National Sports Center for the Disabled, Inc.

Financial Statements

October 31, 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Kundinger, Corder & Engle, P.C.

Certified Public Accountants
475 Lincoln Street, Suite 200
Denver, Colorado 80203

Phone (303) 534-5953
Fax (303) 892-7776
www.kcedenver.com

Independent Auditor's Report

Board of Directors
National Sports Center for the Disabled, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of National Sports Center for the Disabled, Inc. (the "Organization"), which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, 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. 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 National Sports Center for the Disabled, Inc. as of October 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

January 19, 2021

National Sports Center for the Disabled, Inc.
Statement of Financial Position
October 31, 2020

Assets	
Cash and cash equivalents	$ 309,906
Contributions and grants receivable	81,750
Investments (note 3)	315,639
Prepaid expenses and other assets	5,810
Property and equipment, net (note 4)	149,655
Total assets	$ 862,760
Liabilities and net assets	
Accounts payable	$ 48,864
Accrued liabilities	51,662
Deferred revenue	42,728
Paycheck Protection Program loan (note 11)	10,000
Economic Injury Disaster Loan (note 6)	150,000
Capital lease obligation (note 9)	12,381
Total liabilities	315,635
Net assets	
Without donor restrictions	202,598
With donor restrictions (notes 7 and 8)	344,527
Total net assets	547,125
Commitments and contingency (notes 5, 6, 9, 10, and 11)	
Total liabilities and net assets	$ 862,760

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Statement of Activities
Year Ended October 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	$ 1,243,659	22,539	1,266,198
Forgiveness of Paycheck Protection Program loan (note 11)	313,300	–	313,300
In-kind contributions (note 1(i))	939,080	–	939,080
Special events revenue	1,063,078	–	1,063,078
Less cost of direct benefits to donors	(744,620)	–	(744,620)
Program revenue	448,365	–	448,365
Investment return	23,788	544	24,332
Other revenue	57,956	–	57,956
Net assets released from restrictions (note 7)	114,236	(114,236)	–
Total revenue and support	3,458,842	(91,153)	3,367,689
Expenses			
Program services			
Recreation programs	2,319,416	–	2,319,416
Competition programs	281,398	–	281,398
Total program services	2,600,814	–	2,600,814
Supporting services			
Management and general	412,463	–	412,463
Fund raising	504,678	–	504,678
Total supporting services	917,141	–	917,141
Total expenses	3,517,955	–	3,517,955
Change in net assets	(59,113)	(91,153)	(150,266)
Net assets at beginning of year	261,711	435,680	697,391
Net assets at end of year	$ 202,598	344,527	547,125

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Statement of Functional Expenses
Year Ended October 31, 2020

	Program services			Supporting services			
	Recreational programs	Competition programs	Total program services	Manage-ment and general	Fund raising	Total supporting services	Total
Salaries, payroll taxes and employee benefits	$ 1,113,838	140,034	1,253,872	294,939	280,306	575,245	1,829,117
Donated goods and services	880,258	–	880,258	12,672	677,413	690,085	1,570,343
Office and general	70,940	13,008	83,948	87,330	82,487	169,817	253,765
Program expenses	124,321	99,886	224,207	–	–	–	224,207
Staff and intern expenses	18,406	23,996	42,402	17,339	88,851	106,190	148,592
Marketing and fundraising	881	–	881	–	107,857	107,857	108,738
Depreciation	76,851	315	77,166	–	–	–	77,166
Facilities and vehicle expenses	33,835	2,964	36,799	83	1,118	1,201	38,000
Miscellaneous	86	1,195	1,281	100	11,266	11,366	12,647
Total expenses	2,319,416	281,398	2,600,814	412,463	1,249,298	1,661,761	4,262,575
Less expenses netted with revenue in the statement of activities							
Special events direct benefits to donors	–	–	–	–	(744,620)	(744,620)	(744,620)
Total expenses reported in statement of activities	$ 2,319,416	281,398	2,600,814	412,463	504,678	917,141	3,517,955

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Statement of Cash Flows
Year Ended October 31, 2020

Cash flows from operating activities	
Change in net assets	$ (150,266)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	77,166
Net realized and unrealized gains	14,087
Contributions restricted for long-term purposes	(1,301)
Change in operating assets and liabilities	
Contributions and grants receivable	(41,267)
Prepaid expenses and other assets	23,670
Accounts payable	(59,786)
Accrued liabilities	5,792
Deferred revenue	(72,534)
Net cash used in operating activities	(204,439)
Cash flows from investing activities	
Net sales of investments	44,449
Purchases of property and equipment	(92,453)
Net cash used in investing activities	(48,004)
Cash flows from financing activities	
Proceeds from Paycheck Protection Program loan	323,300
Forgiveness of Paycheck Protection Program loan	(313,300)
Proceeds from Economic Injury Disaster Loan	150,000
Payments on capital lease obligation	(12,315)
Proceeds from contributions restricted for long-term purposes	1,301
Net cash provided by financing activities	148,986
Net decrease in cash and cash equivalents	(103,457)
Cash and cash equivalents at beginning of year	413,363
Cash and cash equivalents at end of year	$ 309,906
Supplemental cash flow information	
Cash paid during the year for interest	$ 177

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The National Sports Center for the Disabled, Inc. (the "Organization"), a nonprofit corporation, was incorporated in the state of Colorado on July 5, 1977 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization provides therapeutic, adaptive sports, and recreational programs for people with disabilities of any age and any ability. The Organization has grown to be one of the largest premier therapeutic recreation agencies in the world. Each year, the Organization serves approximately 4,000 children and adults with disabilities who partake in more than 20 sports and recreation programs, from snow skiing and kayaking to rafting and rock climbing. The Organization has office space and operating facilities in Winter Park and Denver, Colorado. The Organization's major programs consist of the following:

Recreational Programs: The recreational programs provide lessons and equipment for adaptive alpine and cross-country skiing, snowboarding, ski bike, multi and single day camping experiences, river rafting, canoe, kayak, stand-up paddle, fishing, therapeutic horseback riding, veterans specific programs, archery, air-gun, obstacle course, rock climbing, ability clinics, and custom group activities to individuals with any type of disability aged five and older.

Competition Programs: The Competition Center is located in Winter Park, Colorado and offers training programs for racers of all abilities in alpine and cross-country skiing, sit ski, stand ski, mono-ski, blind ski, and snowboard. The competition program is based on the same teaching principals used for able-bodied competitive ski racing organizations. The Organization trains athletes with visual impairments, amputations, paraplegia, spina bifida, cerebral palsy, MS, post-polio and congenital disabilities, and trains athletes from beginner to elite levels.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

The Organization is required to present 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.

(1) Summary of Significant Accounting Policies, Continued

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, and not held as part of the investment portfolio, to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and contributions and grants receivable. The Organization places it cash and cash equivalents with creditworthy, high quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity.

The Organization has significant investments in mutual funds and is, therefore, subject to concentrations of credit risk. Investments are made and monitored by the management of the Organization pursuant to an investment policy established by the board of directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent to the long-term welfare of the Organization.

Credit risk with respect to contributions and grants receivable is limited due to the credit worthiness of the entities and individuals that comprise the contributor base.

(f) Investments

Investments are recorded at cost, if purchases, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully discussed below. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Organization's distributive share of any interest, dividends, and capital gains and losses generated from its investments. Gains and losses attributable to the investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
Level 2	Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
Level 3	Unobservable inputs that cannot be corroborated by observable market data.

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. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not an indication of risk or liquidity.

(h) Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. The Organization capitalizes all property and equipment with a cost or fair value at the date of donation in excess of $5,000 with a useful life of more than one year. Depreciation on property and equipment is calculated on the straight-line method over estimated useful lives of the assets ranging from three to twenty years.

(i) Revenue Recognition

<u>Contributions and grants</u>
Contributions and grants are recognized when cash, securities or other assets, and unconditional promise to give, or 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 are substantially met. Should the Organization substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, the Organization has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances as liabilities in the statement of financial position. The Organization has received a conditional contribution from an entity that is conditional on certain future events being held. At October 31, 2020, the conditional portion of the contribution totals $300,000, for which no advance payments have been received.

(1) Summary of Significant Accounting Policies, Continued

(i) Revenue Recognition, Continued

Contributions and grants, continued

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Organization uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions and grants receivable at October 31, 2020 and the $81,750 of receivables are expected to be collected within one year.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at October 31, 2020, conditional contributions relating to these grants, totaling $170,984, for which no amounts have been received in advance, have not been recognized in the accompanying combined financial statements.

In-kind contributions

In-kind contributions are recorded as contributions and corresponding expenses in the accompanying statements at their estimated values at date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions received for the year ended October 31, 2020 are as follows:

Professional services	$ 833,098
Supplies and materials	660,445
Building space (note 9)	76,800
Total in-kind contributions	1,570,343
Less amounts included in special events revenue	(631,263)
Total in-kind revenue	$ 939,080

In-kind expenses are recorded under various categories in the statement of functional expenses, according to their classification. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria of recognition under accounting principles.

(1) Summary of Significant Accounting Policies, Continued

(i) Revenue Recognition, Continued

Special events revenue
Special events revenue consists of ticket sales and sponsorships for various special events. Amounts received for special events are recorded as revenue the day the event takes place. Ticket sales and sponsorships received in advance of the event taking place are recorded as deferred revenue. At October 31, 2020, there is no deferred revenue related to special events.

Program revenue
Program revenue mainly consists of fees for recreational programs, training and races. Program revenue is deemed to be earned when the program or event occurs. The Organization offers three payment options for these services: full payment at the time the reservation is made through the online reservation system; 50% payment due at the time the reservation is made and the remainder 50% due thirty days prior to the activity through the online reservation system; or, for large groups, payment by check. Cash received in advance of the event date is recorded as deferred revenue and totals $42,728 at October 31, 2020.

Accounts receivable represent amounts due resulting from performance of these services. The allowance for doubtful accounts is based on past experience and on analysis of the collectability of current accounts receivable. At October 31, 2020, accounts receivable totals $3,473 and is included in prepaid expenses and other assets in the statement of financial position. At October 31, 2020, management believes all accounts receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been recognized.

(j) Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies, Continued

(l) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business taxable income. There was no unrelated business taxable income during the year ended October 31, 2020.

Management is required to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination.

(m) Subsequent Events

The Organization has evaluated subsequent events through January 19, 2021, the date the financial statements were available to be issued. See note 11.

(n) New Accounting Pronouncements

During the year, the Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization has applied the standard using the modified prospective transition method. The update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The adoption of ASU No. 2018-08 did not significantly impact Organization's statement of activities or statement of financial position.

The Organization also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method. The update supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

(2) Liquidity and Availability

The following represents the Organization's financial assets as of October 31, 2020:

Financial assets at year-end	
Cash and cash equivalents	$ 309,906
Contributions and grants receivable	81,750
Investments	315,639
Total financial assets	707,295
Less net assets with donor restrictions	(344,527)
Financial assets available to meet expenditures within one year	$ 361,768

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To manage liquidity, the Organization has a line of credit available that is drawn upon to manage cash flows as needed (see note 5).

(3) Investments

Investments are comprised of the following at October 31, 2020:

Mutual funds invested in fixed income	$ 223,220
Mutual funds invested in equities	92,419
Total investments	$ 315,639

All of the Organization's investments at October 31, 2020 are invested in mutual funds, which are valued using quoted market prices, and, therefore, are classified as Level 1 investments within the fair value hierarchy.

(4) Property and Equipment

Property and equipment consists of the following:

Equipment	$ 400,196
Vehicles	379,624
Leasehold improvements	319,344
	1,099,164
Less accumulated depreciation	(949,509)
Net property and equipment	$ 149,655

(5) Line of Credit

The Organization has a $200,000 revolving line of credit with a bank that expires August 15, 2021. Interest is subject to change on the note and is based on the Wall Street Journal Prime Rate. However, under no circumstances will the interest rate be less than 5.5% per annum or more than the maximum amount allowed by law. At October 31, 2020, no amounts were outstanding on the line of credit.

(6) Economic Injury Disaster Loan

In June 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) from the U.S. Small Business Administration (SBA), totaling $150,000. The loan bears interest at 2.75% per annum and is payable in monthly installments of $641, including interest, beginning July 1, 2021. The note is collateralized by all tangible and intangible property. As of October 31, 2020, future payments on the loan for years ending October 31st are as follows:

	Principal	Interest	Total
2021	$ 1,193	1,371	2,564
2022	3,645	4,047	7,692
2023	3,747	3,945	7,692
2024	3,851	3,841	7,692
2025	3,959	3,733	7,692
Later years	133,605	48,253	181,758
Totals	$ 150,000	65,190	215,090

(7) Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions consist of the following at October 31, 2020:

Donor-restricted for specific programs or activities	$ 37,773
Donor-restricted endowments (note 8)	306,210
Unspent donor-restricted endowment earnings (note 8)	544
Total net assets with donor restrictions	$ 344,527

During the year ended October 31, 2020, net assets totaling $114,236 were released from restrictions due to expenditure of the funds on their specified programs or activities as specified by the donor.

(8) Endowments

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as nets assets with donor restrictions: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the donor gift instrument. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

(8) Endowments, Continued

The Organization's endowment funds consist of the following at October 31, 2020:

Cox Family Endowment	$ 111,332
Gale Van Ort Endowment	117,878
Glaser Endowment	77,000
Total endowment funds	$ 306,210

Cox Family Endowment
The Cox Family Endowment was established to provide annual general operating support to the Organization. Contributions to the fund are required to be held in perpetuity and investment return generated on the fund can be expended annually on operations.

Gale Van Ort Endowment
The Gale Van Ort Endowment was established to provide scholarships to participants of the Organization's programs that have a financial need. Contributions to the fund are required to be held in perpetuity and investment return generated on the fund can be expended annually on scholarships.

Glaser Endowment
The Glaser Endowment was established to provide scholarships to participants of the Organization's programs at the following levels: development (40%), training (35%), and elite (25%). Contributions to the fund are required to be held in perpetuity. Annual investment return generated on the fund may be distributed at 80% until the fund's balance reaches $100,000, at which time the annual income may be fully distributed according to the specified purpose defined above.

It is intended that any contributions to the endowment funds be held in perpetuity and, thus, contributions to the endowment funds are recorded as increases in net assets with donor restrictions. Investment return that is generated on the endowments and spent in the same reporting period is reported as an increase in net assets without donor restrictions. Meanwhile, investment return that is not expended in the same reporting period that the return is generated is recorded as an increase in net assets with donor restrictions. The Organization has interpreted investment return for purposes of distributions from the endowments to include interest, dividends, and other realized income and does not include any accumulated unrealized gains or losses in calculation of the distributions.

Following are the changes in endowment net assets:

Endowment net assets, November 1, 2019	$ 304,909
Contributions	1,301
Investment return	10,762
Appropriated for expenditure	(10,218)
Endowment net assets, October 31, 2020	$ 306,754

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original gift. There were no deficiencies of this nature as of October 31, 2020.

(8) Endowments, Continued

Return Objectives and Strategies for Achieving 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, endowment assets are invested in a manner that is intended to produce long-term growth in the corpus while managing the risk of substantial long-term loss through appropriate diversification.

Endowment assets are invested according to a board-approved investment policy with a modeled return of 3% annually. The target allocation of the investments is as follows: 5% in money markets, 40% in fixed income, and 55% in equities.

Spending Policy
The board approves the annual budget, which includes distributions from endowment funds. Distributions from the donor-restricted endowment funds are controlled by the board in concert with the donors' intent, as defined above.

(9) Leases

The Organization is obligated under a non-cancelable lease agreement to rent space in Winter Park for operations of its programs. The lease required an annual payment of $19,000 for calendar years 2016 and 2017, with annual payments increasing 3% per year thereafter, through September 30, 2027. Total minimum rental commitments under this operating lease agreement are as follows for the years ending October 31:

2021	$ 21,281
2022	21,919
2023	22,577
2024	23,254
2025	23,952
Thereafter	47,953
	$ 160,936

The Organization also rents office space in Denver, Colorado under an agreement scheduled to expire in September 2025. The lease agreement only requires an annual payment of $1 and, therefore, the Organization has recognized the value of the donated space as an in-kind contribution. For the year ending October 31, 2020, the value of the donated space recognized as an in-kind contribution totaled $76,800.

The Organization previously entered into a capital lease to purchase a bus for use in its programs. The lease expires in November 2021 and remaining obligations under the lease total $12,381 at October 31, 2020, which is recognized as a liability in the statement of financial position.

(10) Retirement Plan

The Organization has established a 401(k) plan (the "Plan"), in which all employees age 21 and over who work for at least 90 days are eligible to participate. Employer contributions to the Plan are fully vested after two years. The Organization can make discretionary matching contributions to the Plan. The Organization elected not to make any contributions for the year ended October 31, 2020.

(11) COVID-19 Pandemic

The COVID-19 pandemic has caused significant business disruption through mandated and voluntary closures of businesses in the United States. As a result of the pandemic, the Organization was forced to cancel its recreational and competition programs beginning in March 2020 and through the remainder of the fiscal year. Subsequent to year-end, the Organization began operating its winter programs at a reduced level of approximately fifty percent. There continues to be significant uncertainty around the breadth and duration of disruptions related to the pandemic, as well as its impact on the U.S. economy. The extent of the impact of the pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and government-mandated closures. Therefore, the impact on future events, fundraising, employees, and vendors, is uncertain and cannot be determined at this time. However, management continues to monitor the situation and is making the changes necessary to ensure the health and safety of staff and participants in its programs. Management also continues to adjust staffing levels and make appropriate expense reductions in response to program needs.

In April 2020, the Organization received a $323,300 loan under the SBA's Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, the loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loans must be spent on payroll. As such, the loan was treated as a refundable advance of a conditional contribution. It was determined that the Organization incurred expenses under the program, totaling $313,300, that met the requirements for forgiveness during the year ended October 31, 2020. As a result, a contribution of $313,300 was recognized as revenue in the statement of activities for 2020. The remaining $10,000 of the loan is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date in April 2022. The loan is unsecured and interest is charged at 1% per annum.