



**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Financial Statements  
and  
Independent Auditors' Report

as of and for the Years Ended  
**June 30, 2023 and 2022**

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**  
**VERSAILLES, KENTUCKY**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8-17



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Life Adventure Center of the Bluegrass, Inc.  
Versailles, Kentucky

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Life Adventure Center of the Bluegrass, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 Life Adventure Center of the Bluegrass, Inc. as of June 30, 2023 and 2022, and the results of its activities, functional expenses, and its cash flows for the fiscal 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 Life Adventure Center of the Bluegrass, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 Life Adventure Center of the Bluegrass, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audits 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Life Adventure Center of the Bluegrass, 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 Life Adventure Center of the Bluegrass, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

r + r CPAs, PSC

February 5, 2024  
Lexington, Kentucky

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**Statements of Financial Position  
as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 250,278	\$ 106,682
Accounts receivable, net	100,744	42,940
Prepaid expenses	18,933	16,373
Total current assets	<u>369,955</u>	<u>165,995</u>
Property and equipment:		
Land	934,029	934,029
Land improvements	698,678	698,678
Buildings	2,056,536	2,017,036
Furniture and equipment	360,004	302,752
Vehicles	215,243	153,569
Challenge course	165,262	165,262
Arena - Farm	429,424	429,424
Livestock - Farm	15,800	15,800
Total property and equipment	<u>4,874,976</u>	<u>4,716,550</u>
Less accumulated depreciation	<u>(2,723,277)</u>	<u>(2,639,168)</u>
Net property and equipment	2,151,699	2,077,382
Investments	<u>14,773,411</u>	<u>13,722,545</u>
Total assets	<u>\$ 17,295,065</u>	<u>\$ 15,965,922</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Current portion of notes payable	\$ 58,495	\$ 47,979
Accounts payable	19,477	14,814
Accrued expenses	17,683	12,525
Deferred revenue	120,609	14,048
Total current liabilities	<u>216,264</u>	<u>89,366</u>
Long-term liabilities:		
Notes payable, less current portion	<u>766,962</u>	<u>786,201</u>
Total long-term liabilities	766,962	786,201
Total liabilities	983,226	875,567
Net assets:		
Without donor restrictions	16,311,839	15,090,355
With donor restrictions	-	-
Total net assets	<u>16,311,839</u>	<u>15,090,355</u>
Total liabilities and net assets	<u>\$ 17,295,065</u>	<u>\$ 15,965,922</u>

The accompanying notes are an integral part of these financial statements.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**  
 Statements of Activities  
 for the years ended June 30, 2023 and 2022

	<b>2023</b>			<b>2022</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities:						
<b>Revenues and support:</b>						
Donations	\$ 105,816	\$ -	\$ 105,816	\$ 107,148	\$ -	\$ 107,148
Program support	263,175	-	263,175	203,551	-	203,551
Farm income	24,990	-	24,990	33,983	-	33,983
Grants	198,821	-	198,821	85,132	-	85,132
Buckley Wildlife income	48,553	-	48,553	57,642	-	57,642
Miscellaneous income	-	-	-	1,011	-	1,011
Net assets released from restrictions	-	-	-	-	-	-
<b>Total revenues and support</b>	<b>641,355</b>	<b>-</b>	<b>641,355</b>	<b>488,467</b>	<b>-</b>	<b>488,467</b>
<b>Expenses:</b>						
Program services	684,259	-	684,259	729,439	-	729,439
Fundraising	94,893	-	94,893	98,116	-	98,116
Management and general	797,052	-	797,052	726,801	-	726,801
<b>Total expenses</b>	<b>1,576,205</b>	<b>-</b>	<b>1,576,205</b>	<b>1,554,356</b>	<b>-</b>	<b>1,554,356</b>
<b>Change in net assets from operations</b>	<b>(934,850)</b>	<b>-</b>	<b>(934,850)</b>	<b>(1,065,889)</b>	<b>-</b>	<b>(1,065,889)</b>
Non-operating activities:						
Realized investment gains (losses)	692,272	-	692,272	578,642	-	578,642
Unrealized investment gains (losses)	1,039,594	-	1,039,594	(2,588,224)	-	(2,588,224)
Interest and dividend income	263,468	-	263,468	230,593	-	230,593
Insurance proceeds	161,000	-	161,000	-	-	-
Gain on disposal of assets	-	-	-	8,000	-	8,000
PPP loan forgiveness	-	-	-	134,900	-	134,900
<b>Total non-operating activities</b>	<b>2,156,334</b>	<b>-</b>	<b>2,156,334</b>	<b>(1,636,089)</b>	<b>-</b>	<b>(1,636,089)</b>
<b>Change in net assets</b>	<b>1,221,484</b>	<b>-</b>	<b>1,221,484</b>	<b>(2,701,978)</b>	<b>-</b>	<b>(2,701,978)</b>
Net assets, beginning of year	15,090,355	-	15,090,355	17,792,333	-	17,792,333
<b>Net assets, end of year</b>	<b>\$ 16,311,839</b>	<b>\$ -</b>	<b>\$16,311,839</b>	<b>\$ 15,090,355</b>	<b>\$ -</b>	<b>\$15,090,355</b>

The accompanying notes are an integral part of these financial statements.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Statement of Functional Expenses

for the year ended June 30, 2023

**Program Services**

	Challenge Course	Equestrian Program	Buckley Wildlife	Outdoor Adventure	Total Program Services	Fundraising	Management and General	Total
<b>Personnel:</b>								
Salaries	\$ 40,468	\$ 57,183	\$ 22,758	\$ 174,591	\$ 295,000	\$ 68,162	\$ 318,454	\$ 681,616
Payroll taxes	3,071	4,344	1,612	13,077	22,104	5,102	23,814	51,020
Employee benefits	-	619	-	-	619	10,162	90,835	101,616
Total personnel expenses	43,539	62,146	24,370	187,668	317,723	83,425	433,104	834,252
<b>Nonpersonnel:</b>								
Program expenses	-	88	40	168,273	168,401	-	25,850	194,251
Farm expenses	-	-	-	4,726	4,726	218	120,625	125,569
Investment fees and taxes	14,655	11,570	6,268	15,935	48,429	-	31,038	79,467
Insurance	16,033	12,660	7,078	17,421	53,192	5,568	28,406	87,166
Board and staff development	2,950	2,451	75	12,130	17,607	-	6,372	23,979
Telephone and utilities	360	540	218	1,260	2,378	1,909	40,040	44,327
Repairs and maintenance	2,545	988	-	13	3,546	-	40,304	43,850
Advertising	2,087	1,648	893	2,270	6,898	712	3,708	11,318
Copier and computers	2,294	1,811	981	2,494	7,579	739	4,119	12,437
Buckley Wildlife expenses	217	171	16,264	44	16,697	-	546	17,243
Professional services	-	-	-	-	-	-	20,039	20,039
Real estate lease expenses	1,822	1,438	779	2,054	6,093	-	3,859	9,952
Travel	-	59	177	919	1,155	692	8,988	10,835
Office expenses	-	-	-	812	812	731	9,908	11,451
Membership dues	520	516	85	1,810	2,931	139	280	3,350
Taxes, fees, and licenses	2,067	1,634	-	757	4,458	626	6,130	11,214
Interest expense	6,124	4,834	2,620	6,658	20,237	-	12,968	33,205
Meetings and conferences	348	273	149	376	1,146	111	622	1,879
Postage and printing	78	59	32	84	253	25	143	421
Total nonpersonnel expenses	52,100	40,741	35,659	238,037	366,536	11,468	363,949	741,953
Total expenses	\$ 95,639	\$ 102,887	\$ 60,029	\$ 425,705	\$ 684,259	\$ 94,893	\$ 797,052	\$ 1,576,205

The accompanying notes are an integral part of these financial statements.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Statement of Functional Expenses

for the year ended June 30, 2022

**Program Services**

	<u>Challenge Course</u>	<u>Equestrian Program</u>	<u>Buckley Wildlife</u>	<u>Outdoor Adventure</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Personnel:								
Salaries	\$ 76,221	\$ 83,024	\$ 40,590	\$ 112,756	\$ 312,591	\$ 65,399	\$ 282,700	\$ 660,690
Payroll taxes	3,156	6,870	3,586	6,698	20,310	4,885	24,159	49,354
Employee benefits	6,506	6,423	2,907	6,506	22,342	9,004	59,613	90,959
Total personnel expenses	85,883	96,317	47,083	125,960	355,243	79,288	366,472	801,003
Nonpersonnel:								
Program expenses	36,813	46,838	795	64,938	149,384	-	643	150,027
Farm expenses	1,603	440	767	34	2,844	159	88,683	91,686
Investment fees and taxes	16,485	13,015	7,051	17,925	54,476	-	34,914	89,390
Insurance	14,586	11,517	6,439	15,848	48,390	5,065	25,842	79,297
Board and staff development	2,449	2,035	-	10,070	14,554	4,849	503	19,906
Telephone and utilities	375	5,217	9,093	1,893	16,578	1,815	23,762	42,155
Repairs and maintenance	150	168	5,852	1,735	7,905	-	33,921	41,826
Advertising	2,333	1,842	998	2,537	7,710	796	4,145	12,651
Copier and computers	3,473	2,742	1,485	3,776	11,476	1,119	6,238	18,833
Buckley Wildlife expenses	208	164	15,471	225	16,068	-	439	16,507
Professional services	-	59	-	-	59	3,037	110,553	113,649
Real estate lease expenses	1,770	1,397	757	1,996	5,920	-	3,749	9,669
Travel	-	3,381	-	1,054	4,435	810	7,444	12,689
Office expenses	1,245	-	475	907	2,627	499	4,693	7,819
Membership dues	815	809	133	2,837	4,594	218	439	5,251
Taxes, fees, and licenses	902	713	177	2,771	4,563	273	57	4,893
Interest expense	6,255	4,938	2,676	6,801	20,670	-	13,246	33,916
Meetings and conferences	531	417	228	575	1,751	169	951	2,871
Postage and printing	59	45	24	64	192	19	107	318
Total nonpersonnel expenses	90,052	95,737	52,421	135,986	374,196	18,828	360,329	753,352
Total expenses	<u>\$ 175,935</u>	<u>\$ 192,054</u>	<u>\$ 99,504</u>	<u>\$ 261,946</u>	<u>\$ 729,439</u>	<u>\$ 98,116</u>	<u>\$ 726,801</u>	<u>\$ 1,554,356</u>

The accompanying notes are an integral part of these financial statements.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Statements of Cash Flows  
and the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,221,484	\$ (2,701,978)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	84,109	80,390
Unrealized losses (gains) on investments	(1,039,594)	2,588,224
Realized (gains) losses on investments	(692,272)	(578,643)
(Increase) decrease in operating assets:		
Accounts receivable, net	(57,804)	(30,381)
Prepaid expenses	(2,560)	27,701
Increase (decrease) in operating liabilities:		
Accounts payable	4,663	(19,817)
Accrued expenses	5,158	(33,308)
Deferred revenue	106,561	(4,228)
	(370,255)	(672,040)
<b>Net cash used in operating activities</b>	<b>(370,255)</b>	<b>(672,040)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(158,426)	(107,164)
Purchase of investments	(4,168,443)	(4,235,805)
Proceeds from sales or maturities of investments	4,849,443	4,892,130
	522,574	549,161
<b>Net cash provided by investing activities</b>	<b>522,574</b>	<b>549,161</b>
<b>Cash flows from financing activities:</b>		
PPP loan forgiveness	-	(134,900)
Principal payments on notes payable	(69,496)	(50,970)
Proceeds from issuance of notes payable	60,773	32,104
	(8,723)	(153,766)
<b>Net cash used in financing activities</b>	<b>(8,723)</b>	<b>(153,766)</b>
<b>Net increase (decrease) in cash</b>	<b>143,596</b>	<b>(276,645)</b>
Cash, beginning of year	106,682	383,327
	\$ 250,278	\$ 106,682
<b>Cash, end of year</b>	<b>\$ 250,278</b>	<b>\$ 106,682</b>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 33,205	\$ 33,916

The accompanying notes are an integral part of these financial statements.

## LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.

Notes to the Financial Statements  
as of and for the years ended June 30, 2023 and 2022

### Note A – Organization

The Cleveland Home, Inc. (The Home) was established in 1875 for the purpose of providing residential care to orphaned female children. Effective July 1, 2002, the Board of The Home and the Board of Life Adventure Camp, Inc. (LAC), implemented a Plan of Merger (Plan). Under the Plan, LAC merged with The Home, which became the surviving corporation. The Plan called for a transfer of all assets of LAC and the assumption of only specified debts and obligations and excluded the assumption of any other liability that was known or unknown to The Home at the effective date of the merger.

During fiscal year 2003, The Home implemented a Master Plan of Corporate Reorganization (Master Plan). The Board of Directors had determined, on recommendation of counsel and the Corporate Reorganization Task Force, to implement a corporate reorganization that established two supporting organizations. The Master Plan called for the establishment of the John Cleveland Foundation, Inc., a non-stock, non-profit corporation, to act as an endowment fund to support The Home. All cash and financial assets not necessary for operating funds were transferred to the new corporation.

The Master Plan also called for the establishment of Cleveland Holdings, Inc., a non-stock, non-profit corporation, for holding title to and managing real and personal property for the Home. All real property, and such personal property as the Board deemed appropriate, were transferred to the new corporation during fiscal year 2006.

During 2018, the respective Board of Directors of each of The Cleveland Holdings, Inc., the John Cleveland Foundation, Inc., and Cleveland Holdings, Inc. approved a plan for all three organizations to merge into one organization effected January 1, 2019, with the three corporations described above referred to as the Life Adventure Center of the Bluegrass, Inc. (the “Organization” or “LACB”). The new Organization’s year-end was also changed to June 30<sup>th</sup>.

In its current iteration, LACB uses outdoor adventure to transform lives affected by trauma and build more resilient people for a better world. They provide multiple experiential and adventure programs to groups across central Kentucky, primarily focusing their efforts on trauma-affected populations, with a goal of building participant’s resilience and self-regulation skills.

LACB’s main programs use the following modalities and facilities:

*Challenge Course* – The LACB challenge course is a series of low and high ropes initiatives that use the principles of adventure therapy to build self-confidence, communication skills, team working abilities, and leadership skills. Through carefully sequenced activities, participants gain a better understanding of how individual behaviors affect a group and implement problem-solving skills by taking risks in a safe and supportive environment.

*Equestrian Program* – The LACB equestrian program builds resilience through equine assisted learning activities, equine vocational training, and recreational riding lessons. This program utilizes the horse as a partner in exploring positive development of communication, self-respect, confidence, trust, accountability and conflict resolution. Sessions incorporate a variety of ground work and general horsemanship activities such as grooming, leading, and herd observation, but can also include elements of vaulting and equine assisted therapy. The LACB equestrian program also offers private, semi-private, and group riding lessons for individuals age seven and up.

*Buckley Wildlife* – LACB took over management of the Clyde E. Buckley Sanctuary (the “Sanctuary”) in 2013. The Sanctuary was formerly managed by the National Audubon Society, and consists of over 370 acres of woodlands and meadows bordering the Kentucky River in Woodford and Franklin Counties.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

Within the Sanctuary, six miles of trails pass through a variety of habitats that are open to the public five days a week. The Sanctuary has a long history of quality educational programming and a strong mission of preserving habitat for native wildlife.

*Outdoor Adventure* –LACB uses outdoor adventure as a catch-all for all programs not neatly fitting in the above categories. Outdoor adventure programs include hiking, canoeing, archery, and other high-energy outdoor adventures to challenge each client to overcome their fears, build resilience and self-regulation skills – powerful tools critical to trauma recovery and post traumatic growth.

**Note B - Summary of Significant Accounting Policies**

*Basis of Accounting*

LACB prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

*Cash Equivalents*

Cash equivalents include investments with original maturities of three months or less which are readily convertible to cash. Temporarily restricted cash equivalents are included on the Statements of Cash Flows.

*Accounts Receivable*

Management establishes an estimated reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are applied to the reserve when management deems further collection efforts will not produce additional recoveries. At June 30, 2023 and 2022, respectively, management has determined a reserve for uncollectible accounts receivable to be unnecessary because the estimated losses are considered immaterial.

*Investments*

The Organization's investments are accounted for at their fair value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## **LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

### Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

#### *Property and Equipment*

Property and equipment are stated at cost. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis ranging from five to forty years. Items with an individual cost of \$1,000 or more are capitalized. Maintenance and repairs are expensed as incurred. Depreciation expense was \$84,109 and \$80,390 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense is included in farm expenses in the Statements of Functional Expenses.

#### *Net Assets*

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As of June 30, 2023 and 2022, respectively, there were no donor restrictions.

#### *Income Tax Exemption*

LACB is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, however the Organization is not exempt from tax imposed upon unrelated business activity income. LACB currently has no unrelated business income and accordingly, no provision for income taxes has been recorded.

As of June 30, 2023, there are no identified uncertain tax positions. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for the years before 2021.

#### *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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Notes to the Financial Statements  
as of and for the years ended June 30, 2023 and 2022

### *Volunteer Services*

The Organization received volunteer services throughout the year that are not recognized as contributions in the accompanying financial statements since these services are not susceptible to objective measurement or valuation.

### *Compensated Absences*

The Organization has a sick pay policy for full-time staff. The Organization has not accrued an amount for compensated absences in that the amount to be used, if any, cannot be reasonably estimated.

### *Deferred Revenue*

Deferred revenue results from the Organization recognizing revenue in the period in which the service is performed. Accordingly, amounts received in advance are deferred until the services are provided.

### *Revenue and Revenue Recognition*

#### Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, the Organization has agreements with a local government. The agreement contains substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Organization before the governmental agency will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

#### Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods and services exists. Fees or amounts received in advance of satisfying contractual performance obligations, if any, would be reflected as deferred revenue in the Statements of Financial Position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

## LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.

### Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

Special events revenue is recognized when the events are to be held and services are provided. Any amounts received in advance would be deferred and recognized when the performance obligations are met.

#### *Reclassifications*

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation. There was no change to net assets as a result of these reclassifications.

#### **Note C - Pension Plan**

The Organization has a 403(b) Thrift Plan in which all employees who normally work 20 hours or more per week are eligible to participate. The Organization contributes 2% of each eligible employee's compensation. In addition, the Organization matches 100% of the first 1% of the employee's compensation for employees with less than three years of service and 3% of the employee's compensation for employees with three years or more of service. For the years ended June 30, 2023 and 2022, the Organization made matching contributions to the Plan of \$15,038 and \$16,314, respectively.

#### **Note D - Investments**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for invested assets that attempt to provide a predictable stream of funding to programs supported by its investments while seeking to maintain the purchasing power of these invested assets over the long-term. The Organization's investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to achieve growth at a rate higher than the rate of inflation. Actual returns in any given year may vary from this objective. 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 (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Organization's invested funds for operations and administration. The current spending policy is to distribute an amount approximately equal to 5% of a moving five-year average of the fair market value of the invested funds. Accordingly, over the long term, the Organization expects its current spending policy to allow its investment assets to continue to grow beyond the original endowment contribution.

Investments are presented in the aggregate at fair market value based on quoted market prices as of June 30, 2023 and 2022, and realized and unrealized gains and losses are recorded in the Statements of Activities. The Organization has significant investments in stocks and mutual funds and is therefore subject to concentration of custodial risk. Investments are made and monitored for the Organization by an investment committee. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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.

The Board has the responsibility to exercise ordinary business care and prudence in the spending of these assets. Currently, the Organization does not have any donor restricted endowment funds, therefore, the endowment fund is classified as unrestricted net assets.

A reconciliation of investments for the years ended June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Investments, beginning of year	\$ 13,722,545	\$ 16,388,451
Increase (decrease) in investments due to:		
Investment income (interest, dividends, other income)	263,468	230,594
Investment appreciation (depreciation) (realized and unrealized)	1,731,866	(2,009,582)
Fees and foreign taxes	(79,468)	(89,390)
Appropriations of funds for expenditures	(865,000)	(797,528)
Investments, end of year	\$ 14,773,411	\$ 13,722,545

Investments consist of the following at June 30, 2023 and 2022:

	<u>Market</u>	<u>Cost</u>	<u>Cumulative Net Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2023:</u>			
Cash	\$ 313,134	\$ 313,134	\$ -
Fixed income (bonds)	3,809,352	3,963,997	(154,645)
Equities (common stock)	10,650,925	6,016,851	4,634,074
Total	\$ 14,773,411	\$ 10,293,982	\$ 4,479,429
<u>June 30, 2022:</u>			
Cash	\$ 129,046	\$ 129,046	\$ -
Fixed income (bonds)	3,886,341	4,172,985	(286,644)
Equities (common stock)	9,707,158	6,596,046	3,111,112
Total	\$ 13,722,545	\$ 10,898,077	\$ 2,824,468

## **LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

### Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

#### **Note E - Fair Value Measurements**

For financial statement reporting purposes, fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy has been established for financial reporting purposes, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable data.

Level 3 Inputs: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes input from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of the Organization's investments are based on quoted market values and are measured using Level 1 inputs. The Organization did not hold financial instruments for trading purposes at June 30, 2023 and 2022, respectively.

The fair value of the Organization's other financial instruments are based on estimates. These estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature, involve matters of judgment and, therefore, cannot be determined with precision. Estimated fair values are significantly affected by the assumptions used.

The carrying amounts of cash, receivables, prepaid expenses, other assets, payables, accrued expenses, other liabilities, and long-term debt as reported in the accompanying Statements of Financial Position approximate their fair values due to their short-term maturity, to being readily converted to a known amount, or other observable inputs. As such, these instruments are measured using Level 1 inputs.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Notes to the Financial Statements  
as of and for the years ended June 30, 2023 and 2022

Fair values of assets and liabilities measured on a recurring basis at June 30, 2023 and 2022, are as follows:

Fair Value Measurements Using:			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2023:			
Investments:			
Cash	\$ 313,134	\$ -	\$ -
Fixed income	3,809,352	-	-
Equities	10,650,925	-	-
Total	\$ 14,773,411	\$ -	\$ -

Fair Value Measurements Using:			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2022:			
Investments:			
Cash	\$ 129,046	\$ -	\$ -
Fixed Income	3,886,341	-	-
Equities	9,707,158	-	-
Total	\$ 13,722,545	\$ -	\$ -

**Note F - Notes Payable**

The Organization has a commercial loan agreement with a bank with a fixed interest rate of 4.68%, requires monthly principal and interest payments of \$4,823 that began in June 2018, and continues until May 2025, at which point a lump sum payment of approximately \$704,000 is due. The note is secured by \$2,000,000 of the Organization's investments. At June 30, 2023 and 2022, the outstanding principal balance was \$721,198 and \$748,945, respectively.

During September 2014, the Organization also entered into a construction loan with a bank to fund the construction of a bunkhouse for a maximum amount of \$175,000. The note accrues interest at the Wall Street Journal's prime rate (8.25% at June 30, 2023) with a maximum rate of 4.75%. Monthly principal and interest payments of \$1,710 are due until the note's maturity in June 2025. The note is secured by the Organization's investments and the Organization must maintain a minimum balance of \$250,000 in the investment account. At June 30, 2023 and 2022, the outstanding principal balance on this note was \$40,682 and \$59,016, respectively.

In July 2022, the Organization purchased a John Deere tractor for approximately \$40,000, trading-in a John Deere tractor with a trade-in value of \$8,000. The remaining approximately \$32,000 was financed

## LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.

Notes to the Financial Statements  
as of and for the years ended June 30, 2023 and 2022

at no interest with sixty monthly payments of \$535. At June 30, 2023 and 2022, the outstanding principal balance was \$19,798 and \$26,219, respectively.

In December 2022, the Organization purchased a 2022 Dodge Ram for \$60,773. At the time of purchase, the Organization made a downpayment of \$12,159 and financed the remaining balance, which requires monthly payments of \$955, bears interest at 7.25%, and matures December 2027. At June 30, 2023, the outstanding principal balance was \$43,779.

Interest expense, as it relates to the above loans, was \$33,205 and \$33,916 for the years ended June 30, 2023 and 2022, and is included in farm expenses on the respective Statements of Functional Expenses.

As of June 30, 2023, future maturities on notes payable are as follows:

June 30,		
2024	\$	58,495
2025		733,914
2026		16,289
2027		10,271
Thereafter		<u>6,489</u>
Total	\$	<u>825,457</u>

### Note G – Payroll Protection Program Loan and Loan Forgiveness

Under the Paycheck Protection Program (“PPP”), in February 2021, the Organization received a \$134,900 loan under the second draw of PPP. The note had similar terms as the first PPP loan. During the fiscal year ended June 30, 2022, the Organization applied for and received forgiveness for the total amount of \$134,900 in October 2021. The total amount of \$134,900 was forgiven, at which time, the amount was included as revenue from non-operating activities in the Statement of Activities for the year ended June 30, 2022.

### Note H – Sanctuary Management Agreement

In June 2013, the Organization entered into an agreement with a company to operate the Sanctuary (Buckley Wildlife) through June 2017. For the management of the Sanctuary, the Organization receives quarterly installments of the aggregate to a unitrust amount determined annually of not less than 3% and no more than 5% of the net fair market value of the investable trust assets of the Sanctuary based on a rolling three-year average value of the Sanctuary trust’s assets, with the average of the market value of the assets at the end of each of the three years preceding the year of distribution. Total revenue from the management of the Sanctuary for the years ended June 30, 2023 and 2022 was \$48,553 and \$57,642, respectively.

Subsequent to June 30, 2023, the Organization decided not to renew its agreement with the Sanctuary.

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**

Notes to the Financial Statements

as of and for the years ended June 30, 2023 and 2022

**Note I – Insurance Proceeds**

During the year ended June 30, 2023, storms damaged a barn on the property of the Organization. Insurance claims of \$161,000, after the Organization's deductible, was received during the year ended June 30, 2023, which were used to rebuild a new barn.

**Note J - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the June 30, 2023 and 2022 Statements of Financial Position, respectively, comprise the following:

Financial assets at year-end:	<u>2023</u>	<u>2022</u>
Cash	\$ 250,278	\$ 106,682
Accounts receivable	100,744	42,940
Investments	<u>14,773,411</u>	<u>13,722,545</u>
Net financial assets available for general expenditure within one year	<u>\$ 15,124,433</u>	<u>\$ 13,872,167</u>

**Note K - Management's Review of Subsequent Events**

The Organization has evaluated and considered the need to recognize or disclose subsequent events through February 5, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2023, have not been evaluated by the Organization.