
Raise the Future

Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Raise the Future

Report on the Financial Statements

We have audited the accompanying financial statements of Raise the Future (the "Organization"), which comprise the statement of financial position as of June 30, 2021 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Raise the Future as of June 30, 2021 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.

Report on Summarized Comparative Information

We have previously audited Raise the Future's financial statements as of and for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Raise the Future

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022 on our consideration of Raise the Future'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 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 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 Raise the Future's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 4, 2022

Statement of Financial Position

June 30, 2021
(with comparative totals for 2020)

	2021	2020
Assets		
Current Assets		
Cash	\$ 2,281,388	\$ 1,714,852
Current portion of receivables	1,577,069	1,376,699
Prepaid expenses and other assets	153,417	112,578
Total current assets	4,011,874	3,204,129
Investments	502,944	768,867
Interest in Net Assets of Community First Foundation	52,626	45,595
Long-term Receivables - Net	24,336	187,816
Property and Equipment - Net	214,745	216,274
Total noncurrent assets	794,651	1,218,552
Total assets	\$ 4,806,525	\$ 4,422,681
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 174,607	\$ 134,870
Accrued liabilities	438,148	461,839
Deferred revenue	65,405	378,405
Conditional contributions	165,815	-
Total liabilities	843,975	975,114
Net Assets		
Without donor restrictions	3,010,753	2,381,204
With donor restrictions	951,797	1,066,363
Total net assets	3,962,550	3,447,567
Total liabilities and net assets	\$ 4,806,525	\$ 4,422,681

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021			2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Revenue, Gains, and Other Support					
Foundations	\$ 2,902,139	\$ 170,000	\$ 3,072,139	\$ 2,156,510	
Corporations and individuals	380,137	40,000	420,137	472,217	
In-kind donations	473,630	-	473,630	341,984	
Government support	4,024,427	-	4,024,427	3,306,407	
Special events - Net	985,418	-	985,418	604,151	
Investment (loss) income - Net	(2,931)	93,358	90,427	47,258	
Gain on sale of property and equipment	-	-	-	462,145	
Other income	15,961	-	15,961	37,719	
Total revenue, gains, and other support	8,778,781	303,358	9,082,139	7,428,391	
Net Assets Released from Restrictions	417,924	(417,924)	-	-	
Total revenue, gains, other support, and net assets released from restrictions	9,196,705	(114,566)	9,082,139	7,428,391	
Expenses					
Program services:					
Media-based recruitment services	835,819	-	835,819	867,745	
Intensive recruitment services	3,397,290	-	3,397,290	2,924,379	
Mentoring program	221,087	-	221,087	259,859	
Family support program	2,011,720	-	2,011,720	1,522,878	
National systems change	352,433	-	352,433	402,244	
Total program services	6,818,349	-	6,818,349	5,977,105	
Support services:					
General and administration	1,057,831	-	1,057,831	710,142	
Funds development	690,976	-	690,976	817,984	
Total support services	1,748,807	-	1,748,807	1,528,126	
Total expenses	8,567,156	-	8,567,156	7,505,231	
Increase (Decrease) in Net Assets	629,549	(114,566)	514,983	(76,840)	
Net Assets - Beginning of year	2,381,204	1,066,363	3,447,567	3,524,407	
Net Assets - End of year	\$ 3,010,753	\$ 951,797	\$ 3,962,550	\$ 3,447,567	

Statement of Functional Expenses

Year Ended June 30, 2021
(with comparative totals for 2020)

	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	2021	2020
Compensation	\$ 547,266	\$ 2,785,699	\$ 186,761	\$ 1,502,627	\$ 250,370	\$ 5,272,723	\$ 554,720	\$ 384,814	\$ 939,534	\$ 6,212,257	\$ 5,643,858
Professional services	387	837	16	603	163	2,006	247,443	51,984	299,427	301,433	280,516
Direct program costs	39,482	109,323	4,573	218,564	81,468	453,410	-	-	-	453,410	133,490
Travel	2,235	53,129	740	88,184	-	144,288	429	2,755	3,184	147,472	233,589
Conferences and meetings	-	-	318	-	885	1,203	-	-	-	1,203	30,168
Printing, publications, and postage	-	-	-	-	-	-	-	33,459	33,459	33,459	105,032
Information technology	16,115	18,580	2,557	18,582	5,159	60,993	142,849	20,099	162,948	223,941	326,435
Office expenses	35,541	58,556	2,045	41,396	8,222	145,760	62,600	7,150	69,750	215,510	123,301
Occupancy	48,552	177,785	21,099	69,686	1,451	318,573	34,447	36,292	70,739	389,312	154,474
Insurance	4,721	21,361	1,470	13,041	2,327	42,920	7,079	3,564	10,643	53,563	45,666
Miscellaneous	-	-	-	-	-	-	-	-	-	-	41,307
Depreciation	4,845	21,920	1,508	13,382	2,388	44,043	7,264	3,659	10,923	54,966	38,617
Bad debt	-	-	-	7,000	-	7,000	-	-	-	7,000	6,794
In-kind expenses	136,675	150,100	-	38,655	-	325,430	1,000	147,200	148,200	473,630	341,984
Total expenses	\$ 835,819	\$ 3,397,290	\$ 221,087	\$ 2,011,720	\$ 352,433	\$ 6,818,349	\$ 1,057,831	\$ 690,976	\$ 1,748,807	\$ 8,567,156	\$ 7,505,231

Statement of Cash Flows

Years Ended June 30, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 514,983	\$ (76,840)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation expense	54,966	38,617
Gain on disposal of property and equipment	-	(462,145)
Net realized and unrealized gains on investments	(83,947)	(27,500)
Contributions restricted for endowments	-	(5,475)
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(36,890)	27,040
Prepaid expenses and other assets	(40,839)	(92,109)
Accounts payable	39,737	101,608
Accrued liabilities	(23,691)	191,992
Deferred revenue	(313,000)	132,390
Conditional contributions	165,815	-
Net cash provided by (used in) operating activities	277,134	(172,422)
Cash Flows from Investing Activities		
Net sales of investments	-	17,546
Distributions received from Community First Foundation	2,252	2,195
Purchases of property and equipment	(53,437)	(172,220)
Proceeds from sale of property and equipment	-	646,647
Purchases of investments	(51,607)	-
Proceeds from sales of investments	392,194	-
Net cash provided by investing activities	289,402	494,168
Cash Flows Provided by Financing Activities - Contributions restricted for endowments	-	5,475
Net Increase in Cash	566,536	327,221
Cash - Beginning of year	1,714,852	1,387,631
Cash - End of year	<u>\$ 2,281,388</u>	<u>\$ 1,714,852</u>

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 10,250 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, 2021, the Organization served 1,527 children waiting in foster care, including 320 children placed in loving adoptive homes and an additional 185 children who achieved legal permanency through adoption, guardianship, or other means. The children served by the Organization:

- Are older - 89 percent were aged 9 or older.
- Are ethnically diverse - 48 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, 2021, 89 Colorado, Missouri, Nevada, and Utah youth were featured at matching events; 10 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.

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 3,617 families and professionals benefited from over 19,270 hours of training and support through classes, webinars, and conferences that were offered during the year ended June 30, 2021. 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, 2020 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 2020 financial statements, from which the summarized information was derived.

Risks and Uncertainties

In early March 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As a result of the pandemic, the Organization has transitioned many of its employees to a remote working environment. The Organization has also experienced fluctuations in its investment portfolio due to ongoing market volatility. Due to the pandemic, the fundraising cycle for foundations, corporations, and individuals slowed down, and the Organization was forced to defer certain special events to the subsequent year. In response to the resulting decrease in revenue, the Organization applied for and was awarded a Paycheck Protection Program loan in the amount of \$354,000 to supplement the decreased cash flow during the year ended June 30, 2020. The extent of the impact of the ongoing pandemic on the Organization's future results of operations, cash flows, and financial condition is not known, but the Organization's position could be negatively impacted.

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, 2021 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.

Note 2 - Significant Accounting Policies (Continued)

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. As of June 30, 2021, the Organization had received cash from conditional contributions in the amount of \$165,815, which is reflected as a liability at year end due to remaining unmet conditions. Subsequent to year end, these funds were returned to the donor.

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, 2021, the Organization has determined that no allowance for contributions receivable was necessary.

Concentration of Receivables and Revenue

Revenue is predominately from foundations, individuals, corporations, and governmental agencies located principally in the United States. Two governmental agencies accounted for 60 percent of total receivables as of June 30, 2021. One foundation and two governmental agencies accounted for approximately 55 percent of total contributions and government support for the year ended June 30, 2021.

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.

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

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, 2021, the Organization had 45 volunteers who provided approximately 1,906 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.

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. Such allocations are determined by management on an equitable basis using such methods as estimated usage, square footage, or periodic time and expense studies. 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

Effective July 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes requirements to disclose (1) the valuation processes for Level 3 fair value measurements and (2) the changes in unrealized gains and losses for the period for recurring Level 3 fair value measurements, and it modifies the disclosure requirements for a rollforward for Level 3 fair value measurements, to instead require only the disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, among other changes not currently relevant to the Organization. The adoption did not have a material impact to the financial statements.

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which 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. 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 new guidance will be effective for the Organization's year ending June 30, 2022 and will be applied retrospectively to all periods presented.

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 January 4, 2022, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2021, 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	\$ 2,281,388
Receivables - Net	1,601,405
Investments	502,944
Interest in net assets of the Community First Foundation	<u>52,626</u>
Financial assets - At June 30, 2021	4,438,363
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted net assets (Note 12)	951,797
Excluding contributions expected to be collected in one year	<u>(366,333)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,852,899</u></u>

June 30, 2021

Note 3 - Liquidity and Availability of Resources (Continued)

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, 2021, 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, 2021:

Accounts receivable	\$ 1,205,173
Contributions receivable	<u>396,232</u>
Total	<u>\$ 1,601,405</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	\$ 396,232
Less net present value discount	<u>(5,517)</u>
Net contributions receivable	<u>\$ 390,715</u>
Amounts due in:	
Less than one year	\$ 366,333
One to five years	<u>29,899</u>
Total	<u>\$ 396,232</u>

Note 6 - Investments

The details of the Organization's investments at June 30, 2021 are as follows:

Mutual funds	\$ 493,073
Government money market funds	<u>9,871</u>
Total	<u>\$ 502,944</u>

Net investment income consists of the following for the year ended June 30, 2021:

Dividends and interest	\$ 6,962
Net realized gain	26,647
Net unrealized gain	57,300
Investment management service fees	<u>(482)</u>
Total	<u>\$ 90,427</u>

June 30, 2021

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 \$2,252 during the year ended June 30, 2021. 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 \$52,626 as of June 30, 2021.

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.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2021 and the valuation techniques used by the Organization to determine those fair values:

	<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2021</u>			
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Mutual funds	\$ 493,073	\$ -	\$ -	\$ 493,073
Interest in net assets of CFF	-	-	52,626	52,626
Total assets	\$ 493,073	\$ -	\$ 52,626	\$ 545,699

Money market funds in the amount of \$9,871 are not subject to fair value disclosures and, therefore, are not included in the above table.

June 30, 2021

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	<u>250,747</u>
Total cost	417,403
Accumulated depreciation	<u>202,658</u>
Net property and equipment	<u><u>\$ 214,745</u></u>

Depreciation expense for 2021 was \$54,966.

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 19, 2022. Interest is payable on outstanding borrowings at 1.25 percent above the prime rate (4.50 percent at June 30, 2021), with a floor of 4.50 percent. No amounts were outstanding under this line of credit at June 30, 2021.

Note 11 - Accrued Liabilities

The following is the detail of accrued liabilities:

Accrued vacation	\$ 236,208
Accrued payroll	139,691
Deferred rent	<u>62,249</u>
Total	<u><u>\$ 438,148</u></u>

Note 12 - Net Assets

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Subject to expenditures for a specified programmatic purpose	\$ 22,552
Subject to the passage of time:	
Multiyear contributions receivable without donor purpose restrictions	228,185
Contributions receivable with a specified programmatic purpose	<u>145,496</u>
Total subject to the passage of time	373,681
Endowment assets:	
Accumulated endowment earnings	189,256
Net assets to be held in perpetuity	<u>366,308</u>
Total endowment assets	<u>555,564</u>
Total	<u><u>\$ 951,797</u></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.

Note 13 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. Accordingly, the Organization follows FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

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

Invested Endowment Asset Composition by Type of Fund

The Organization's endowment net assets are composed of the following funds as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets subject to time or purpose restrictions	\$ -	\$ 189,256	\$ 189,256
Net assets to be held in perpetuity	-	366,308	366,308
Total	<u>\$ -</u>	<u>\$ 555,564</u>	<u>\$ 555,564</u>

Note 13 - Donor-restricted Endowments (Continued)

Changes in Invested Endowment Assets

Changes in endowment net assets for the year ended June 30, 2021 are composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 464,458	\$ 464,458
Investment return:			
Investment income	-	948	948
Net appreciation (realized and unrealized)	-	92,410	92,410
Total investment return	-	93,358	93,358
Appropriation of endowment assets for expenditure	-	(2,252)	(2,252)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 555,564</u>	<u>\$ 555,564</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, 2021.

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 \$397,829 for the year ended June 30, 2021. Amounts due under these leases are included in the table below.

Note 14 - Operating Leases (Continued)

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

Years Ending June 30	Amount
2022	\$ 381,992
2023	390,920
2024	290,234
2025	275,165
2026	273,700
Thereafter	<u>302,736</u>
Total	<u>\$ 1,914,747</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 \$28,163 during the year ended June 30, 2021.