

**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**

**AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Encircle Family and Youth Resource Center

We have audited the accompanying financial statements of Encircle Family and Youth Resource Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. 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 qualified audit opinion.

### *Basis for Qualified Opinion*

Encircle Family and Youth Resource Center did not make a count of its physical inventory at the beginning or end of the year, stated in the statement of financial position at \$31,667 at December 31, 2019. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of inventories at December 31, 2019 and the cost of inventories sold during the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Encircle Family and Youth Resource Center as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Squire & Company, PC*

Orem, Utah  
September 10, 2020

**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
 December 31, 2019

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**ASSETS**

<b>Current Assets:</b>	
Cash	\$ 212,284
Contributions receivable	200,783
Inventory	<u>31,667</u>
Total current assets	444,734
<b>Net Fixed Assets</b>	<u>1,942,983</u>
Total assets	<u><u>\$ 2,387,717</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	\$ 64,235
<b>Net Assets:</b>	
Without donor restrictions:	
Designated for fixed assets and inventory	1,974,650
Undesignated	278,832
With donor restrictions	<u>70,000</u>
Total net assets	<u>2,323,482</u>
Total liabilities and net assets	<u><u>2,387,717</u></u>

The accompanying notes are an integral part of this financial statement.

**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2019

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**Net Assets Without Donor Restrictions:**

Revenues and support:	
Donations	\$ 1,591,405
In-kind donations	44,000
Special events and merchandise sales:	
Revenue	250,382
Direct event and merchandise expenses	(240,082)
	<hr/>
Net special events and merchandise sales	10,300
Other	2,469
	<hr/>
Total revenues and support	1,648,174
 Expenses:	
Program services	1,095,941
Supporting services:	
Management and general	120,557
Fundraising	64,118
	<hr/>
Total expenses	1,280,616
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Change in net assets without donor restrictions	367,558

**Net Assets With Donor Restrictions:**

Donations	70,000
	<hr/>
<b>Change in Net Assets</b>	437,558
 <b>Net Assets at Beginning of Year</b>	 <hr/> 1,885,924
<b>Net Assets at End of Year</b>	 <hr/> <hr/> \$ 2,323,482

The accompanying notes are an integral part of this financial statement.



**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2019

	<u>Supporting Services</u>			Total Functional Expenses
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages and payroll taxes	\$ 486,538	\$ 56,694	\$ 20,917	\$ 564,149
Promotion	55,467	-	1,140	56,607
Awards and grants	166,934	-	-	166,934
Professional services	113,540	38,703	24,804	177,047
Insurance	6,000	10,344	-	16,344
Office	6,872	2,107	3,204	12,183
Repairs and maintenance	22,427	1,527	-	23,954
Supplies	96,936	3,605	2,532	103,073
Travel	11,171	4,797	2,784	18,752
Depreciation	58,758	-	-	58,758
Other	931	2,671	8,737	12,339
Occupancy	70,367	109	-	70,476
Total	<u>\$ 1,095,941</u>	<u>\$ 120,557</u>	<u>\$ 64,118</u>	<u>\$ 1,280,616</u>

The accompanying notes are an integral part of this financial statement.

**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2019

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 437,558
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,758
Changes in operating assets and liabilities:	
Contributions receivable	(195,733)
Inventory	(11,667)
Accounts payable and accrued expenses	<u>(163,600)</u>
Total adjustments	<u>(312,242)</u>
Net cash provided by operating activities	125,316
<b>Cash Flows from Investing Activities:</b>	
Purchases of fixed assets	<u>(364,506)</u>
<b>Net Change in Cash</b>	(239,190)
<b>Cash at Beginning of Year</b>	<u>451,474</u>
<b>Cash at End of Year</b>	<u><u>\$ 212,284</u></u>

**Supplementary Data:**

The Organization paid no interest or income taxes during the year ended December 31, 2019.

The Organization had no noncash investing or financing activities during the year ended December 31, 2019.

The accompanying notes are an integral part of this financial statement.



## ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER NOTES TO THE FINANCIAL STATEMENTS

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Encircle Family and Youth Resource Center (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### **Organization**

The Organization was organized in the state of Utah on March 22, 2016 for the purpose of cultivating an environment where LGBTQ+ individuals can thrive. The Organization currently has locations in Provo and Salt Lake City, Utah with another location in Saint George, Utah under renovation.

#### **Revenue Recognition**

The Organization recognizes revenue when cash, an unconditional contribution or promise to give, or grant award has been received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

#### **Financial Statement Presentation**

Organization reports information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization has designated a portion of net assets to indicate that such assets (inventory and fixed assets) are not available for appropriation.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor-imposed restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

*Net assets with donor restrictions* - Net assets that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to net assets without donor restrictions.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

## **ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER NOTES TO THE FINANCIAL STATEMENTS**

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### **Cash**

At December 31, 2019, the carrying amount of the Organization's cash deposits was \$212,284 and the bank balance was \$304,045 of which \$250,000 was covered by federal depository insurance.

### **Contributions Receivable**

Contributions receivable consist of unconditional donations with and without donor restrictions made before year end that the Organization had not yet received.

### **Inventory**

Inventory consists of apparel and other merchandise held for resale reported at the lower of cost or market.

### **Fixed Assets**

All fixed assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Fixed assets valued at \$2,500 or more are capitalized and depreciated, using the straight-line depreciation method, over the useful lives of 10 to 30 years.

Repairs and maintenance that do not significantly increase the useful life of the asset are charged to expense as incurred. Capital assets are reviewed for impairment when a significant change in the asset's use or another indicator or possible impairment is met. No impairment losses were recognized in these financial statements.

### **Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Certain costs are allocated to one or more program or supporting functions based on time and effort. Such allocations are determined by management on an equitable basis.

### **Income Taxes**

The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (except for net income derived from unrelated business activities) and is classified as a Section 501(c)(3) public charity. Also, the Organization is not subject to state income taxes.

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



**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER  
NOTES TO THE FINANCIAL STATEMENTS**

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**New Accounting Pronouncement**

FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists entities in evaluating whether a transaction is a contribution (nonreciprocal) or an exchange (reciprocal) transaction and in determining when a contribution is conditional. The ASU has two implementation dates; for transactions where the organization is a recipient of resources the ASU is effective for reporting periods beginning after December 15, 2018 and for transactions where the organization is a provider of resources the ASU is effective for reporting periods after December 31, 2019.

The Organization has implemented this ASU for transactions in which it is a recipient of resources during the year ended December 31, 2019. The ASU has not been applied retrospectively to transactions occurring prior to the ASU's implementation.

**Subsequent Events**

The Organization evaluated subsequent events through September 10, 2020, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**NOTE 2 – CONTRIBUTIONS RECEIVABLE**

The Organization has unconditional promises to give to be collected over the next two years; \$35,000 for each of the years ending December 31, 2020, and 2021.

**NOTE 3 – FIXED ASSETS**

Fixed assets consisted of the following:

		<u>Estimated Life</u>
Buildings and improvements	\$ 1,458,275	20 to 30
Furnitures and fixtures	84,526	10
Land	376,000	
Renovations in progress	96,020	
	<u>2,014,821</u>	
Accumulated depreciation	<u>(71,838)</u>	
Net fixed assets	<u>\$ 1,942,983</u>	

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

The Organization only has net assets with donor restrictions subject to time restrictions as to when the amounts will be received (see Note 2).

**ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 – DONATES FACILITIES, SUPPLIES, AND SERVICES**

The Organization occupies a home in Provo at no cost. The estimated lease value of the home was 40,000. The Organization also receives other donated items. The value of donated facilities and supplies is recognized as support when received and as an expense.

No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

**NOTE 6 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets:

Financial assets:	
Cash	\$ 212,284
Contributions receivable	<u>200,783</u>
Total financial assets	413,067
Less amounts not available to be used within one year:	
Net assets with donor restrictions	70,000
Less net assets with donor restrictions to be met in less than a year	<u>(35,000)</u>
	<u>35,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 378,067</u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$300,000). The Organization considers operating expenses to be total expenses less depreciation.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Certain members of the Organization's board are also board members of Encircle Therapy, a nonprofit corporation providing counseling services to LGBTQ+ youth and their families. The Organization refers individuals to Encircle Therapy. The Organization also provides grant awards to assist with the cost of providing counseling services to Encircle Therapy. The Organization awarded Encircle Therapy \$153,301 during the year.

The Organization received donations totaling \$311,200 from board members during the year.