

SPECIAL LOVE, INC.

Winchester, Virginia

FINANCIAL REPORT

December 31, 2020

Financial Statements

SPECIAL LOVE, INC.

Years Ended December 31, 2020 and 2019

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
EXHIBITS:	
"A" Statements of Financial Position	3
"B" Statements of Activities	4
"C" Statements of Functional Expenses	5-6
"D" Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8-21



RUTHERFORD & JOHNSON, P.C.

Certified Public Accountants & Business Advisors

116 Medical Circle
Winchester, Virginia 22601

Independent Auditor's Report

To the Officers and Board of Directors
Special Love, Inc.
Winchester, Virginia 22601

We have audited the accompanying financial statements of Special Love, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Love, Inc. as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink, appearing to read "Rutherford & Johnson, P.C.", written in a cursive style.

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

April 12, 2021

ASSETS

	December 31,	
	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 270 117	\$ 123 884
Contributions receivable	8 500	14 665
Prepaid expenses	27 071	31 896
	<u>305 688</u>	<u>170 445</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, at cost, net of accumulated depreciation and amortization of \$133,005 and \$128,053	9 724	11 928
	<u>9 724</u>	<u>11 928</u>
OTHER ASSETS:		
Other assets	7 198	7 198
Investments	2 580 677	2 412 303
	<u>2 587 875</u>	<u>2 419 501</u>
TOTAL ASSETS	<u>\$ 2 903 287</u>	<u>\$ 2 601 874</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 7 210	\$ 551
Accrued wages and payroll liabilities	(135)	(90)
Deferred revenue	-	8 047
Current obligations under capital leases	452	1 756
Current portion of SBA Loan payable	47 845	-
	<u>55 372</u>	<u>10 264</u>
LONG-TERM LIABILITIES:		
SBA Loan Payable	67 655	-
Obligations under capital leases	-	452
	<u>67 655</u>	<u>452</u>
TOTAL LIABILITIES	<u>123 027</u>	<u>10 716</u>
NET ASSETS:		
Without donor restrictions	2 397 044	2 260 252
With donor restrictions	383 216	330 906
	<u>2 780 260</u>	<u>2 591 158</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2 903 287</u>	<u>\$ 2 601 874</u>

(See accompanying Notes to Financial Statements.)

SPECIAL LOVE, INC.
Winchester, Virginia

STATEMENTS OF ACTIVITIES

EXHIBIT "B"

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
BRASS activity fees and donations	\$ 23 754	\$ 21 372	\$ 45 126	\$ 90 217	\$ 22 208	\$ 112 425
Camp Fantastic fees and donations	24 452	14 924	39 376	105 837	28 629	134 466
Contributed services, materials and stock	66 146	-	66 146	244 747	-	244 747
Donations - general	474 073	12 360	486 433	399 121	172	399 293
Contributions from special events, net of direct costs of \$27,778 and \$132,874	302 033	-	302 033	340 220	-	340 220
Investment return, net of investment expenses of \$6,715 and \$6,645	181 540	2 293	183 833	314 837	4 444	319 281
Weekend fees and donations	19 951	1 361	21 312	62 264	3 580	65 844
Other income	3 330	-	3 330	2 772	-	2 772
Net assets released from restrictions	-	-	-	17 577	(17 577)	-
TOTAL SUPPORT AND REVENUE	1 095 279	52 310	1 147 589	1 577 592	41 456	1 619 048
EXPENSES AND LOSSES:						
Program services	670 754	-	670 754	1 126 675	-	1 126 675
Administration	179 986	-	179 986	187 680	-	187 680
Fundraising	107 747	-	107 747	118 296	-	118 296
TOTAL EXPENSES AND LOSSES	958 487	-	958 487	1 432 651	-	1 432 651
CHANGES IN NET ASSETS	136 792	52 310	189 102	144 941	41 456	186 397
NET ASSETS BEGINNING OF YEAR	2 260 252	330 906	2 591 158	2 115 311	289 450	2 404 761
NET ASSETS END OF YEAR	\$ 2 397 044	\$ 383 216	\$ 2 780 260	\$ 2 260 252	\$ 330 906	\$ 2 591 158

(See accompanying Notes to Financial Statements.)

	Year Ended December 31, 2020							
	Camp Fantastic	BRASS Activities	Weekends	Other Activities	Total Program Services	Administration	Fundraising	Total
Salaries	\$ 104 878	\$ 83 235	\$ 56 232	\$ 61 714	\$ 306 059	\$ 100 355	\$ 71 859	\$ 478 273
Benefits	20 421	16 203	10 951	12 012	59 587	19 536	13 996	93 119
Payroll taxes	4 446	4 877	7 933	5 683	22 939	4 877	9 994	37 810
Total Salaries and Related Benefits	129 745	104 315	75 116	79 409	388 585	124 768	95 849	609 202
Accounting and legal fees	-	-	-	-	-	12 300	-	12 300
Advertising	-	-	-	-	-	5 645	-	5 645
Depreciation and amortization	1 086	862	582	639	3 169	1 039	744	4 952
Emergency relief fund	-	-	-	45 084	45 084	-	-	45 084
Food and lodging	2 030	7 824	41 300	-	51 154	-	312	51 466
Insurance	1 385	1 220	2 217	445	5 267	7 447	-	12 714
Interest	-	-	-	-	-	71	-	71
Investment expenses	-	-	-	-	-	6 715	-	6 715
Office utilities and rent	10 031	6 787	7 318	4 283	28 419	7 272	4 507	40 198
Other	1 964	281	412	7 399	10 056	14 586	243	24 885
Postage and delivery	1 881	2 861	2 462	1 910	9 114	1 282	2 465	12 861
Printing and copying	-	-	-	17 305	17 305	1 907	3 120	22 332
Scholarships	-	-	-	51 012	51 012	-	-	51 012
Supplies	2 897	1 230	6 982	-	11 109	3 302	507	14 918
Tickets and special events	14 421	11 536	14 915	-	40 872	-	-	40 872
Transportation	25	-	9 567	16	9 608	367	-	9 975
Subtotal	35 720	32 601	85 755	128 093	282 169	61 933	11 898	356 000
Less: Expenses included with revenues	-	-	-	-	-	(6 715)	-	(6 715)
TOTAL FUNCTIONAL EXPENSES	\$ 165 465	\$ 136 916	\$ 160 871	\$ 207 502	\$ 670 754	\$ 179 986	\$ 107 747	\$ 958 487

(See accompanying Notes to Financial Statements.)

	Year Ended December 31, 2019							
	Camp Fantastic	BRASS Activities	Weekends	Other Activities	Total Program Services	Administration	Fundraising	Total
Salaries	\$ 97 134	\$ 76 536	\$ 52 271	\$ 57 177	\$ 283 118	\$ 95 908	\$ 68 816	\$ 447 842
Benefits	20 797	16 386	11 189	12 244	60 616	20 538	14 728	95 882
Payroll taxes	7 795	6 142	4 194	4 589	22 720	7 698	5 521	35 939
Total Salaries and Related Benefits	125 726	99 064	67 654	74 010	366 454	124 144	89 065	579 663
Accounting and legal fees	-	-	-	-	-	11 750	-	11 750
Advertising	-	-	-	-	-	5 607	-	5 607
Contract labor	-	-	-	-	-	839	-	839
Depreciation and amortization	1 191	939	641	701	3 472	1 177	844	5 493
Emergency relief fund	-	-	-	39 654	39 654	-	-	39 654
Food and lodging	83 740	80 999	116 589	3 725	285 053	2 189	1 045	288 287
Insurance	2 901	2 680	2 941	494	9 016	5 245	-	14 261
Interest	-	-	-	-	-	156	-	156
Investment expenses	-	-	-	-	-	6 645	-	6 645
Medical staff	188 193	-	-	-	188 193	-	-	188 193
Office utilities and rent	9 044	5 866	6 611	3 861	25 382	7 119	4 195	36 696
Other	1 690	960	5 186	7 193	15 029	16 796	863	32 688
Postage and delivery	1 242	905	698	4 226	7 071	1 498	3 742	12 311
Printing and copying	1 624	85	497	23 452	25 658	1 170	8 539	35 367
Scholarships	-	-	-	49 785	49 785	-	-	49 785
Supplies	13 092	6 549	7 112	-	26 753	8 545	9 827	45 125
Tickets and special events	12 186	7 665	18 487	2 820	41 158	-	-	41 158
Transportation	16 333	14 000	13 628	36	43 997	1 445	176	45 618
Subtotal	331 236	120 648	172 390	135 947	760 221	70 181	29 231	859 633
Less: Expenses included with revenues	-	-	-	-	-	(6 645)	-	(6 645)
TOTAL FUNCTIONAL EXPENSES	\$ 456 962	\$ 219 712	\$ 240 044	\$ 209 957	\$ 1 126 675	\$ 187 680	\$ 118 296	\$ 1 432 651

(See accompanying Notes to Financial Statements.)

SPECIAL LOVE, INC.
Winchester, Virginia

STATEMENTS OF CASH FLOWS

EXHIBIT "D"

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 189 102	\$ 186 397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4 952	5 493
Realized/unrealized (gain) loss on sale of investments	(155 463)	(260 501)
(Increase) decrease in assets:		
Contributions receivable	6 165	(14 665)
Prepaid expenses	4 825	(5 281)
Increase (decrease) in liabilities:		
Accounts payable	6 659	(13 751)
Accrued wages and payroll liabilities	(45)	(220)
Deferred revenue	(8 047)	(698)
	<u>48 148</u>	<u>(103 226)</u>
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(434 296)	(509 175)
Purchase of fixed assets	(2 748)	(1 130)
Proceeds from SBA Loan Payable	115 500	-
Payments on lease payable	(1 756)	(1 670)
Proceeds from sales of investments	421 385	448 925
	<u>98 085</u>	<u>(63 050)</u>
NET CASH FROM INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146 233	(166 276)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>123 884</u>	<u>290 160</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 270 117</u>	<u>\$ 123 884</u>

(See accompanying Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of the Organization

The Organization enriches the lives of children with cancer by providing quality programs, such as Camp Fantastic and BRASS Camp, where patients and their families can enjoy normal camping activities and develop a network of support in their fight against cancer. The camping programs are open to anyone in the United States. Primarily, the participants come from Virginia, Maryland and the District of Columbia. The Organization also provides emergency financial relief to camp families, as well as scholarships toward post-secondary education for past and present young adult campers.

The accounting policies of the Organization are the principles of accounting and the methods of applying those principles which the Board feels are most appropriate in preparing their financial report. The policies adopted can significantly affect the Organization's reported results of operations. To facilitate an understanding of the data presented in the financial statements, the significant accounting policies are summarized below.

Basis of Accounting

The financial statements of Special Love, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Contributions

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 are not recognized until the conditions on which they depend have been substantially met.

Financial Statement Presentations

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts in the accompanying financial statements.

Fair Value Measurements

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and established three-tier hierarchy as a framework for measuring fair value, which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements.

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 – Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 – Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Functional Expenses. The Statements of Functional Expenses present the natural classification detail of expenses by function. Most costs have been allocated by specific identification; however, certain costs have been allocated among the programs and supporting services benefited. (Also see Footnote 12)

Property and Equipment

The Organization capitalizes equipment expenditures in excess of \$500. Property and equipment are stated at cost or fair value at the date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Donated Material, Equipment and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization receives the services of medical professionals which are recorded at their fair market value. The value of contributed services not meeting the requirement for recognition in the financial statements has not been recorded. A substantial number of volunteers donate significant amounts of their time in the Organization's program and supporting services.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Generally, the Organization's tax returns remain open for three years for federal income tax examinations.

Advertising

The Organization expenses the cost of advertising as incurred.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 2 859 294	\$ 2 550 852
Donor-imposed restrictions:		
Funds subject to specific purpose restrictions	(267 886)	(217 869)
Endowments	<u>(115 330)</u>	<u>(113 037)</u>
Net financial assets after donor-imposed restrictions	<u>2 476 078</u>	<u>2 219 946</u>
Less: Board-designated funds	<u>(2 342 105)</u>	<u>(2 184 326)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 133 973</u>	<u>\$ 35 620</u>

2. LIQUIDITY AND AVAILABILITY: (Continued)

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of 5% as described in Note 7. The Organization does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation); however, these amounts could be made available for general expenditure if necessary.

Any deficit between the financial assets available for general expenditure and the Organization's budgeted expenses for the following year is expected to be satisfied through program revenues, contributions, fees and special event revenues to be received throughout the year. It is expected that for the duration of the coronavirus pandemic, the organization will conduct more virtual program-related events rather than the usual in-person events.

3. CASH CONCENTRATIONS:

The Organization maintains its cash accounts at financial institutions in Virginia, which are insured by the FDIC up to \$250,000 per institution. At December 31, 2020 and 2019, the cash balances did not exceed FDIC coverage.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>	<u>Depreciable Lives</u>
Vehicles	\$ 23 802	\$ 23 802	5 years
Office equipment	70 927	68 179	5-10 years
Promotional videos	<u>48 000</u>	<u>48 000</u>	5 years
	142 729	139 981	
Less: accumulated depreciation and amortization	<u>(133 005)</u>	<u>(128 053)</u>	
Net Property and Equipment	<u>\$ 9 724</u>	<u>\$ 11 928</u>	

Depreciation expense was \$4,952 and \$5,493 for the years ended December 31, 2020 and 2019, respectively.

5. INVESTMENTS:

Investments consist primarily of money market funds, mutual funds, bond funds and equity funds reported at fair value as follows:

	December 31, 2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	\$ 157 219	\$ 157 219	\$ -
Bond funds	1 031 696	1 097 326	65 630
Equity funds	923 946	1 326 132	402 186
	<u>\$ 2 112 861</u>	<u>\$ 2 580 677</u>	<u>\$ 467 816</u>
	December 31, 2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	\$ 129 039	\$ 129 039	\$ -
Bond funds	1 080 233	1 102 174	21 941
Equity funds	840 137	1 181 090	340 953
	<u>\$ 2 049 409</u>	<u>\$ 2 412 303</u>	<u>\$ 362 894</u>

The fair value of all available for sale marketable securities has been measured on a recurring basis using Level 1 inputs.

Investments of \$2,465,374 and \$2,299,291 as of December 31, 2020 and 2019, respectively, represent board designated amounts set aside in prior years for the purpose of establishing a board designated general endowment fund to support the mission of the Organization. Investments of \$93,259 and \$93,259 as of December 31, 2020 and 2019, respectively, represents the Organization's donor restricted endowment fund that is perpetual in nature. The remainder of investments, which is \$22,071 and \$19,778 as of December 31, 2020 and 2019, respectively, is the earnings of the donor designated endowment fund that have not yet been appropriated for expenditure by the board.

5. INVESTMENTS: (Continued)

Investment return consists of the following:

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 34 238	\$ 847	\$ 35 085
Fees	(6 374)	(341)	(6 715)
Investment Earnings	27 864	506	28 370
Net realized and unrealized gains	153 384	2 079	155 463
Investment Return before Appropriations	181 248	2 585	183 833
Appropriations	292	(292)	-
Total Investment Return	<u>\$ 181 540</u>	<u>\$ 2 293</u>	<u>\$ 183 833</u>
	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend income	\$ 62 850	\$ 2 575	\$ 65 425
Fees	(6 311)	(334)	(6 645)
Investment Earnings	56 539	2 241	58 780
Net realized and unrealized gains	257 568	2 933	260 501
Investment Return before Appropriations	314 107	5 174	319 281
Appropriations	730	(730)	-
Total Investment Return	<u>\$ 314 837</u>	<u>\$ 4 444</u>	<u>\$ 319 281</u>

Expenses related to investment revenues, including custodial fees and investment advisory fees, are netted against investment revenues in the accompanying Statements of Activities. For the years ending December 31, 2020 and 2019, the fees were \$6,715 and \$6,645.

6. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS:

Net Assets Without Donor Restrictions

A portion of the Net Assets Without Donor Restrictions has been designated by the Board of Directors to be used as a general endowment. Designations are voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures. Information regarding the components of net assets without donor restrictions is as follows:

	<u>2020</u>	<u>2019</u>
Board-designated endowment funds	\$ 2 465 374	\$ 2 299 291
Other (Deficiency in) Net Assets	<u>(68 330)</u>	<u>(39 039)</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2 397 044</u>	<u>\$ 2 260 252</u>

Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
BRASS Camp	\$ 143 995	\$ 122 623
Camp Fantastic	106 391	91 467
Octoberfest	2 288	-
Circus Night	199	199
Hope Scholarship	12 360	-
Reunion	<u>2 653</u>	<u>3 580</u>
	<u>267 886</u>	<u>217 869</u>
Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Donor-restricted endowment	<u>115 330</u>	<u>108 259</u>
Total Net Assets With Donor Restrictions	<u>\$ 383 216</u>	<u>\$ 326 128</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 December 31, 2020 and 2019.

6. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS: (Continued)

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Gala	\$ -	\$ 13 100
Holiday party	-	259
Ski teen	-	4 217
	<u>\$ -</u>	<u>\$ 17 576</u>

7. ENDOWMENT FUNDS:

The Organization's endowment (donor-restricted and board-designated) is to be held indefinitely, and the income from the assets can be used to support the Organization's general activities. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions - subjective to NFP endowment spending policy and appropriations, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 policies.

Adoption of UPMIFA

The Commonwealth of Virginia enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Organization's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

7. ENDOWMENT FUNDS: (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to preserve the long-term real purchasing power of the endowment funds while realizing appropriate investment income. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The investment strategy for the endowment funds is balanced – stock/fixed income ratio of 60/40. This strategy allows for capital preservation while concurrently maximizing fund growth. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Actual returns in any given year may vary from this amount.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund, if needed to sustain the operations of the Organization. If a distribution is not needed, the Organization does not draw on its endowment fund.

Endowment net asset composition by type of fund is as follows:

	<u>December 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 115 330	\$ 115 330
Board-designated endowment funds	2 465 374	-	2 465 374
Total Funds	<u>\$ 2 465 374</u>	<u>\$ 115 330</u>	<u>\$ 2 580 704</u>
	<u>December 31, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 113 037	\$ 113 037
Board-designated endowment funds	2 299 291	-	2 299 291
Total Funds	<u>\$ 2 299 291</u>	<u>\$ 113 037</u>	<u>\$ 2 412 328</u>

7. ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets are as follows:

	<u>December 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2 299 291	\$ 113 037	\$ 2 412 328
Contributions	57 281	-	57 281
Investment income	34 238	847	35 085
Fees	(6 374)	(341)	(6 715)
Net appreciation (realized and unrealized)	153 384	2 079	155 463
Net transfers	<u>(72 446)</u>	<u>(292)</u>	<u>(72 738)</u>
Endowment Net Assets, End of Year	<u>\$ 2 465 374</u>	<u>\$ 115 330</u>	<u>\$ 2 580 704</u>

	<u>December 31, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 1 983 131	\$ 108 421	\$ 2 091 552
Contributions	8 151	172	8 323
Investment income	62 850	2 575	65 425
Fees	(6 311)	(334)	(6 645)
Net appreciation (realized and unrealized)	257 568	2 933	260 501
Net transfers	<u>(6 098)</u>	<u>(730)</u>	<u>(6 828)</u>
Endowment Net Assets, End of Year	<u>\$ 2 299 291</u>	<u>\$ 113 037</u>	<u>\$ 2 412 328</u>

8. IN-KIND CONTRIBUTIONS:

The Organization recognized in-kind contributions summarized as follows:

	<u>2020</u>	<u>2019</u>
Event rental donation	\$ -	\$ 12 281
Medical staff at Camp Fantastic	-	162 976
Use of medical supplies and equipment at Camp Fantastic	-	25 217
Stock donation	58 285	2 053
Supplies, transportation, meals and other services provided at Organization events	<u>7 861</u>	<u>42 220</u>
	<u>\$ 66 146</u>	<u>\$ 244 747</u>

Due to the spread of coronavirus during 2020, most in-person events were cancelled. Many of these events are made possible in part by significant donated goods and services which are recognized as in-kind contributions. As noted above, the amount of in-kind contributions decreased for 2020 as a direct result of those cancelled events.

9. RETIREMENT BENEFITS:

The Organization maintains a contributory defined contribution pension plan which provides for retirement benefits. Employees are fully vested upon entering the plan.

Total retirement expense was \$15,119 and \$13,907 for the years ended December 31, 2020 and 2019, respectively.

10. LEASES:

Operating Lease

The Organization leased office space for its main office under a one-year operating lease that expired December 2019 and continued on a month-to-month basis until January 31, 2021 when the monthly lease was not renewed. The monthly rent paid under this lease was \$1,039 for the years ended December 31, 2020 and 2019.

On November 10, 2020, the Organization entered into an agreement to lease office space at a new location beginning January 1, 2021 and ending on December 31, 2025. The monthly rent under this lease will be \$1,540.

10. LEASES: (Continued)

Capital Lease

The Organization entered into a capital lease agreement during April 2017 for the purchase of a copier. The lease calls for 48 monthly payments of \$152 per month for 48 months, at which time the copier can be purchased at a bargain purchase price.

The future minimum payments due under this lease are as follows:

2021	\$ 452
Total	<u>\$ 452</u>

11. PAYROLL PROTECTION LOAN:

On April 23, 2020, the Organization executed a loan agreement in the amount of \$115,500 pursuant to the Paycheck Protection Program (“PPP”). The loan is reflected as “SBA Loan Payable” on the Statement of Financial Position at December 31, 2020.

The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) and is administered through the Small Business Administration (“SBA”) and local banks. It provides for unsecured loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expenses of the business. The loans and accrued interest are forgivable after a covered period of either 8 or 24 weeks, as long as the borrower uses the loan proceeds for eligible expenses including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 8- or 24-week period. Any unforgiven portion of the PPP loan would be payable over two years, or five if mutually agreed upon with the lender, at an interest rate of 1%, with a deferral of payments until the lender receives the forgiveness amount from the SBA.

The Organization has elected to treat the PPP loan as a debt instrument under ASC 470, and applies the interest method in ASC 835-30. As such, the Organization has not imputed interest on this loan by using a market rate, even though the stated rate may be considered below market. The Organization expects to receive forgiveness of the entire amount of the loan, but will not recognize income until it has been legally released by the SBA.

Should the Organization be required to repay the loan, maturities would consist of the following:

<u>Year Ended December 31,</u>	
2021	\$ 47 845
2022	57 942
2023	<u>9 713</u>
Total	<u>\$ 115 500</u>

12. IMPACT OF CORONAVIRUS

In March of 2020, the World Health Organization recognized the novel strain of coronavirus COVID 19 as a pandemic. Due to the spread of coronavirus during 2020, most in-person events were cancelled. Event sponsors, many of whom had already paid their 2020 event sponsorships to the Organization, did not request refunds of the amounts given to the Organization. Further, no event sponsors requested those funds be applied to subsequent-year events. Accordingly, these amounts are recognized in the financial statements as general donations without restrictions.

In determining the functional expense allocation for salaries to program expense, estimates of actual time spent in programs was used to allocate those salaries. In 2020, with in-person events cancelled, personnel did not spend the time as originally anticipated on those programs. The Organization did adapt to virtual events, and management estimated for 2020 that those assigned to program activities continue to support programming at about the same number of hours as in the previous budget.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date which the financial statements were available to be issued.

Subsequent to the date of the financial statements, the Organization made formal request for forgiveness in-full of the PPP loan noted in Footnote 11, in the amount of \$115,500.

Subsequent to the date of the financial statements, the Organization filed an application for a second loan pursuant to the Paycheck Protection Program, and on February 24, 2021 received a second loan for \$113,109.