

Brightstone, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Brightstone, Inc.

Opinion

We have audited the financial statements of Brightstone, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 (GAAS). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 the Organization'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 the Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
April 27, 2023

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

	2022	2021
Assets		
Cash	\$ 1,799,735	\$ 1,614,114
Contributions receivable	1,139,329	1,856,565
Accounts receivable	10,691	119
Prepaid expenses and other assets	46,908	3,645
Cash restricted or designated for long-term use	5,283,238	3,888,467
Property and equipment, net	<u>18,795,457</u>	<u>9,659,905</u>
Total assets	\$ 27,075,358	\$ 17,022,815
Liabilities and Net Assets		
Liabilities		
Accounts and retainage payable	\$ 945,362	\$ 536,100
Accrued liabilities	1,621	18,639
Deferred revenues	26,625	27,232
Construction loan	5,338,931	-
PPP loan	<u>-</u>	<u>178,307</u>
Total liabilities	6,312,539	760,278
Net assets		
Without donor restrictions	18,387,348	11,238,372
With donor restrictions	<u>2,375,471</u>	<u>5,024,165</u>
Total net assets	<u>20,762,819</u>	<u>16,262,537</u>
Total liabilities and net assets	\$ 27,075,358	\$ 17,022,815

Brightstone, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	\$ 1,082,346	\$ 2,383,575	\$ 3,465,921
Contributions of nonfinancial assets	134,777	-	134,777
Special events			
Contributions of cash	327,645	-	327,645
Contributions of nonfinancial assets	4,576	-	4,576
Less: direct benefit to donors	<u>(22,875)</u>	<u>-</u>	<u>(22,875)</u>
Total special events	309,346	-	309,346
Tuition	332,077	-	332,077
Fees	26,355	-	26,355
Product sales (net of direct costs of \$20,388)	8,612	-	8,612
Gain on sale of property and equipment	1,877,829	-	1,877,829
Other income	159,417	-	159,417
Interest income	11,995	-	11,995
Net assets released from restrictions	<u>5,032,269</u>	<u>(5,032,269)</u>	<u>-</u>
Total support and revenues	8,975,023	(2,648,694)	6,326,329
Expenses			
Program services	1,235,186	-	1,235,186
Management and general	169,328	-	169,328
Fundraising	<u>421,533</u>	<u>-</u>	<u>421,533</u>
Total expenses	1,826,047	-	1,826,047
Change in net assets	7,148,976	(2,648,694)	4,500,282
Net assets, beginning of year	<u>11,238,372</u>	<u>5,024,165</u>	<u>16,262,537</u>
Net assets, end of year	\$ 18,387,348	\$ 2,375,471	\$ 20,762,819

Brightstone, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	\$ 714,993	\$ 6,173,329	\$ 6,888,322
Contributions of nonfinancial assets	170,613	-	170,613
Special events			
Contributions of cash	373,018	-	373,018
Contributions of nonfinancial assets	3,660	-	3,660
Less: direct benefit to donors	<u>(17,942)</u>	<u>-</u>	<u>(17,942)</u>
Total special events	358,736	-	358,736
Tuition	219,733	-	219,733
Fees	19,067	-	19,067
Product sales (net of direct costs of \$20,668)	13,871	-	13,871
Other income	58,750	-	58,750
Interest income	8,740	-	8,740
Net assets released from restrictions	<u>4,108,353</u>	<u>(4,108,353)</u>	<u>-</u>
Total support and revenues	5,672,856	2,064,976	7,737,832
Expenses			
Program services	993,369	-	993,369
Management and general	139,181	-	139,181
Fundraising	<u>272,188</u>	<u>-</u>	<u>272,188</u>
Total expenses	1,404,738	-	1,404,738
Change in net assets	4,268,118	2,064,976	6,333,094
Net assets, beginning of year	<u>6,970,254</u>	<u>2,959,189</u>	<u>9,929,443</u>
Net assets, end of year	\$ 11,238,372	\$ 5,024,165	\$ 16,262,537

Brightstone, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>		Management and General	Fundraising	Total
	Educational Services	Campus Program			
Compensation and related costs					
Compensation	\$ 603,128	\$ 92,196	\$ 95,792	\$ 239,378	\$ 1,030,494
Payroll taxes and other benefits	113,521	13,859	18,944	17,615	163,939
	<u>716,649</u>	<u>106,055</u>	<u>114,736</u>	<u>256,993</u>	<u>1,194,433</u>
Capital campaign and development	-	-	-	31,364	31,364
Community relations and development	142	512	104	85,163	85,921
Depreciation	81,889	46,303	4,705	5,299	138,196
Facilities	83,396	110,781	4,396	5,195	203,768
Lunches	18,287	-	-	-	18,287
Office	13,454	228	14,576	8,052	36,310
Professional services	-	-	30,811	-	30,811
Scholarships	16,341	-	-	-	16,341
Student activities	4,579	-	-	-	4,579
Teaching supplies and materials	11,428	-	-	-	11,428
Training	-	3,364	-	1,449	4,813
Transportation	19,974	1,804	-	-	21,778
Banking fees	-	-	-	18,480	18,480
Total expenses before special events direct costs	<u>966,139</u>	<u>269,047</u>	<u>169,328</u>	<u>411,995</u>	<u>1,816,509</u>
Special events direct costs	-	-	-	27,837	27,837
Donated items for special events	-	-	-	4,576	4,576
Less direct benefits to donors	-	-	-	(22,875)	(22,875)
Total special events direct costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,538</u>	<u>9,538</u>
Total functional expenses	\$ 966,139	\$ 269,047	\$ 169,328	\$ 421,533	\$ 1,826,047

Brightstone, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services		Management and General	Fundraising	Total
	Educational Services	Campus Program			
Compensation and related costs					
Compensation	\$ 491,752	\$ 79,253	\$ 92,314	\$ 134,120	\$ 797,439
Payroll taxes and other benefits	87,158	12,189	19,428	18,454	137,229
	<u>578,910</u>	<u>91,442</u>	<u>111,742</u>	<u>152,574</u>	<u>934,668</u>
Capital campaign and development	-	-	-	5,194	5,194
Community relations and development	-	-	-	67,935	67,935
Depreciation	67,897	45,360	3,705	4,030	120,992
Facilities	39,877	99,567	2,495	2,946	144,885
Lunches	13,342	-	-	-	13,342
Office	8,182	-	13,786	6,248	28,216
Professional services	-	554	7,453	-	8,007
Scholarships	12,054	-	-	-	12,054
Student activities	3,328	-	-	-	3,328
Teaching supplies and materials	12,708	-	-	-	12,708
Training	960	-	-	119	1,079
Transportation	18,033	1,155	-	-	19,188
Banking fees	-	-	-	23,299	23,299
Total expenses before special events direct costs	<u>755,291</u>	<u>238,078</u>	<u>139,181</u>	<u>262,345</u>	<u>1,394,895</u>
Special events direct costs	-	-	-	23,844	23,844
Donated items for special events	-	-	-	3,941	3,941
Less direct benefits to donors	-	-	-	(17,942)	(17,942)
Total special events direct costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,843</u>	<u>9,843</u>
Total functional expenses	<u>\$ 755,291</u>	<u>\$ 238,078</u>	<u>\$ 139,181</u>	<u>\$ 272,188</u>	<u>\$ 1,404,738</u>

Brightstone, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 5,502,581	\$ 3,447,961
Cash flows from operating activities		
Change in net assets	4,500,282	6,333,094
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	138,196	120,992
Gain on sale of property and equipment	(1,877,829)	-
Donated property and equipment	(66,575)	(9,745)
Donated services for property held for development	(41,012)	(152,666)
Cash received for long-term assets	(3,011,871)	(5,005,326)
Change in accounts and retainage payable for property development	(386,957)	(521,961)
PPP loan forgiveness	(178,307)	(155,616)
Change in:		
Contributions receivable	717,236	(1,000,210)
Accounts receivable	(10,572)	1,507
Prepaid expenses and other assets	(43,263)	455
Accounts and retainage payable	409,262	367,606
Accrued liabilities	(17,018)	18,639
Deferred revenues	(607)	(4,924)
Net cash provided (used) by operating activities	<u>130,965</u>	<u>(8,155)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	-	359,367
Proceeds from the sale of property and equipment	2,835,974	-
Payments for property and equipment	(9,737,349)	(3,480,225)
Net cash provided (used) by investing activities	<u>(6,901,375)</u>	<u>(3,120,858)</u>
Cash flows from financing activities		
Cash received for long-term assets	3,011,871	5,005,326
Draws on construction loan	5,338,931	-
Cash received from PPP loan	-	178,307
Net cash provided (used) by financing activities	<u>8,350,802</u>	<u>5,183,633</u>
Net change in cash	<u>1,580,392</u>	<u>2,054,620</u>
Cash, end of year	\$ 7,082,973	\$ 5,502,581
Reconciliation of cash to statements of financial position		
Cash	\$ 1,799,735	\$ 1,614,114
Cash restricted or designated for long-term use	<u>5,283,238</u>	<u>3,888,467</u>
	\$ 7,082,973	\$ 5,502,581

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Organization and Nature of Activities

BrightStone, Inc. (the Organization) is a Tennessee not-for-profit corporation that provides a comprehensive work, educational, and social support community for adults with special needs, expanding their potential and helping them develop mentally, physically, emotionally, socially, and spiritually. The purpose is to provide life-long education that enables individuals to learn and work with job skills which contribute to society and to their personal fulfillment; develop meaningful job skills and productive work habits; eventually, provide housing with assistance as needed, while teaching living skills toward social, emotional, and spiritual growth; provide opportunities for a richer, more fulfilling life through learning, experiencing, and enjoying mental, physical, and recreational skills; inspire others to provide similar opportunities in other communities; and to serve as a research center to improve the training and education of functionally disabled adults. The Organization's support consists of funds received from individuals and foundations. The Organization's revenues consist primarily of tuition paid by the students attending the Organization's work and educational programs.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which principles require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

The Organization's policy is to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 39 years and is computed on the straight-line method.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Investments

The Organization's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Organization will have investment securities on the statements of financial position that have not been liquidated at year-end. These investments consist of equity securities and are stated in the aggregate at fair market value and are considered Level 1 securities.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Contributions of Cash and Other Financial Assets

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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 statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are not reflected in the financial statements because the activities do not meet the necessary criteria for recognition under US GAAP. Property, equipment, materials, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of contribution based upon information provided by third-party providers.

Revenue Recognition and Deferred Revenues

Tuition revenue are collected and recognized for the educational services provided to the adult students during the week. Tuition received in advance is recorded as deferred revenues and recognized as revenue in the month in which it is earned. Revenues from product sales are substantially recognized when sold. Amounts received in advance for the Organization's Writer's Night fundraiser are recorded as deferred revenues until the year of the event.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Functional Expenses

The expenses that are allocated include the following:

	Method of allocation
Compensation	Time and effort
Payroll taxes and other benefits	Time and effort
Depreciation	Square footage
Facilities	Square footage
Interest	Time and effort
Professional services	Time and effort
Office	Time and effort
Training	Time and effort
Transportation	Time and effort

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Recently Issued Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on January 1, 2022.

In February 2016, the FASB issued Accounting Standards Codification (ASC) *Topic 842, Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Entity has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*. The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 3. Liquidity and Availability

The following represents the Organization's financial assets at December 31:

	2022	2021
Financial assets		
Cash	\$ 7,082,973	\$ 5,502,581
Contributions receivable	1,139,329	1,856,565
Accounts receivable	<u>10,691</u>	<u>119</u>
Total financial assets at year-end	8,232,993	7,359,265
Less amounts not available to be used within one year		
Cash restricted for long-term purposes	(5,283,238)	(3,888,467)
Contributions receivable restricted for long-term purposes	<u>(1,139,329)</u>	<u>(1,856,565)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,810,426	\$ 1,614,233

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from supporters and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

Note 4. Contributions Receivable

Contributions receivable consist primarily of pledges made for the Organization's capital campaign. Scheduled expected collections of contributions receivable are as follows:

Year ended December 31,	
2023	\$ 585,976
2024	272,500
2024	264,393
2025	<u>16,460</u>
Total	\$ 1,139,329

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 5. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Land and improvements	\$ 3,778,908	\$ 3,276,433
Building and improvements	14,056,500	2,053,754
Construction in process	746,287	4,731,574
Transportation vehicles	250,374	250,374
Office equipment	13,062	24,709
Facility equipment	74,489	90,253
Classroom equipment	319,567	72,881
Furniture	91,886	25,472
Less: accumulated depreciation	<u>(535,616)</u>	<u>(865,545)</u>
Property and equipment, net	\$ 18,795,457	\$ 9,659,905

Depreciation expense was \$138,196 and \$120,992 for 2022 and 2021, respectively.

During 2015, the Organization purchased approximately 140 acres for the development of a post-secondary educational and residential facility. Site development, wastewater system installation, and construction of the Center for Learning, Art, and Enterprise were completed in December 2022 and was placed in service. Interest capitalized during 2022 totaled \$78,473. The construction of two student homes is underway with an estimated completion date in summer 2023. See note 7 for the construction loan arrangements and note 11 for construction commitments. The results of future fundraising efforts will determine the timing of the next phase of the development.

On November 30, 2022, the Organization closed on the sale of its former facility recording a gain of \$1,877,829. As describe in note 7, \$1,300,000 of the proceeds is held in a bank account as collateral for the construction loan.

Note 6. PPP Loan

On April 12, 2020, the Organization received a loan in the amount of \$155,616 in accordance with the PPP section of the CARES Act. On April 20, 2021, the Organization was notified that the loan was forgiven by the US Small Business Administration and the Organization will not be responsible for any payments. The Organization had elected to treat the PPP loan as debt, and accordingly, the full amount was recognized as a contribution in 2021.

On March 27, 2021, the Organization received a second draw on the PPP loan for \$178,307. On April 11, 2022 the Organization was notified that the loan was forgiven by the US Small Business Administration and the Organization will not be responsible for any payments. This income is report in unrestricted contributions the statements of activities.

Brightstone, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 7. Construction Loan Payable

On August 27, 2021, the Organization entered into a master construction loan agreement with a local bank for a total possible debt borrowing of \$7,000,000. with an interest rate set at the WSJ Index plus .50% with a floor of 3.87% and a ceiling of 4.15%. The loan requires the Organization to maintain a compensating balance on deposit with the bank of \$500,000 until the loan is paid off. Additionally, to replace the collateral from the sale of the former facility, the bank requires the Organization to maintain \$1,300,000 of the proceeds from the sale on deposit with the bank until the project is completed. The master loan matures August 27, 2023. As of December 31, 2022, the balance outstanding on the loan totals \$5,338,931. This agreement, as amended, comprises three sub notes with the following purposes and terms.

Sub Note A – \$1,000,000 maximum for infrastructure (horizontal) development with interest only, monthly payments and a maturity date of February 27, 2024. The Organization made no draws on this note.

Sub Note B – \$5,300,000 maximum for construction of the main learning facility with interest only, monthly payments and a maturity date 24 months after the execution of the Sub Note. The balance outstanding at December 31, 2022 is \$5,100,447 with an interest rate of 3.87%

Sub Note C – \$700,000 maximum for the construction of two student houses with interest only, monthly payments and a maturity date 24 months after the execution of the Sub Note. The balance outstanding at December 31, 2022 is \$238,484 with an interest rate of 3.87%.

Additionally, the bank has issued letters of credit totaling \$360,050 pursuant to Irrevocable Standby Letter of Credit Reimbursement Agreements, as amended, for performance bonds related to the water treatment system and landscaping with an expiration .

Note 8. Net Assets

Net assets without donor restrictions consist of the following:

	2022	2021
Undesignated net assets without donor restrictions	\$ 15,051,374	\$ 11,022,500
Designated for construction and debt paydown	3,335,974	-
Designated for construction of residential home at new campus	<u>-</u>	<u>215,872</u>
	\$ 18,387,348	\$ 11,238,372

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

	2022	2021
Capital campaign	\$ 2,177,005	\$ 4,859,004
Programming and improvement grants	12,855	15,259
Scholarship fund	179,610	143,489
Music fund	<u>6,003</u>	<u>6,413</u>
	\$ 2,375,473	\$ 5,024,165

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Note 9. Contributions of Nonfinancial Assets

The following contributions of nonfinancial assets have been included in assets, revenue, and expenses in the financial statements:

	2022	2021
Restricted contributions/assets		
Development costs	\$ 43,912	\$ 152,666
Unrestricted contributions/expenses		
Supplies and services	24,290	8,202
Special events/expenses		
Prizes, fees, and materials	4,576	3,660
Unrestricted contributions/assets		
Other assets, held for sale	39,100	-
Equipment and furnishings	27,475	9,745
	\$ 139,353	\$ 174,273

The nonfinancial assets are valued at amounts reported by the donors as the fair value that would have been paid if the items were purchased. Development costs relate to professional architectural services and are included in the cost of the Learning Center construction. Supplies and services relate primarily to supplies used in programming and facility maintenance services. Special events contributions were used as gifts to participants in the special event fundraisers. Other assets consist of a contribution two burial crypts that are held for sale. Equipment and furnishing contributions are for furniture used in the new Learning Center.

Note 10. Concentrations

Of the Organization's total revenues for 2022, approximately 12% (54% in 2021) represent funds received from one donor (three in 2021).

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$2,673,000 and \$920,000 at December 31, 2022 and 2021, respectively. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

Note 11. Commitments

The Organization has entered into construction contracts with a contractor for the construction of two residential homes for a total of \$1,539,453 related to the campus development more fully described in note 5.

Note 12. Retirement Plan

The Organization offers a 403(b) retirement plan for all full-time and permanent part time employees. Employees are 100% vested in all employee contributions and related earnings. The plan allows for discretionary matching of employee contributions by the Organization. The Organization made no discretionary match during 2022 and 2021.

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Note 13. **Subsequent Events**

The Organization has evaluated subsequent events through April 27, 2023 the date on which the financial statements were available to be issued.