$60,000, which is shown with loans payable on the balance sheets. At June 30, 2021 and 2020, all covenants for the line were met. Total interest expense on the line of credit and other debt amounted to \$2,354 and \$1,921 for the years ended June 30, 2021 and 2020, respectively.

Loans payable: As part of the Coronavirus Aid, Relief and Economic Security Act, Truth Initiative applied and was approved for a forgivable loan through the Small Business Administration Paycheck Protection Program (PPP). Under the PPP, Truth Initiative obtained a loan of \$3,500, which is shown with loan payable on the balance sheets, bearing interest at 1%. Originally, Truth Initiative was required to make monthly payments of principal and interest starting on November 1, 2020, with any remaining principal and interest due at maturity on April 22, 2022. As part of the PPP Flexibility Act, the monthly principal and interest were further deferred and a new date has not been assigned. Interest continues to accrue during the additional deferral period. The amount of forgiveness can be up to the full principal amount of the loan and any accrued interest if it is appropriately used for eligible expenses. Truth Initiative has accounted for the loan under FASB Accounting Standards Codification Topic 470, Debt. Subsequent to year-end the loan was fully forgiven (Note 10).

During October 2020, Truth Initiative obtained a term loan in the original principal amount of \$30,000 with a financial institution, which matures on October 1, 2022. As of and after November 1, 2020, the outstanding principal will bear interest at a fixed rate of .99%. Interest is payable monthly with the full remaining principal due at maturity. Interest incurred on the loan was \$225 for the year ended June 30, 2021. At June 30, 2021, there was outstanding principal of \$30,000, which is shown with loans payable on the balance sheets. At June 30, 2021, all covenants for the loan were met.

Truth Initiative Foundation

Notes to Financial Statements (In Thousands)

Note 9. Liquidity and Availability of Financial Assets

Truth Initiative regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 135,135	\$ 120,698
Investments	867,443	727,479
Trades to be settled	75	111
Accrued interest receivable	198	241
Grants receivable	188	176
Accounts receivable	268	190
Financial assets at year-end	<u>1,003,307</u>	<u>848,895</u>
Less those unavailable for general expenditure within one year due to:		
Contractual restrictions:		
Investments held with redemptions periods longer than one year	(323,197)	(282,750)
Unfunded investment commitments	(65,140)	(75,492)
Deferred compensation obligations	(1,892)	(916)
	<u>(390,229)</u>	<u>(359,158)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 613,078</u>	<u>\$ 489,737</u>

Truth Initiative has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables and line of credit. See Note 8 for information about Truth Initiative's lines of credit. As part of liquidity management, Truth Initiative invests cash in excess of daily requirements in investments. Truth Initiative regularly assesses its operating budget and cash flow projections to monitor the availability of resources to support operations.

Note 10. Subsequent Event

On July 28, 2021, Truth Initiative received full forgiveness of the outstanding principal and accrued interest of \$3,544 on the PPP loan (Note 8).