



Consolidated Financial Statements
June 30, 2024 and 2023

The Piñon Project

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Independent Auditor's Report

The Board of Directors
The Piñon Project
Cortez, Colorado

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Piñon Project (Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 The Piñon Project 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. The 2023 audit was not required to be conducted in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Piñon Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Piñon Project'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2025 on our consideration of The Piñon Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Piñon Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Piñon Project's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
May 8, 2025

The Piñon Project
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 156,152	\$ 1,909,700
Accounts receivable, net	26,577	17,439
Prepaid expenses	22,744	16,774
Investments	551,863	522,205
Grants and contributions receivable	326,652	281,740
Developer fees receivable	485,295	130,000
Interest receivable	80,000	-
Notes receivable	4,868,590	-
Investment in limited partnership and limited liability company	458,333	458,333
Operating right of use asset	18,711	20,305
Financing right of use asset	23,911	29,508
Property and equipment, net of accumulated depreciation	777,070	777,447
Total assets	\$ 7,795,898	\$ 4,163,451
Liabilities and Net Assets		
Accounts payable	\$ 122,284	\$ 10,816
Accrued payroll expenses	72,923	71,919
Accrued compensated absences	40,438	47,233
Refundable advance	4,868,590	1,800,000
Notes payable	208,234	213,932
Operating lease liability	17,961	26,066
Finance lease liability	23,631	29,507
Total liabilities	5,354,061	2,199,473
Net Assets		
Without donor restrictions	2,201,864	1,649,404
With donor restrictions	239,973	314,574
Total net assets	2,441,837	1,963,978
Total liabilities and net assets	\$ 7,795,898	\$ 4,163,451

The Piñon Project
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 239,683	\$ -	\$ 239,683
Government grants and contributions	15,074	2,042,601	2,057,675
Foundation grants and contributions	57,325	126,700	184,025
Tuition	497,010	-	497,010
Program service fees	57,715	-	57,715
Special events	2,167	-	2,167
Donated professional services	54,384	-	54,384
Interest income	80,000	-	80,000
Investment income	29,658	-	29,658
Developer fee income	435,175	-	435,175
Miscellaneous income	20,240	-	20,240
Total revenue and support before net assets released from restrictions	1,488,431	2,169,301	3,657,732
Net assets released from restrictions	2,243,902	(2,243,902)	-
Total revenue and support	3,732,333	(74,601)	3,657,732
Expenses and Losses			
Program Services			
Child care	935,931	-	935,931
Family programs	817,058	-	817,058
Early childhood education	771,176	-	771,176
Community initiatives	157,173	-	157,173
Total program services	2,681,338	-	2,681,338
Supportive Services			
Management and general	397,241	-	397,241
Fundraising	74,611	-	74,611
Total supportive services	471,852	-	471,852
Total expenses	3,153,190	-	3,153,190
Loss on involuntary disposal of property and equipment	26,683	-	26,683
Total expenses and losses	3,179,873	-	3,179,873
Change in Net Assets	552,460	(74,601)	477,859
Net Assets, Beginning of Year	1,649,404	314,574	1,963,978
Net Assets, End of Year	\$ 2,201,864	\$ 239,973	\$ 2,441,837

The Piñon Project
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 166,411	\$ -	\$ 166,411
Government grants and contributions	16,972	1,973,275	1,990,247
Foundation grants and contributions	51,000	286,795	337,795
Tuition	427,034	-	427,034
Program service fees	50,648	-	50,648
Special events	3,743	-	3,743
Donated professional services	12,456	-	12,456
Investment income	6,168	-	6,168
Developer fee income	130,000	-	130,000
Miscellaneous income	10,603	-	10,603
Gain on sale of property and equipment	460,733	-	460,733
Total revenue and support before net assets released from restrictions	1,335,768	2,260,070	3,595,838
Net assets released from restrictions	2,220,734	(2,220,734)	-
Total revenue and support	3,556,502	39,336	3,595,838
Expenses			
Program Services			
Child care	951,992	-	951,992
Family programs	847,330	-	847,330
Early childhood education	814,849	-	814,849
Community initiatives	170,392	-	170,392
Total program services	2,784,563	-	2,784,563
Supportive Services			
Management and general	371,691	-	371,691
Fundraising	76,929	-	76,929
Total supportive services	448,620	-	448,620
Total expenses	3,233,183	-	3,233,183
Change in Net Assets	323,319	39,336	362,655
Net Assets, Beginning of Year	1,326,085	275,238	1,601,323
Net Assets, End of Year	\$ 1,649,404	\$ 314,574	\$ 1,963,978

The Piñon Project
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					Supportive Services			Total Expenses
	Child Care	Family Programs	Early Childhood Education	Community Initiatives	Total Program Services	Management and General	Fundraising	Total Supportive Services	
Salaries and Wages	\$ 617,941	\$ 347,828	\$ 435,822	\$ 101,698	\$ 1,503,289	\$ 241,082	\$ 58,783	\$ 299,865	\$ 1,803,154
Payroll Taxes and Benefits	97,944	55,131	69,078	16,119	238,272	38,212	9,317	47,529	285,801
Program Supplies	56,109	77,071	126,254	21,126	280,560	-	-	-	280,560
Emergency Services	-	199,662	-	-	199,662	-	-	-	199,662
Professional Fees	3,389	63,279	61,752	2,881	131,301	40,622	-	40,622	171,923
Food	48,134	2,345	1,090	-	51,569	3,829	250	4,079	55,648
Travel	9,552	9,251	13,955	404	33,162	1,821	-	1,821	34,983
Training and Conferences	114	20,699	9,112	2,507	32,432	-	-	-	32,432
Licenses Dues, and Fees	25,924	1,074	1,074	1,074	29,146	18,408	-	18,408	47,554
Utilities	10,965	6,172	7,733	1,805	26,675	4,278	1,043	5,321	31,996
Telephone	17,461	9,829	12,315	2,874	42,479	6,812	1,661	8,473	50,952
Insurance	7,458	4,198	5,260	1,227	18,143	2,910	709	3,619	21,762
Office Supplies	9,139	5,144	6,446	1,504	22,233	3,566	869	4,435	26,668
Repairs and Maintenance	10,998	3,666	1,833	-	16,497	1,833	-	1,833	18,330
Interest	-	-	-	-	-	10,110	-	10,110	10,110
Printing and Postage	1,690	951	1,192	278	4,111	659	161	820	4,931
Rent	-	-	4,780	531	5,311	-	-	-	5,311
Other	-	-	-	-	-	15,642	-	15,642	15,642
Depreciation and amortization	19,113	10,758	13,480	3,145	46,496	7,457	1,818	9,275	55,771
Total Expenses by Function	<u>\$ 935,931</u>	<u>\$ 817,058</u>	<u>\$ 771,176</u>	<u>\$ 157,173</u>	<u>\$ 2,681,338</u>	<u>\$ 397,241</u>	<u>\$ 74,611</u>	<u>\$ 471,852</u>	<u>\$ 3,153,190</u>

The Piñon Project
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services					Supportive Services			Total Expenses
	Child Care	Family Programs	Early Childhood Education	Community Initiatives	Total Program Services	Management and General	Fundraising	Total Supportive Services	
Salaries and Wages	\$ 637,093	\$ 358,609	\$ 449,330	\$ 104,850	\$ 1,549,882	\$ 248,554	\$ 60,605	\$ 309,159	\$ 1,859,041
Payroll Taxes and Benefits	101,934	57,377	71,892	16,776	247,979	39,768	9,697	49,465	297,444
Program Supplies	62,836	86,311	141,390	23,659	314,196	-	-	-	314,196
Emergency Services	-	247,224	-	-	247,224	-	-	-	247,224
Professional Fees	3,868	24,280	70,461	3,287	101,896	7,670	-	7,670	109,566
Food	38,529	1,877	872	-	41,278	3,065	200	3,265	44,543
Travel	4,468	7,840	13,608	398	26,314	1,792	-	1,792	28,106
Training and Conferences	92	16,616	7,315	2,013	26,036	-	-	-	26,036
Licenses Dues, and Fees	29,104	1,090	1,090	1,090	32,374	21,474	-	21,474	53,848
Utilities	10,207	5,746	7,199	1,680	24,832	3,982	971	4,953	29,785
Telephone	11,292	14,114	14,114	9,457	48,977	5,646	1,841	7,487	56,464
Insurance	7,562	4,257	5,333	1,245	18,397	2,950	719	3,669	22,066
Office Supplies	6,859	3,861	4,838	1,129	16,687	2,676	653	3,329	20,016
Repairs and Maintenance	14,569	4,856	2,428	-	21,853	2,428	-	2,428	24,281
Interest	-	-	-	-	-	9,401	-	9,401	9,401
Printing and Postage	3,885	2,187	2,740	639	9,451	1,515	370	1,885	11,336
Rent	-	-	8,349	928	9,277	-	-	-	9,277
Other	-	-	-	-	-	13,087	-	13,087	13,087
Depreciation and amortization	19,694	11,085	13,890	3,241	47,910	7,683	1,873	9,556	57,466
Total Expenses by Function	<u>\$ 951,992</u>	<u>\$ 847,330</u>	<u>\$ 814,849</u>	<u>\$ 170,392</u>	<u>\$ 2,784,563</u>	<u>\$ 371,691</u>	<u>\$ 76,929</u>	<u>\$ 448,620</u>	<u>\$ 3,233,183</u>

The Piñon Project
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 477,859	\$ 362,655
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	41,561	57,969
Amortization	14,210	-
Unrealized (gain) loss on investment	(29,658)	(6,168)
Gain on sale of property and equipment	-	(460,733)
Loss on involuntary disposal of property and equipment	26,683	-
Changes in operating assets and liabilities		
Accounts receivable	(9,138)	3,272
Prepaid expenses	(5,970)	1,573
Grants and contributions receivable	(44,912)	18,930
Developer fee receivable	(355,295)	(130,000)
Interest receivable	(80,000)	-
Operating lease assets and liabilities	(15,124)	5,761
Finance lease assets and liabilities	(5,876)	-
Accounts payable	71,371	(15,063)
Accrued payroll expenses	1,004	1,574
Accrued compensated absences	(6,795)	(652)
Net Cash from (used for) Operating Activities	79,920	(160,882)
Investing Activities		
Advances made on notes receivable	(4,868,590)	-
Purchases of property and equipment	(27,770)	(21,556)
Proceeds from sale of property and equipment	-	41,667
Net Cash (used for) from Investing Activities	(4,896,360)	20,111
Financing Activities		
Refundable advance	3,068,590	1,800,000
Principal payments on long-term debt	(5,698)	(4,848)
Net Cash from Financing Activities	3,062,892	1,795,152
Net Change in Cash and Cash Equivalents	(1,753,548)	1,654,381
Cash and Cash Equivalents, Beginning of Year	1,909,700	255,319
Cash and Cash Equivalents, End of Year	\$ 156,152	\$ 1,909,700

The Piñon Project
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 10,110</u>	<u>\$ 9,401</u>
Supplemental Disclosure of Non-Cash Investment and Financing Activity		
Investment in partnership arising from gain on sale of property	<u>\$ -</u>	<u>\$ 458,333</u>
Financing lease liabilities arising from obtained right of use assets	<u>\$ -</u>	<u>\$ 30,525</u>
Operating lease liabilities arising from obtained right of use assets	<u>\$ -</u>	<u>\$ 33,327</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Accounts payable for property and equipment	<u>\$ 40,097</u>	<u>\$ -</u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Piñon Project is a non-profit organization established to provide individuals and families a comfortable and friendly place to access services and information by creating a network of human resources through family centers and training programs in Cortez, Colorado. The Organization's mission is to create opportunities to enrich the quality of life for the individuals and families in Montezuma County. The Organization is supported primarily by government grants and contracts, foundation grants, and tuition and operates the following major programs:

- Child Care – Licensed early childhood program providing full-day, full-week, and full-year care for children aged 0-12.
- Family Programs – Programs that assist parents in overcoming barriers to being functional and self-sufficient families.
- Early Childhood Education – Programs that increase school readiness and school success for children aged 0-8 and their families.
- Community Initiatives – Community-based initiatives that build capacity to address larger issues such as suicide, substance and tobacco prevention, employment training, etc.

Principles of Consolidation

The consolidated financial statements include the accounts of The Piñon Project and its wholly owned subsidiary, Pinon Apartments GP, LLC (the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization. The Organization's interest in Pinon Development, LLC and Pinon Apartments, LLLP are accounted for under the equity method.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with an original maturity of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and cash equivalents with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2024 and 2023, the Organization had approximately \$0 and \$1,582,700, respectively, in excess of FDIC-insured limits.

Credit risk associated with receivables are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from granting agencies and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the Board of Directors.

Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due from individuals and families for tuition and from grants that are expected to be collected within 12 months of the consolidated financial statements. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2024 and 2023, the allowance was \$2,400 and \$600, respectively. The Organization's accounts receivable balance as of July 1, 2022, was \$28,977.

Developer fees receivable represents amounts earned by the Organization but not yet received.

Notes and interest receivable are result of funds being advanced to an affordable housing project to fund construction of the project. Payments on notes and interest receivable are applied against balances when received. Notes receivable are adjusted for the allowance for credit loss as determined necessary.

Allowance for Credit Losses (ACL) – Notes Receivable and Developer Fees

The ACL for notes receivable and developer fees is valuation allowance for the current expected credit losses on the Organization's notes receivable and developer fees receivable that is deducted from the amortized cost basis to present the net amount expected to be collected. Notes receivable and developer fees are charged-off against the allowance when management believes the collectability is unlikely. Subsequent recoveries, if any, are credit to the ACL.

Management estimates the allowance over the notes receivable and developer fees' entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable supporting forecasts. As of June 30, 2024 and 2023, the allowance for credit loss was \$0. The remaining balances are considered collectible.

Investments

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

Property and Equipment

The Organization records property and equipment additions over \$1,000 at cost or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. 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 consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

Right of Use Leased Assets and Liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

Investments in Limited Partnership and Limited Liability Company

The Organization wholly owns Pinon Apartments GP, LLC, which has an ownership percentage of 0.0025% in Pinon Apartments, LLLP. The Organization's investment in the partnership has been recorded under the equity method.

During 2023, the Organization received ownership percentage of 25% in Pinon Development LLC. The organization's investment in the limited liability company has been recorded under the equity method.

Investments are stated at cost, plus the Organization's equity in net earnings since acquisitions, less any distributions received.

Classification of 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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. As of June 30, 2024 and 2023, the Organization did not have any board designated net assets.

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. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. 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.

Revenue and Revenue Recognition

Contributions are recognized 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.

Consequently, at June 30, 2024 and 2023, contributions approximating \$4,868,590 and \$1,800,000, respectively, have not been recognized in the accompanying consolidated statements of activities because of the conditions on which they depend have not yet been met. The full amount of conditional contributions received in advance and recorded as a refundable advance on the consolidated statements of financial position are dependent on the specific use of the supportive housing project constructed for a specified period of time upon being placed in service.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Organization has entered into cost reimbursable agreements totaling approximately \$1,372,000 and \$344,000 that have not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under these agreements.

The Organization recognizes revenue from tuition throughout the period in which the related services are provided to the children and families. Payments for these services are received at a point in time. Any amount received prior to the services being provided are deferred to the applicable period.

Fee for service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing services. The Organization bills the customer and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to the total expected (or actual charges). The Organization believes that this method provides an accurate depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Since control is transferred over time, revenue is recognized based on the progress toward completion of the obligation. Generally, performance obligations satisfied over time relate to developer fees, property management, consulting, and commission services. The Organization measures the performance obligation from customers receiving services from the beginning of the performance period to the completion of services to that customer. There is no revenue recognized at a point in time.

Revenues that are recognized in excess of amounts billed are recorded as an asset on the balance sheet as “costs and estimated earnings in excess of billings on uncompleted contracts.” Billings in excess of revenues recognized are recorded as a liability on the balance sheet. As of June 30, 2024 and 2023, the Organization had no costs and estimated earnings in excess of billings on uncompleted contracts nor any billings in excess of costs and estimated earnings on uncompleted contracts.

Donated Professional Services

Donated professional services are recorded at the respective fair values of the services received (Note 8). The Organization does not sell donated professional services.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation, salaries and benefits, professional fees, office supplies, utilities, insurance, and miscellaneous, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in 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 their exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Recent Accounting Guidance

As of January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-16), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortization cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Organization adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. As a result of the adoption of the new credit loss guidance, the Organization did not recognize any cumulative effect adjustments to net assets. The adoption of the new standard did not materially impact the Organization's statement of activities or statements of cash flows.

Subsequent Events

The Organization has evaluated subsequent events through May 8, 2025, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

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

	2024	2023
Cash and cash equivalents	\$ 156,152	\$ 1,909,700
Accounts receivable, net	26,577	17,439
Investments	551,863	522,205
Grants and contributions receivable	326,652	281,740
Developer fees receivable	119,821	-
	<u>1,181,065</u>	<u>2,731,084</u>
Less donor restricted assets	<u>(239,973)</u>	<u>(314,574)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 941,092</u>	<u>\$ 2,416,510</u>

As part of a liquidity management plan, cash in excess of daily requirement is maintained in checking and savings accounts along with various short-term investments.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated 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 input as follows:

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

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, considering 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.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds, money market funds, and exchange traded funds with readily determinable fair values based on daily redemption rates. The Organization invests in mutual funds, money market mutual funds, and exchange trade funds traded in the financial markets.

The following table presents assets measured at fair value on a recurring basis at June 30, 2024:

		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Total			
June 30, 2024				
Exchange trade funds	\$ 119,987	\$ 119,987	\$ -	\$ -
Mutual funds	418,375	418,375	-	-
Money market	13,501	13,501	-	-
	<u>\$ 551,863</u>	<u>\$ 551,863</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Total			
June 30, 2023				
Exchange trade funds	\$ 114,689	\$ 114,689	\$ -	\$ -
Mutual funds	396,089	396,089	-	-
Money market	11,427	11,427	-	-
	<u>\$ 522,205</u>	<u>\$ 522,205</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 336,849	\$ 336,849
Building and improvements	892,018	886,024
Furniture fixtures, and equipment	205,272	205,272
Vehicles	<u>193,059</u>	<u>169,305</u>
	1,627,198	1,597,450
Less accumulated depreciation	<u>(850,128)</u>	<u>(820,003)</u>
	<u><u>\$ 777,070</u></u>	<u><u>\$ 777,447</u></u>

During 2024, the Organization disposed of a vehicle that was totaled in an accident. A loss on involuntary disposal of property and equipment was recorded at \$26,683 which is the cost of the vehicle less accumulated depreciation.

During 2023, the Organization sold a parcel of land to Pinon Apartments LLLP (Note 9).

Note 5 - Notes Payable

Notes payable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
4.50% note payable to the City of Cortez, due in monthly installments of \$1,216, including interest, unpaid principal and interest due upon maturity in August 2027, secured by a deed of trust	<u>\$ 208,234</u>	<u>\$ 213,932</u>

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2025	\$ 4,833
2026	5,504
2027	5,757
2028	<u>192,140</u>
	<u><u>\$ 208,234</u></u>

Note 6 - Leases

The Organization has entered into leases in the current year for certain office copiers and space for an early childhood center at various terms under long-term non-cancelable operating and finance lease agreements. The leases expire at various dates through 2028 and provide for renewal options of one year. 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 weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

The Organization elected the practical expedient to not separate lease and non-lease components for the leases.

Total lease costs for the years ended June 30, 2024 and 2023, were as follows:

	2024	2023
Operating lease cost	\$ 9,000	\$ 7,500
Finance lease cost	\$ 6,105	\$ 509

The following table summarizes the supplemental cash flow information for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	\$ 8,105	\$ 6,511
Financing cash flows from finance lease	\$ 5,874	\$ 484

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	2024	2023
Weighted-average remaining lease term (in years)		
Operating lease	2.17	3.17
Finance lease	3.92	4.92
Weighted-average discount rate		
Operating lease	4%	4%
Finance lease	2%	2%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2024:

	Operating	Financing
2025	\$ 9,000	\$ 6,410
2026	9,000	6,410
2027	1,500	6,410
2028	-	5,342
	19,500	24,572
Less interest	(1,539)	(941)
Total lease payments	<u>\$ 17,961</u>	<u>\$ 23,631</u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2024	2023
Subject to Expenditure for Specified Purpose		
Child care	\$ -	\$ 32,872
Family programs	32,482	10,693
Early childhood education	131,689	177,817
Community initiatives	75,802	93,192
	<u>\$ 239,973</u>	<u>\$ 314,574</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Satisfaction of Purpose Restrictions		
Child care	\$ 32,872	\$ 72,088
Family programs	939,567	938,110
Early childhood education	655,726	680,802
Community initiatives	615,737	529,734
	<u>\$ 2,243,902</u>	<u>\$ 2,220,734</u>

Note 8 - Donated Professional Services

For the years ended June 30, 2024 and 2023, donated professional services recognized within the consolidated statement of activities included the following:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2024	2023
Professional services	Professional program services	Standard industry pricing for similar services	Utilized	\$ 42,000	\$ -
Professional services	Professional managed IT services	Standard industry pricing for similar services	Utilized	12,384	12,456
				<u>\$ 54,384</u>	<u>\$ 12,456</u>

Donated professional services are provided by NetForce for managed IT services for the Organization. Donated professional services are used in program services and management and general activities and are recognized at fair value based on current rates for similar services.

Note 9 - Related Party Transactions

During 2023, Pinon Apartments, LLLP entered into a development agreement with Pinon Development, LLC. Pinon Development, LLC is owned by BlueLine Development, Inc., an unrelated party, and the Organization. The total developer fee is \$2,600,000, of which the Organization will receive \$650,000 (25%) and BlueLine Development, Inc. will receive \$1,950,000 (75%). As of June 30, 2024 and 2023, developer fees of \$2,260,700 and \$520,000 have been earned, respectively. As of June 30, 2024 and 2023, developer fees of \$485,295 and \$130,000, respectively, are owed to the Organization.

During 2024, the Organization entered into a \$3,150,000 note receivable with Pinon Apartments, LLLP. Annual payments including principal and interest are due from net cash flow through maturity in June 2063. The note is secured by a deed of trust, security agreement, financing statement, and assignment of rents and leases. As of June 30, 2024 and 2023, the balance of the note receivable is \$3,068,590 and \$0, respectively. The note receivable bears interest at a rate of 3%. As of June 30, 2024 and 2023, the Organization is owed interest of \$47,000 and \$0, respectively.

During 2024, the Organization entered into a \$1,800,000 note receivable with Pinon Apartments, LLLP. Annual payments including principal and interest are due from net cash flow through maturity in July 2063. The note is secured by a deed of trust, security agreement, financing statement, and assignment of rents and leases. As of June 30, 2024 and 2023, the balance of the note receivable is \$1,800,000 and \$0, respectively. The note receivable bears interest at a rate of 2%. As of June 30, 2024 and 2023, the Organization is owed interest of \$33,000 and \$0, respectively.

During 2023, the Organization sold a parcel of land with a carrying value of \$39,267, to Pinon Apartments LLLP. In exchange, Pinon Apartments GP, LLC, an entity wholly owned by the Organization, received proceeds from the sale of \$41,667 and an investment in Pinon Apartments LLLP of \$458,333, the sum of which is the fair value of the parcel sold. As a result of this sale, the Organization recorded a gain on sale of property and equipment of \$460,733.

Note 10 - Employee Benefits

The Organization sponsors a SIMPLE IRA retirement plan covering all employees eligible for benefits. Full time employees are eligible after 90 days of employment and may make contributions to the extent allowed by law. There is no cost to the Organization. Beginning in April 2022, the Organization implemented a 3% match on employee contributions to the SIMPLE IRA plan. The Organization made contributions of approximately \$12,300 and \$10,500, respectively, for 2024 and 2023.