

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2021



AMATICS
CPA GROUP

**BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Big Sky Youth Empowerment Project, Inc.
Bozeman, MT

Opinion

We have audited the accompanying financial statements of Big Sky Youth Empowerment Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year 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 Big Sky Youth Empowerment Project, Inc. as of December 31, 2021, 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 Financial Statements section of our report. We are required to be independent of Big Sky Youth Empowerment Project, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Big Sky Youth Empowerment Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 Big Sky Youth Empowerment Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Sky Youth Empowerment Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Amatics CPA Group

Bozeman, Montana

September 30, 2022

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,117,950
Contributions receivable	68,092
Security deposit	<u>8,800</u>

Total current assets \$ 1,194,842

PROPERTY AND EQUIPMENT, net of accumulated depreciation 1,421,016

OTHER ASSETS

Investments	392,729
Beneficial interest in agency endowment	<u>82,456</u>

Total other assets 475,185

Total assets \$ 3,091,043

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 18,095
Accrued wages	<u>59,773</u>

Total current liabilities \$ 77,868

NET ASSETS

Without donor restrictions	
Undesignated	2,724,956
Board designated	50,000
With donor restrictions	<u>238,219</u>

Total net assets 3,013,175

Total liabilities and net assets \$ 3,091,043

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants	\$ 578,447	\$ -	\$ 578,447
Annual fund	302,420	-	302,420
Capital campaign	-	175,000	175,000
Contributions	-	26,000	26,000
Special events	508,910	-	508,910
In-kind contributions	326,432	-	326,432
Investment income, net	25,065	1,029	26,094
Other income	200,383	-	200,383
Satisfaction of program restrictions	217,069	(217,069)	-
Total revenue and support	2,158,726	(15,040)	2,143,686
EXPENSES			
Functional expenses			
Program	1,369,282	-	1,369,282
Administration	126,201	-	126,201
Fundraising	432,803	-	432,803
Total expenses	1,928,286	-	1,928,286
CHANGE IN NET ASSETS	230,440	(15,040)	215,400
Net assets at beginning of year, as originally reported	2,652,144	203,259	2,855,403
Board transfer to agency endowment	(50,000)	50,000	-
Prior period adjustments	(57,628)	-	(57,628)
Net assets at beginning of year, as restated	2,544,516	253,259	2,797,775
NET ASSETS AT END OF YEAR	\$ 2,774,956	\$ 238,219	\$ 3,013,175

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 473,898	\$ 45,841	\$ 171,060	\$ 690,799
Direct program expenses	213,246	-	-	213,246
Advertising and marketing	1,233	204	12,510	13,947
Fees	-	48	2,683	2,731
Information technology	30,706	5,261	32,514	68,481
Insurance	143,081	8,307	-	151,388
Mentors	201,847	-	-	201,847
Occupancy	138,845	12,804	12,719	164,368
Postage and delivery	-	785	3,444	4,229
Professional services	-	20,950	-	20,950
Scholarships	10,000	-	-	10,000
Supplies	-	5,008	5,233	10,241
Training and professional development	10,294	4,684	6,622	21,600
Transportation	72,254	-	-	72,254
Depreciation expense	70,060	-	-	70,060
Special events	-	-	178,164	178,164
Grants to other organizations	-	10,000	-	10,000
Other expenses	3,818	10,692	7,854	22,364
Interest expense	-	1,617	-	1,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,369,282</u>	<u>\$ 126,201</u>	<u>\$ 432,803</u>	<u>\$ 1,928,286</u>

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from donors and grantors	\$ 1,021,581
Other cash receipts	629,234
Payments for salaries and related costs	(677,318)
Payments to vendors	<u>(879,976)</u>

Net cash provided by operating activities \$ 93,521

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(350,000)
Purchases of property and equipment	<u>(18,612)</u>

Net cash used by investing activities (368,612)

CHANGE IN CASH AND CASH EQUIVALENTS

(275,091)

Cash and cash equivalents at beginning of year 1,393,041

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 1,117,950

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Sky Youth Empowerment Project, Inc. (the Organization) is a nonprofit organization incorporated in the state of Montana. The Organization works to provide opportunities for teenagers from Gallatin County, Montana to experience success. The Organization provides a program where youth are grouped with peers, mentors, and program managers and taken on weekend adventures and weekday workshops to build confidence and change the lives of teenagers.

The Organization's activities are primarily supported through grants, special events, and contributions from foundations, corporations, and individuals.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board.

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. Included in net assets without donor restrictions are funds that have been designated by the Organization's Board of Directors (see Note 8).
- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed 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 the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment over \$2,500 are capitalized and depreciated using the straight-line method. Costs of maintenance and repairs are charged to expense and significant renewals and improvements are capitalized. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation expense for the year ended December 31, 2021 was \$70,060.

Income Taxes

Big Sky Youth Empowerment Project, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore no provision for federal income taxes has been included in the accompanying financial statements. Big Sky Youth Empowerment Project, Inc. has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional donor promises to give (i.e. pledges receivable) are reported at fair value at the date there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. Contributions of donor-restricted gifts are recognized at the time of the gift.

The gifts are reported either as net assets without donor restrictions or net assets with donor restrictions if they were received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contract Revenue

Contract revenue is recognized over the time period in which it is earned as services are provided. Amounts earned, but not received yet, are included in accounts receivable. Conversely, amounts received in advance of delivery of services are reported as deferred revenue. The Organization had no receivables or deferred revenue related to contracts at December 31, 2021.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants

The Organization receives grants from public agencies, as well as private organizations and individuals, to be used for specific programs or purposes, which may include general operations. Unconditional grant awards are recorded as grant revenue in the period in which they are awarded. Grants having the existence of a condition, but lacking in both the existence of a barrier and right of return to the resource provider, are classified as restricted grant revenue until the conditions are met. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended or other conditions are satisfied.

Investments

Investments are held at D.A. Davidson in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor 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.

As of December 31, 2021, investments consist of mutual funds.

Beneficial Interest in Agency Endowment

The beneficial interest in agency endowment represent assets held by a community foundation, to be held in perpetuity with distributions from the fund supporting the Organization. This asset is recorded at fair market value. Gains and losses on market value adjustments are recognized as the market fluctuates and are recorded in net assets with donor restrictions. Distributions received from this account are recorded as investment income.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, printing and reproduction and personnel expenses and other, which are allocated on the basis of estimates of time and effort.

Advertising Expenses

The Organization expenses advertising costs as they are incurred.

2. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, Big Sky Youth Empowerment Project, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At year end, Big Sky Youth Empowerment Project, Inc. held checking, savings and money market accounts. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. As of December 31, 2021, cash and cash equivalent balances exceed federally insured limits by \$871,553.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value. The levels of inputs are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for assets measured at fair value. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2021.

Mutual funds - Fair value is based on quoted market prices for those securities.

Beneficial interest in agency endowment held at a community foundation - The value of this investment is based on the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the community foundation is not redeemable by the Organization.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis at December 31, 2021 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 392,729	\$ 392,729	\$ -	\$ -
Beneficial interest in agency endowment	82,456	-	-	82,456
	\$ 475,185	\$ 392,729	\$ -	\$ 82,456

4. BENEFICIAL INTEREST IN AGENCY ENDOWMENT

The Organization holds a beneficial interest in assets held at One Valley Community Foundation (the Foundation). This fund was originally established in 2019 by a donor's irrevocable contribution to the Foundation. In 2021, Big Sky Youth Empowerment Project, Inc.'s Board of Directors transferred \$50,000 to the funds held irrevocably at the Foundation.

The Foundation will make annual distributions of the income earned on the funds to Big Sky Youth Empowerment Project, Inc., subject to the Foundation's spending policy. This is recognized by the Foundation and Big Sky Youth Empowerment Project, Inc. as an agency endowment fund. These funds are reported in net assets with donor restrictions, as only the income can be spent by the Organization.

5. LEASES

The Organization has an office lease agreement with an original term of September 1, 2019 through August 31, 2029, with monthly installments of \$8,800. On September 1, 2020, and on every anniversary thereof during the rental term, the amount of rent shall increase by 3% over the rent paid in the prior year. The Organization will have the option to renew the lease for one additional five year term and the rent shall continue to increase 3% annually. Thereafter, both parties may mutually agree to continue the lease agreement for another 5 years with rent continuing to increase 3% annually. Rent expense for the year ended December 31, 2021 was \$133,307.

Minimum future lease obligations for the years following December 31, 2021 are as follows:

2022	\$ 150,491
2023	155,006
2024	159,656
2025	164,446
2026	169,379
2027 to 2029	476,324
	\$ 1,275,302

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2021:

Vehicles and equipment	\$	250,055	
Expansion		1,345,910	
Leasehold improvements		2,745	
Website development		4,063	
Furniture and fixtures		<u>41,782</u>	
		1,644,555	
Less accumulated depreciation		<u>(223,539)</u>	
Net property and equipment			<u>\$ 1,421,016</u>

7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year comprise the following:

Financial assets			
Cash and cash equivalents	\$	1,117,950	
Contributions receivable		68,092	
Investments		<u>392,729</u>	
			\$ 1,578,771
Unavailable for general expenditure in one year			
Board designated funds			<u>50,000</u>
Total financial resources available for general expenditure			<u>\$ 1,528,771</u>

8. BOARD DESIGNATED NET ASSETS

As of December 31, 2021, the Board of Directors has designated from net assets without donor restrictions the following amounts:

Scholarships		<u>\$ 50,000</u>
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BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of assets with time and/or purpose restrictions as follows for December 31, 2021:

Subject to expenditure for specific purposes:			
Suicide prevention	\$	20,968	
Capital campaign		129,829	
Scholarships		<u>4,966</u>	
			\$ 155,763
Perpetual in nature:			
Assets held in agency endowment			<u>82,456</u>
			<u>\$ 238,219</u>

10. IN-KIND CONTRIBUTIONS

The Organization records various types of in-kind support including services, equipment and supplies. The fair value of donated goods and services included in contributions in the financial statements for the year ended December 31, 2021 are as follows:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Direct program expense	\$ 123,898	\$ -	\$ -	\$ 123,898
Special events	-	-	24,934	24,934
Mentors	<u>177,600</u>	<u>-</u>	<u>-</u>	<u>177,600</u>
Total	<u>\$ 301,498</u>	<u>\$ -</u>	<u>\$ 24,934</u>	<u>\$ 326,432</u>

11. RETIREMENT PLAN

The Organization will assist full-time employees with opening a SIMPLE IRA account in which employees may contribute part of their pre-tax compensation. The Organization will match up to 3% of the employee contribution to the plan. Employees are eligible for IRA matching six months after date of hire. For the year ended December 31, 2021, the Organization made matching contributions of \$10,802.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

12. PAYCHECK PROTECTION PROGRAM LOAN

In 2021, the Organization was granted a \$88,432 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal Government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization initially recorded the loan as a refundable advance and recognized the loan forgiveness as revenue in accordance with the guidance for conditional contributions when there was no longer a measurable performance or other barrier and right to return the funds. The loan was forgiven in full August 2021 and is included in other income.

In 2020, the Organization was granted a \$106,079 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal Government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization initially recorded the loan as a refundable advance and subsequently recognized the loan forgiveness as revenue in accordance with the guidance for conditional contributions when there was no longer a measurable performance or other barrier and right to return the funds. The loan was forgiven in full January 2021 and is included in other income in 2021.

13. PRIOR PERIOD ADJUSTMENTS

The beginning net assets reported in the statement of activities have been restated to correct for the following items:

Receivables that should have been accrued at 2020 year end	\$	10,556
Adjust accounting for grant funds returned in 2021		(26,417)
Adjust investment balances at 2020 year end		4,525
Adjust accrued wages at 2020 year end		<u>(46,292)</u>
		<u>\$ (57,628)</u>

14. SUBSEQUENT EVENTS

In January 2022, the Organization’s Executive Director resigned, and the Board President stepped into the position temporarily until a replacement was hired in July 2022.

Date of Management Evaluation

Management has evaluated subsequent events through September 30, 2022, the date on which the financial statements were available to be issued.