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THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC. dba EARLY CONNECTIONS LEARNING CENTERS AND AFFILIATES

Consolidated Financial Statements

For The Year Ended December 31, 2020

And

Independent Auditors' Report

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
AND AFFILIATES

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STOCKMAN KAST RYAN + COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Colorado Springs Child Nursery Centers, Inc.
dba Early Connections Learning Centers

We have audited the accompanying consolidated financial statements of The Colorado Springs Child Nursery Centers, Inc. dba Early Connections Learning Centers and Affiliates (collectively the Organization), which comprise the consolidated balance sheet as of December 31, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Colorado Springs Child Nursery Centers, Inc. dba Early Connections Learning Centers and Affiliates as of December 31, 2020 and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Colorado Springs Child Nursery Centers, Inc. dba Early Connections Learning Centers and Affiliates' 2019 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

April 22, 2021

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
AND AFFILIATES

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2020 (with comparative totals for 2019)

	2020					
	Without Donor Restriction			With Donor		2019
	Undesignated	Designated	Total	Restriction	Total	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 900,266	$ 2,034	$ 902,300	$ 29,139	$ 931,439	$ 115,676
Accounts receivable	269,155		269,155		269,155	216,215
Pledges receivable				403,361	403,361	413,901
Investments		3,816,003	3,816,003	1,219,160	5,035,163	4,920,939
Prepaid expenses	28,187		28,187		28,187	33,256
Total	1,197,608	3,818,037	5,015,645	1,651,660	6,667,305	5,699,987
PLEDGES RECEIVABLE				767,336	767,336	215,199
BENEFICIAL INTEREST IN PERPETUAL TRUSTS				825,223	825,223	769,051
PROPERTY AND EQUIPMENT, NET	1,386,376		1,386,376		1,386,376	1,242,611
TOTAL	$ 2,583,984	$ 3,818,037	$ 6,402,021	$ 3,244,219	$ 9,646,240	$ 7,926,848
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 47,424		$ 47,424		$ 47,424	$ 116,655
Accrued expenses	195,214		195,214		195,214	322,289
Refundable advance	703,200		703,200		703,200	
Line of credit						60,000
Total liabilities	945,838	$ —	945,838	$ —	945,838	498,944
NET ASSETS	1,638,146	3,818,037	5,456,183	3,244,219	8,700,402	7,427,904
TOTAL	$ 2,583,984	$ 3,818,037	$ 6,402,021	$ 3,244,219	$ 9,646,240	$ 7,926,848

See notes to consolidated financial statements.

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020					2019
	Without Donor Restriction			With Donor		
	Undesignated	Designated	Total	Restriction	Total	Total
REVENUES						
Program service fees	$ 3,584,508		$ 3,584,508		$ 3,584,508	$ 3,976,646
Contributions	1,024,657	$ 14	1,024,671	$ 1,199,836	2,224,507	1,175,483
Investment income	24,461	332,218	356,679	52,109	408,788	700,256
Gain on beneficial interest in perpetual trusts				56,172	56,172	91,082
Net assets released from restrictions— Satisfaction of time and purpose restrictions	738,769	3,731	742,500	(742,500)		
Transfers	244,205	(244,205)				
Total	5,616,600	91,758	5,708,358	565,617	6,273,975	5,943,467
EXPENSES						
Program	4,239,472		4,239,472		4,239,472	4,643,043
Management and general	462,296		462,296		462,296	445,422
Fundraising	299,709		299,709		299,709	357,430
Total	5,001,477	—	5,001,477	—	5,001,477	5,445,895
CHANGE IN NET ASSETS	615,123	91,758	706,881	565,617	1,272,498	497,572
NET ASSETS, Beginning of year	1,023,023	3,726,279	4,749,302	2,678,602	7,427,904	6,930,332
NET ASSETS, End of year	$ 1,638,146	$ 3,818,037	$ 5,456,183	$ 3,244,219	$ 8,700,402	$ 7,427,904

See notes to consolidated financial statements.

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020				
	Program	Management and General	Fund Raising	Total	2019 Total
Salaries, taxes and benefits	$ 3,143,356	$ 385,476	$ 229,264	$ 3,758,096	$ 3,897,937
Food	337,115			337,115	362,924
Repairs and maintenance	178,192	27,419	1,126	206,737	249,321
Supplies	132,831	11,134	10,429	154,394	218,749
Home Network expenses	119,794			119,794	142,977
Professional fees	55,185	12,942	8,349	76,476	134,974
Telephone and utilities	61,578	7,245	3,622	72,445	69,774
Insurance	54,415	2,917	1,184	58,516	56,355
Advertising and recruitment	46,614	2,111	6,330	55,055	57,361
Depreciation	47,832	6,597	550	54,979	55,650
Conferences and travel	17,746	211	8,231	26,188	41,219
Fundraising expenses			20,618	20,618	88,155
Printing	7,639	3,502	9,001	20,142	19,382
Rental expense	18,155	611		18,766	17,088
Bad debt expense	17,999			17,999	26,363
Postage	1,021	815	1,005	2,841	2,821
Interest expense		1,316		1,316	4,845
Total	$ 4,239,472	$ 462,296	$ 299,709	$ 5,001,477	
Percent of total	85%	9%	6%	100%	
Comparative totals — 2019	$ 4,643,043	$ 445,422	$ 357,430		$ 5,445,895
Percent of total — 2019	85%	8%	7%	100%	

See notes to consolidated financial statements.

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 1,272,498	$ 497,572
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation	54,979	55,650
Provisions for bad debts	17,999	26,363
Unrealized and realized gain on investments	(339,869)	(743,605)
Gain on beneficial interest in perpetual trusts	(56,172)	(91,082)
Changes in operating assets and liabilities:		
Accounts receivable	(70,939)	(4,703)
Pledges receivable	(541,597)	(122,927)
Prepaid expenses	5,069	(5,297)
Accounts payable and accrued expenses	(196,306)	71,663
Refundable advance	703,200	
Net cash provided by (used in) operating activities	848,862	(316,366)
INVESTING ACTIVITIES		
Purchases of property and equipment	(198,744)	(157,443)
Purchases of investments	(382,715)	(440,623)
Sales of investments	608,360	851,321
Net cash provided by investing activities	26,901	253,255
FINANCING ACTIVITIES		
Advances on line of credit		2,196,000
Payments on line of credit	(60,000)	(2,136,000)
Net cash provided by (used in) financing activities	(60,000)	60,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	815,763	(3,111)
CASH AND CASH EQUIVALENTS, Beginning of year	115,676	118,787
CASH AND CASH EQUIVALENTS, End of year	$ 931,439	$ 115,676
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,316	$ 4,845

See notes to consolidated financial statements.

THE COLORADO SPRINGS CHILD NURSERY CENTERS, INC.
dba EARLY CONNECTIONS LEARNING CENTERS
AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Springs Child Nursery Centers, Inc. dba Early Connections Learning Centers (the Center) offers a comprehensive program of social, emotional and cognitive development for children in the Pikes Peak Region. This includes education with an emphasis on literacy and language development, nutrition and health, all in partnership with families. The Center's goal is to help each child grow physically, mentally and cognitively in an atmosphere of acceptance that helps build feelings of confidence and independence. Every effort is made to consider the whole child in all environmental experiences.

The Colorado Springs Child Nursery Centers, Inc. Foundation (the Foundation) was organized for the purpose of raising and investing funds for the mission of the Center. The Foundation's Board of Directors is made up of members from the Center's Board of Directors as well as individuals from the community. Foundation income may be distributed to the Center to meet operating and non-operating expenses upon resolution of the Foundation Board.

Home Network of the Pikes Peak Region, LLC (Home Network) is an affiliated program providing professional development, coaching and business support to improve quality of the early childhood education programs of its members.

Day Nursery Building Corp. and CNC-Chelton Building Corp. are real estate holding companies established for the benefit of the Center.

Principles of Consolidation — The consolidated financial statements include the accounts of the Center, the Foundation, Home Network, Day Nursery Building Corp. and CNC-Chelton Building Corp. (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents — For the purposes of the financial statements, cash and cash equivalents are defined as cash on hand, demand deposits at banks, and money market funds. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions and net assets. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Program Service Fees — Program service fees are recognized in the period to which they relate, as performance obligations are met. Due to the nature of program services and underlying revenue sources, a portion of program service fees are considered contributions and the remaining portion is related directly to contracts with customers. For the year ended December 31, 2020, $506,971 of program service fees are related to contracts with customers.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities and changes in net assets at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Accounts Receivable — Accounts receivable are stated at the invoiced amount. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Changes in the valuation allowance have not been material to the financial statements. Accounts receivable are considered by management to be fully collectible and accordingly, no allowance for doubtful accounts is deemed necessary.

Pledges Receivable — Management believes that all pledges receivable recorded at December 31, 2020 and 2019 are collectible and no allowance for doubtful contributions is deemed necessary.

Investments — Investments are recorded at fair value. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. Donated investments are recorded at fair value on the date of donation. Fair values for money market funds and mutual funds are determined through quoted market prices.

Property and Equipment — Property and equipment are recorded at cost or at fair value at date of receipt if donated. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to fifty years. All acquisitions in excess of $5,000 and expenditures for repairs, maintenance and improvements that materially extend the useful lives of assets are capitalized.

Compensated Absences — Employees of the Organization earn a vested right to compensation for unused vacation time. Accordingly, the Organization has made an accrual for vacation compensation that employees have earned but not taken.

Tax Status — The Center, the Foundation and Home Network are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Day Nursery Building Corp and CNC-Chelton Building Corp are exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates — Preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Center’s financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date because of contractual restrictions or internal board designations. Amounts not available include net assets with donor restrictions and net assets with board designations.

	2020	2019
Cash and cash equivalents	$ 931,439	$ 115,676
Accounts receivable	269,155	216,215
Pledges receivable	1,170,697	629,100
Investments	5,035,163	4,920,939
Total financial assets	7,406,454	5,881,930
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	(767,336)	(215,199)
Restricted by donors with purpose restrictions	(173,586)	(170,982)
Restricted by donors in perpetuity less beneficial interest in perpetual trusts	(1,219,160	(1,186,683)
Total amounts unavailable for general expenditures within one year	(2,160,082)	(1,572,864)
Less amounts unavailable to management without Board's approval:		
Board designated for Endowment	(3,818,037)	(3,726,279)
Total amounts unavailable to management without Board's approval	(5,978,119)	(5,299,143)
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 1,428,335	$ 582,787

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests any cash in excess of daily requirements in short-term investments. The Organization’s typical operating procedure to manage an emergency cash flow need is to draw from the Organization’s line of credit (see Note 13) or draw funds from the Foundation. The Organization manages its cash flow through regular (daily) analysis of cash flows and budgeted expenses.

3. METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, supplies, repairs and maintenance, professional fees, depreciation and other operating expenses, which are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services or use of supplies.

4. PLEDGES RECEIVABLE

The Organization has pledges receivable from donors. Pledges receivable are as follows as of December 31:

	2020	2019
Due in less than one year	$ 403,361	$ 413,901
Due in two to five years	767,336	215,199
Total	$ 1,170,697	$ 629,100

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3: Prices determined using significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis stated at fair value as of December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020:				
Investments:				
Equity mutual funds:				
International funds	$ 1,073,349	$ 1,073,349		
Large-cap growth funds	886,675	886,675		
Large-cap value funds	825,224	825,224		
Alternative funds	322,439	322,439		
Mid-cap blend funds	338,713	338,713		
Fixed income mutual fund	1,588,763	1,588,763		
Total investments	5,035,163	5,035,163	$ —	$ —
Beneficial interest in perpetual trusts	825,223		825,223	
Total	$ 5,860,386	$ 5,035,163	$ 825,223	$ —
2019:				
Investments:				
Money market funds	$ 10,409	$ 10,409		
Equity mutual funds:				
International funds	914,328	914,328		
Large-cap value funds	902,284	902,284		
Large-cap growth funds	721,108	721,108		
Alternative funds	360,152	360,152		
Mid-cap blend funds	239,687	239,687		
Preferred securities	168,268	168,268		
Large-cap blend funds	2,500	2,500		
Fixed income mutual fund	1,602,203	1,602,203		
Total investments	4,920,939	4,920,939	$ —	$ —
Beneficial interest in perpetual trusts	769,051		769,051	
Total	$ 5,689,990	$ 4,920,939	$ 769,051	$ —

6. REFUNDABLE ADVANCE

The Organization received a $703,200 Paycheck Protection Program (PPP) Loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. As of December 31, 2020, no amount has been recorded as being forgiven as conditions have not been met, including the covered period.

7. PROPERTY AND EQUIPMENT

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

	2020	2019
Land	$ 107,894	$ 107,894
Buildings and improvements	2,744,462	2,545,717
Furniture and equipment	738,122	738,122
Total	3,590,478	3,391,733
Less accumulated depreciation	2,204,102	2,149,122
Property and equipment, net	$ 1,386,376	$ 1,242,611

8. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is an income beneficiary of three separate trusts whose principal is held at various financial institutions in perpetuity. The Organization's share of the fair value of the trusts totaled $825,223 and $769,051 at December 31, 2020 and 2019, respectively. The fair value of the Organization's interest in the trusts is determined primarily based on the Organization's proportionate share of the fair value of the underlying assets of the trusts. Fair value of the underlying assets is determined using quoted market prices and pricing services. The Organization received $29,215 and $23,224 in distributions from the trusts during the years ended December 31, 2020 and 2019, respectively. The Organization's shares of gains from these trusts were $56,172 and $91,082 in 2020 and 2019, respectively.

9. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated the Foundation assets, excluding the endowment funds to be held indefinitely, for the purpose of generating additional income to be used for the Organization's operations. As of December 31, 2020 and 2019, board designated net assets were $3,818,037 and $3,726,279, respectively.

10. NET ASSETS WITH DONOR RESTRICTION

Net assets are restricted for the following purposes or periods, as of December 31:

	2020	2019
Endowment funds to be held indefinitely	$ 2,044,383	$ 1,955,734
Subject to the passage of time	1,170,697	629,100
Subject to expenditure for a specified purpose	29,139	93,768
Total	$ 3,244,219	$ 2,678,602

Endowment funds are to be held indefinitely. The income from the assets can be used for operations.

11. ENDOWMENT FUNDS

The Organization's endowment consists of five donor restricted endowment funds established and restricted for the purpose of supporting the operations of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation 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 Foundation classifies as net assets with donor restrictions to be held permanently (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to be held permanently is classified as net assets with donor restrictions subject to time restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 purposes 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

Changes in endowment fund net assets and the endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

	With Donor Restriction
Year ended December 31, 2020:	
Endowment balance, beginning of year	$ 1,955,734
Total investment return	332,854
Appropriation for expenditures	(244,205)
Endowment balance, end of year	$ 2,044,383
Net Assets with Donor Restrictions	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 1,219,160
The portion of endowment funds held in perpetual trusts	$ 825,223
Year ended December 31, 2019:	
Endowment balance, beginning of year	$ 1,790,591
Total investment return	553,739
Appropriation for expenditures	(388,596)
Endowment balance, end of year	$ 1,955,734
Net Assets with Donor Restrictions	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 1,186,683
The portion of endowment funds held in perpetual trusts	$ 769,051

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have such deficiencies as of December 31, 2020 and 2019.

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 the endowment assets are invested in a manner that is intended to produce maximum results with stated risk tolerances. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately the sum of 3.5% plus the consumer price in (CPI) annually. Actual returns in any given year may vary from this amount. Included in endowments are perpetual trusts held by third parties, these trusts are controlled by the third party and the investment policies of the Organization does not apply to them.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Equity based investments include large-cap, mid-cap, small-cap and international equities. The Organization also uses fixed income securities to achieve its objectives.

12. OPERATING LEASE COMMITMENTS

The Organization leases equipment under a non-cancellable operating lease expiring in 2024. As of December 31, 2020, future minimum lease payments under the operating lease are as follows:

2021	$ 30,732
2022	30,732
2023	30,732
2024	23,049
Total minimum lease payments	$ 115,245

Rent expense for the operating lease was $30,732 and $25,140 for the years ended December 31, 2020 and 2019, respectively.

13. LINE OF CREDIT

As of December 31, 2020, the Organization had a $300,000 line of credit with a bank that expires September 1, 2021. The line of credit bears interest at the bank's prime rate and is secured by all accounts, instruments, and investments. There was no outstanding balance on the line at December 31, 2020. The outstanding balance on the line at December 31, 2019 was $60,000.

The Organization established a $500,000 line of credit during the year ended December 31, 2020 with a bank that expires October 1, 2030. The line of credit bears interest at 3% and is secured by the property at 104 E. Rio Grande Street, Colorado Springs, Colorado. There was no outstanding balance as of December 31, 2020.

14. CONTRIBUTED SUPPLIES AND SERVICES

The value of donated supplies and services included in the financial statements as contributions and the corresponding expenses are as follows for the years ended December 31:

	2020	2019
EXPENSES		
Supplies	$ 9,510	$ 19,521
Rental expense	5,400	5,550
Services		4,698
Total expenses	$ 14,910	$ 29,769

15. RELATED PARTY TRANSACTIONS

The Organization received contributions from various members of the Board of Directors. During the year ended December 31, 2020, the Organization received $113,493 from such members. As of December 31, 2020, there were $33,000 of pledges receivable related to these contributions.

16. UNCERTAINTIES

In 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak). The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.