

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



BOYS & GIRLS CLUBS
OF CHAFFEE COUNTY

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys and Girls Clubs of Chaffee County, Inc.
Salida, Colorado

Opinion

We have audited the accompanying financial statements of **Boys and Girls Clubs of Chaffee County, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Chaffee County, Inc. as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Clubs of Chaffee County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of Chaffee County, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 Boys and Girls Clubs of Chaffee County, 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 Boys and Girls Clubs of Chaffee County, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Albuquerque, New Mexico
January 31, 2023

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

	<u>Amount</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 2,253,334
Grants receivable (Note 4)	62,149
Contributions receivable, net (Note 4)	199,012
Investments (Note 5)	481,571
Property and equipment, net (Note 6)	<u>1,375,567</u>
Total assets	<u><u>\$ 4,371,633</u></u>
 <u>Liabilities and net assets</u>	
<u>Liabilities</u>	
Accounts payable	\$ 9,863
Accrued payroll expenses	39,157
Note payable (Note 7)	<u>451,473</u>
Total liabilities	<u>500,493</u>
 <u>Net assets</u>	
Without donor restrictions	
Undesignated	44,541
Board-designated (Note 8)	870,990
Net investment in property and equipment	<u>924,094</u>
	1,839,625
With donor restrictions (Notes 9 and 10)	<u>2,031,515</u>
Total net assets	<u>3,871,140</u>
Total liabilities and net assets	<u><u>\$ 4,371,633</u></u>

The accompanying notes are an integral part of these financial statements

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>Revenue and other support</u>			
Contributions	\$ 477,601	\$ 900,809	\$ 1,378,410
Governmental grants	251,672	557,000	808,672
Program services	114,579	-	114,579
Special events	93,106	-	93,106
Less: direct donor benefits	(19,803)	-	(19,803)
Grants	86,379	-	86,379
Investment income(loss) (Note 5)	(19,791)	-	(19,791)
Other income	410	-	410
In-kind donations (Note 11)	11,603	-	11,603
Net assets released from restrictions (Note 12)	270,097	(270,097)	-
	<u>\$ 1,265,853</u>	<u>\$ 1,187,712</u>	<u>\$ 2,453,565</u>
 <u>Expense</u>			
Program services	\$ 550,715	\$ -	\$ 550,715
Supporting services			-
Management and general	239,329	-	239,329
Fund-raising	79,904	-	79,904
	<u>869,948</u>	<u>-</u>	<u>869,948</u>
Change in net assets	395,905	1,187,712	1,583,617
 Net assets, beginning of year, as originally stated	 1,443,720	 918,803	 2,362,523
Prior-period adjustment (Note 13)	-	(75,000)	(75,000)
	<u>1,443,720</u>	<u>843,803</u>	<u>2,287,523</u>
Net assets, beginning of year, restated			
Net assets, end of year	<u>\$ 1,839,625</u>	<u>\$ 2,031,515</u>	<u>\$ 3,871,140</u>

The accompanying notes are an integral part of these financial statements

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Supporting Services			Total
	Program Services	Management and General	Fund- raising	
Salaries	\$ 315,314	\$ 84,083	\$ 21,021	\$ 420,418
Payroll taxes and benefits	59,705	15,920	3,981	79,606
Depreciation	40,038	10,677	2,669	53,384
Program supplies	46,016	-	-	46,016
Professional fees	8,937	26,811	-	35,748
Project management services	-	31,260	-	31,260
Information technology	4,739	18,956	-	23,695
Dues, fees, and subscriptions	17,690	4,717	1,179	23,586
Occupancy	16,175	4,314	1,078	21,567
Repairs and maintenance	15,558	4,149	1,037	20,744
Office expenses	-	17,628	-	17,628
Interest expense	9,944	2,651	663	13,258
Insurance	7,619	2,540	-	10,159
Advertising and promotion	2,542	2,118	3,813	8,473
Other employee-related expenses	5,069	1,352	338	6,759
Accounting services	-	6,300	-	6,300
Other expenses	1,369	5,853	2,816	10,038
Sub-total, before capital campaign expenses	550,715	239,329	38,595	828,639
Capital campaign expenses (Note 14)	-	-	41,309	41,309
Total	\$ 550,715	\$ 239,329	\$ 79,904	\$ 869,948

The accompanying notes are an integral part of these financial statements

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 1,583,617
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debts expense	13,067
Contributions restricted for long-term purposes	(1,469,412)
Unrealized (gains)losses on investments	27,854
Donated stock	(4,802)
Depreciation	53,384
<u>Changes in operating assets and liabilities</u>	
(Increase)decrease in receivables	(35,550)
(Increase)decrease in prepaid expenses and other assets	4,347
Increase(decrease) in accounts payable and accrued payroll expenses	1,803
Net cash provided(used) by operating activities	<u>174,308</u>
<u>Cash flows from investing activities</u>	
(Reinvestment) of investment income	(8,063)
(Purchases)proceeds from investments	(496,560)
(Purchases) of property and equipment	<u>(269,196)</u>
Net cash provided(used) by investing activities	<u>(773,819)</u>
<u>Cash flows from financing activities</u>	
Proceeds from contributions restricted for capital projects	1,606,388
Net borrowings(repaysments) on note payable	<u>(43,527)</u>
Net cash provided(used) by financing activities	<u>1,562,861</u>
Net increase(decrease) in cash and cash equivalents	963,350
Cash and cash equivalents, beginning of year	<u>1,289,984</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,253,334</u></u>
<u>Supplemental disclosure:</u>	
Cash paid during the period for interest	<u>\$ 13,258</u>
Prepayment for purchase of capitalized property and equipment	<u><u>\$ 50,000</u></u>

The accompanying notes are an integral part of these financial statements

BOYS AND GIRLS CLUBS OF CHAFFEE COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Boys and Girls Clubs of Chaffee County, Inc. (the Club or Organization) was incorporated as a non-profit corporation in the state of Colorado on October 17, 2005. The mission of the Club is "to inspire and empower all young people to reach their full potential as productive, responsible and caring citizens."

The Club has locations in Salida and Buena Vista, Colorado, and is supported primarily by contributions and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization 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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

3. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless held as a component of the endowment portfolio.

4. Receivables

Management assesses the need for an allowance for uncollectible receivables based on historical experience with the donor, an assessment of general economic conditions, and review of subsequent collections. An allowance is established for a specific receivable when collectability becomes doubtful.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

4. Receivables (concluded)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. If material, unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in revenue in the statement of activities.

5. Contributions of Property and Equipment

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.

6. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. All contributions are available for unrestricted use unless specifically restricted by the donor. The Organization recognizes revenue from special events when the event takes place. Contribution income is recognized for the excess amount received above the donor benefit.

The Organization recognizes revenue from governmental grants per the terms of the underlying grant agreement which can include cost-reimbursement grants and fee for service. Revenue from cost reimbursement grants is recognized when a qualifying expense has been incurred. Revenue from fee for service grants is recognized at the time the services are provided, at the amount stipulated in the grant agreement.

The Organization charges a nominal, non-refundable annual fee for club membership. Also included in program service revenue are fees charged for all-day supervised programs, as well as field trip and other non-recurring activities. Revenue for membership is recognized when received, and revenue for other programs is recognized when the service is provided.

7. Capitalization and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000, with an estimated useful life in excess of one year. Property and equipment are recorded at cost, or in the case of contributed items, fair value on the date of contribution. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, ranging from 3 to 40 years.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

9. Income Taxes

The Organization is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

10. Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Significant expenses that are allocated on the basis of employee time and effort include salaries, payroll taxes, and benefits. Occupancy-related costs are allocated based on estimated utilization of facilities. Other significant costs, such as travel, conferences, and training, are allocated based on a reasonable estimate of the benefits received from the functional categories.

11. In-kind Donations

Donated services are recognized as contributions in accordance with generally accepted accounting principles (GAAP), if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Club. The value of donated services is based on current market rates and approximates what the Club would have paid if not donated.

Donated goods and materials are reflected in the accompanying statements at their estimated values at date of receipt.

12. Fair Value Measurements

The Club follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

All of the Club's investments as of June 30, 2022, are considered Level 1 investments.

13. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2014-09: *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

14. Subsequent Events

Management has evaluated subsequent events through January 31, 2023, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2022:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 2,253,334
Receivables, net	261,161
Investments	481,571
	<u>2,996,066</u>
Less amounts with donor or internal restrictions:	
Net assets with donor restrictions for time or purpose	(2,029,513)
Net assets with donor restrictions to be held for perpetuity	(2,002)
Board-designated net assets - endowment	(197,155)
Board-designated net assets - building funds	(280,000)
Board-designated net assets - employee retention fund	(44,617)
	<u>(2,553,287)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 442,779</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses, and as of June 30, 2022, the Board has designated an operating reserve of \$367,500.

As part of its liquidity plan, excess cash is invested in short-term investments, primarily savings and money market accounts.

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2022, all grants receivable were considered fully collectible and due within 12 months of year-end.

Contributions receivable are solicited for operational purposes, as well as for capital campaigns for both the Salida and Buena Vista locations. Payments for contributions receivable recorded as of June 30, 2022, are expected as follows:

<u>For years ending June 30:</u>	<u>Amount</u>
2023	\$ 179,246
2024	19,333
2025	13,500
	<u>212,079</u>
Less: Allowance for doubtful accounts	(13,067)
Contributions receivable, net	<u>\$ 199,012</u>

NOTE 5 - INVESTMENTS

Investments are carried at market value and consisted of the following as of year-end:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury bonds	\$ 324,797	\$ 319,314	\$ (5,483)
Mutual funds - bonds	74,878	65,778	(9,100)
Exchange-traded funds - equities	66,809	56,012	(10,797)
Exchange-traded funds - bonds	17,873	17,121	(752)
Mutual funds - equities	18,788	15,019	(3,769)
Common stock	4,802	6,850	2,048
Accrued interest	1,477	1,477	-
Total	<u>\$ 509,423</u>	<u>\$ 481,571</u>	<u>\$ (27,853)</u>

Investment returns for the year ended June 30, 2022, are summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 8,063
Unrealized gains(losses)	<u>(27,854)</u>
Total	<u>\$ (19,791)</u>

Investment income includes unrealized losses which are a result of investments losing value due to market fluctuations. All investments are made in accordance with the Organization's investment and reserve policies, which prohibits any high-risk or speculative instruments.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022:

<u>Description</u>	<u>Amount</u>
Land	\$ 267,272
Building and improvements	953,976
Playground	225,955
Equipment	<u>23,004</u>
Total	1,470,207
Less: accumulated depreciation	<u>(94,640)</u>
Net property and equipment	<u>\$ 1,375,567</u>

Depreciation expense was \$53,384.

NOTE 7 - NOTE PAYABLE

Detail of the note payable as of June 30, 2022, included the following:

<u>Description</u>	<u>Amount</u>
Note payable dated June 29, 2021, to a local bank for \$495,000; payments of \$4,732 per month including principal and interest at 2.79% for the first 84 months; interest rate is variable for balance of note and based on lesser of WSJ Prime Rate or 5.00%; final payment due June 29, 2031, to include all accrued interest and unpaid principal; secured by first deed of trust and assignment of rents on real estate located at 709 Palmer St, Salida, CO	\$ 451,473

The scheduled maturities of the note payable include:

<u>For years ending June 30th:</u>	<u>Amount</u>
2023	\$ 44,758
2024	46,023
2025	47,323
2026	48,660
2027	50,036
Thereafter	214,673
Total	<u>\$ 451,473</u>

NOTE 8 - BOARD-DESIGNATED NET ASSETS

As of June 30, 2022, board-designated net assets included the following:

<u>Description</u>	<u>Amount</u>
Operating reserve	\$ 367,500
Building fund - Buena Vista	250,000
Quasi-endowment	197,155
Employee retention fund	44,617
Long-term building repairs	30,000
Total	<u>\$ 889,272</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At year end, net assets with donor restrictions included:

<u>Description</u>	<u>Amount</u>
Restricted for purpose	
Capital campaign - Buena Vista	\$ 1,488,164
Capital campaign - Salida	514,349
Scholarships	27,000
Restricted for perpetuity	
Endowment	2,002
Total	<u>\$ 2,031,515</u>

NOTE 10 - ENDOWMENT

In accordance with Financial Accounting Standards Board (FASB) Statement 117, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2022, the Club’s endowment fund consists of both board-designated and donor-restricted balances. The Organization’s endowment fund was established in 2016, and an endowment investment and spending policy was adopted in 2018.

The Board of the Club has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment absent explicit donor stipulations to the contrary. Accordingly, the Club classifies as net assets restricted by the donor for perpetuity as the original value of gifts donated to the endowment plus the original value of any subsequent gifts made to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as held for perpetuity is classified as net assets restricted by the donor for time, and those funds are released from restriction when appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by SPMIFA.

Investment Return Objectives, Risk Parameters and Strategies: The assets of the endowment are to be invested with the care, skill and diligence that a prudent person acting in the capacity of investing endowment monies would undertake. The primary objective will be total asset return, including income, appreciation and protection of principal. The Investment Committee will use these objectives in making investment decisions to accomplish the goals. The “prudent investor rule” shall be the governing policy in making investments. The Investment Committee shall establish and maintain an asset allocation to reflect and be consistent with the objectives and policies set forth herein.

Spending policy: Annual spending from the endowment shall be the lesser of (a) 5% of the endowment’s fair market value (as valued annually at the beginning of each fiscal year of the Boys and Girls Clubs of Chaffee County), or (b) the net income earned by the endowment during the Boys and Girls Clubs of Chaffee County’s previous fiscal year reduced by one percentage point (1.0) of the endowment’s fair market value at the beginning of the new fiscal year. All income earned which is not spent according to the formula shall be added to the principal.

NOTE 10 - ENDOWMENT (concluded)

Changes in the endowment for the year ended June 30, 2022 included:

<u>Description</u>	Without	With Donor Restrictions		<u>Total</u>
	Donor <u>Restrictions</u>	Time <u>Restrictions</u>	To Be Held <u>in Perpetuity</u>	
Endowment assets, beginning of year	\$ 202,682	\$ -	\$ 2,002	\$ 204,684
Contributions	-	-	-	-
Investment income	<u>(5,527)</u>	<u>-</u>	<u>-</u>	<u>(5,527)</u>
Endowment assets, end of year	<u>\$ 197,155</u>	<u>\$ -</u>	<u>\$ 2,002</u>	<u>\$ 199,157</u>

As described in Note 5, the investment losses experienced during the year ended June 30, 2022 are due to overall market declines. Investment decisions are made in accordance with the Organization's policies which prohibit high risk or speculative instruments. During 2021, the board designated certain funds for an endowment and began investing those funds in select mutual funds and exchange traded funds over a 12-month period. The stock market declined after the initial investment which was indicative of market conditions for this period. Historic market data show positive returns over time outweigh negative years, and while volatility has and will continue to affect the value of investments, losses are not realized unless the underlying assets are sold. The board-designated endowment fund is intended to be held for the long term. This fund does not include any monies needed for current operating or capital expenses.

NOTE 11 - IN-KIND CONTRIBUTIONS

For the year ended June 30, 2022, amounts recognized in the financial statements as in-kind contributions included:

<u>Description</u>	<u>Amount</u>
Salida - capital improvements:	
Pavement	\$ 7,658
Landscaping	<u>3,945</u>
Total	<u>\$ 11,603</u>

All in-kind services recognized during the year were unrestricted and valued at service providers' market billing rates. The in-kind services were capitalized as building improvements and will be expensed in future periods as a component of depreciation expense, which is allocated among all programs and supporting services. In addition, volunteers contribute significant amounts of time to program services, administration, and fund-raising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, including the following:

<u>Description</u>	<u>Amount</u>
Satisfaction of purpose restrictions	
Capital improvements - Salida	\$ 268,097
Scholarships	2,000
Total	<u>\$ 270,097</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$75,000 was recorded as of June 30, 2021, to reduce net assets for duplicated contribution revenue. This prior period adjustment resulted in the reduction of contributions receivable and net assets in the amount of \$75,000.

NOTE 14 - CAPITAL CAMPAIGN EXPENSES

Capital campaign expenses in the amount of \$41,309 are included in the statement of functional expenses for the year ended June 30, 2022. These costs are primarily non-recurring, one-time expenses related to building a permanent facility in Buena Vista and making improvements to the Salida facility. These expenses are not typical costs and contribute to a higher overall fundraising percentage for the year ended June 30, 2022.

NOTE 15 - LEASE AGREEMENT

The Club's Buena Vista program is located in a facility leased from the local school district. Rent expense is \$5,400 per year. The lease is currently on a month-to-month basis.

NOTE 16 - RETIREMENT PLAN

On January 1, 2006, the Organization established a SIMPLE IRA retirement plan for employees who are expected to make at least \$5,000 of compensation during a calendar year and also have been with the Organization for one full calendar year. The Organization contributes no less than 2% of an employee's compensation, not to exceed Internal Revenue Service limits. Each employee's account is 100% vested immediately and non-forfeitable at all times. The Board of Directors reviews the plan and determines the contribution annually. For the year ended June 30, 2022, contributions to this plan were \$4,693.

NOTE 17 - CONCENTRATIONS OF RISK

Bank

During the course of normal operations, bank balances may exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2022, cash balances held at two financial institutions exceeded FDIC coverage by \$105,897 and \$6,277.

NOTE 17 - CONCENTRATIONS OF RISK (concluded)

Revenue

During the year ended June 30, 2022, two donors contributed 44% of all revenue, 24% and 20%, respectively. These gifts were donor-restricted for the Buena Vista capital campaign, more fully described in Note 17.

Investments

The Club holds investments in a brokerage account that are subject to market value fluctuation.

NOTE 18 - SUBSEQUENT EVENTS – BUENA VISTA CAPITAL CAMPAIGN

On January 12, 2023 the Club entered into a 99-year ground lease with the Town of Buena Vista. The leased property will be the site of a newly constructed Club facility. The lease terms include a payment of \$10 per year, and the lease is contingent on the Club initiating construction of the facility within 36 months and completing the facility within 60 months. The facility must be used to serve the children and families of Chaffee County, and the entire property will revert to the Town of Buena Vista when the lease term ends.

As described in Note 9, the Club has initiated a capital campaign to build the Buena Vista facility and as of June 30, 2022 the Club has recognized \$1,488,164 in net assets donor-restricted for the Buena Vista facility, in addition to \$250,000 designated by the Board (Note 8).