
Raise the Future

Financial Report
June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Raise the Future

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raise the Future (the "Organization"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and the changes in its net assets, functional expenses, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization and to meet our 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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.

To the Board of Directors
Raise the Future

In performing an audit in accordance with GAAS and *Government 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 14, 2022

Statement of Financial Position

June 30, 2022
(with summarized comparative totals for 2021)

	2022	2021
Assets		
Current Assets		
Cash	\$ 1,919,648	\$ 2,281,388
Current portion of receivables	1,515,109	1,577,069
Prepaid expenses and other assets	145,405	153,417
Total current assets	3,580,162	4,011,874
Investments	455,760	502,944
Interest in Net Assets of Community First Foundation	42,989	52,626
Long-term Receivables - Net	257,306	24,336
Property and Equipment - Net	154,283	214,745
Total noncurrent assets	910,338	794,651
Total assets	\$ 4,490,500	\$ 4,806,525
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 107,372	\$ 174,607
Accrued liabilities	454,601	438,148
Deferred revenue	92,541	65,405
Conditional contributions	-	165,815
Total liabilities	654,514	843,975
Net Assets		
Without donor restrictions	2,725,695	3,010,753
With donor restrictions	1,110,291	951,797
Total net assets	3,835,986	3,962,550
Total liabilities and net assets	\$ 4,490,500	\$ 4,806,525

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022
(with summarized comparative totals for 2021)

	2022			2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Revenue, Gains, and Other Support					
Foundations	\$ 2,627,187	\$ 394,195	\$ 3,021,382	\$ 3,072,139	
Corporations and individuals	580,752	190,000	770,752	420,137	
In-kind donations	304,788	-	304,788	473,630	
Government support	3,998,498	-	3,998,498	4,024,427	
Special events - Net	438,468	-	438,468	985,418	
Investment (loss) income - Net	(5,029)	(54,518)	(59,547)	90,427	
Other income	28,953	-	28,953	15,961	
Total revenue, gains, and other support	7,973,617	529,677	8,503,294	9,082,139	
Net Assets Released from Restrictions	371,183	(371,183)	-	-	
Total revenue, gains, other support, and net assets released from restrictions	8,344,800	158,494	8,503,294	9,082,139	
Expenses					
Program services:					
Media-based recruitment services	732,784	-	732,784	835,819	
Intensive recruitment services	3,333,296	-	3,333,296	3,397,290	
Mentoring program	146,594	-	146,594	221,087	
Family support program	1,750,421	-	1,750,421	2,011,720	
National systems change	396,148	-	396,148	352,433	
Total program services	6,359,243	-	6,359,243	6,818,349	
Support services:					
General and administration	1,545,144	-	1,545,144	1,057,831	
Funds development	725,471	-	725,471	690,976	
Total support services	2,270,615	-	2,270,615	1,748,807	
Total expenses	8,629,858	-	8,629,858	8,567,156	
(Decrease) Increase in Net Assets	(285,058)	158,494	(126,564)	514,983	
Net Assets - Beginning of year	3,010,753	951,797	3,962,550	3,447,567	
Net Assets - End of year	\$ 2,725,695	\$ 1,110,291	\$ 3,835,986	\$ 3,962,550	

Statement of Functional Expenses

Year Ended June 30, 2022
(with summarized comparative totals for 2021)

	Program Services					Support Services			Total		
	Media-based Recruitment Services	Intensive Recruitment Services	Mentoring Program	Family Support Program	National Systems Change	Total	General and Administration	Funds Development	Total	2022	2021
Compensation	\$ 483,247	\$ 2,544,957	\$ 120,841	\$ 1,276,883	\$ 276,780	\$ 4,702,708	\$ 1,026,662	\$ 471,526	\$ 1,498,188	\$ 6,200,896	\$ 6,212,257
Professional services	-	-	-	-	-	-	349,785	35,843	385,628	385,628	301,433
Supplies and other program costs	9,601	112,343	4,070	173,301	83,013	382,328	-	-	-	382,328	453,410
Travel	6,092	165,210	615	63,917	13,543	249,377	13,382	6,165	19,547	268,924	147,472
Conferences and meetings	-	429	-	483	-	912	1,274	95	1,369	2,281	1,203
Printing, publications, and postage	42,310	1,764	-	8,666	350	53,090	2,375	14,253	16,628	69,718	33,459
Information technology	26,438	145,018	4,264	86,983	14,272	276,975	36,160	50,820	86,980	363,955	223,941
Office expenses	98	13,664	25	7,336	1,118	22,241	50,251	1,169	51,420	73,661	215,510
Occupancy	53,401	174,337	13,891	63,816	-	305,445	45,018	44,256	89,274	394,719	389,312
Insurance	6,436	30,842	1,603	17,016	3,925	59,822	10,894	8,862	19,756	79,578	53,563
Miscellaneous	-	-	-	-	-	-	-	7,512	7,512	7,512	-
Depreciation and taxes	5,161	24,732	1,285	13,645	3,147	47,970	9,343	7,107	16,450	64,420	54,966
Bad debt	-	-	-	-	-	-	-	31,450	31,450	31,450	7,000
In-kind expenses	100,000	120,000	-	38,375	-	258,375	-	46,413	46,413	304,788	473,630
Special event expenses netted against revenue	-	-	-	-	-	-	-	119,592	119,592	119,592	-
Total expenses	\$ 732,784	\$ 3,333,296	\$ 146,594	\$ 1,750,421	\$ 396,148	\$ 6,359,243	\$ 1,545,144	\$ 845,063	\$ 2,390,207	\$ 8,749,450	\$ 8,567,156

Statement of Cash Flows

Years Ended June 30, 2022
(with summarized comparative totals for 2021)

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (126,564)	\$ 514,983
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation expense	60,462	54,966
Net realized and unrealized losses (gains) on investments	65,206	(83,947)
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(171,010)	(36,890)
Prepaid expenses and other assets	8,012	(40,839)
Accounts payable	(67,235)	39,737
Accrued liabilities	16,453	(23,691)
Deferred revenue	27,136	(313,000)
Conditional contributions	(165,815)	165,815
Net cash (used in) provided by operating activities	(353,355)	277,134
Cash Flows from Investing Activities		
Distributions received from Community First Foundation	2,297	2,252
Purchases of property and equipment	-	(53,437)
Purchases of investments	(10,682)	(51,607)
Proceeds from sales of investments	-	392,194
Net cash (used in) provided by investing activities	(8,385)	289,402
Net (Decrease) Increase in Cash	(361,740)	566,536
Cash - Beginning of year	2,281,388	1,714,852
Cash - End of year	\$ 1,919,648	\$ 2,281,388

Note 1 - Nature of Organization

Raise the Future (the "Organization") was created to ensure all children have a family today and for the rest of their lives. The Organization is a nonprofit corporation incorporated in the state of Colorado and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization is headquartered in Denver, Colorado and maintains regional offices in Utah and Nevada.

Effective October 5, 2020, the Organization changed its name from The Adoption Exchange, Inc. to Raise the Future. This was done in concert with a larger rebranding effort with the shared goal of better communication of the value and importance of the Organization's efforts.

Program Services

The Organization assists thousands of youth in foster care each year and supports hundreds of families across the United States. The Organization offers resources to assist families before, during, and after adoption to ensure permanency for the child. Since inception, the Organization has helped connect over 10,644 children with permanent families.

Ultimately, the Organization measures success in terms of the number of children and youth who are connected with a permanent, loving family. During the year ended June 30, 2022, the Organization served 1,277 children waiting in foster care, including 189 children placed in loving adoptive homes and an additional 236 children who achieved legal permanency through adoption, guardianship, or other means. The children served by the Organization:

- Are older - 86 percent were aged 9 or older.
- Are ethnically diverse - 46 percent belonged to a minority ethnicity.
- Have special needs - Almost all had at least one special need.

The Organization employs a strategic approach to achieve the goal of emptying the foster care system. Using an integrated permanency model, the Organization works to reduce the time youth spend in foster care, find a permanent connection for every youth in foster care before they leave the system, and make sure that relationship lasts.

The Organization's program services are as follows:

Media-based Recruitment Services

The Organization identifies and cultivates potential adoptive families for waiting children using child-centric recruitment methods and tools. Recruitment activities used to identify potential families include hosting adoption networking events, partnering with local news stations to broadcast WCF profiles, featuring registered children in the Children's Gallery on the Organization's website, conducting monthly adoption orientation and information classes, and using print and electronic media to create awareness of and support for the adoption of waiting children.

Additionally, the Organization works to help prospective adoptive families across the country understand the adoption process, connect with county human services agencies and child placement agencies to begin the adoption process, gain access to resources and professionals, and respond to questions and inquiries on specific children.

One of the most popular ways families learn more about waiting youth is through the Heart Gallery. The Heart Gallery is a collaborative photographic exhibit designed to increase the number of adoptive families for children needing homes in Colorado, Missouri, Nevada, and Utah. The Heart Gallery helps waiting youth find loving families and permanency through images that bring the children's personalities and beauty into focus.

Note 1 - Nature of Organization (Continued)

In addition, small matching events are held that allow prospective families and waiting children to interact in small, facilitated events that include activities fun for all. During the year ended June 30, 2022, 47 Colorado, Missouri, Nevada, and Utah youth were featured at matching events; 7 of these children have found loving adoptive families.

Intensive Recruitment Services

Intensive recruitment services build positive, healthy relationships with youth to understand their strengths, interests, needs, and family preferences, which inevitably enhances the ability of the youth to find strength and feel empowered through the process. The program follows an evidence-based model that increases the likelihood of finding that parental resource by as much as three times. The model has been shown to be a net cost savings to the community, as the program reduces congregate care and foster care costs.

Mentoring Program

The signature mentoring program is CHOICE (Community, Happenings, Ownership by Youth, Involvement, Compassion, and Engagement). CHOICE is a hosting and mentorship program for youth in foster care between the ages of 12 and 18 that connects youth and host adults from the Colorado community to create lifelong relationships. This program builds on and replicates an evidence-informed recruitment, permanency, and family visit model. In this past year, 134 families and community members have expressed interest in the program. In total, 144 youth have been referred to the program from Adams, Denver, Arapahoe, Douglas, and Jefferson counties, and 57 families and youth have been matched into an active hosting relationship. This program was discontinued in May 2022.

Family Support Program

Family preparation and support begins before a family has ever adopted. The family support program is geared toward education, support, and coaching. Hands-on, individualized, tailored, and supportive services are offered to families throughout their entire adoption journey. By developing relationships with families early, family commitment to adoption is maintained, and adoption disruptions are often minimized.

Classes and training opportunities are offered to families and professionals and are geared toward providing information, support, and guidance in creating healthy and stable adoptive relationships. All children have entered the foster care system as a result of trauma, abuse, or neglect. The goal of many trainings is to help parents understand how these events may impact children and to recognize behaviors as symptoms of those experiences. The ultimate outcome for many of the training courses is for families to have the knowledge and tools they need to help their children become securely attached, successful, and healthy adults. A total of 3,409 families and professionals benefited from over 12,901 hours of training and support through classes, webinars, and conferences that were offered during the year ended June 30, 2022. Other postadoption resources, including helpful articles and videos, were offered to adoptive families via bimonthly e-newsletters.

National Systems Change

The Organization provides capacity-building and engagement services for states, tribes, and territories as part of the AdoptUSKids project. This can be through in-person trainings, webinars, consultation, coaching, resource sharing, peer connections, and media tools. System-specific capacity building is designed to meet the unique needs of the state, tribe, or territory, and services are provided free of charge.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Summarized Comparative Information

The financial information presented for comparative purposes as of and for the year ended June 30, 2021 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2021 financial statements, from which the summarized information was derived.

Cash

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Excluded from cash is cash held for reinvestment as part of the investment portfolio.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash accounts that may, during the year, exceed the federally insured limit set by the FDIC. At June 30, 2022 and at various points throughout the year, the Organization had deposits in excess of federally insured limits. The Organization reduces credit risk by placing its cash and temporary investments with creditworthy, high-quality financial institutions.

Contributions and Contributions Receivable

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of receivables. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change and that losses ultimately incurred could differ materially from the amounts estimated in determining the allowance. As of June 30, 2022, the Organization has determined that no allowance for contributions receivable was necessary.

The Organization receives grants from government agencies. During the year ended June 30, 2022, the Organization recognized \$3,998,498 in revenue related to these grants. Revenue is recognized on these grants as qualifying activities and expenditures occur. The grant funds are conditional based on future expenditures and activities occurring. As of June 30, 2022, conditional grant awards totaling approximately \$12,500,000 are remaining to be recognized as revenue on those grants in the future as those conditions are met.

Note 2 - Significant Accounting Policies (Continued)

Concentration of Receivables and Revenue

Revenue is predominately from foundations, individuals, corporations, and governmental agencies located principally in the United States. Two governmental agencies and one foundation accounted for 51 percent of total receivables as of June 30, 2022. One foundation and two governmental agencies accounted for approximately 51 percent of total contributions and government support for the year ended June 30, 2022.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values, with unrealized gains and losses, dividends, interest, and investment management fees included in investment income on the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes all property and equipment with a cost or contributed fair value of \$5,000 or greater. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives, ranging from five to seven years. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Revenue

Funds received for events that will take place in a future period and annual membership dues paid in advance of services performed are deferred and recognized as income over the period of the membership (usually one year) or when the event occurs.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

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, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

Revenue from government grants, contracts, and fundraising events is recognized in the period in which the related services are rendered and expenses are incurred. Accounts receivable primarily consist of amounts due under government contracts and other miscellaneous receivables.

In-kind Goods and Services

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value.

A number of volunteers have donated time to the Organization. During the year ended June 30, 2022, the Organization had 69 volunteers who provided approximately 1,462 hours of donated service; however, the value of these services is not reflected in the financial statements because the services are not recognizable under accounting principles generally accepted in the United States of America.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional 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. Salaries and benefits have been allocated based on time and effort. Occupancy, information technology, and other overhead related costs are allocated based on full-time employees by function. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Adoption of New Accounting Pronouncement

On July 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category, within the financial statements, and there will be additional disclosures included for each category including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The Organization elected to apply the new guidance using the retrospective approach. There were no changes to the recognition of in-kind contributions in the accompanying financial statements due to the adoption of the ASU.

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 14, that will be reported on the statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 14, 2022, which is the date the financial statements were available to be issued.

June 30, 2022

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Cash	\$ 1,919,648
Receivables - Net	1,772,415
Investments	455,760
Interest in net assets of the Community First Foundation	<u>42,989</u>
Financial assets - At year end	4,190,812
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted net assets (Note 12)	1,110,291
Excluding contributions expected to be collected in one year	<u>(362,337)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,442,858</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's board of directors (the "Board") meets regularly to adjust policies regarding liquidity as needed.

The Organization's finance committee makes decisions concerning the use, investment strategy, and allocation of the Organization's financial assets and monitors investment performance in compliance with the board-approved Investment Policy Statement.

The Organization has a committed line of credit in the amount of \$400,000 at June 30, 2022, which it could draw upon if needed, as further described in Note 10.

Note 4 - Receivables

The following is the detail of receivables as of June 30, 2022:

Accounts receivable	\$ 1,152,772
Contributions receivable	<u>619,643</u>
Total	<u><u>\$ 1,772,415</u></u>

Note 5 - Contributions Receivable

Included in contributions receivable are several multiyear unconditional promises to give. They are included as follows:

Gross promises to give before unamortized discount	\$ 625,160
Less net present value discount	<u>(5,517)</u>
Net contributions receivable	<u><u>\$ 619,643</u></u>
Amounts due in:	
Less than one year	\$ 362,337
One to five years	<u>262,823</u>
Total	<u><u>\$ 625,160</u></u>

Note 6 - Investments

The details of the Organization's investments at June 30, 2022 are as follows:

Mutual funds	\$ 436,620
Government money market funds	<u>19,140</u>
Total	<u>\$ 455,760</u>

Net investment loss consists of the following for the year ended June 30, 2022:

Dividends and interest	\$ 1,066
Net realized gain	9,163
Net unrealized loss	(69,279)
Investment management service fees	<u>(497)</u>
Total	<u>\$ (59,547)</u>

Note 7 - Interest in Net Assets of Community First Foundation

The Organization participated in the nonprofit Preservation Challenge Grant Program established by the Community First Foundation (CFF). The purpose of this program is to assist charitable organizations with the formation of perpetual endowment funds. Under the terms and conditions of the grant award, the Organization made irrevocable transfers of donor-restricted funds to CFF, and CFF matched contributions received by the Organization.

CFF made distributions to the Organization of \$2,297 during the year ended June 30, 2022. Funds held by CFF for the benefit of the Organization are recorded as interest in net assets of CFF on the statement of financial position. The Organization's interest in CFF, including contributions transferred, matching contributions, and investment earnings, totaled \$42,989 as of June 30, 2022.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Organization's Level 3 investments are composed of funds held by the Community First Foundation. Values are reported to the Organization by CFF and corroborated by management using CFF's audited financial statements. The main input is the fair value of the underlying investments held at the CFF and includes Level 1, 2, and 3 classifications; however, the Organization's share of the pooled investments is not quoted in active markets and is, therefore, classified within Level 3 in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2022

Note 8 - Fair Value Measurements (Continued)

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2022 and the valuation techniques used by the Organization to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			Balance at June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds	\$ 436,620	\$ -	\$ -	\$ 436,620
Interest in net assets of CFF	-	-	42,989	42,989
Total assets	\$ 436,620	\$ -	\$ 42,989	\$ 479,609

Money market funds in the amount of \$19,140 are not subject to fair value disclosures and, therefore, are not included in the above table.

Note 9 - Property and Equipment

Property and equipment are summarized as follows:

Buildings and improvements	\$ 40,896
Furniture and equipment	125,760
Software and website	250,747
Total cost	417,403
Accumulated depreciation	263,120
Net property and equipment	\$ 154,283

Depreciation expense for 2022 was \$60,462.

Note 10 - Line of Credit

The Organization has a line of credit agreement with a bank that provides available borrowings of \$400,000. The line of credit is secured by all assets of the Organization and matures on February 18, 2023. Interest is payable on outstanding borrowings at 0.50 percent above the prime rate (5.25 percent at June 30, 2022), with a floor of 4.00 percent. No amounts were outstanding under this line of credit at June 30, 2022.

Note 11 - Accrued Liabilities

The following is the detail of accrued liabilities:

Accrued vacation	\$ 202,478
Accrued payroll	190,797
Deferred rent	61,326
Total	\$ 454,601

Note 12 - Net Assets

Net assets with donor restrictions as of June 30, 2022 are available for the following purposes:

Subject to expenditures for a specified programmatic purpose	\$ 2,594
Subject to the passage of time:	
Multiyear contributions receivable without donor purpose restrictions	224,726
Contributions receivable with a specified programmatic purpose	<u>384,222</u>
Total subject to the passage of time	608,948
Endowment assets:	
Accumulated endowment earnings	134,738
Net assets to be held in perpetuity	<u>364,011</u>
Total endowment assets	<u>498,749</u>
Total	<u>\$ 1,110,291</u>

Note 13 - Donor-restricted Endowments

The Organization's endowments consist of two donor-restricted funds established for long-term support of the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008.

The Organization is subject to UPMIFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Note 13 - Donor-restricted Endowments (Continued)

Invested Endowment Asset Composition by Type of Fund

The Organization's endowment net assets are composed of the following funds as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets subject to time or purpose restrictions	\$ -	\$ 134,738	\$ 134,738
Net assets to be held in perpetuity	-	364,011	364,011
Total	<u>\$ -</u>	<u>\$ 498,749</u>	<u>\$ 498,749</u>

Changes in Invested Endowment Assets

Changes in endowment net assets for the year ended June 30, 2022 are composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 555,564	\$ 555,564
Investment return:			
Investment income	-	1,073	1,073
Net appreciation (realized and unrealized)	-	(65,717)	(65,717)
Total investment return	-	(64,644)	(64,644)
Contributions	-	10,126	10,126
Appropriation of endowment assets for expenditure	-	(2,297)	(2,297)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 498,749</u>	<u>\$ 498,749</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies at June 30, 2022.

Investment Strategy and Return Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is, net of spending, greater than the rate of inflation.

Certain endowment assets are kept at CFF. CFF has discretion in selecting the asset mix and managers for the endowments of the Organization. The target asset allocation is as follows: (a) 5 percent in money markets, (b) 45 percent in fixed income, and (c) 50 percent in equities. The remaining endowment assets are allocated based on the board-approved investment policy to satisfy its long-term rate-of-return objectives. That policy's target allocation is (a) 40 percent in equities and (b) 60 percent in fixed income.

Spending Policy

The Organization has a policy of appropriating for distribution each year no more than 5 percent of its endowment fund's monthly average fair value in any given year. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment.

Note 14 - Operating Leases

The Organization is obligated under operating leases primarily for facilities and equipment, expiring at various dates through July 2027. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$396,641 for the year ended June 30, 2022. Amounts due under these leases are included in the table below.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2023	\$ 390,920
2024	290,234
2025	275,165
2026	273,700
2027	279,412
Thereafter	23,324
Total	<u>\$ 1,532,755</u>

Note 15 - Retirement Plan

The Organization sponsors a 401(k) plan for eligible employees. The plan provides for the Organization to make a discretionary matching contribution. The Organization made employer contributions of \$34,800 during the year ended June 30, 2022.

Note 16 - In-kind Contributions

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included the following:

Technical assistance	\$ 120,000
Donated television time	100,000
Gala events	28,438
Other	<u>56,350</u>
Total in-kind donations	<u>\$ 304,788</u>

Contributed technical assistance is valued based on what the Organization could expect to pay for various services, including technical assistance, training, database and performance management, and outcome reporting that was provided by a private foundation.

Donated television time is based on time granted in the Colorado market and is recorded at the approximate amount that it would cost the Organization if they had to pay for that air time in that market.

Gala events consist of the approximate retail value of donated items that are auctioned off for Colorado and Utah events.

Other in-kind gifts consist of training and coaching, as well as gifts for the golf tournament donated to the Organization, and are recorded at their fair value, which is determined by the approximate retail value of these items and services.

All gifts in-kind received during the year ended June 30, 2022 were unrestricted and were allocated between programmatic and support activities.