Camp Summit, Inc.

Financial Statements
December 31, 2022 and 2021

SFC
Certified Public Accountants

Camp Summit, Inc.
Contents

SFC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Camp Summit, Inc.

Opinion

We have audited the accompanying financial statements of Camp Summit, 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 Camp Summit, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Camp Summit, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Camp Summit, Inc. changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; this includes 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 Camp Summit, 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' Responsibility 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Camp Summit, 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 Camp Summit, 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 matters that we identified during the audit.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 24, 2023

Camp Summit, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,404,912	$ 1,996,089
Accounts receivable	11,138	15,213
Unconditional pledges receivable	13,450	44,415
Government grant receivable	225,599	-
Prepaid expenses	10,600	20,436
Deposits	3,549	3,549
Total current assets	1,669,248	2,079,702
Noncurrent assets:		
Property and equipment, net	11,827,641	11,908,235
Right-of-use asset - operating lease, net	322,451	-
Assets restricted for endowment:		
Unconditional pledge receivable	80,000	80,000
Beneficial interest in assets held by others	87,316	93,533
Total noncurrent assets	12,317,408	12,081,768
Total assets	$ 13,986,656	$ 14,161,470
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 30,322	$ 90,837
Deferred program income	125,083	162,099
Deferred rent	-	5,875
Other deferred income	150	1,000
Operating lease liability, current portion	61,102	-
Total current liabilities	216,657	259,811
Operating lease liability, net	270,094	-
Total liabilities	486,751	259,811
Net assets:		
Without donor restrictions	13,184,107	13,457,680
With donor restrictions	315,798	443,979
Total net assets	13,499,905	13,901,659
Total liabilities and net assets	$ 13,986,656	$ 14,161,470

See notes to financial statements.

Camp Summit, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains:			
Contributions of cash and financial assets	$ 930,933	$ 154,978	$ 1,085,911
Contributions of nonfinancial assets	18,954	-	18,954
Government grant	225,599	-	225,599
Special events revenue (net of direct expenses of $71,122)	318,145	-	318,145
Program fees	335,148	-	335,148
Other income	38,814	-	38,814
United Way	6,521	-	6,521
Investment loss, net	(3,770)	(12,713)	(16,483)
Net assets released from restrictions	270,446	(270,446)	-
Total support, revenue and gains	2,140,790	(128,181)	2,012,609
Operating expenses:			
Program services	1,912,513	-	1,912,513
General and administrative	209,104	-	209,104
Fundraising	292,746	-	292,746
Total operating expenses	2,414,363	-	2,414,363
Change in net assets	(273,573)	(128,181)	(401,754)
Net assets, beginning of year	13,457,680	443,979	13,901,659
Net assets, end of year	$ 13,184,107	$ 315,798	$ 13,499,905

Camp Summit, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains:			
Contributions of cash and financial assets	$ 763,668	$ 377,126	$ 1,140,794
Contributions of nonfinancial assets	4,155	-	4,155
Special events revenue (net of direct expenses of $56,583)	341,356	-	341,356
Program fees	428,415	-	428,415
Government grant	366,800	-	366,800
Other income	25,656	-	25,656
United Way	5,632	-	5,632
Investment income, net	1,334	5,939	7,273
Net assets released from restrictions	295,690	(295,690)	-
Total support, revenue and gains	2,232,706	87,375	2,320,081
Operating expenses:			
Program services	1,840,983	-	1,840,983
General and administrative	160,325	-	160,325
Fundraising	214,502	-	214,502
Total operating expenses	2,215,810	-	2,215,810
Change in net assets	16,896	87,375	104,271
Net assets, beginning of year	13,440,784	356,604	13,797,388
Net assets, end of year	$ 13,457,680	$ 443,979	$ 13,901,659

See notes to financial statements.

Camp Summit, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fund-raising	Total
Compensation and related expenses:				
Salaries and wages	$ 783,753	$ 84,986	$ 210,923	1,079,662
Health and retirement benefits	73,473	24,577	20,608	118,658
Payroll taxes and workers' compensation insurance	68,633	8,004	16,411	93,048
Total compensation and related expenses	925,859	117,567	247,942	1,291,368
Professional fees	38,479	9,633	4,325	52,437
Supplies and maintenance	157,484	2,126	71	159,681
Telephone	4,814	2,406	2,406	9,626
Postage and shipping	639	949	566	2,154
Occupancy	178,739	30,519	9,537	218,795
Local transportation	13,464	1,698	1,740	16,902
Staff development	6,561	284	420	7,265
Marketing	12,881	4,996	-	17,877
Dues	12,133	7,509	5,097	24,739
Equipment	6,915	6,915	-	13,830
Insurance	90,738	11,375	-	102,113
Recruitment	16,060	3,072	298	19,430
Miscellaneous	5,555	-	-	5,555
Depreciation	438,018	-	-	438,018
Credit card fees	4,174	914	1,390	6,478
Direct costs of special events	-	-	71,122	71,122
Donated services	-	-	18,954	18,954
Bad debt	-	9,141	-	9,141
Total expenses	1,912,513	209,104	363,868	2,485,485
Less expenses included with revenue on the statement of activities				
Direct costs of special events	-	-	(71,122)	(71,122)
Total expenses to be included in the expense section on the statement of activities	$ 1,912,513	$ 209,104	$ 292,746	$ 2,414,363

See notes to financial statements.

Camp Summit, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	General and Administrative	Fund-raising	Total
Compensation and related expenses:				
Salaries and wages	$ 825,998	$ 27,394	$ 139,995	$ 993,387
Health and retirement benefits	63,036	24,387	22,589	110,012
Payroll taxes and workers' compensation insurance	53,489	19,538	15,383	88,410
Total compensation and related expenses	942,523	71,319	177,967	1,191,809
Professional fees	13,573	8,561	3,041	25,175
Supplies and maintenance	195,981	864	681	197,526
Telephone	6,125	3,062	3,062	12,249
Postage and shipping	742	500	2,900	4,142
Occupancy	118,668	29,720	9,004	157,392
Local transportation	13,915	-	-	13,915
Staff development	2,999	200	-	3,199
Publications	8,187	1,023	1,023	10,233
Marketing	5,113	5,849	1,212	12,174
Dues	8,422	2,106	834	11,362
Equipment	2,145	17,726	-	19,871
Insurance	89,558	16,480	6,159	112,197
Recruitment	1,629	-	-	1,629
Depreciation	425,942	-	-	425,942
Credit card fees	1,306	789	8,619	10,714
Direct costs of special events	-	-	56,583	56,583
Donated supplies	4,155	-	-	4,155
Bad debt	-	2,126	-	2,126
Total expenses	1,840,983	160,325	271,085	2,272,393
Less expenses included with revenue on the statement of activities				
Direct costs of special events	-	-	(56,583)	(56,583)
Total expenses to be included in the expense section on the statement of activities	$ 1,840,983	$ 160,325	$ 214,502	$ 2,215,810

See notes to financial statements.

Camp Summit, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (401,754)	$ 104,271
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	438,018	425,942
Amortization of right-of-use asset	57,601	-
Change in beneficial interest in assets held by others	16,483	(5,939)
Contributions restricted for long-term purposes	-	(80,000)
Changes in operating assets and liabilities:		
Accounts receivable	4,075	(13,779)
Unconditional pledges receivable	30,965	120,579
Government grant receivable	(225,599)	-
Prepaid expenses	9,836	(14,524)
Accounts payable and accrued expenses	(60,515)	3,763
Deferred program income	(37,016)	47,021
Deferred rent	(5,875)	(5,640)
Other deferred income	(850)	454
Operating lease liability	(48,856)	-
Net cash provided (used) by operating activities	(223,487)	582,148
Cash flows from investing activities:		
Purchases of property and equipment	(357,424)	(136,157)
Additions to beneficial interest in assets held by others	(10,266)	(47,960)
Net cash used by investing activities	(367,690)	(184,117)
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	-	22,700
Net change in cash and cash equivalents	(591,177)	420,731
Cash and cash equivalents, beginning of year	1,996,089	1,575,358
Cash and cash equivalents, end of year	$ 1,404,912	$ 1,996,089
Supplemental disclosure of cash flow information:		
Right-of-use asset obtained in exchange for lease obligation	$ 380,052	$ -

1. Organization

Camp Summit, Inc. (Organization) was organized and chartered in March 1993 in the state of Texas as a not-for-profit entity for the purpose of providing a therapeutic and recreational camp experience to disabled individuals ages six and over. The camp is located in Paradise, Texas and its corporate office is located in Dallas, Texas. The Organization is funded primarily through program fees and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

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

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, unconditional pledges receivable and a beneficial interest in assets held by others. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Accounts receivable are unsecured and, are due from various government agencies, third party payors and individuals. Unconditional pledges receivable are unsecured and are due from various donors. The Organization continually evaluates the collectability of accounts receivable and unconditional pledges receivable and maintains allowances for potential losses, if considered necessary. The value of the beneficial interest in assets held by others is subject to various risks, such as interest rate, credit and overall market volatility risks.

In the normal course of business, the Organization maintains balances in financial institutions in excess of federally insured amounts. Balances at financial institutions exceeded federally insured amounts by $259,686 as of December 31, 2022. The Organization has not experienced losses on such assets.

At December 31, 2022 and 2021, unconditional pledges receivable due from one donor totaled approximately 77% and 64% of total unconditional pledges receivable, respectively.

For the year ended December 31, 2022, contributions from two donors totaled approximately 28% of total contributions. No such concentration occurred during the year ended December 31, 2021.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased.

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 — Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3	Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Beneficial Interest in Assets Held by Others: valued based on underlying assets in the community foundation trust determined by third party trustees

Unconditional Pledges Receivable

Unconditional promises to give (pledges) are recorded at the estimated fair value when the promise is given. The collectability of the Organization's unconditional pledges receivable is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions. The Organization maintains allowances for potential losses, if considered necessary.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectable accounts. No allowance was considered necessary at December 31, 2022 or 2021.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets.

Long-Lived Assets

The Organization's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment.

Management believes no impairment has occurred with respect to the long-lived assets as of December 31, 2022 and 2021.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give 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 met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Program fee revenue relates to camp fees and is generally collectable from individuals, third-party payors or other agencies. The Organization recognizes camp fee income when the various camps are held. Until such time, advance payments are recorded as deferred program income.

Donated property is reflected as a contribution at the estimated fair value at date of receipt. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services received during the year ended December 31, 2021 that met the requirements to be recognized under GAAP. The Organization recognized $12,000 of donated services during the year ended December 31, 2022 that met the requirements to be recognized under GAAP.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended December 31, 2022 and 2021. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended December 31, 2022 and 2021 totaled $17,877 and $12,174, respectively.

Allocation of Functional Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various functions benefitted. 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 office supplies and rent, telephone, postage and shipping, transportation, staff development, publications, and insurance, which are allocated on a square footage basis, as well as salaries and wages, health and retirement benefits, payroll taxes and workers' compensation insurance, and professional fees, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Reclassification

Certain items in the 2021 financial statements have be reclassified for comparative purposes to conform with the presentation of the 2022 financial statements.

Accounting Pronouncement Adopted

The Organization adopted ASU 2016-02, *Leases*, (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted the provisions from ASU 2016-02 and recorded the impact of the adoption as of January 1, 2022, using the modified retrospective method resulting in recording a right-of-use asset and right-of-use obligation totaling $380,052. No changes were required to net assets as of January 1, 2022.

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs and other activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes in-kind contributions, and therefore, no changes were required to net assets as of January 1, 2021. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

3. Unconditional Pledges Receivable

Unconditional pledges receivable consist of the following at December 31:

	2022	2021
Amounts due in:		
Less than one year	$ 23,450	$ 64,415
One to five years	70,000	60,000
	$ 93,450	$ 124,415

Unconditional pledges receivable restricted for the endowment are not available for general operations and are presented as noncurrent assets on the accompanying statements of financial position. Management has determined that any discount associated with unconditional pledges receivable due in more than one year would be insignificant as of December 31, 2022 and 2021.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Land	$ 1,287,320	$ 1,287,320
Buildings and improvements	12,438,276	12,049,223
Equipment	337,968	327,208
Vehicles	168,727	148,510
Furniture and fixtures	273,423	258,219
Construction in progress	-	77,810
	14,505,714	14,148,290
Accumulated depreciation	(2,678,073)	(2,240,055)
	$ 11,827,641	$ 11,908,235

Depreciation expense for the years ended December 31, 2022 and 2021 totaled $438,018 and $425,942, respectively.

5. Lease

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its retail spaces. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

In July 2017, the Organization entered into an operating lease arrangement for use of a building for general office space. The lease expires December 31, 2027. The lease notes one five year renewal options that will be utilized and requires the Organization to pay all executory costs (maintenance and insurance). Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and reconciliations to the statement of financial position at December 31, 2022 are as follows for the years ending December 31:

	Operating Lease
2023	$ 65,123
2024	66,814
2025	68,506
2026	70,197
2027	71,889
Total future undiscounted lease payments	342,529
Less present value discount	(11,333)
Lease liability	$ 331,196

The following lease cost and required information for the year ended December 31, 2022:

Total operating lease cost	$ 62,310
Other information:	
Cash paid for amounts included in	
the measurement of lease liability:	
Operating cash flows from operating leases	$ 53,564
Right-of-use assets obtained in exchange	
for new operating lease liability	$ 380,052
Weighted-average remaining lease term:	
Operating leases	5 years
Weighted-average discount rate:	
Operating leases	1.35%

6. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by Communities Foundation of Texas (CFT) valued at $87,316 and $93,533 as of December 31, 2022 and 2021, respectively. This consists of funds (Funds) contributed by donors and includes earnings thereon, net of distributions received.

Fair value of the Organization's beneficial interest in assets held by CFT is based on the value of the Organization's portion of the underlying investments in the Funds using valuation methods that are appropriate for those investments as determined by third-party trustees. These values are based on unobservable inputs and are considered Level 3 assets in the fair value hierarchy.

Withdrawals are permitted from the Funds as requested by the Organization. Any funds unspent in one year may remain in the portfolio and may be appropriated in the following fiscal year. The board of directors may also make special appropriations in addition to the annual provision.

The following table presents a rollforward of activity for assets held by CFT at fair value for the years ended December 31:

	2022	2021
Beginning balance	$ 93,533	$ 39,634
Contributions	10,266	47,960
Total net investment income (loss) included in change in net assets	(16,483)	5,939
Ending balance	$ 87,316	$ 93,533
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ (15,477)	$ 6,572

Total net income from beneficial interest in assets held by others consisted of the following for the years ended December 31:

	2022	2021
Unrealized gain (loss)	$ (15,477)	$ 6,572
Less: investment fees	(1,006)	(633)
	$ (16,483)	$ 5,939

7. Endowment Net Assets

As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment as net assets with donor restrictions. The earnings from the original gift are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration of preservation of the funds;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The Organization's investment policy.

Return Objectives and Risk Parameters –

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to maximize current income, net of fees and expenses, and achieve a total return in excess of the broad index indicated for each investment asset class.

Strategies Employed for Achieving Objectives –

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield, such as interest and dividends.

The Organization has adopted an investment policy that attempts to maximize total return while keeping risk levels in a moderate range. The Organization targets a diversified asset allocation among stocks, mutual funds, bonds and cash or cash equivalents.

Spending Policy and How the Investment Objectives Relate to the Spending Policy –

The Organization set up this endowment at CFT, as the endowment is in its formative stage, the Organization has not established a spending policy. As of December 31, 2022, the Organization's goal is to grow the endowment up to such a point that sustainable and meaningful distributions can be utilized by the Organization.

All endowment funds are categorized as net assets with donor restrictions as of December 31, 2022 and 2021.

Changes in donor-restricted endowment funds by net asset classifications are summarized as follows for the year ended December 31, 2022:

	Accumulated gains (losses)	Restricted in perpetuity	Total
Endowment net assets, beginning of year	$ 12,713	$ 160,820	$ 173,533
Investment return, net	(16,483)	-	(16,483)
Contributions	-	10,266	10,266
Endowment net assets, end of year	$ (3,770)	$ 171,086	$ 167,316

Changes in donor-restricted endowment funds by net asset classifications are summarized as follows for the year ended December 31, 2021:

	Accumulated gains (losses)	Restricted in perpetuity	Total
Endowment net assets, beginning of year	$ 6,774	$ 54,140	$ 60,914
Investment return, net	5,939	-	5,939
Contributions	-	106,680	106,680
Endowment net assets, end of year	$ 12,713	$ 160,820	$ 173,533

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as net assets without restrictions. This deficiency resulted from unfavorable market conditions and subsequent increases in market value will be classified as increases in net assets with donor restrictions.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Time and purpose	$ 25,000	$ 10,000
Financial aid/camperships	70,886	81,244
Equipment	10,261	144,787
Facility	15,041	-
Time	23,524	34,415
Endowment pledge receivable	80,000	80,000
Restricted in perpetuity	91,086	80,820
Endowment earnings	-	12,713
Total	$ 315,798	$ 443,979

Net assets subject to restriction in perpetuity consist of the endowment to be held in perpetuity, the income from which is expendable to support program services.

9. Contributions of Nonfinancial Assets

The Organization received contributions of nonfinancial assets of supplies and services totaling $18,954 during the year ended December 31, 2022. The amount was fully allocated to fundraising services and there were no donor restrictions related to these contributions.

The Organization received contributions of nonfinancial assets of supplies, goods and foods totaling $400, $645 and $3,110, respectively, during the year ended December 31, 2021. The amounts were fully allocated to fundraising services and there were no donor restrictions related to these contributions.

Supplies

Supplies are valued based on the fair market value of similar goods for sale online.

Goods

Goods are valued based on the fair market value of similar goods for sale online.

Services

Contributed services are valued based on the price the donor would have charged if not donated.

Food

Contributed foods are valued based on the fair market value of similar items for sale online.

10. Employee Retention Credit

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, amended and extended the Employee Retention Credit (ERC) of CARES Act. The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before September 30, 2021. Employers are eligible for the credit if they met certain criteria that include either a full or partial suspension of operations during any calendar quarter between January 1, 2020 through September 30, 2021 due to government orders or a significant decline on gross receipts. The Organization has determined it is eligible for the ERC in the amount of $225,599. This amount was recognized as government grant income during the year ended December 31, 2022. The amount is included in government grant receivable on the statement of financial position for the year ended December 31, 2022.

11. Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. On March 3, 2021, the Organization received a forgivable loan in the amount of $366,800 pursuant to the Paycheck Protection Program (PPP). The Organization used all of the proceeds to make eligible payments by December 31, 2021. The Organization has elected to account for the Paycheck Protection Program forgivable loan as a conditional grant in accordance with Topic 958 and the loan was forgiven in full by December 31, 2021. Accordingly, the Organization has recognized $366,800 as government grant revenue in the accompany statement of activities for the year ended December 31, 2021.

12. Related Party Transactions

Board members contributed $67,791 and $68,272 during the years ended December 31, 2022 and 2021, respectively.

13. Deferred Program Income

The following table provides information about significant changes in camp fees paid in advance as of December 31:

	2022	2021
Camp fees paid in advance, beginning of year	$ 162,099	$ 115,078
Revenue recognized that was included in camp fees at the beginning of year	(51,558)	(42,904)
Increase in camp fees due to cash received during the period	14,542	89,925
Camp fees paid in advance, end of year	$ 125,083	$ 162,099

14. Employee Benefits

The Organization adopted a tax-deferred annuity plan that qualifies under IRC 403(b). The plan is available to eligible employees who choose to participate. Each year, participants may contribute a percentage of their pre-tax compensation up to the maximum permitted by law. The plan allows for discretionary matching of up to 2% of participants' salaries after 24 months of employment. The Organization's contributions totaled $9,360 and $16,593 for the years ended December 31, 2022 and 2021, respectively.

15. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	2022	2021
Cash and cash equivalents	$ 1,404,912	$ 1,996,089
Accounts receivable	11,138	15,213
Unconditional pledges receivable	93,450	124,415
Government grant receivable	225,599	-
Beneficial interest in assets held by others	87,316	93,533
Total financial assets at year end	1,822,415	2,229,250
Less amounts not available for general expenditure within one year, due to:		
Donor restricted for a specific purpose	(50,302)	(154,787)
Net assets restricted in perpetuity	(171,086)	(160,820)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,601,027	$ 1,913,643

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Organization keeps financial assets available for general expenditures, liabilities and other obligations, as they become due. The Organization has a goal to maintain financial assets in a cash liquidity state on hand to meet three months of normal operating expenses, which are, on average, approximately $150,000 per month. During the years ended December 31, 2022 and 2021, the level of liquidity was managed within the Organization's expectations.

16. Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.