

National Sports Center for the Disabled, Inc.

Financial Statements

October 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 National Sports Center for the Disabled, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Sports Center for the Disabled, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 National Sports Center for the Disabled, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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.

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

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 National Sports Center for the Disabled, Inc.'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 National Sports Center for the Disabled, Inc.'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.

Kundinger, Corder & Montoya, P.C.

January 17, 2023

National Sports Center for the Disabled, Inc.
Statements of Financial Position
October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 515,788	354,305
Contributions and grants receivable	9,497	56,525
Investments (note 3)	875,515	897,451
Prepaid expenses	22,103	19,446
Property and equipment, net (note 4)	<u>99,137</u>	<u>112,339</u>
Total assets	<u>\$ 1,522,040</u>	<u>1,440,066</u>
Liabilities and net assets		
Accounts payable	\$ 65,237	45,256
Accrued liabilities	30,589	34,263
Deferred revenue	106,620	81,413
Refundable advance (note 1(i))	88,000	—
Economic Injury Disaster Loan (note 5)	<u>149,510</u>	<u>150,000</u>
Total liabilities	<u>439,956</u>	<u>310,932</u>
Net assets		
Without donor restrictions	759,960	789,218
With donor restrictions (notes 6 and 7)	<u>322,124</u>	<u>339,916</u>
Total net assets	1,082,084	1,129,134
Commitments (notes 5, 9, and 10)		
Total liabilities and net assets	<u>\$ 1,522,040</u>	<u>1,440,066</u>

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.

Statement of Activities Year Ended October 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	\$ 1,485,711	5,200	1,490,911
Revenue from COVID relief programs (note 11)	160,878	–	160,878
In-kind contributions (note 8)	916,123	–	916,123
Special events revenue	796,199	–	796,199
Less cost of direct benefits to donors	(276,826)	–	(276,826)
Program revenue	572,206	–	572,206
Investment return	(166,679)	422	(166,257)
Other revenue	5,515	–	5,515
Net assets released from restrictions (note 6)	23,414	(23,414)	–
	<u>3,516,541</u>	<u>(17,792)</u>	<u>3,498,749</u>
Total revenue and support			
Expenses			
Program services			
Recreational programs	2,094,612	–	2,094,612
Competition programs	527,493	–	527,493
Total program services	<u>2,622,105</u>	<u>–</u>	<u>2,622,105</u>
Supporting services			
Management and general	453,273	–	453,273
Fund raising	470,421	–	470,421
Total supporting services	<u>923,694</u>	<u>–</u>	<u>923,694</u>
Total expenses	<u>3,545,799</u>	<u>–</u>	<u>3,545,799</u>
Change in net assets	(29,258)	(17,792)	(47,050)
Net assets at beginning of year	<u>789,218</u>	<u>339,916</u>	<u>1,129,134</u>
Net assets at end of year	<u><u>\$ 759,960</u></u>	<u><u>322,124</u></u>	<u><u>1,082,084</u></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 8)	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 6)	31,960	(31,960)	—
	<u>3,598,808</u>	<u>(4,611)</u>	<u>3,594,197</u>
Total revenue and support			
Expenses			
Program services			
Recreational 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 Functional Expenses
Year Ended October 31, 2022

	Program services			Supporting services			
	Recreational programs	Competition programs	Total program services	Management and general	Fund raising	Total supporting services	Total
Salaries, payroll taxes and employee benefits	\$ 1,082,519	192,749	1,275,268	314,289	304,802	619,091	1,894,359
Donated goods and services	725,270	138,440	863,710	18,479	210,718	229,197	1,092,907
Office and general	116,420	41,842	158,262	110,665	94,461	205,126	363,388
Program expenses	58,476	130,843	189,319	—	—	—	189,319
Staff and intern expenses	21,320	20,278	41,598	8,733	16,090	24,823	66,421
Marketing and fundraising	262	1,936	2,198	—	118,681	118,681	120,879
Depreciation	41,362	—	41,362	—	—	—	41,362
Facilities and vehicle expenses	44,026	1,405	45,431	1,107	2,175	3,282	48,713
Miscellaneous	4,957	—	4,957	—	320	320	5,277
Total expenses	2,094,612	527,493	2,622,105	453,273	747,247	1,200,520	3,822,625
Expenses netted with revenue in the statement of activities							
Special events direct benefits to donors	—	—	—	—	(276,826)	(276,826)	(276,826)
Total expenses reported in statement of activities	\$ 2,094,612	527,493	2,622,105	453,273	470,421	923,694	3,545,799

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	Management 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.
Statements of Cash Flows
October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (47,050)	582,009
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	41,362	54,817
Realized and unrealized loss (gain) on investments	192,595	(51,282)
Investment return on endowment assets	(422)	(1,744)
Contributions restricted for endowment	—	(3,800)
Forgiveness of Paycheck Protection Program loan	—	(357,800)
Change in operating assets and liabilities		
Contributions and grants receivable	47,028	28,698
Prepaid expenses	(2,657)	(17,109)
Accounts payable	19,981	(3,608)
Accrued liabilities	(3,674)	(17,517)
Deferred revenue	25,207	38,685
Refundable advance	88,000	—
Net cash provided by operating activities	<u>360,370</u>	<u>251,349</u>
Cash flows from investing activities		
Net purchases of investments	(170,659)	(530,530)
Purchases of property and equipment	<u>(28,160)</u>	<u>(17,501)</u>
Net cash used in investing activities	<u>(198,819)</u>	<u>(548,031)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	—	347,800
Principal payments on Economic Injury Disaster Loan	(490)	—
Payments on capital lease obligation	—	(12,263)
Investment return on endowment assets	422	1,744
Contributions restricted for endowment	<u>—</u>	<u>3,800</u>
Net cash provided by (used in) financing activities	<u>(68)</u>	<u>341,081</u>
Net change in cash and cash equivalents	161,483	44,399
Cash and cash equivalents at beginning of year	<u>354,305</u>	<u>309,906</u>
Cash and cash equivalents at end of year	<u>\$ 515,788</u>	<u>354,305</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 2,074</u>	<u>2,564</u>

See the accompanying notes to the financial statements.

National Sports Center for the Disabled, Inc.

Notes to Financial Statements

October 31, 2022 and 2021

(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 elite competitive racers and developing competitive racers 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 exchange-traded 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, 2022 and 2021, the conditional portion of the contributions totals \$278,000 and \$480,000, respectively, for which advance payments totaling \$88,000 and \$0, respectively, have been received.

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.

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 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, 2022 and 2021.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At October 31, 2022 conditional contributions related to these grants totaled \$139,210.

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. See also note 8.

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 \$0 and \$16,000 at October 31, 2022 and 2021, 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 \$106,620 and \$65,413 at October 31, 2022 and 2021, 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.

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

(1) Summary of Significant Accounting Policies, Continued

(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.

(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 years ended October 31, 2022 and 2021.

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 17, 2023, the date the financial statements were available to be issued.

(n) 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.

(o) Adoption of New Accounting Pronouncement

During the year ended October 31, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard is aimed at increasing transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. See note 8. The amendments under this accounting standard update do not change the recognition and measurement requirements for contributed nonfinancial assets. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2020-07.

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

(2) Liquidity and Availability of Financial Assets

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 515,788	354,305
Contributions and grants receivable	9,497	56,525
Investments	<u>875,515</u>	<u>897,451</u>
Total financial assets	1,400,800	1,308,281
Less donor-restricted endowments	<u>(312,720)</u>	<u>(312,298)</u>
Financial assets available to meet expenditures within one year	\$ <u>1,088,080</u>	<u>995,983</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.

(3) Investments

Investments are composed of the following as of October 31:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 8,602	9,047
Exchange-traded funds		
Fixed income	409,620	378,389
Equities	<u>457,293</u>	<u>510,015</u>
Total investments	\$ <u>875,515</u>	<u>897,451</u>

All of the Organization's investments at October 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
General investments	\$ 562,795	585,153
Endowment investments	<u>312,720</u>	<u>312,298</u>
Total investments	\$ <u>875,515</u>	<u>897,451</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>2022</u>	<u>2021</u>
Equipment	\$ 357,654	345,530
Vehicles	367,285	351,249
Leasehold improvements	<u>319,344</u>	<u>319,344</u>
	1,044,283	1,016,123
Less accumulated depreciation	<u>(945,146)</u>	<u>(903,784)</u>
Net property and equipment	\$ <u>99,137</u>	<u>112,339</u>

(5) 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 and due in full July 1, 2052. The note is collateralized by all tangible and intangible property. Repayment was required beginning July 1, 2022. 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>
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
2027	4,047	3,645	7,692
Thereafter	<u>130,353</u>	<u>53,067</u>	<u>183,420</u>
Totals	\$ <u>149,510</u>	<u>72,370</u>	<u>221,880</u>

(6) Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Donor-restricted for specific programs or activities	\$ 9,404	27,618
Donor-restricted endowments (note 7)	310,010	310,010
Unspent donor-restricted endowment earnings (note 7)	<u>2,710</u>	<u>2,288</u>
Total net assets with donor restrictions	\$ <u>322,124</u>	<u>339,916</u>

During the years ended October 31, 2022 and 2021, net assets totaling \$23,414 and \$31,960, respectively, were released from restrictions due to expenditure of the funds on their specified programs or activities as specified by the donor.

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

(7) 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 net 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>2022</u>	<u>2021</u>
Cox Family Endowment	\$ 111,332	111,332
Gale Van Ort Endowment	121,678	121,678
Glaser Endowment	<u>79,710</u>	<u>79,288</u>
Total endowment funds	<u>\$ 312,720</u>	<u>312,298</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.

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.

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

(7) Endowments, Continued

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, 2020	\$ 306,754
Contributions	3,800
Investment return	34,504
Appropriated for expenditure	<u>(32,760)</u>
Endowment net assets at October 31, 2021	312,298
Contributions	—
Investment return	8,300
Appropriated for expenditure	<u>(7,878)</u>
Endowment net assets at October 31, 2022	\$ <u>312,720</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, 2022 and 2021.

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.

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

(8) In-Kind Contributions

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

	<u>2022</u>	<u>2021</u>
Professional services	\$ 897,633	624,304
Supplies and materials	97,866	13,781
Building space (note 9)	<u>97,408</u>	<u>76,800</u>
Total in-kind contributions	1,092,907	714,885
Less amounts included in special events revenue	<u>(176,784)</u>	<u>(580)</u>
Total in-kind revenue	\$ <u>916,123</u>	<u>714,305</u>

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

Donated professional services mainly consist of ski passes and other services provided by Winter Park Ski Resort. The donated professional services would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered.

Donated supplies and materials are valued at the price the Organization would have paid if it had purchased a similar quantity of the same product from a local vendor. The Organization receives the use of donated building space in Denver, Colorado (see note 9). The value of this space is estimated using the average price per square foot of similar rental space in the service area.

There were no donor-imposed restrictions associated with the in-kind contributions. The Organization does not sell in-kind contributions and only uses the contributions for its own program.

(9) Leases

The Organization is obligated under a non-cancelable lease agreement to rent space in Winter Park for operations of its programs. The annual lease payments increase 3% per year through September 30, 2027. Total minimum rental commitments under this operating lease agreement are as follows for the years ending October 31:

2023	\$ 21,919
2024	22,577
2025	23,254
2026	23,952
2027	<u>22,604</u>
	\$ <u>114,306</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, 2022 and 2021, the value of the donated space recognized as an in-kind contribution totaled \$97,408 and \$76,800, respectively.

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

(10) Retirement Plan

The Organization has established a 403(b) plan in which all employees who work for at least 1000 hours a year 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, 2022 and 2021.

(11) Revenue from COVID Relief Programs

In February 2021, the Organization received a \$347,800 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. During the year ended October 31, 2021, the Organization met the eligibility requirements, and the loan was forgiven in full. As a result, a contribution of \$347,800 was recognized as revenue in the statement of activities for 2021.

Initially, \$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.

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 \$160,878 and considered this to be a conditional contribution. The refund was approved and received during the year ended October 31, 2022 and recognized as revenue.

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

	<u>2022</u>	<u>2021</u>
Paycheck Protection Program loan	\$ —	347,800
Economic Injury Disaster Loan advance	—	10,000
Employee Retention Tax Credit	<u>160,878</u>	<u>154,634</u>
Total	\$ <u>160,878</u>	<u>512,434</u>