

# **ONWARD! A LEGACY FOUNDATION**

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



**ONWARD! A LEGACY FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Onward! A Legacy Foundation  
Cortez, Colorado

### ***Opinion***

We have audited the accompanying financial statements of **Onward! A Legacy Foundation** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, 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 Onward! A Legacy Foundation as of December 31, 2021, 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 Onward! A Legacy Foundation 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 Onward! A Legacy Foundation's 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 Onward! A Legacy Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Onward! A Legacy Foundation's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

We have previously audited Onward! A Legacy Foundation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor Roth and Company PLLC*

Taylor, Roth and Company, PLLC  
Certified Public Accountants  
Albuquerque, New Mexico  
October 25, 2022

**ONWARD! A LEGACY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 902,905	\$ 771,598
Accounts receivable	-	5,983
Grants receivable	120,321	172,189
Contributions receivable	38,303	11,548
Prepaid expenses	10,465	7,325
Investments (Note 4)	3,633,758	2,893,820
Loans receivable (Note 5)	28,323	23,247
Property and equipment, net (Note 6)	783,109	369,371
Total assets	<u>\$ 5,517,184</u>	<u>\$ 4,255,081</u>
<u>Liabilities and net assets</u>		
Liabilities		
Accounts payable	\$ 20,907	\$ 14,180
Payroll-related accruals	40,746	33,541
Grants payable	-	7,900
Deferred revenue (Note 7)	151,868	-
Charitable remainder trust payable (Note 8)	52,574	57,239
Agency funds payable (Note 9)	515,166	603,383
Total liabilities	<u>781,261</u>	<u>716,243</u>
Net assets without donor restrictions		
Undesignated	100,580	257,754
Investment in property and equipment	783,109	369,371
Board-designated endowment (Note 10)	29,217	24,860
	<u>912,906</u>	<u>651,985</u>
Net assets with donor restrictions (Note 11)		
Restricted for purpose	3,293,480	2,363,344
Restricted for perpetuity	529,537	523,509
	<u>3,823,017</u>	<u>2,886,853</u>
Total net assets	<u>4,735,923</u>	<u>3,538,838</u>
Total liabilities and net assets	<u>\$ 5,517,184</u>	<u>\$ 4,255,081</u>

The accompanying notes are an integral part of these financial statements

**ONWARD! A LEGACY FOUNDATION**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Grants	\$ 23,289	\$ 1,632,465	\$ 1,655,754	\$ 1,374,669
Contributions	3,691	563,210	566,901	541,050
Investment income(loss) (Note 4)	69,006	416,218	485,224	103,028
Sales of merchandise	144,555	-	144,555	70,230
Less: cost of goods sold	(55,467)	-	(55,467)	(20,266)
Program fees	43,486	-	43,486	45,748
Special events, net	-	3,918	3,918	87,490
Net assets released from restrictions (Note 12)	1,679,647	(1,679,647)	-	-
Total revenue and other support	1,908,207	936,164	2,844,371	2,201,949
<u>Expense</u>				
Program services				
Programs	1,349,396	-	1,349,396	1,014,821
Donor advised funds	77,056	-	77,056	98,221
Scholarship funds	70,639	-	70,639	69,460
Endowment funds	35,547	-	35,547	22,909
Total program expense	1,532,638	-	1,532,638	1,205,411
Supporting services				
General and administrative	106,026	-	106,026	104,376
Fund-raising	8,622	-	8,622	7,911
Total expense	1,647,286	-	1,647,286	1,317,698
Change in net assets	260,921	936,164	1,197,085	884,251
Net assets, beginning of year	651,985	2,886,853	3,538,838	2,654,587
Net assets, end of year	\$ 912,906	\$ 3,823,017	\$ 4,735,923	\$ 3,538,838

The accompanying notes are an integral part of these financial statements

**ONWARD! A LEGACY FOUNDATION**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021					2020			
	Program Services					Supporting Services			
	Programs	Donor Advised Funds	Scholarship Funds	Endowment Funds	Total	General and Admin	Fund- raising	Total	Total
Salaries	\$ 711,186	\$ -	\$ 1,500	\$ -	\$ 712,686	\$ 60,935	\$ 7,722	\$ 781,343	\$ 569,594
Payroll taxes and benefits	63,340	-	186	-	63,526	8,363	900	72,789	50,886
Grants and scholarships	116,660	77,056	68,520	35,530	297,766	5,614	-	303,380	359,446
Program supplies	202,878	-	72	-	202,950	-	-	202,950	137,498
Professional services	106,725	-	24	-	106,749	255	-	107,004	75,297
Occupancy	39,949	-	219	-	40,168	3,180	-	43,348	32,254
Travel	19,663	-	-	-	19,663	-	-	19,663	15,623
Insurance	10,952	-	1	-	10,953	1,702	-	12,655	9,950
Office expense	9,453	-	2	17	9,472	2,565	-	12,037	10,943
Audit and accounting services	-	-	-	-	-	11,250	-	11,250	11,970
Printing	7,056	-	-	-	7,056	1,722	-	8,778	9,435
Telephone	4,992	-	-	-	4,992	717	-	5,709	2,855
Meals	4,698	-	-	-	4,698	413	-	5,111	3,510
Website development	3,018	-	-	-	3,018	1,232	-	4,250	3,646
Facility/site rental	3,744	-	-	-	3,744	-	-	3,744	358
Dues and subscriptions	760	-	-	-	760	2,512	-	3,272	1,903
Staff development and training	520	-	-	-	520	40	-	560	8,618
All other	11,617	-	115	-	11,732	5,526	-	17,258	11,412
	1,317,211	77,056	70,639	35,547	1,500,453	106,026	8,622	1,615,101	1,315,198
Depreciation expense	32,185	-	-	-	32,185	-	-	32,185	2,500
Total	<u>\$ 1,349,396</u>	<u>\$ 77,056</u>	<u>\$ 70,639</u>	<u>\$ 35,547</u>	<u>\$ 1,532,638</u>	<u>\$ 106,026</u>	<u>\$ 8,622</u>	<u>\$ 1,647,286</u>	<u>\$ 1,317,698</u>

The accompanying notes are an integral part of these financial statements

**ONWARD! A LEGACY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,197,085	\$ 884,251
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	(504,047)	(47,848)
Contributions restricted for long-term investment	(6,028)	(5,684)
Donated securities	(102,735)	(122,604)
Depreciation expense	32,185	2,500
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	5,983	(821)
(Increase)decrease in grants receivable	51,868	(80,285)
(Increase)decrease in contributions receivable	(26,755)	10,376
(Increase)decrease in prepaid expenses	(3,140)	13,351
(Increase)decrease in loans receivable	(5,076)	(23,247)
Increase(decrease) in accounts and grants payable	(1,173)	(887)
Increase(decrease) in payroll-related accruals	7,205	(13,305)
Increase(decrease) in deferred revenue	151,868	-
Increase(decrease) in agency funds payable	(88,217)	121,119
Net cash provided(used) by operating activities	<u>709,023</u>	<u>736,916</u>
<u>Cash flows from investing activities</u>		
(Reinvestment) of investment earnings	(78,094)	(66,734)
(Purchases) of investments	(193,000)	(75,000)
Proceeds from investments	139,589	298,490
(Purchases) of property and equipment	(445,923)	(371,871)
Net cash provided(used) by investing activities	<u>(577,428)</u>	<u>(215,115)</u>
<u>Cash flows from financing activities</u>		
Payments against charitable gift split-interest annuity obligations	(6,316)	(6,560)
Investment in permanent endowment	6,028	5,684
Net cash provided(used) by financing activities	<u>(288)</u>	<u>(876)</u>
Net increase(decrease) in cash and cash equivalents	131,307	520,925
Cash and cash equivalents, beginning of year	<u>771,598</u>	<u>250,673</u>
Cash and cash equivalents, end of year	<u><u>\$ 902,905</u></u>	<u><u>\$ 771,598</u></u>

The accompanying notes are an integral part of these financial statements

## **ONWARD! A LEGACY FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

#### **NOTE 1 - NATURE OF ACTIVITIES**

Onward! A Legacy Foundation (the Organization) is a not-for-profit organization located in Cortez, Colorado. The mission of the Organization is to provide opportunities to develop and maintain a sustainable resource base that will enhance the quality of life for residents in the Four Corners' communities. The Organization focuses its efforts on scholarships, civic beautification, social services, art and culture, and organization development. To achieve this mission, the Organization invests donor funds responsibly to preserve capital, provide growth, and earn income for grant making. The Organization is supported primarily by grants, contributions, and investment income.

#### **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.

##### **4. 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.

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

4. Revenue and Revenue Recognition (concluded)

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization's net assets without donor restrictions consist of general funds and board-designated funds. Miscellaneous funds are grass-roots activities organized by community groups which partner with the Organization to take advantage of the Organization's tax-exempt status and back-office capabilities. The Organization takes responsibility for all aspects of the programs to ensure operations and management of funds are consistent with the mission and tax-exempt purpose of the Organization. The Organization retains final decision-making authority over these funds. Accordingly, these funds are recorded as support without donor restrictions when received.

The Organization's net assets with donor restrictions consist of donor advised funds, scholarship funds, and fiscal funds that are restricted for grant-making, scholarships for individuals, or fiscal sponsorship of certain activities. Based on the nature of the underlying agreements, these contributions are reported as donor-restricted support when received. As the funds are spent for the intended purposes, the restrictions are released. The Organization receives advice from donors of donor advised funds regarding identifying grantees; however, the Organization retains final decision-making authority over these funds. The Organization considers donor advised funds restricted for grant-making purposes. An administrative fee is charged to these funds, based on agreements with the donors, which is recorded as revenue without donor restrictions by the general fund of the Organization.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net asset with donor restrictions. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

5. Accounts, Grants, and Contributions Receivable

Management assesses the need for an allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Organization has not recorded an allowance as of December 31, 2021, as management believes all receivables are fully collectible.

6. 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.

7. 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)

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

An expense that is a direct cost of program services, general/administrative, or fund-raising is recorded as such in the general ledger. When an expense is attributable to more than one function, the cost is recorded as a shared expense and then allocated based on the time and effort of staff working in each functional area. Expenses included in these financial statements that include an allocation based on time and effort of staff are payroll and related payroll expenses and in-kind professional services.

10. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC 820, which require 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).

11. Public Deposit Protection Act Custodian

On occasion, the Organization may hold cash in demand deposit accounts in excess of the coverage offered by the Federal Deposit Insurance Corporation (FDIC). In January 2019, the Organization was assigned as an official custodian of the Public Deposit Protection Act, and this assignment provides for collateral pledged on demand deposit accounts for the balances in the Organization's primary banking institution that exceed FDIC coverage.

12. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

13. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

14. Subsequent Events

Management has evaluated subsequent events through October 25, 2022, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2021:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 902,905
Receivables	158,624
Investments	<u>3,633,758</u>
Total financial assets	<u>4,695,287</u>
Less amounts not available or budgeted for operational use within one year:	
Scholarship funds, less budgeted expense of \$40,000	1,064,620
Donor advised funds, less budgeted expense of \$40,000	1,056,444
Endowment funds restricted for perpetuity by donors	529,537
Agency funds payable	515,166
Charitable remainder trust liability, less budgeted expense of \$6,500	46,074
Board-designated endowment, less budgeted expense of \$6,000	<u>23,217</u>
	<u>2,170,438</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 2,524,849</u></u>

The Organization has minimal fixed overhead costs which is a strategic goal of the governing body so that contribution and investment income can be largely directed to grant-making and other program activities. Gifts without donor restrictions are used for operations, in addition to management fees charged to funds.

NOTE 4 - INVESTMENTS

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

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities and equity funds	\$ 1,948,646	\$ 2,871,844	\$ 923,198
Corporate bonds and bond funds	514,309	514,906	597
Alternative investments	117,476	126,332	8,856
Preferred stock	81,401	80,843	(558)
Government bonds	29,439	33,950	4,511
Certificates of deposit	<u>5,883</u>	<u>5,883</u>	<u>-</u>
Total	<u><u>\$ 2,697,154</u></u>	<u><u>\$ 3,633,758</u></u>	<u><u>\$ 936,604</u></u>

NOTE 4 - INVESTMENTS (concluded)

Investment returns are summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividends, net of expenses	\$ 78,094
Realized gains(losses)	136,797
Unrealized gains(losses)	368,901
Subtotal	583,792
Less: allocations to agency funds	(98,568)
Total	<u>\$ 485,224</u>

The Organization follows the Fair Value Measurements and Disclosures Topic of FASB ASC 820 which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Organization has investments in equities, mutual funds, corporate fixed income bonds, and certificates of deposit in this category.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. The Organization has government bonds in this category.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Organization does not have any investments in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following table summarizes the levels in the fair value hierarchy into which the Organization's investments fall as of year-end:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 2,871,844	\$ 2,871,844	\$ -	\$ -
Corporate bonds	514,906	514,906	-	-
Alternative investments	126,332	126,332	-	-
Preferred stock	80,843	80,843	-	-
Government bonds	33,950	-	33,950	-
Certificates of deposit	5,883	5,883	-	-
Total	<u>\$ 3,633,758</u>	<u>\$ 3,599,808</u>	<u>\$ 33,950</u>	<u>\$ -</u>

NOTE 5 - LOANS RECEIVABLE

The Organization is the fiscal sponsor of a revolving loan program which supports local farming operations. Loan balances are typically due within two to five years of the initial disbursement, and no interest is charged. As of December 31, 2021, a balance of \$28,323 is due from six recipients of this loan program, and no allowance for uncollectible amounts is considered necessary.

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2021, property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Land - orchard	\$ 311,066
Land improvements - orchard irrigation	96,815
Buildings and improvements	50,490
Equipment	333,933
Vehicles and trailers	25,490
	<hr/> 817,794
Less: accumulated depreciation	(34,685)
Net property and equipment	<hr/> <u>\$ 783,109</u>

The property and equipment noted above was purchased by four of the Organization's fiscal funds. The use of these assets is limited to the purposes of the respective funds, and the assets are not available for the Organization's general use. Depreciation expense for the year totaled \$32,185.

NOTE 7 - DEFERRED REVENUE

As of December 31, 2021 the Organization received \$151,868 in grant funds on behalf of a fiscal fund. These funds were recorded as a liability when received because the grant is considered conditioned on future activities. The revenue will be recognized during the year ended December 31, 2022, when the program activities are accomplished.

NOTE 8 - CHARITABLE GIFT SPLIT-INTEREST ANNUITY OBLIGATIONS

During 2018, the Organization was the recipient of a charitable gift annuity (i.e., charitable remainder trust or annuity). The agreement stipulates that the beneficiary of the annuity will receive a quarterly cash distribution over their lifetime, and upon the death of the beneficiary, the assets that remain will be contributed to the Organization. The Organization maintains the assets as general assets of the Organization, and a liability is recognized for the estimated present value of the annuity obligation using the discount rate and actuarial assumptions as provided in Internal Revenue Service guidelines and actuarial tables. Contribution revenue, which represents the fair value of assets donated less the annuity obligation, is recorded as revenue upon receipt of the donated assets. Assets of the Organization derived from these charitable gift annuities are invested as described in Note 4.

Obligations of the Organization related to this annuity, valued at the estimated present value of the annuity obligation, totaled \$52,574 as of December 31, 2021. During the year ended December 31, 2021, the Organization recognized amortization expense of \$1,540 for the annuity.

NOTE 9 - AGENCY FUNDS PAYABLE

When the Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to an entity specified by the donor, professional standards require that a liability be recorded, rather than a contribution. The Organization refers to such funds as *agency funds*. A liability is reported for these funds in the Statement of Financial Position as *Agency funds payable*.

Receipts and disbursements related to these funds are excluded from revenues and expenses of the Organization. As of December 31, 2021, the Organization was the custodian of nine agency funds.

NOTE 10 - BOARD-DESIGNATED ENDOWMENT

The principal invested in the board-designated endowment is intended to be held in perpetuity, with the income used exclusively for grant-making and other charitable works. Because the Board has control, the board-designated endowment is designated as net assets without donor restrictions. See Note 13 for additional information on the endowment funds.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions were available for the following purposes:

<u>Description</u>	<u>Amount</u>
Scholarship funds	\$ 1,104,620
Donor advised funds	1,096,444
Fiscal funds and other sponsored direct programs	969,886
Endowment funds - investment income	122,530
Total	<u>\$ 3,293,480</u>

At year-end, net assets restricted by the donor for perpetuity included:

<u>Description</u>	<u>Amount</u>
Hoover Endowed Scholarship Fund	\$ 201,290
General Fund Endowment	133,005
Larsen Endowed Scholarship Fund	89,745
Searle Community Endowment Fund	64,328
Cortez Public Library Endowment Fund	41,169
Total	<u>\$ 529,537</u>

See Note 13 for additional information on the endowment funds.

## NOTE 12 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Fiscal funds and other sponsored direct programs	\$ 1,470,116
Donor advised funds	107,098
Scholarship funds	59,133
Endowment funds	43,300
Total	<u>\$ 1,679,647</u>

## NOTE 13 - ENDOWMENT FUNDS

The Organization's endowments consist of five individual funds established for a variety of purposes and as required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors ensures that in all aspects of institutional funds management, the Organization acts in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as stated in Colorado Revised Statutes 15-1-1101 through 1110, as well as all other applicable state and federal laws. The "prudent investor rule" states that in managing its institutional funds, the Organization and its agents shall act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In the preservation of the endowment fund, primary consideration is given to donor intent as expressed in a gift instrument and as expressly enumerated in prudence factors in UPMIFA.

The Organization classifies the original value of gifts donated to the endowment and the original value of subsequent gifts donated to the endowment as net assets with donor restrictions required to be held in perpetuity. In accordance with the Organization's interpretation of UPMIFA, any remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions required to be held in perpetuity is classified as net assets without donor restrictions or net assets with donor restrictions (for time or purpose) and held until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor's intent as stated in the gift instrument.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the Organization shall act in good faith and if relevant, considers the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; and (7) the investment policy of the institution

*Endowment Investment Objective.* The Organization's primary objectives in managing endowments are to create a steady stream of revenue to support its mission, to preserve the purchasing power of the endowment in perpetuity, and to achieve the highest total return with a reasonable level of risk.

NOTE 13 - ENDOWMENT FUNDS (concluded)

*Endowment Spending Policy.* The Organization has adopted investment and spending policies, approved by the Board of Directors, 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 these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Originally contributed endowment principal is maintained in net assets with donor restrictions to be held in perpetuity; accumulated net earnings and appreciation and depreciation on related investments are recorded in net assets with donor restrictions, until appropriated.

Endowment asset composition as of December 31, 2021, consisted of donor-restricted and board-designated funds. 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, and as of December 31, 2021, none of the endowment funds were considered underwater. Endowment assets are included with investments on the statement of financial position.

Changes in endowment assets as of December 31, 2021, were as follows:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Board- designated</u>	<u>Restricted for Purpose</u>	<u>Restricted for Perpetuity</u>	
Endowment assets, beginning of year	\$ 24,860	\$ 66,853	\$ 523,509	\$ 615,222
Contributions	14,559	-	6,028	20,587
Investment income(loss)	13,087	98,977	-	112,064
Appropriation of assets for expenditure	(23,289)	(43,300)	-	(66,589)
Total	<u>\$ 29,217</u>	<u>\$ 122,530</u>	<u>\$ 529,537</u>	<u>\$ 681,284</u>

NOTE 14 - PENSION

The Organization has a SIMPLE IRA for qualified employees, and expense related to this benefit was \$4,776 for the year ended December 31, 2021.

NOTE 15 - RELATED PARTIES

During the year ended December 31, 2021, the Organization paid \$3,180 to a company owned by the Executive Director for office space and \$3,150 for accounting services. Contributions from members of the Board of Directors totaled \$14,138.

In addition, certain members of the Board of Directors and/or their immediate relatives are distribution advisors to certain funds held by the Organization.

NOTE 16 - CONCENTRATION OF RISK

*Investment Accounts*

The Organization holds investments in two brokerage accounts that are subject to market value fluctuation.