skr+co
STOCKMAN KAST RYAN + COMPANY

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

Consolidated Financial Statements

For The Year Ended December 31, 2022

And

Independent Auditors' Report

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

TABLE OF CONTENTS

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

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 statement of financial position as of December 31, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Colorado Springs Child Nursery Centers, Inc. dba Early Connections Learning Centers and Affiliates' 2021 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated March 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

March 31, 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 (with comparative totals for 2021)

	2022					2021
	Without Donor Restriction			With Donor		
	Undesignated	Designated	Total	Restriction	Total	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 70,059	$ 2,130	$ 72,189	$ 759,713	$ 831,902	$ 745,301
Accounts receivable	328,109		328,109		328,109	223,686
Pledges receivable				490,949	490,949	297,387
Investments		3,152,116	3,152,116	1,468,848	4,620,964	5,229,501
Prepaid expenses	68,700		68,700		68,700	45,540
Total	466,868	3,154,246	3,621,114	2,719,510	6,340,624	6,541,415
PLEDGES RECEIVABLE				279,051	279,051	244,850
BENEFICIAL INTEREST IN PERPETUAL TRUSTS				709,756	709,756	893,504
PROPERTY AND EQUIPMENT, NET	2,241,734		2,241,734		2,241,734	1,703,888
TOTAL	$ 2,708,602	$ 3,154,246	$ 5,862,848	$ 3,708,317	$ 9,571,165	$ 9,383,657
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 87,405		$ 87,405		$ 87,405	$ 77,404
Accrued expenses	207,224		207,224		207,224	179,575
Total liabilities	294,629	$ —	294,629	$ —	294,629	256,979
NET ASSETS	2,413,973	3,154,246	5,568,219	3,708,317	9,276,536	9,126,678
TOTAL	$ 2,708,602	$ 3,154,246	$ 5,862,848	$ 3,708,317	$ 9,571,165	$ 9,383,657

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022					
	Without Donor Restriction			With Donor		2021
	Undesignated	Designated	Total	Restriction	Total	Total
REVENUES						
Program service fees	$ 4,464,638		$ 4,464,638		$ 4,464,638	$ 4,001,954
Contributions	1,103,531	$ 1	1,103,532	$ 1,529,713	2,633,245	1,259,182
Investment income	1,687	(549,680)	(547,993)	(104,188)	(652,181)	447,865
Gain (loss) on beneficial interest in perpetual trusts				(183,748)	(183,748)	68,281
Other income				43,949	43,949	703,200
Net assets released from restrictions— Satisfaction of time and purpose restrictions	663,136	113,560	776,696	(776,696)		
Transfers						
Total	6,232,992	(436,119)	5,796,873	509,030	6,305,903	6,480,482
EXPENSES						
Program	5,362,725		5,362,725		5,362,725	4,699,424
Management and general	439,123		439,123		439,123	433,668
Fundraising	354,197		354,197		354,197	321,114
Total	6,156,045	—	6,156,045	—	6,156,045	5,454,206
CHANGE IN NET ASSETS	76,947	(436,119)	(359,172)	509,030	149,858	1,026,276
NET ASSETS, Beginning of year	2,337,026	3,590,365	5,927,391	3,199,287	9,126,678	8,100,402
NET ASSETS, End of year	$ 2,413,973	$ 3,154,246	$ 5,568,219	$ 3,708,317	$ 9,276,536	$ 9,126,678

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022				2021
	Program	Management and General	Fund Raising	Total	Total
Salaries, taxes and benefits	$ 3,946,164	$ 368,040	$ 214,422	$ 4,528,626	$ 4,001,933
Food	429,670			429,670	395,715
Repairs and maintenance	231,802	12,378	12,378	256,558	241,456
Supplies	208,807	9,216	11,168	229,191	158,917
Professional fees	176,870	25,971	14,075	216,916	170,661
Telephone and utilities	76,067	4,226	4,226	84,519	79,694
Advertising and recruitment	59,483	5,327	7,165	71,975	55,601
Fundraising expenses			71,650	71,650	38,296
Insurance	65,719	3,533	1,413	70,665	62,253
Home Network expenses	54,097			54,097	114,760
Depreciation	37,359	5,153	429	42,941	48,604
Conferences and travel	33,167	983	7,386	41,536	33,016
Printing	16,055	2,812	7,476	26,343	22,202
Rental expense	19,170	765	765	20,700	18,889
Bad debt expense	6,929			6,929	8,795
Postage	1,366	700	1,644	3,710	3,404
Interest expense		19		19	10
Total	$ 5,362,725	$ 439,123	$ 354,197	$ 6,156,045	
Percent of total	87%	7%	6%	100%	
Comparative totals — 2021	$ 4,699,424	$ 433,668	$ 321,114		$ 5,454,206
Percent of total — 2021	85%	9%	6%		100%

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ 149,858	$ 1,026,276
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	42,941	48,604
Provisions for bad debts	6,929	8,795
Unrealized and realized (gain) loss on investments	680,116	(408,693)
(Gain) loss on beneficial interest in perpetual trusts	183,748	(68,281)
Changes in operating assets and liabilities:		
Accounts receivable	(111,352)	36,674
Pledges receivable	(227,763)	28,460
Prepaid expenses	(23,160)	(17,353)
Accounts payable and accrued expenses	37,650	14,341
Refundable advance		(703,200)
Net cash provided by (used in) operating activities	738,967	(34,377)
INVESTING ACTIVITIES		
Purchases of property and equipment	(580,787)	(366,116)
Purchases of investments	(78,083)	(1,360,249)
Sales of investments	6,504	1,574,604
Net cash used in investing activities	(652,366)	(151,761)
FINANCING ACTIVITIES		
Advances on line of credit	35,000	35,000
Payments on line of credit	(35,000)	(35,000)
Net cash used in financing activities	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,601	(186,138)
CASH AND CASH EQUIVALENTS, Beginning of year	745,301	931,439
CASH AND CASH EQUIVALENTS, End of year	$ 831,902	$ 745,301
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 19	$ 10

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Springs Child Nursery Centers, Inc. and Affiliates 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 consolidated 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 consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Cash and Cash Equivalents — For the purposes of the consolidated 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, 2022 and 2021, $616,712 and $591,330, respectively, 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 consolidated 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, 2022 and 2021 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 consolidated financial statements.

Use of Estimates — Preparation of the Organization's consolidated 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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 consolidated financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets as of December 31, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	$ 831,902	$ 745,301
Accounts receivable	328,109	223,686
Pledges receivable	770,000	542,237
Investments	4,620,964	5,229,501
Total financial assets	6,550,975	6,740,725

	2022	2021
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	(279,051)	(244,850)
Restricted by donors with purpose restrictions	(759,712)	(122,281)
Restricted by donors in perpetuity less beneficial interest in perpetual trusts	(1,468,849)	(1,641,265)
Total amounts unavailable for general expenditures within one year	(2,507,612)	(2,008,396)
Less amounts unavailable to management without Board's approval:		
Board designated for Endowment	(3,154,246)	(3,590,365)
Total amounts unavailable to management without Board's approval	(5,661,858)	(5,598,761)
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 889,117	$ 1,141,964

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 12) 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 consolidated 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:

	2022	2021
Due in less than one year	$ 490,949	$ 297,387
Due in two to five years	279,051	244,850
Total	$ 770,000	$ 542,237

Additionally, donors and grantors have made conditional pledges to donate funds to the Organization's capital campaign that are dependent upon the Organization raising a certain dollar amount of funds for the campaign and upon the Organization completing the building projects related to the capital campaign. As of December 31, 2022 and 2021, total conditional grants outstanding totaled $0 and $1,650,000, respectively.

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)
2022:				
Investments:				
Money market funds	$ 20,445	$ 20,445		
Equity mutual funds:				
International funds	834,697	834,697		
Large-cap growth funds	829,064	829,064		
Large-cap value funds	888,872	888,872		
Alternative funds	329,059	329,059		
Mid-cap blend funds	188,965	188,965		
Fixed income mutual fund	1,529,862	1,529,862		
Total investments	4,620,964	4,620,964	$ —	$ —
Beneficial interest in perpetual trusts	709,756		709,756	
Total	$ 5,330,720	$ 4,620,964	$ 709,756	$ —
2021:				
Investments:				
Money market funds	$ 18,717	$ 18,717		
Equity mutual funds:				
International funds	982,887	982,887		
Large-cap growth funds	976,402	976,402		
Large-cap value funds	916,282	916,282		
Alternative funds	348,056	348,056		
Mid-cap blend funds	256,974	256,974		
Fixed income mutual fund	1,730,183	1,730,183		
Total investments	5,229,501	5,229,501	$ —	$ —
Beneficial interest in perpetual trusts	893,504		893,504	
Total	$ 6,123,005	$ 5,229,501	$ 893,504	$ —

6. REFUNDABLE ADVANCE

During the year ended December 31, 2020, 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*.

During the year ended December 31, 2021, revenue was recognized for the full amount when conditions were met, which included meeting FTE and salary retention requirements and incurring eligible expenditures.

7. PROPERTY AND EQUIPMENT

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

	2022	2021
Land	$ 107,984	$ 107,894
Buildings and improvements	3,129,766	2,730,181
Furniture and equipment	738,122	738,122
Construction in process	561,509	380,397
Total	4,537,381	3,956,594
Less accumulated depreciation	(2,295,647)	(2,252,706)
Property and equipment, net	$ 2,241,734	$ 1,703,888

8. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is an income beneficiary of three separate trusts whose principal is held in perpetuity at various financial institutions. The Organization's share of the fair value of the trusts totaled $709,756 and $893,504 at December 31, 2022 and 2021, 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 $32,148 and $26,155 in distributions from the trusts during the years ended December 31, 2022 and 2021, respectively. The Organization's shares of gains (losses) from these trusts were ($183,748) and $68,281 in 2022 and 2021, 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, 2022 and 2021, board designated net assets were $3,198,195 and $3,590,365, respectively.

10. NET ASSETS WITH DONOR RESTRICTION

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

	2022	2021
Endowment funds	$ 2,178,605	$ 2,534,769
Subject to the passage of time	770,000	542,237
Subject to expenditure for a specified purpose	759,712	122,281
Total	$ 3,708,317	$ 3,199,287

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, 2022 and 2021 are as follows:

	With Donor Restriction
Year ended December 31, 2022:	
Endowment balance, beginning of year	$ 2,534,769
Contributions	43,949
Total investment return	(400,113)
Endowment balance, end of year	$ 2,178,605
Net Assets with Donor Restrictions:	
Endowment funds that are required to be retained permanently by donor	$ 1,573,036
Endowment funds held in perpetual trusts	709,756
Accumulated investment losses	(104,187)
Total	$ 2,178,605

Year ended December 31, 2021:	With Donor Restriction
Endowment balance, beginning of year	$ 2,406,419
Total investment return	370,113
Appropriation for expenditures	(241,763)
Endowment balance, end of year	$ 2,534,769
Net Assets with Donor Restrictions:	
Endowment funds that are required to be retained permanently by donor	$ 1,529,087
Endowment funds held in perpetual trusts	893,504
Accumulated investment gains	(112,178)
Total	$ 2,534,769

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, 2022 and 2021.

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. LINE OF CREDIT

As of December 31, 2021, the Organization had a $300,000 line of credit with a bank that expired September 1, 2022. During 2022, the line of credit was extended and now expires October 1, 2023. The line of credit bears interest at 7.5% at December 31, 2022 and is secured by all accounts, instruments, and investments. There was no outstanding balance on the line as of December 31, 2022 or 2021.

The Organization established a $500,000 line of credit with a bank during the year ended December 31, 2020 that expires October 1, 2030. The line of credit bears interest at 7.25% and is secured by the property at 104 E. Rio Grande Street, Colorado Springs, Colorado. There was no outstanding balance as of December 31, 2022 or 2021.

13. CONTRIBUTED SUPPLIES AND RENT

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

	2022	2021
EXPENSES		
Rental expense	$ 5,400	$ 5,400
Supplies	20,526	3,101
Total expenses	$ 25,926	$ 8,501

14. RELATED PARTY TRANSACTIONS

The Organization received contributions from various members of the Board of Directors. During the years ended December 31, 2022 and 2021, the Organization received approximately $128,466 and $84,000 from such members, respectively. As of December 31, 2022 and 2021, there were $12,648 of pledges receivable related to Board of Directors contributions.