



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

Financial Statements  
and  
Independent Auditors' Report

as of and for the Years Ended  
**June 30, 2021 and 2020**

**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.....	8-18



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Life Adventure Center of the Bluegrass, Inc. (a nonprofit organization, "LACB"), which comprise the statements of financial position as of June 30, 2021 and 2020, respectively, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 the Life Adventure Center of the Bluegrass, Inc. as of June 30, 2021 and 2020, respectively, 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.

r + r CPAs, PSC

June 28, 2022

**LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.**Statements of Financial Position  
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 383,327	\$ 319,674
Accounts receivable, net	12,559	5,187
Prepaid expenses	44,074	19,446
	<hr/>	<hr/>
Total current assets	439,960	344,307
Property and equipment:		
Land	934,029	934,029
Land improvements	698,678	685,948
Buildings	1,950,976	1,948,070
Furniture and equipment	316,307	306,807
Vehicles	152,569	152,569
Challenge course	165,262	165,262
Arena - Farm	429,424	429,424
Livestock - Farm	15,800	13,300
	<hr/>	<hr/>
Total property and equipment	4,663,046	4,635,409
Less accumulated depreciation	<u>(2,612,438)</u>	<u>(2,498,679)</u>
Net property and equipment	2,050,608	2,136,730
Investments	<u>16,388,451</u>	<u>13,278,736</u>
Total assets	<u><u>\$ 18,879,019</u></u>	<u><u>\$ 15,759,773</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Current portion of notes payable	\$ 39,649	\$ 37,289
Current portion of Payroll Protection Program loan	-	70,800
Accounts payable	34,631	19,331
Accrued expenses	45,833	26,520
Deferred revenue	18,276	8,925
	<hr/>	<hr/>
Total current liabilities	138,389	162,865
Long-term liabilities:		
Notes payable, less current portion	813,397	846,253
Payroll Protection Program, less current portion	134,900	70,800
	<hr/>	<hr/>
Total long-term liabilities	948,297	917,053
Total liabilities	1,086,686	1,079,917
Net assets:		
Without donor restrictions	17,792,333	14,679,856
With donor restrictions	-	-
	<hr/>	<hr/>
Total net assets	17,792,333	14,679,856
Total liabilities and net assets	<u><u>\$ 18,879,019</u></u>	<u><u>\$ 15,759,773</u></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, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<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	\$ 115,371	\$ -	\$ 115,371	\$ 68,082	\$ 5,692	\$ 73,774
Program support	132,287	-	132,287	211,577	-	211,577
Farm income	23,655	-	23,655	23,655	-	23,655
Grants	39,001	-	39,001	17,323	48,312	65,635
Buckley Wildlife income	43,904	-	43,904	48,967	-	48,967
Miscellaneous	-	-	-	526	-	526
Net assets released from restrictions	-	-	-	54,004	(54,004)	-
<b>Total revenues and support</b>	<b>354,218</b>	<b>-</b>	<b>354,218</b>	<b>424,133</b>	<b>-</b>	<b>424,133</b>
<b>Expenses:</b>						
Program services	917,115	-	917,115	857,052	-	857,052
Fundraising	83,417	-	83,417	81,929	-	81,929
Management and general	353,170	-	353,170	471,686	-	471,686
<b>Total expenses</b>	<b>1,353,703</b>	<b>-</b>	<b>1,353,703</b>	<b>1,410,667</b>	<b>-</b>	<b>1,410,667</b>
<b>Change in net assets from operations</b>	<b>(999,485)</b>	<b>-</b>	<b>(999,485)</b>	<b>(986,534)</b>	<b>-</b>	<b>(986,534)</b>
Non-operating activities:						
Realized investment gains (losses)	1,564,464	-	1,564,464	937,595	-	937,595
Unrealized investment gains (losses)	2,162,254	-	2,162,254	(584,330)	-	(584,330)
Interest and dividend income	243,644	-	243,644	268,285	-	268,285
PPP loan forgiveness	141,600	-	141,600	-	-	-
<b>Total non-operating activities</b>	<b>4,111,962</b>	<b>-</b>	<b>4,111,962</b>	<b>621,550</b>	<b>-</b>	<b>621,550</b>
<b>Change in net assets</b>	<b>3,112,477</b>	<b>-</b>	<b>3,112,477</b>	<b>(364,984)</b>	<b>-</b>	<b>(364,984)</b>
Net assets, beginning of year	14,679,856	-	14,679,856	15,044,840	-	15,044,840
<b>Net assets, end of year</b>	<b>\$ 17,792,333</b>	<b>\$ -</b>	<b>\$17,792,333</b>	<b>\$ 14,679,856</b>	<b>\$ -</b>	<b>\$14,679,856</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, 2021

	<b>Program Services</b>						<b>Management and General</b>	
	<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>Total</u>
Personnel:								
Salaries	\$ 110,286	\$ 117,145	\$ 64,926	\$ 132,085	\$ 424,442	\$ 55,238	\$ 78,362	\$ 558,042
Payroll taxes	9,653	9,087	4,045	13,905	36,690	5,109	9,812	51,610
Employee benefits	15,738	18,704	8,389	14,841	57,672	7,587	11,385	76,643
Total personnel expenses	<u>135,677</u>	<u>144,936</u>	<u>77,360</u>	<u>160,831</u>	<u>518,804</u>	<u>67,933</u>	<u>99,559</u>	<u>686,296</u>
Nonpersonnel:								
Program expenses	17,107	31,374	2,299	63,946	114,726	-	1,274	116,000
Farm expenses	765	604	327	832	2,528	187	105,322	108,037
Investment fees and taxes	16,717	13,198	7,150	18,177	55,242	-	35,405	90,647
Insurance	10,958	8,652	4,837	11,906	36,353	3,805	19,415	59,572
Board and staff development	2,968	2,466	1,638	12,205	19,277	4,849	-	24,126
Telephone and utilities	6,281	5,167	2,594	6,811	20,853	1,451	11,396	33,700
Repairs and maintenance	11,963	12,211	4,788	11,821	40,783	-	23,012	63,795
Advertising	4,449	3,512	1,903	4,838	14,702	1,518	7,905	24,125
Copier and computers	3,024	2,387	1,293	3,288	9,992	974	5,432	16,397
Buckley Wildlife expenses	268	212	19,978	291	20,749	-	567	21,316
Professional services	3,718	2,945	1,617	4,039	12,319	537	7,239	20,095
Real estate lease expenses	2,374	1,874	1,015	2,676	7,939	-	5,027	12,966
Travel	1,603	1,805	686	2,029	6,123	608	2,789	9,520
Office expenses	1,017	822	487	1,160	3,486	975	10,827	15,288
Membership dues	968	961	158	3,370	5,457	259	521	6,237
Taxes, fees, and licenses	767	606	328	834	2,535	232	1,392	4,159
Interest expense	7,004	5,529	2,996	7,615	23,144	-	14,833	37,977
Meetings and conferences	191	150	82	207	630	61	342	1,033
Postage and printing	86	68	37	93	284	29	152	466
Miscellaneous	360	284	154	391	1,189	-	761	1,950
Total nonpersonnel expenses	<u>92,588</u>	<u>94,827</u>	<u>54,367</u>	<u>156,529</u>	<u>398,311</u>	<u>15,484</u>	<u>253,611</u>	<u>667,406</u>
Total expenses	<u>\$ 228,265</u>	<u>\$ 239,763</u>	<u>\$ 131,727</u>	<u>\$ 317,360</u>	<u>\$ 917,115</u>	<u>\$ 83,417</u>	<u>\$ 353,170</u>	<u>\$ 1,353,703</u>

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, 2020

**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>
<b>Personnel:</b>								
Salaries	\$ 106,710	\$ 92,706	\$ 53,138	\$ 110,938	\$ 363,492	\$ 56,780	\$ 153,348	\$ 573,620
Payroll taxes	8,776	7,622	4,536	9,244	30,178	4,614	9,730	44,522
Employee benefits	16,552	14,994	8,600	17,234	57,380	4,670	15,480	77,530
Total personnel expenses	132,038	115,322	66,274	137,416	451,050	66,064	178,559	695,673
<b>Nonpersonnel:</b>								
Program expenses	48,006	32,843	4,016	83,005	167,870	-	-	167,870
Farm expenses	1,182	1,071	614	1,231	4,098	334	188,656	193,088
Investment fees and taxes	-	-	-	-	-	-	76,646	76,646
Insurance	13,494	12,224	7,011	14,050	46,779	3,807	9,022	59,608
Board and staff development	3,579	1,980	1,213	5,124	11,896	6,928	801	19,625
Telephone and utilities	5,830	13,060	2,961	8,457	30,308	1,526	3,617	35,451
Repairs and maintenance	-	248	381	32,576	33,205	-	-	33,205
Advertising	828	750	430	924	2,932	234	553	3,719
Copier and computers	4,905	4,479	2,731	5,091	17,206	1,277	3,025	21,508
Buckley Wildlife expenses	-	-	11,322	-	11,322	-	381	11,703
Professional services	1,323	1,244	758	1,434	4,759	323	7,016	12,098
Real estate lease expenses	-	-	-	12,034	12,034	-	-	12,034
Travel	1,436	1,300	746	1,495	4,977	405	961	6,343
Office expenses	1,377	1,247	715	1,434	4,773	388	921	6,082
Membership dues	1,723	1,621	1,204	1,767	6,315	305	722	7,342
Taxes, fees, and licenses	1,326	749	452	860	3,387	233	553	4,173
Interest expense	-	-	-	42,745	42,745	-	-	42,745
Meetings and conferences	287	352	149	310	1,098	81	192	1,371
Postage and printing	86	78	45	89	298	24	61	383
Total nonpersonnel expenses	85,382	73,246	34,748	212,626	406,002	15,865	293,128	714,995
<b>Total expenses</b>	<b>\$ 217,420</b>	<b>\$ 188,568</b>	<b>\$ 101,022</b>	<b>\$ 350,042</b>	<b>\$ 857,052</b>	<b>\$ 81,929</b>	<b>\$ 471,686</b>	<b>\$ 1,410,667</b>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,112,477	\$ (364,984)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	103,890	187,866
Unrealized (gains) losses on investments	(2,162,254)	584,330
Realized (gains) losses on investments	(1,564,464)	(937,595)
PPP loan forgiveness	(141,600)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	(7,371)	19,702
Prepaid expenses	(24,628)	(579)
Increase (decrease) in operating liabilities:		
Accounts payable	15,300	(13,757)
Accrued expenses	19,313	(1,793)
Deferred revenue	9,351	(4,655)
	(639,986)	(531,466)
<b>Net cash provided (used) by operating activities</b>	<b>(639,986)</b>	<b>(531,466)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(17,767)	(37,992)
Purchase of investments	(3,591,021)	(7,418,950)
Proceeds from sales or maturities of investments	4,208,022	7,997,310
	599,234	540,368
<b>Net cash provided (used) by investing activities</b>	<b>599,234</b>	<b>540,368</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(30,496)	(36,479)
Proceeds from Payroll Protection Program loan	134,900	141,600
	104,404	105,121
<b>Net cash provided (used) by financing activities</b>	<b>104,404</b>	<b>105,121</b>
<b>Net increase (decrease) in cash</b>	<b>63,653</b>	<b>114,023</b>
Cash, beginning of year	319,674	205,651
<b>Cash, end of year</b>	<b>\$ 383,327</b>	<b>\$ 319,674</b>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 37,977	\$ 42,745
In-kind contribution of property and equipment	\$ 9,500	\$ -

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, 2021 and 2020

### 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, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

### *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 \$103,890 and \$187,866 for the years ended June 30, 2021 and 2020, 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, 2021, there were no donor restrictions. As of June 30, 2020, there were assets with donor restrictions of \$21,482 relating to youth resiliency building programming.

### *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, 2021, 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 2019.

### *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.

### *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.

## LIFE ADVENTURE CENTER OF THE BLUEGRASS, INC.

Notes to the Financial Statements  
as of and for the years ended June 30, 2021 and 2020

### *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.

### *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, 2021 and 2020, the Organization made matching contributions to the Plan of \$18,252 and \$14,965, 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, 2021 and 2020, 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.

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

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 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, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Investments, beginning of year	\$ 13,278,736	\$ 13,503,832
Increase (decrease) in investments due to:		
Investment income (interest and dividends)	243,644	268,285
Investment appreciation (depreciation) (realized and unrealized)	3,726,718	353,265
Fees and foreign taxes	(90,647)	(76,646)
Deposits and other income	-	3,892
Appropriations of funds for expenditures	(770,000)	(773,892)
Investments, end of year	<u>\$ 16,388,451</u>	<u>\$ 13,278,736</u>

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

Investments consist of the following at June 30, 2021 and 2020:

	<u>Market</u>	<u>Cost</u>	<u>Cumulative Net Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2021:</u>			
Cash	\$ 609,682	\$ 609,682	\$ -
Fixed income	3,906,061	3,835,094	70,967
Equities	<u>11,872,708</u>	<u>6,092,774</u>	<u>5,779,934</u>
Total	<u>\$ 16,388,451</u>	<u>\$ 10,537,550</u>	<u>\$ 5,850,901</u>
<u>June 30, 2020:</u>			
Cash	\$ 537,073	\$ 537,073	\$ -
Fixed income:			
Corporate	1,738,072	1,639,751	98,321
Mutual funds	188,894	188,756	138
Mortgage backed	633,145	620,909	12,236
Municipal bond funds	609,441	561,809	47,632
Equities:			
Common stock	9,807,441	5,968,124	3,119,317
Exchange-traded funds	165,855	171,830	(5,975)
Mutual funds	<u>318,815</u>	<u>300,392</u>	<u>18,423</u>
Total	<u>\$ 13,278,736</u>	<u>\$ 9,988,644</u>	<u>\$ 3,290,092</u>

**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.

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

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, 2021 and 2020, 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.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 and 2020, are as follows:

	Fair Value Measurements Using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2021:			
Investments:			
Cash	\$ 609,682	\$ -	\$ -
Fixed income	3,906,061	-	-
Equities	<u>11,872,708</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,388,451</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

Fair Value Measurements Using:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2020:			
Investments:			
Cash	\$ 537,073	\$ -	\$ -
Fixed Income:			
Corporate	1,738,072		
Mutual funds	188,894		
Mortgage backed	633,145		
Municipal bond funds	609,441	-	-
Equities:			
Common stock	9,087,441	-	-
Exchange-traded funds	165,855		
Mutual funds	318,815	-	-
	<hr/>	<hr/>	<hr/>
Total	\$ 13,278,736	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2021 and 2020, the outstanding principal balance was \$775,663 and \$788,355, 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 (3.25% at June 30, 2021) 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, 2021 and 2020, the outstanding principal balance on this note was \$77,383 and \$95,187, respectively.

Interest expense, as it relates to the above loans, was \$37,977 and \$42,745 for the years ended June 30, 2021 and 2020, and is included in farm expenses on the respective Statements of Functional Expenses.

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

Notes to the Financial Statements  
as of and for the years ended June 30, 2021 and 2020

As of June 30, 2021, future maturities on notes payable are as follows:

June 30,		
2022	\$	39,649
2023		41,558
2024		43,558
2025		<u>728,281</u>
Total	\$	<u>853,046</u>

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

On April 24, 2020, the Organization received loan proceeds in the amount of \$141,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. In February 2021, the total amount of \$141,600 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, 2021.

Also in February 2021, the Organization received \$134,900 loan under the second draw of PPP. The note has similar terms as the first PPP loan. Subsequent to June 30, 2021, the Organization applied for and received forgiveness for the total amount of \$134,900 in October 2021.

**Note H – Sanctuary Management Agreement**

In June 2013, the Organization entered into an agreement with a company to operate the Sanctuary 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, 2021 and 2020 was \$43,904 and \$48,967, respectively.

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

**Note I - 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, 2021 Statement of Financial Position, comprise the following:

Financial assets at year-end:	
Cash	\$ 383,327
Accounts receivable	12,559
Investments	<u>16,388,451</u>
Total financial assets	16,784,337
Less general expenditures due within one year	<u>(138,389)</u>
Net financial assets available for general expenditure within one year	<u>\$ 16,645,948</u>

**Note J - COVID-19**

LACB's operations were affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on LACB's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to LACB's future grants, contracts, and donations. However, the related financial impact and duration cannot be reasonably estimated at this time.

Like many organizations, LACB was essentially shut-down from mid-March 2020 through July 2020. They were able to run some programs virtually, relying on principles of adventure therapy to build programs that focused on frustration tolerance and self-regulation. When programming began again in July 2020, LACB was limited to ten participants at a time, and could no longer host participants overnight, which led to a dramatic reduction in individual participants and participant days, though staff was still able to run some day camps. In the fall of 2020, still under similar Covid-19 related restrictions, LACB launched a new *Fall Adventure Series* to offer participants an opportunity to do their school required virtual learning on-site at LACB combined with traditional LACB resilience programming using the above modalities and facilities.

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

The Organization has evaluated and considered the need to recognize or disclose subsequent events through June 28, 2022, 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, 2021, have not been evaluated by the Organization.

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

Notes to the Financial Statements

as of and for the years ended June 30, 2021 and 2020

**Note L – Upcoming Pronouncements**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of this new guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new standard deals with the timing of reporting revenues from contracts with customers, and disclosures related thereto. The standard was required to be adopted by LACB for the year ended June 30, 2020; however, due to COVID-19, the effective date of the standard was extended by FASB for one year, making it effective for the year ending June 30, 2022.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its fiscal year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity’s balance sheet.