

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2022 and 2021



AMATICS
CPA GROUP

**BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
CONTENTS**

AUDITED FINANCIAL STATEMENTS	<u>Page</u>
Independent auditors' report	3 - 4
Statement of financial position	5
Statement of activities	6 - 7
Statement of functional expenses	8 - 9
Statement of cash flows	10
Notes to financial statements	11 - 20



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 statements 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 Big Sky Youth Empowerment Project, Inc. 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 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Codification 842, *Leases*, issued by the Financial Accounting Standards Board (FASB). Our opinion is not modified with respect to this matter.

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 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.



Bozeman, Montana
October 13, 2023

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,082,328	\$ 1,117,950
Contributions receivable	107,488	68,092
Security deposit	-	8,800
Total current assets	1,189,816	1,194,842
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,431,137	1,421,016
OTHER ASSETS		
Investments	333,352	392,729
Beneficial interest in agency endowment	72,759	82,456
Right-of-use asset	998,323	-
Total other assets	1,404,434	475,185
Total assets	\$ 4,025,387	\$ 3,091,043

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 4,499	\$ 17,137
Accrued wages	73,131	60,731
Current portion of lease liability	124,115	-
Total current liabilities	201,745	77,868
LEASE LIABILITY, net of current portion	882,408	-
NET ASSETS		
Without donor restrictions		
Undesignated	2,623,796	2,656,864
Board designated	50,000	50,000
With donor restrictions	267,438	306,311
Total net assets	2,941,234	3,013,175
Total liabilities and net assets	\$ 4,025,387	\$ 3,091,043

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants	\$ 92,659	\$ 528,122	\$ 620,781
Annual fund	363,816	-	363,816
Contributions	-	10,000	10,000
Special events	840,146	11,578	851,724
In-kind contributions	545,392	-	545,392
Investment income, net	(61,237)	(14,697)	(75,934)
Other income	11,267	-	11,267
Satisfaction of program restrictions	<u>573,876</u>	<u>(573,876)</u>	<u>-</u>
Total revenue and support	<u>2,365,919</u>	<u>(38,873)</u>	<u>2,327,046</u>
EXPENSES			
Functional expenses			
Program	1,700,053	-	1,700,053
Administration	188,327	-	188,327
Fundraising	<u>510,607</u>	<u>-</u>	<u>510,607</u>
Total expenses	<u>2,398,987</u>	<u>-</u>	<u>2,398,987</u>
CHANGE IN NET ASSETS	(33,068)	(38,873)	(71,941)
Net assets at beginning of year	<u>2,706,864</u>	<u>306,311</u>	<u>3,013,175</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 2,673,796</u></u>	<u><u>\$ 267,438</u></u>	<u><u>\$ 2,941,234</u></u>

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	\$ 231,436	\$ 347,011	\$ 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	<u>529,794</u>	<u>(529,794)</u>	<u>-</u>
Total revenue and support	<u>2,124,440</u>	<u>19,246</u>	<u>2,143,686</u>
EXPENSES			
Functional expenses			
Program	1,369,281	-	1,369,281
Administration	126,201	-	126,201
Fundraising	<u>432,804</u>	<u>-</u>	<u>432,804</u>
Total expenses	<u>1,928,286</u>	<u>-</u>	<u>1,928,286</u>
CHANGE IN NET ASSETS	196,154	19,246	215,400
Net assets at beginning of year, as originally reported	2,544,516	253,259	2,797,775
Prior period adjustment	<u>(33,806)</u>	<u>33,806</u>	<u>-</u>
Net assets at beginning of year, as restated	<u>2,510,710</u>	<u>287,065</u>	<u>2,797,775</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,706,864</u>	<u>\$ 306,311</u>	<u>\$ 3,013,175</u>

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 570,255	\$ 65,224	\$ 180,651	\$ 816,130
Advertising and marketing	1,374	1,164	11,370	13,908
Depreciation expense	80,560	-	-	80,560
Fees	-	64	27,204	27,268
Food	15,597	-	-	15,597
Gear and equipment	149,399	-	-	149,399
Grants to other organizations	-	1,696	-	1,696
Information technology	24,007	1,107	35,143	60,257
Insurance	156,918	-	-	156,918
Mentors	244,777	-	-	244,777
Occupancy	167,214	16,580	20,799	204,593
Other expenses	8,021	13,450	3,031	24,502
Outdoor adventures	160,182	-	-	160,182
Postage and delivery	-	1,525	7,669	9,194
Professional services	11,654	78,986	23,530	114,170
Scholarships	8,000	-	-	8,000
Special events	-	-	187,419	187,419
Supplies	123	8,531	556	9,210
Training and professional development	14,610	-	13,235	27,845
Transportation	74,513	-	-	74,513
Youth workshops and other programs	12,849	-	-	12,849
	<u>\$ 1,700,053</u>	<u>\$ 188,327</u>	<u>\$ 510,607</u>	<u>\$ 2,398,987</u>
Total expenses	<u>\$ 1,700,053</u>	<u>\$ 188,327</u>	<u>\$ 510,607</u>	<u>\$ 2,398,987</u>

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
Advertising and marketing	1,233	204	12,510	13,947
Depreciation expense	70,060	-	-	70,060
Fees	-	48	2,683	2,731
Food	13,744	-	-	13,744
Gear and equipment	69,627	-	-	69,627
Grants to other organizations	-	10,000	-	10,000
Information technology	32,276	5,261	32,514	70,051
Insurance	143,081	8,307	-	151,388
Interest expense	-	1,617	-	1,617
Mentors	201,847	-	-	201,847
Occupancy	139,163	12,804	12,720	164,687
Other expenses	3,818	10,692	7,854	22,364
Outdoor adventures	116,579	-	-	116,579
Postage and delivery	-	785	3,444	4,229
Professional services	-	20,950	-	20,950
Scholarships	10,000	-	-	10,000
Special events	-	-	178,164	178,164
Supplies	-	5,008	5,233	10,241
Training and professional development	10,294	4,684	6,622	21,600
Transportation	72,254	-	-	72,254
Youth workshops and other programs	11,407	-	-	11,407
	<u>\$ 1,369,281</u>	<u>\$ 126,201</u>	<u>\$ 432,804</u>	<u>\$ 1,928,286</u>
Total expenses				

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
STATEMENT OF CASH FLOWS
Years ended December 31, 2022 and 2021

	Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors and grantors	\$ 955,201	\$ 1,021,581
Receipts from special events and other cash receipts	869,931	629,234
Payments for salaries and related costs	(802,772)	(677,318)
Payments to vendors	<u>(962,301)</u>	<u>(879,976)</u>
Net cash provided by operating activities	<u>60,059</u>	<u>93,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,000)	(350,000)
Purchases of property and equipment	<u>(90,681)</u>	<u>(18,612)</u>
Net cash used by investing activities	<u>(95,681)</u>	<u>(368,612)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(35,622)	(275,091)
Cash and cash equivalents at beginning of year	<u>1,117,950</u>	<u>1,393,041</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,082,328</u></u>	<u><u>\$ 1,117,950</u></u>

See notes to financial statements.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 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, 2022 and 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 years ended December 31, 2022 and 2021 was \$80,560 and \$70,060, respectively.

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 for the years ended December 31, 2022 and 2021.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 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.

For the years ended December 31, 2022 and 2021, investments consisted only 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.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Contributed Nonfinancial assets

Effective January 1, 2022, the Organization retroactively adopted FASB Accounting Standards Update (ASU) 2020-07, *Not-for-Profit (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which impacts the accounting for revenue and support. The new guidance requires the Organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the amount of contributed nonfinancial assets recognized by category. The additional disclosure requires the Organization to disclose the following for each category: qualitative information; the Organization's policy (if any) about monetizing rather than utilizing the contributed nonfinancial asset; description of donor-imposed restrictions; description of valuation techniques and inputs used to arrive at fair value; and the principal market used to arrive at fair value measure if it is a market in which the recipient not-for-profit is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial asset. Adoption of ASU 2020-07 did not have a significant impact on the Organization's financial statements.

Leases

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other acts and circumstances. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. The Organization adopted the new lease standard utilizing the modified retrospective transition method, under which amounts presented in prior periods were not restated (see Note 5).

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Additionally, there have been prior period adjustments reflected in the 2021 financial statements (see Note 13).

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, 2022 and 2021, cash and cash equivalent balances exceed federally insured limits by \$211,412 and \$871,553, respectively.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 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, 2022 and 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, 2022 and 2021

3. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis at December 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 333,352	\$ 333,352	\$ -	\$ -
Beneficial interest in agency endowment	<u>72,759</u>	<u>-</u>	<u>-</u>	<u>72,759</u>
	<u>\$ 406,111</u>	<u>\$ 333,352</u>	<u>\$ -</u>	<u>\$ 72,759</u>

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

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

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 \$12,789 as of December 31, 2022. On September 1 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. Lease costs associated with payments on the Organization's operating lease were \$167,492 for 2022. The Organization made \$150,491 of cash payments related to operating leases in 2022. Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities were \$1,131,039 for 2022.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

5. LEASES (Continued)

The following table shows right-of-use assets and lease liabilities as of December 31, 2022:

Right-of-use assets:	
Operating leases	<u>\$ 998,323</u>
Lease liabilities	
Operating leases	<u>\$ 1,006,523</u>

Future minimum lease liability payments as of December 31, 2022 are as follows:

2023	\$ 155,006	
2024	159,656	
2025	164,446	
2026	169,379	
2027	174,461	
Thereafter	<u>301,862</u>	
Total undiscounted liability		\$ 1,124,810
Less: imputed interest		<u>(118,287)</u>
Total lease liability		<u>\$ 1,006,523</u>

The weighted-average remaining lease term related to the Organization's lease liabilities as of December 31, 2022 was 80 months. The discount rate related to the Organization's lease liabilities as of December 31, 2022 was 3.25%, based on estimates of the Organization's incremental borrowing rate as of the lease commencement date, as the discount rates implicit in the Organization's lease cannot be readily determined.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expansion	\$ 1,345,910	\$ 1,345,910
Furniture and fixtures	41,782	41,782
Leasehold improvements	2,745	2,745
Vehicles and equipment	340,736	250,055
Website development	<u>4,063</u>	<u>4,063</u>
	1,735,236	1,644,555
Less accumulated depreciation	<u>(304,099)</u>	<u>(223,539)</u>
Net property and equipment	<u>\$ 1,431,137</u>	<u>\$ 1,421,016</u>

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 1,082,328	\$ 1,117,950
Contributions receivable	107,488	68,092
Investments	333,352	392,729
	1,523,168	1,578,771
Unavailable for general expenditure in one year		
Board designated funds	(50,000)	(50,000)
Total financial resources available for general expenditure	\$ 1,473,168	\$ 1,528,771

8. BOARD DESIGNATED NET ASSETS

As of December 31, 2022 and 2021, the Board of Directors has designated from net assets without donor restrictions the following amounts:

	2022	2021
Scholarships	\$ 50,000	\$ 50,000

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, 2022 and 2021:

	2022	2021
Subject to expenditure for specific purposes:		
Suicide prevention	\$ 19,269	\$ 20,968
Capital campaign	974	129,829
Scholarships	6,962	4,966
Share Winter	28,408	-
Bingo event	11,578	-
Cross Charitable	20,000	-
	87,191	155,763
Subject to passage of time:		
Contributions receivable, proceeds are not restricted	107,488	68,092
Perpetual in nature:		
Assets held in agency endowment	72,759	82,456
	\$ 267,438	\$ 306,311

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 are as follows:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Gear	\$ 123,122	\$ -	\$ -	\$ 123,122
Mentors	223,200	-	-	223,200
Outdoor adventures	127,471	-	-	127,471
Professional services	11,654	22,976	23,530	58,160
Special events	-	-	13,439	13,439
Total	<u>\$ 485,447</u>	<u>\$ 22,976</u>	<u>\$ 36,969</u>	<u>\$ 545,392</u>

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>
Gear	\$ 44,660	\$ -	\$ -	\$ 44,660
Landscaping	318	-	-	318
Mentors	177,600	-	-	177,600
Outdoor adventures	78,920	-	-	78,920
Special events	-	-	24,934	24,934
Total	<u>\$ 301,498</u>	<u>\$ -</u>	<u>\$ 24,934</u>	<u>\$ 326,432</u>

Donated goods and services are valued at estimated fair value based on retail prices or comparable rates to obtain similar services.

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 immediately eligible for IRA matching upon hire. For the years ended December 31, 2022 and 2021, the Organization made matching contributions of \$10,788 and \$10,802, respectively.

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 2021.

BIG SKY YOUTH EMPOWERMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

12. PAYCHECK PROTECTION PROGRAM LOAN (Continued)

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

During the current year, it was discovered that restricted revenues were previously reported as unrestricted. The 2021 statement of activities has been restated to correct for these items as follows:

	Previously Reported	As Restated
Grant revenues without donor restrictions	\$ 578,447	\$ 231,436
Grant revenues with donor restrictions	\$ -	\$ 347,011
Satisfaction of program restrictions	\$ 217,069	\$ 529,794
Beginning net assets with donor restrictions	\$ 2,544,516	\$ 2,510,710
Beginning net assets without donor restrictions	\$ 253,259	\$ 287,065

14. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 13, 2023, the date on which the financial statements were available to be issued.