

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Encircle Family and Youth Resource Center

Report on the Audit of the Financial Statements

Opinion

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, 2022, the related statements of activities, functional expenses, and cash flows for the year 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 Encircle Family and Youth Resource Center as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit 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 Encircle Family and Youth Resource Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Encircle Family and Youth Resource Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Encircle Family and Youth Resource Center'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 Encircle Family and Youth Resource Center'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.

Report on Summarized Comparative Information

We have previously audited Encircle Family and Youth Resource Center's 2021 financial statements, and we expressed a qualified audit opinion on those audited financial statements dated June 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Orem, Utah
October 31, 2023

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER**STATEMENT OF FINANCIAL POSITION**

December 31, 2022 with Comparative Totals for 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 364,058	\$ 3,515,601
Contributions and grants receivable, net	1,108,237	3,594,218
Receivable from sale of fixed assets	323,170	-
Prepaid expenses	32,586	-
Inventory	-	27,770
Deposits	600	-
Total current assets	<u>1,828,651</u>	<u>7,137,589</u>
Net Fixed Assets	<u>9,540,175</u>	<u>5,024,528</u>
Total assets	<u><u>\$ 11,368,826</u></u>	<u><u>\$ 12,162,117</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 102,558	\$ 153,323
Related party payable	200,000	-
Deferred grant revenue	100,000	-
Total current liabilities	<u>402,558</u>	<u>153,323</u>
Net Assets:		
Without donor restrictions:		
Designated for fixed assets and inventory	9,540,175	5,052,298
Undesignated	856,093	6,376,496
With donor restrictions	570,000	580,000
Total net assets	<u>10,966,268</u>	<u>12,008,794</u>
Total liabilities and net assets	<u><u>\$ 11,368,826</u></u>	<u><u>\$ 12,162,117</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, 2022 with Comparative Totals for 2021

	2022	2021
Net Assets Without Donor Restrictions:		
Revenues and support:		
Donations	\$ 3,639,755	\$ 10,770,280
In-kind donations	40,000	359,134
Government grants	563,500	452,719
Merchandise sales:		
Revenue	55,765	11,219
Merchandise expenses	<u>(53,844)</u>	<u>(2,849)</u>
Net merchandise sales	1,921	8,370
Investment income (loss)	274	(10,976)
Other	100	28,036
Net assets released from restrictions	<u>20,000</u>	<u>388,303</u>
Total revenues and support	4,265,550	11,995,866
Loss on disposal of property and equipment	<u>(160,105)</u>	<u>-</u>
Total revenues, support, and losses	4,105,445	11,995,866
Expenses:		
Program services	2,399,571	2,541,244
Supporting services:		
Management and general	2,067,252	549,522
Fundraising	<u>671,148</u>	<u>444,067</u>
Total expenses and losses	<u>5,137,971</u>	<u>3,534,833</u>
Change in net assets without donor restrictions	(1,032,526)	8,461,033
Net Assets With Donor Restrictions:		
Donations	10,000	580,000
Net assets released from restrictions	<u>(20,000)</u>	<u>(388,303)</u>
Change in net assets with donor restrictions	<u>(10,000)</u>	<u>191,697</u>
Change in Net Assets	(1,042,526)	8,652,730
Net Assets at Beginning of Year	<u>12,008,794</u>	<u>3,356,064</u>
Net Assets at End of Year	<u><u>\$ 10,966,268</u></u>	<u><u>\$ 12,008,794</u></u>

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, 2022 with Comparative Totals for 2021

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2022	2021
Wages and payroll taxes	\$ 1,023,809	\$ 1,425,166	\$ 464,479	\$ 2,913,454	\$ 1,953,649
Promotion	2,518	134,107	6,457	143,082	7,840
Awards and grants	377,629	-	-	377,629	292,311
Professional services	166,966	173,757	86,553	427,276	356,761
Information technology	79,413	84,188	1,395	164,996	243,746
Office	88,190	41,778	12,934	142,902	38,855
Repairs and maintenance	214,309	425	-	214,734	56,332
Supplies	176,999	67,932	1,355	246,286	248,598
Travel	655	77,214	-	77,869	76,984
Depreciation	100,990	6,564	-	107,554	95,944
Other	66,779	55,859	97,975	220,613	99,702
Occupancy	101,314	262	-	101,576	64,111
Total expenses	<u>\$ 2,399,571</u>	<u>\$ 2,067,252</u>	<u>\$ 671,148</u>	<u>\$ 5,137,971</u>	<u>\$ 3,534,833</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, 2022 with Comparative Totals for 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,042,526)	\$ 8,652,730
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,554	95,944
Loss on sale of fixed assets	160,105	-
Gain on PPP loan forgiveness	-	(102,719)
Loss on sale of marketable securities	-	9,480
Donation of marketable securities	-	(211,318)
Changes in operating assets and liabilities:		
Contributions and grants receivable	2,485,981	(3,481,660)
Receivable from sale of fixed assets	(323,170)	5,417
Prepaid expenses	(32,586)	-
Inventory	27,770	(3,520)
Deposits	(600)	-
Accounts payable and accrued expenses	(50,765)	107,644
Related party payable	200,000	-
Unearned revenue	100,000	-
Total adjustments	<u>2,674,289</u>	<u>(3,580,732)</u>
Net cash provided by operating activities	1,631,763	5,071,998
Cash Flows from Investing Activities:		
Proceeds from sale of marketable securities	-	201,838
Purchases of fixed assets	<u>(4,783,306)</u>	<u>(2,647,710)</u>
Net cash used by investing activities	(4,783,306)	(2,445,872)
Cash Flows from Financing Activities:		
Proceeds from PPP loan	<u>-</u>	<u>102,719</u>
Net Change in Cash	(3,151,543)	2,728,845
Cash at Beginning of Year	<u>3,515,601</u>	<u>786,756</u>
Cash at End of Year	<u>\$ 364,058</u>	<u>\$ 3,515,601</u>

Supplementary Data:

The Organization paid no interest or income taxes during the year ended December 31, 2022.

The Organization had no noncash investing or financing activities during the year ended December 31, 2022.

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

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

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, Salt Lake City, and Saint George, Utah. Locations in Heber, Ogden, and Logan, Utah are currently under renovation/construction. The Organization has also purchased properties in Boise, Idaho and Littleton, Colorado.

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 for 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.

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER NOTES TO THE FINANCIAL STATEMENTS

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.

Cash

At December 31, 2022, the carrying amount of the Organization's cash deposits was \$364,058 and the bank balance was \$242,297, of which all was covered by federal depository insurance.

Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional donations and grants and unconditional promises to give that the Organization had not yet received. No allowance has been established as management considers all amounts to be fully collectable.

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 asset's estimated useful lives.

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.

Contributed Services, Facilities, and Supplies

Donated services are recognized as contributions when the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated facilities are recognized as contributions based on the fair value of the property provided at no charge. Donated supplies are recognized as contributions when they would otherwise be purchased by the Organization and are recorded at the manufacturer's retail price.

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.

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS

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.

Summarized Comparative Financial Information

The financial statements include certain prior-year comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions are recorded when the unconditional promise to give's collection is expected in the near term and is probable. Unconditional promises to give will be received (depending on the donor) from within four years to five years. Contributions to be received after December 31, 2023 have been discounted to their net present value using an interest rate of 4.27 percent.

Contributions receivable are as follows at December 31, 2022:

Receivable within one year	\$ 130,000
Receivable from two to five years	<u>440,000</u>
Total contributions receivable	570,000
Discount contributions to net present value	(66,522)
Allowance for uncollectable contributions	<u>-</u>
Contributions receivable, net	<u><u>\$ 503,478</u></u>

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

NOTE 3 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2022:

		<u>Estimated Life</u>
Buildings and improvements	\$ 4,542,933	20 to 30
Furniture and fixtures	432,324	10
Land	1,443,871	
Renovations in progress	<u>3,464,155</u>	
	9,883,283	
Accumulated depreciation	<u>(343,108)</u>	
Net fixed assets	<u><u>\$ 9,540,175</u></u>	

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Donor-restricted net assets are summarized as follows at December 31, 2022:

Subject to the passage of time:	
Contributions receivable, unavailable until received	<u><u>\$ 570,000</u></u>

Of amounts restricted at December 31, 2021, \$20,000 were released from restrictions during the year ended December 31, 2022.

NOTE 5 – DONATED FACILITIES, SUPPLIES, AND SERVICES

The Organization occupies a home in Provo at no cost. The estimated lease value of the home was \$40,000 for the year ended December 31, 2022. The value of donated facilities 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.

ENCIRCLE FAMILY AND YOUTH RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31, 2022:

Financial assets:	
Cash	\$ 364,058
Receivable from sale of fixed assets	323,170
Contributions receivable	<u>1,108,237</u>
Total financial assets	1,795,465
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(570,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,225,465</u>

The Organization’s goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$1,250,000). 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 \$360,274 during the year ended December 31, 2022.

The Organization received donations totaling \$99,370 from board members during the year ended December 31, 2022.

The Organization owed its former CEO \$200,000 at December 31, 2022, which was retired in April 2023.

NOTE 8 – SUBSEQUENT EVENTS

In March 2023, the Organization sold the property it had purchased in Boise, Idaho. In May 2023, the Organization sold the property it had purchased in Littleton, Colorado.

In July 2023, the Organization entered a multi-year grant agreement with the State of Utah Department of Health and Human Services. The grant provides funding for expenditures according to submitted budgets for the period from August 2023 through June 2028 on a cost-reimbursement basis. The total amount to be received by the Organization pursuant to this agreement will be no more than \$5,880,000.

The Organization evaluated subsequent events through October 31, 2023, 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.