BOLDER OPTIONS

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bolder Options
Minneapolis, Minnesota

Opinion
We have audited the accompanying financial statements of Bolder Options (a nonprofit organization), which comprise the statement of financial position as of December 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 Bolder Options as of December 31, 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 Bolder Options 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 Bolder Options' 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, including omissions, 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.

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 Bolder Options' 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 Bolder Options' 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.

Carlson SV LLP

Amery, Wisconsin
June 20, 2023

BOLDER OPTIONS
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 437,328	$ 635,816
Contributions and grants receivable	102,348	34,934
Prepaid expense	10,543	7,855
Total Current Assets	550,219	678,605
OTHER ASSETS		
Investments	117,697	136,120
PROPERTY AND EQUIPMENT		
Property and equipment	1,849,333	1,810,314
Accumulated depreciation	(814,346)	(758,107)
Property and Equipment, Net	1,034,987	1,052,207
TOTAL ASSETS	**$ 1,702,903**	**$ 1,866,932**

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 22,434	$ 18,510
Accrued expenses	42,349	56,024
Deferred revenue	10,000	-
Current portion of long-term debt	12,805	12,182
Current portion of obligations under finance leases	6,473	-
Total Current Liabilities	94,061	86,716
LONG-TERM DEBT		
Long-term debt	696,946	709,747
Obligations under finance leases	27,865	-
	724,811	709,747
Total Liabilities	818,872	796,463
NET ASSETS		
Without donor restrictions	647,321	884,349
With donor restrictions	236,710	186,120
Total Net Assets	884,031	1,070,469
TOTAL LIABILITIES AND NET ASSETS	**$ 1,702,903**	**$ 1,866,932**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	2022			2021		
OPERATING ACTIVITIES	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues, Gains, and Other Support						
Contributions and grants						
Government grants	$ 76,378	$ -	$ 76,378	$ 312,326	$ -	$ 312,326
In-kind contributions	40,271	-	40,271	27,087	-	27,087
All other contributions	932,631	122,500	1,055,131	1,072,543	50,000	1,122,543
Investment return, net	(744)	(18,423)	(19,167)	229	22,832	23,061
Miscellaneous revenue	33,386	-	33,386	15,169	-	15,169
Gross special events revenue	309,475	-	309,475	234,039	-	234,039
Less cost of direct benefits to donors	(40,496)	-	(40,496)	(38,880)	-	(38,880)
Net special events revenue	268,979	-	268,979	195,159	-	195,159
Net assets released from restrictions	53,487	(53,487)	-	-	-	-
Total Revenues, Gains, and Other Support	1,404,388	50,590	1,454,978	1,622,513	72,832	1,695,345
Expenses						
Program services	1,068,670	-	1,068,670	893,681	-	893,681
Support services						
Management and general	316,542	-	316,542	263,368	-	263,368
Fundraising	256,204	-	256,204	217,687	-	217,687
Total Expenses	1,641,416	-	1,641,416	1,374,736	-	1,374,736
CHANGE IN NET ASSETS	(237,028)	50,590	(186,438)	247,777	72,832	320,609
NET ASSETS, BEGINNING OF YEAR	884,349	186,120	1,070,469	636,572	113,288	749,860
NET ASSETS, END OF YEAR	**$ 647,321**	**$ 236,710**	**$ 884,031**	**$ 884,349**	**$ 186,120**	**$ 1,070,469**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022			
	Program Services	Management and General	Fundraising	Total
Youth activities	$ 79,382	$ 44	$ 25	$ 79,451
Salaries and benefits	760,763	144,205	72,351	977,319
Fees for services	26,364	100,505	37,954	164,823
Advertising and promotion	2,168	975	7,455	10,598
Office expenses	29,282	8,449	27,823	65,554
Information technology	1,781	12,811	8,431	23,023
Occupancy	45,705	11,441	6,157	63,303
Travel and transportation	8,014	743	5,255	14,012
Conferences, conventions, and meetings	3,211	840	12,376	16,427
Interest expense	26,510	6,668	4,358	37,536
Depreciation and amortization	41,459	12,189	2,591	56,239
Insurance	25,905	16,213	1,182	43,300
Other	23,474	1,459	105,394	130,327
Total expenses by function	1,074,018	316,542	291,352	1,681,912
Less expenses included with revenues				
Cost of direct benefits to donors	(5,348)	-	(35,148)	(40,496)
TOTAL	**$ 1,068,670**	**$ 316,542**	**$ 256,204**	**$ 1,641,416**

	2021			
	Program Services	Management and General	Fundraising	Total
Youth activities	$ 61,447	$ -	$ -	$ 61,447
Salaries and benefits	607,396	127,277	97,849	832,522
Fees for services	32,454	65,634	1,040	99,128
Advertising and promotion	68	1,620	5,872	7,560
Office expenses	22,376	19,720	4,629	46,725
Information technology	10,024	6,693	4,010	20,727
Occupancy	44,387	14,058	5,778	64,223
Travel and transportation	9,032	1,905	1,890	12,827
Conferences, conventions, and meetings	2,842	10	20,153	23,005
Interest expense	25,827	5,427	4,156	35,410
Depreciation and amortization	38,349	8,059	6,172	52,580
Insurance	24,456	12,593	3,056	40,105
Other	40,518	372	76,467	117,357
Total expenses by function	919,176	263,368	231,072	1,413,616
Less expenses included with revenues				
Cost of direct benefits to donors	(25,495)	-	(13,385)	(38,880)
TOTAL	**$ 893,681**	**$ 263,368**	**$ 217,687**	**$ 1,374,736**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (186,438)	$ 320,609
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	56,239	52,580
Net realized and unrealized (gains) losses on investments	18,423	(22,832)
Gain on extinguishment of debt - PPP loan forgiveness	-	(262,800)
Net operating changes in		
Contributions and grants receivable	(67,414)	(2,844)
Prepaid expense	(2,688)	(3,504)
Accounts payable	3,924	5,336
Accrued expenses	(13,675)	13,419
Deferred revenue	10,000	-
Net Cash Provided (Used) by Operating Activities	(181,629)	99,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,074)	-
Net Cash Used by Investing Activities	(1,074)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on long-term debt	-	131,400
Payments on long-term debt	(12,178)	(12,189)
Payments on obligations under finance leases	(3,607)	-
Net Cash Provided (Used) by Financing Activities	(15,785)	119,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(198,488)	219,175
BEGINNING CASH AND CASH EQUIVALENTS	635,816	416,641
ENDING CASH AND CASH EQUIVALENTS	**$ 437,328**	**$ 635,816**

	2022	2021
SUPPLEMENTAL DISCLOSURE		
Cash payments during the year for		
Interest	$ 37,043	$ 36,412
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	4,829	-
Right-of-use assets obtained in exchange for lease liabilities		
Finance leases	37,945	-

(The accompanying notes are an integral part of these financial statements.)

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Bolder Options was originally incorporated in May 1998 as a non-profit corporation. The Organization has offices in Minneapolis and Rochester, Minnesota. It was established to encourage positive, self-concept attitudes and behavior in youth and to provide positive mentoring relationships and role models. Bolder Options engages youth and mentors in goal setting, physical activity, tutoring, and community involvement to build confidence, maximize potential, and encourage healthy life skills.

The Organization's mission is to teach at-risk youth (ages 10 to 15) to succeed in all of life's races by involving kids in mentoring relationships with positive role models. The Organization supports youth-mentor pairs in running or bike training, adventure learning, goal setting, and volunteer services providing the structure and support for healthy relationships and positive behaviors.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities, as applicable. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and organizations supportive of our mission. Investments are monitored by the Organization and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible unconditional promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Unconditional promises to give are written off when deemed uncollectible. At December 31, 2022 and 2021, an evaluation of the aging and collectability of unconditional promises to give indicated that no allowance was necessary.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments
Investments are reported at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Property and Equipment
Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets ranging from five to forty years, or in the case of capitalized leased assets or leasehold improvement, the lesser of the useful life of the asset or the lease term. The Organization’s policy is to capitalize renewals and betterments acquired for greater than $500 and expense normal repairs and maintenance as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. The Organization’s management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition.

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions
Net assets subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition
The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022 and 2021, conditional contributions approximating $44,051 and $54,888, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

In-Kind Contributions
Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 9). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort, as well as youth activities, fees for services, advertising and promotion, office expenses, information technology, occupancy, travel and transportation, conferences, conventions, and meetings, interest, depreciation, insurance, and other, which are allocated on the basis of estimates of use/purpose.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Tax Status

Bolder Options is organized as a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Effect of Economic Conditions on Contributions

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization’s contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization’s Board of Directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 *Leases (Topic 842),* which supersedes existing guidance for accounting for leases under *Topic 840, Leases.* The FASB also subsequently issued additional ASU's, which amend and clarify Topic 842. The most significant change in the leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statements of financial position. The accounting for finance leases remained substantially unchanged.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization elected the practical expedient to not separate lease and non-lease components for all leases that apply. As of January 1, 2022, the Organization did not have any active leases and therefore, the adoption of the new standard did not have any impact on the statement of financial position or statement of activities.

Subsequent Events Consideration

Management has evaluated subsequent events through June 20, 2023, the date on which the financial statements were available to be issued. Management has determined that there were no material events that would require recognition or disclosure in the Organization's financial statements through this date.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position consists of the following at December 31:

Financial assets at year end	2022	2021
Cash and cash equivalents	$ 437,328	$ 635,816
Contributions and grants receivable	102,348	34,934
Investments	117,697	136,120
Total financial assets	657,373	806,870
Less amounts not available to be used within one year		
Investments in endowment	117,697	136,120
Purpose restrictions		
Contributions restricted for Saint Paul program	-	35,000
Contributions restricted for Sports Matter program	12,500	-
Contributions restricted for biking and running gear	6,513	-
	136,710	171,120
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	**$ 520,663**	**$ 635,750**

The Organization's goal is generally to maintain financial assets to meet 90 days of operation expenses (approximately $350,000). As part of its liquidity plan, excess cash is invested in short-term investments, including savings accounts.

NOTE 3 – INVESTMENTS

Investments as of December 31 are summarized as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
The Minneapolis Foundation	$ 27,801	$ 91,795	$ 37,029	$ 136,120
St. Paul and Minnesota Foundation	7,911	25,902	-	-
TOTAL	**$ 35,712**	**$ 117,697**	**$ 37,029**	**$ 136,120**

Net investment return for the years ended December 31, 2022 and 2021 is summarized as follows:

Change in unrealized gains	$ (18,396)	$ 23,797
Interest income	546	229
Investment fees	(1,317)	(965)
TOTAL	**$ (19,167)**	**$ 23,061**

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

There has been no change in the valuation methodologies used for the years presented and there have been no transfers between levels.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31:

		Fair Value Measurements Using:		
2022	**Total Carrying Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
BENEFICIAL INTEREST IN ENDOWMENT FUND	**$ 117,697**	**$ -**	**$ -**	**$ 117,697**
2021				
BENEFICIAL INTEREST IN ENDOWMENT FUND	**$ 136,120**	**$ -**	**$ -**	**$ 136,120**

NOTE 5 – PROPERTY AND EQUIPMENT

Cost of property and equipment as of December 31 consists of the following:

	2022	2021
Land	$ 201,375	$ 201,375
Buildings and improvements	1,563,874	1,563,874
Equipment	84,084	45,065
Total	1,849,333	1,810,314
Accumulated depreciation	(814,346)	(758,107)
PROPERTY AND EQUIPMENT, NET	**$ 1,034,987**	**$ 1,052,207**

Depreciation expense on property and equipment amounted to $56,239 and $52,580 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt as of December 31 is as follows:

	2022	2021
Nonprofits Assistance Fund	$ 709,751	$ 721,929
Current portion	(12,805)	(12,182)
TOTAL	**$ 696,946**	**$ 709,747**

The loan with Nonprofits Assistance Fund is due and payable at the rate of $4,000 per month, including fixed interest at the rate of 5.00%. The maturity date of the loan is December 16, 2025. The loan is secured by a real estate mortgage on the program services and administrative offices building, an assignment of rents and leases from the building, and a security agreement on other assets of the Organization.

Principal amounts due on long-term debt are as follows: 2023 $12,805; 2024 $13,454; and 2025 $683,492.

NOTE 7 – ENDOWMENT FUNDS

Donor-restricted Endowments

The Organization's endowment consists of two endowment funds held by The Minneapolis Foundation and the Saint Paul & Minnesota Foundation, and are comprised of donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the governing board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce a reasonable rate of return annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE 7 – ENDOWMENT FUNDS (Continued)

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its investment income. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Changes in endowment net assets are as follows as of December 31:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
2022			
Endowment net assets, beginning of year	$ -	$ 136,120	$ 136,120
Investment return, net	-	(18,423)	(18,423)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 117,697**	**$ 117,697**
2021			
Endowment net assets, beginning of year	$ -	$ 113,288	$ 113,288
Investment return, net	-	22,832	22,832
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 136,120**	**$ 136,120**

NOTE 8 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	2022	2021
Specific purpose		
Saint Paul program	$ -	$ 35,000
Biking and running gear	6,513	-
Sport Matter program	12,500	-
Passage of time		
Endowment fund	117,697	136,120
Unconditional promise to give	100,000	15,000
TOTAL	**$ 236,710**	**$ 186,120**

Net assets without donor restrictions for the years ended December 31 are as follows:

	2022	2021
UNDESIGNATED	**$ 647,321**	**$ 884,349**

NOTE 9 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities include the following:

	2022	2021
Footwear and apparel	$ 36,643	$ 25,761
Other	3,628	1,326
TOTAL	**$ 40,271**	**$ 27,087**

NOTE 10 – GOVERNMENTAL SOURCES

The Organization received approximately 5% and 18% of the total Organization's annual revenue from Governmental sources in 2022 and 2021, respectively. Federal grants were 2% and 15%, respectively, and State of Minnesota grants were 3% and 3%, respectively.

NOTE 11 – PENSION

The Organization participates in a multiple employer 401(k) pension plan. Employees at least 21 years of age who have 6 months of service are eligible to participate in the plan. Employees may contribute as allowed by IRS rules. The plan provides for payment to be made by the Organization at a 100% match of employees' contributions up to 10% of the employees' gross wages for employees in the executive class, and a 100% match of employees' compensation up to 5% of the employees' compensation for employees in the general class. Under the plan, vested and non-vested pension costs are funded as they accrue. Pension expense for the years ending December 31, 2022 and 2021 amounted to $0. Employer contributions to the 401(k) plan were suspended for 2022 and 2021.

NOTE 12 – LEASES

The Organization leases a copy machine under a long-term non-cancelable finance lease agreement. The lease expires on September 13, 2027. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The finance lease weighted-average discount rate is based on a discount rate that the Organization would be able to obtain on similar length debt.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases and do not recognize the asset and liability for these leases. Lease payment for short-term leases are recognized on a straight-line basis. The Organization elected the practical expedient to not separate lease and non-lease components for all leases that apply.

Total right-of-use assets and lease liabilities at December 31 are as follows:

	2022
Lease assets - classification in statement of financial position	
Finance lease right-of-use assets - property and equipment, net	**$ 33,518**
Lease liabilities - classification in statement of financial position	
Current finance lease obligations	$ 6,473
Long-term finance lease obligations	27,865
TOTAL LEASE LIABILITIES	**$ 34,338**

NOTE 12 – LEASES (Continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2022
Weighted average remaining finance lease term	4.66
Weighted average finance lease discount rate	5.75%

The future minimum lease payments under non-cancelable finance leases with terms greater than one year are listed below as of December 31:

December 31, 2023	$ 8,278
December 31, 2024	8,278
December 31, 2025	8,278
December 31, 2026	8,278
December 31, 2027 and later	6,209
TOTAL FINANCE LEASE PAYMENTS	39,321
Less interest	(4,983)
PRESENT VALUE OF FINANCE LEASE OBLIGATIONS	**$ 34,338**

Total lease costs for the year ended December 31 is as follows:

	2022
Operating lease cost - Rochester offices	$ 8,050
Finance lease cost	
Amortization of right of use assets	4,427
Interest expense	1,221

NOTE 13 – INCOME TAX

At December 31, 2022, the Organization has unrelated business income tax net operating loss carryforwards of $31,568 ($37,399 – 2021). These loss carryforwards begin to expire in 2027 through 2037. Unused net operating losses are available to offset current and future taxable income as follows:

Date of Loss	Carryforward Expires	Federal	State
12-31-2007	12-31-2027	$ 610	$ 610
12-31-2008	12-31-2028	2,411	2,411
12-31-2009	12-31-2029	5,555	5,555
12-31-2014	12-31-2034	7,854	7,854
12-31-2015	12-31-2035	4,062	4,062
12-31-2016	12-31-2036	2,647	2,647
12-31-2017	12-31-2037	3,913	3,913
12-31-2018	No Expiration	219	219
12-31-2020	No Expiration	1,655	1,655
12-31-2021	No Expiration	2,642	2,642

Following are the components which make up the Organization's deferred income tax asset (liability):

	2022	2021
Current deferred tax assets		
Net operating loss carryforwards	$ 9,700	$ 11,500
Valuation allowance recognized	(9,700)	(11,500)
TOTAL	**$ -**	**$ -**