

National Sports Center for the Disabled, Inc.

Financial Statements

October 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

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., which comprise the statements of financial position as of October 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

January 24, 2022

National Sports Center for the Disabled, Inc.
Statements of Financial Position
October 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 354,305	309,906
Contributions and grants receivable	56,525	85,223
Investments (note 3)	897,451	315,639
Prepaid expenses	19,446	2,337
Property and equipment, net (note 4)	112,339	149,655
Total assets	<u>\$ 1,440,066</u>	<u>862,760</u>
Liabilities and net assets		
Accounts payable	\$ 45,256	48,864
Accrued liabilities	34,145	51,662
Deferred revenue	81,413	42,728
Paycheck Protection Program loan (note 11)	—	10,000
Economic Injury Disaster Loan (note 6)	150,000	150,000
Capital lease obligation (note 9)	118	12,381
Total liabilities	<u>310,932</u>	<u>315,635</u>
Net assets		
Without donor restrictions	789,218	202,598
With donor restrictions (notes 7 and 8)	<u>339,916</u>	<u>344,527</u>
Total net assets	1,129,134	547,125
Commitments (notes 5, 6, 9, and 10)		
Total liabilities and net assets	<u>\$ 1,440,066</u>	<u>862,760</u>

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Statement of Activities
Year Ended October 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	\$ 1,477,601	25,605	1,503,206
Revenue from COVID relief programs (note 11)	512,434	–	512,434
In-kind contributions (note 1(i))	714,305	–	714,305
Special events revenue	407,565	–	407,565
Less cost of direct benefits to donors	(14,283)	–	(14,283)
Program revenue	393,043	–	393,043
Investment return	58,390	1,744	60,134
Other revenue	17,793	–	17,793
Net assets released from restrictions (note 7)	31,960	(31,960)	–
Total revenue and support	<u>3,598,808</u>	<u>(4,611)</u>	<u>3,594,197</u>
Expenses			
Program services			
Recreation programs	1,873,840	–	1,873,840
Competition programs	263,891	–	263,891
Total program services	<u>2,137,731</u>	<u>–</u>	<u>2,137,731</u>
Supporting services			
Management and general	469,577	–	469,577
Fund raising	404,880	–	404,880
Total supporting services	<u>874,457</u>	<u>–</u>	<u>874,457</u>
Total expenses	<u>3,012,188</u>	<u>–</u>	<u>3,012,188</u>
Change in net assets	586,620	(4,611)	582,009
Net assets at beginning of year	<u>202,598</u>	<u>344,527</u>	<u>547,125</u>
Net assets at end of year	<u><u>\$ 789,218</u></u>	<u><u>339,916</u></u>	<u><u>1,129,134</u></u>

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
Revenue from COVID relief programs (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	<u>3,458,842</u>	<u>(91,153)</u>	<u>3,367,689</u>
Expenses			
Program services			
Recreation programs	2,319,416	—	2,319,416
Competition programs	281,398	—	281,398
Total program services	<u>2,600,814</u>	<u>—</u>	<u>2,600,814</u>
Supporting services			
Management and general	412,463	—	412,463
Fund raising	504,678	—	504,678
Total supporting services	<u>917,141</u>	<u>—</u>	<u>917,141</u>
Total expenses	<u>3,517,955</u>	<u>—</u>	<u>3,517,955</u>
Change in net assets	(59,113)	(91,153)	(150,266)
Net assets at beginning of year	<u>261,711</u>	<u>435,680</u>	<u>697,391</u>
Net assets at end of year	<u><u>\$ 202,598</u></u>	<u><u>344,527</u></u>	<u><u>547,125</u></u>

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Statement of Functional Expenses
Year Ended October 31, 2021

	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	\$ 884,669	179,204	1,063,873	331,757	259,997	591,754	1,655,627
Donated goods and services	664,174	—	664,174	24,332	26,379	50,711	714,885
Office and general	102,756	8,667	111,423	97,794	87,745	185,539	296,962
Program expenses	70,527	36,105	106,632	—	—	—	106,632
Staff and intern expenses	31,763	39,185	70,948	15,597	17,432	33,029	103,977
Marketing and fundraising	94	228	322	—	27,160	27,160	27,482
Depreciation	54,502	315	54,817	—	—	—	54,817
Facilities and vehicle expenses	51,433	187	51,620	97	41	138	51,758
Miscellaneous	13,922	—	13,922	—	409	409	14,331
Total expenses	1,873,840	263,891	2,137,731	469,577	419,163	888,740	3,026,471
Less expenses netted with revenue in the statement of activities							
Special events direct benefits to donors	—	—	—	—	(14,283)	(14,283)	(14,283)
Total expenses reported in statement of activities	\$ 1,873,840	263,891	2,137,731	469,577	404,880	874,457	3,012,188

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.
Statements of Cash Flows
October 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 582,009	(150,266)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	54,817	77,166
Realized and unrealized gain on investments	(51,282)	(14,087)
Investment return on endowment assets	(20,510)	(10,762)
Contributions restricted for endowment	(3,800)	(1,301)
Forgiveness of Paycheck Protection Program loan	(357,800)	(313,300)
Change in operating assets and liabilities		
Contributions and grants receivable	28,698	(44,740)
Prepaid expenses	(17,109)	27,143
Accounts payable	(3,608)	(59,786)
Accrued liabilities	(17,517)	5,792
Deferred revenue	38,685	(72,534)
Net cash provided by (used in) operating activities	<u>232,583</u>	<u>(556,675)</u>
Cash flows from investing activities		
Net (purchases) sales of investments	(530,530)	72,623
Purchases of property and equipment	<u>(17,501)</u>	<u>(92,453)</u>
Net cash used in investing activities	<u>(548,031)</u>	<u>(19,830)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	347,800	323,300
Proceeds from Economic Injury Disaster Loan	—	150,000
Payments on capital lease obligation	(12,263)	(12,315)
Investment return on endowment assets	20,510	10,762
Contributions restricted for endowment	<u>3,800</u>	<u>1,301</u>
Net cash provided by financing activities	<u>359,847</u>	<u>473,048</u>
Net change in cash and cash equivalents	44,399	(103,457)
Cash and cash equivalents at beginning of year	<u>309,906</u>	<u>413,363</u>
Cash and cash equivalents at end of year	<u><u>\$ 354,305</u></u>	<u><u>309,906</u></u>
Supplemental cash flow information		
Cash paid during the year for interest	<u><u>\$ 2,564</u></u>	<u><u>177</u></u>

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements
October 31, 2021 and 2020

(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 aged five and older and any ability. The Organization has grown to be one of the largest premier adaptive recreation and competitive coaching 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 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, 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.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(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 its 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 purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements 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 statements 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).

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(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

Contributions and grants

Contributions and grants are recognized when cash, securities, or other assets, unconditional promises to give, or notification of beneficial interests are 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 statements of financial position. The Organization has received contributions that are conditional on future events being held and future services being provided. At October 31, 2021 and 2020, the conditional portion of the contributions totals \$480,000 and \$300,000, respectively, for which no advance payments have been received.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(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 statements 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 allowance for uncollectible receivables is based on past experience and management's analysis of the collectability of each receivable. Management expects all receivables to be collected within one year; therefore, there was no allowance for uncollectible accounts at October 31, 2021 and 2020.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At October 31, 2021, no conditional contributions related to these grants remained.

In-kind contributions

In-kind contributions are recorded as contributions and corresponding expenses at their estimated values on the 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. 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 for recognition.

In-kind contributions received for the years ended October 31 are as follows:

	<u>2021</u>	<u>2020</u>
Professional services	\$ 624,304	833,098
Supplies and materials	13,781	660,445
Building space (note 9)	<u>76,800</u>	<u>76,800</u>
Total in-kind contributions	714,885	1,570,343
Less amounts included in special events revenue	<u>(580)</u>	<u>(631,263)</u>
Total in-kind revenue	\$ <u>714,305</u>	<u>939,080</u>

In-kind expenses are recorded under various categories in the statements of functional expenses according to their classification.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Revenue Recognition, Continued

Special events revenue

Special events revenue consists of contributions, ticket sales, and sponsorships for various events and is recognized as revenue when the event takes place. Ticket sales and sponsorships received in advance of the event taking place are recorded as deferred revenue. Deferred revenue related to special events totaled \$16,000 and \$0 at October 31, 2021 and 2020, respectively.

Program revenue

Program revenue mainly consists of fees for recreational programs, trainings, and races, and 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 \$65,413 and \$42,728 at October 31, 2021 and 2020, respectively.

(j) Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements 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 that 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) Joint Costs

The Organization allocates joint costs between program services and fundraising for its annual winter fundraising event. Direct costs of program services and fundraising at the event are specifically assigned to that function. The remaining costs that benefit both functions are allocated based on the number of participants attending the event within each functional area. The costs for the events were allocated to the following functional areas during the years ended October 31:

	<u>2021</u>	<u>2020</u>
Competition programs	\$ 12,020	70,662
Fundraising	<u>12,900</u>	<u>732,985</u>
Total	\$ <u>24,920</u>	<u>803,647</u>

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) 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.

(m) 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 years ended October 31, 2021 and 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.

(n) Subsequent Events

The Organization has evaluated subsequent events through January 24, 2022, the date the financial statements were available to be issued.

(o) Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the reported results of operations.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(2) Liquidity and Availability

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 354,305	309,906
Contributions and grants receivable	56,525	85,223
Investments	<u>897,451</u>	<u>315,639</u>
Total financial assets	1,308,281	710,768
Less donor-restricted endowments	<u>(310,010)</u>	<u>(306,210)</u>
Financial assets available to meet expenditures within one year	\$ <u>998,271</u>	<u>404,558</u>

The Organization considers net assets with donor restrictions that will be met within one year to be available for general expenditure; therefore, only the donor-restricted endowments held in perpetuity are excluded from amounts available for general use. 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. Additionally, the Organization typically has a line of credit available that is drawn upon to manage cash flows as needed (see note 5).

(3) Investments

Investments are composed of the following as of October 31:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 9,047	—
Exchange-traded funds		
Fixed income	378,389	—
Equities	510,015	—
Mutual funds		
Fixed income	—	223,220
Equities	<u>—</u>	<u>92,419</u>
Total investments	\$ <u>897,451</u>	<u>315,639</u>

All of the Organization's investments at October 31, 2021 and 2020, are invested in funds that are valued using quoted market prices, and, therefore, are classified as Level 1 investments within the fair value hierarchy.

Investments include both general investments and endowment-related investments that are restricted for long-term future use. The balance of each group of investments as of October 31 is as follows:

	<u>2021</u>	<u>2020</u>
General investments	\$ 585,153	8,885
Endowment investments	<u>312,298</u>	<u>306,754</u>
Total investments	\$ <u>897,451</u>	<u>315,639</u>

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(4) Property and Equipment

Property and equipment consists of the following as of October 31:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 345,530	400,196
Vehicles	351,249	379,624
Leasehold improvements	<u>319,344</u>	<u>319,344</u>
	1,016,123	1,099,164
Less accumulated depreciation	<u>(903,784)</u>	<u>(949,509)</u>
Net property and equipment	\$ <u>112,339</u>	<u>149,655</u>

(5) Line of Credit

The Organization had a \$200,000 revolving line of credit with a bank that expired on August 15, 2021. As of October 31, 2021, the Organization had not renewed the line of credit but intends to do so within the next year.

(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) for \$150,000. The loan bears interest at a fixed rate of 2.75% and is payable in monthly principal and interest payments of \$641. The note is collateralized by all tangible and intangible property. Repayment is deferred until July 1, 2022, but the Organization chose to begin payments on July 1, 2021, the original deferment date. Each payment will be first applied to interest accrued, and the remaining balance of the payment, if any, will then be applied to principal.

Future payments on the loan are as follows for the years ending October 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 490	7,202	7,692
2023	3,626	4,066	7,692
2024	3,716	3,976	7,692
2025	3,831	3,861	7,692
2026	3,937	3,755	7,692
Thereafter	<u>134,400</u>	<u>49,020</u>	<u>183,420</u>
Totals	\$ <u>150,000</u>	<u>71,880</u>	<u>221,880</u>

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(7) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Donor-restricted for specific programs or activities	\$ 27,618	37,773
Donor-restricted endowments (note 8)	310,010	306,210
Unspent donor-restricted endowment earnings (note 8)	<u>2,288</u>	<u>544</u>
Total net assets with donor restrictions	\$ <u>339,916</u>	<u>344,527</u>

During the years ended October 31, 2021 and 2020, net assets totaling \$31,960 and \$114,236, respectively, 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

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

	<u>2021</u>	<u>2020</u>
Cox Family Endowment	\$ 111,332	111,332
Gale Van Ort Endowment	121,678	117,878
Glaser Endowment	<u>77,000</u>	<u>77,000</u>
Total endowment funds	\$ <u>310,010</u>	<u>306,210</u>

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.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(8) Endowments, Continued

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, realized and unrealized gains and losses, and investment fees.

Following are the changes in endowment net assets for the years ended October 31:

Endowment net assets at October 31, 2019	\$ 304,909
Contributions	1,301
Investment return	10,762
Appropriated for expenditure	<u>(10,218)</u>
Endowment net assets at October 31, 2020	306,754
Contributions	3,800
Investment return	34,504
Appropriated for expenditure	<u>(32,760)</u>
Endowment net assets at October 31, 2021	\$ <u>312,298</u>

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, 2021 and 2020.

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.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(8) Endowments, Continued

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:

2022	\$ 21,438
2023	22,081
2024	22,744
2025	23,426
2026	24,129
Thereafter	<u>20,659</u>
	<u>\$ 134,477</u>

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 years ending October 31, 2021 and 2020, the value of the donated space recognized as an in-kind contribution totaled \$76,800.

The Organization has a capital lease to purchase a bus for use in its programs. The lease expires in November 2021. Remaining obligations under the lease total \$118 and \$12,381 at October 31, 2021 and 2020, respectively, which is recognized as a liability in the statements of financial position.

(10) Retirement Plan

The Organization has established a 403(b) plan in which all employees aged 21 and over who work for at least 90 days are eligible to participate. Employer contributions to the plan are fully vested immediately. The Organization can make discretionary matching contributions to the plan but has elected not to make any contributions for the years ended October 31, 2021 and 2020.

National Sports Center for the Disabled, Inc.
Notes to Financial Statements, Continued

(11) Revenue from COVID Relief Programs

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.

Initially, the remaining \$10,000 of the loan related to the receipt of an Economic Injury Disaster Loan (EIDL) Advance was to be repaid by April 2022. During the year ended October 31, 2021, the government's treatment of EIDL Advances changed, and the \$10,000 was also forgiven and recognized as revenue.

In February 2021, the Organization received a second PPP loan in the amount of \$347,800. The loan was fully forgiven in September 2021 and recognized as revenue in the statement of activities for 2021.

Additionally, the Organization applied for the Employee Retention Tax Credit for the first and second quarters of 2021. The Employee Retention Tax Credit allows eligible employers to a refund of employer payroll taxes of up to 70% of qualified wages per quarter. The Organization received a credit of \$154,634 on its timely filed Form 941 for the second quarter, and this amount is reported as revenue for the year ended October 31, 2021. The Organization also filed an amended Form 941 to request a refund of employer payroll taxes paid during the first quarter totaling \$162,043 and considers this to be a conditional contribution. The Organization will recognize the revenue when the refund is approved and received.

The revenue from COVID relief programs as shown in the statements of activities is as follows for the years ended October 31:

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program loan	\$ 347,800	313,300
Economic Injury Disaster Loan advance	10,000	—
Employee Retention Tax Credit	<u>154,634</u>	<u>—</u>
Total	\$ <u>512,434</u>	<u>313,000</u>