

Youth Dynamics & Shepherd's Staff

COMBINED FINANCIAL STATEMENTS

Years Ended September 30, 2024 and September 30, 2023



L. M. HENDERSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

Youth Dynamics & Shepherd's Staff

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September 30, 2024 and September 30, 2023

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L. M. HENDERSON & COMPANY LLP
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Independent Auditor's Report

To the Board of Directors of
Youth Dynamics and Shepherd's Staff
Burlington, Washington

Opinion

We have audited the accompanying combined financial statements of Youth Dynamics (a nonprofit organization) and Shepherd's Staff (an affiliate, nonprofit company), which comprise the combined statements of financial position as of September 30, 2024 and September 30, 2023, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Youth Dynamics and Shepherd's Staff as of September 30, 2024 and September 30, 2023, and the changes in net assets and cash flows for the 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. 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 Youth Dynamics and Shepherd's Staff 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 the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Dynamics and Shepherd's Staff's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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 combined financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Youth Dynamics and Shepherd's Staff'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Dynamics and Shepherd's Staff'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.

L.M. Henderson & Company, L.L.P.

Certified Public Accountants
Indianapolis, Indiana

January 3, 2025

Youth Dynamics and Shepherd's Staff

Combined Statements of Financial Position

at September 30, 2024 and September 30, 2023

	September 30, 2024	September 30, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - operating accounts	\$ 633,313	\$ 803,049
Cash and cash equivalents - money market account	1,425,785	1,221,462
Accounts receivable	13,908	14,965
Pledge receivable	100,000	-
Grants receivable	7,500	7,500
Prepaid insurance	50,987	40,967
Total current assets	<u>2,231,493</u>	<u>2,087,943</u>
PROPERTY AND EQUIPMENT:		
Equipment	840,911	792,105
Buildings and improvements	2,934,691	2,428,070
Vehicles	563,640	462,023
	<u>4,339,242</u>	<u>3,682,198</u>
Less: Accumulated depreciation	<u>2,032,479</u>	<u>1,886,782</u>
	2,306,763	1,795,416
Construction-in-progress (CIP)	86,216	86,216
Land	1,418,154	1,418,154
Total property and equipment	<u>3,811,133</u>	<u>3,299,786</u>
OTHER ASSETS:		
Goodwill	85,000	85,000
Less: Accumulated amortization	<u>22,889</u>	<u>14,389</u>
	62,111	70,611
Right-of-use assets (net of amortization)	<u>6,511</u>	<u>7,931</u>
Total other assets	<u>68,622</u>	<u>78,542</u>
 Total assets	 <u>\$ 6,111,248</u>	 <u>\$ 5,466,271</u>

Youth Dynamics and Shepherd's Staff

Combined Statements of Financial Position

at September 30, 2024 and September 30, 2023

	September 30, 2024	September 30, 2023
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts and credit card payable	\$ 35,174	\$ 31,438
Accrued payroll and related expenses	259,595	239,018
Unearned revenue	8,368	9,193
Note payable - insurance	40,144	28,199
Current portion of note payable - other	2,382	2,515
Current portion of lease liability	1,420	1,696
Total current liabilities	<u>347,083</u>	<u>312,059</u>
<u>LONG-TERM LIABILITIES:</u>		
Note payable (net of current portion) - other	87,991	90,373
Lease liability (net of current portion)	5,091	6,235
Total long-term liabilities	<u>93,082</u>	<u>96,608</u>
Total liabilities	<u>440,165</u>	<u>408,667</u>
<u>NET ASSETS:</u>		
Net assets without donor restrictions		
Undesignated	1,207,843	1,194,824
Board designated for branch locations	273,636	330,203
Net investment in property and equipment	<u>3,720,760</u>	<u>3,206,898</u>
Total net assets without donor restrictions	5,202,239	4,731,925
Net assets with donor restrictions	<u>468,844</u>	<u>325,679</u>
Total net assets	<u>5,671,083</u>	<u>5,057,604</u>
Total liabilities and net assets	<u>\$ 6,111,248</u>	<u>\$ 5,466,271</u>

Youth Dynamics and Shepherd's Staff

Combined Statements of Activities and Changes in Net Assets

Years Ended September 30, 2024 and September 30, 2023

	Year Ended September 30, 2024		Totals for the Year Ended September 30, 2024	Year Ended September 30, 2023		Totals for the Year Ended September 30, 2023
	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	
<u>SUPPORT AND REVENUE:</u>						
General donations	\$ 3,984,880	\$ 390,239	\$ 4,375,119	\$ 3,457,045	\$ 365,829	\$ 3,822,874
Program fees	343,770	-	343,770	308,397	-	308,397
Rent	126,495	-	126,495	183,311	-	183,311
Area and special events	9,480	-	9,480	33,512	-	33,512
In-kind donations	499,350	8,260	507,610	118,963	78,905	197,868
Grants	39,615	30,000	69,615	68,120	67,500	135,620
Interest	78,902	-	78,902	23,159	-	23,159
Other	19,895	-	19,895	16,184	-	16,184
Net assets released from restriction	285,334	(285,334)	-	245,108	(245,108)	-
Total support and revenue	5,387,721	143,165	5,530,886	4,453,799	267,126	4,720,925
<u>EXPENSES:</u>						
Program services:						
Program expenses:	3,802,190	-	3,802,190	3,300,639	-	3,300,639
Supporting services:						
Management and general	572,992	-	572,992	538,799	-	538,799
Fundraising	542,225	-	542,225	463,894	-	463,894
Total expenses	4,917,407	-	4,917,407	4,303,332	-	4,303,332
<u>CHANGES IN NET ASSETS</u>	470,314	143,165	613,479	150,467	267,126	417,593
<u>NET ASSETS:</u>						
Net assets, beginning of year	4,731,925	325,679	5,057,604	4,581,458	58,553	4,640,011
Net assets, end of year	\$ 5,202,239	\$ 468,844	\$ 5,671,083	\$ 4,731,925	\$ 325,679	\$ 5,057,604

See Notes to Financial Statements.

Youth Dynamics and Shepherd's Staff

Combined Statements of Cash Flows

For the Years Ended September 30, 2024 and September 30, 2023

	Year Ended	
	September 30, 2024	September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 613,479	\$ 417,593
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization	8,500	8,500
Depreciation	201,520	160,575
Gain on sale of fixed assets	(12,950)	(8,426)
Fixed assets acquired via in-kind donation	(426,910)	(52,500)
Construction-in-progress acquired via in-kind donation	-	(77,300)
(Increase) decrease in certain assets:		
Accounts receivable	1,057	12,616
Prepaid insurance	(10,020)	(5,459)
Grants receivable	-	(7,500)
Pledge receivable	(100,000)	-
Increase (decrease) in certain liabilities:		
Accounts and credit card payable	3,736	2,372
Unearned revenue	(825)	(4,296)
Accrued salaries and payroll tax liabilities	20,577	23,673
Total adjustments	(315,315)	52,255
Net cash provided by operating activities	298,164	469,848
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets, land, and CIP	(285,957)	(251,635)
Proceeds from the sale of fixed assets	12,950	8,426
Net cash used in investing activities	(273,007)	(243,209)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(120,587)	(84,621)
Proceeds from note payable	130,017	92,145
Net cash provided by financing activities	9,430	7,524
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,587	234,163
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,024,511	1,790,348
End of year	\$ 2,059,098	\$ 2,024,511
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 10,692	\$ 8,036
Gifts-in-kind received, noncash	507,610	197,868
Gifts-in-kind disbursed, noncash	499,350	118,963

Youth Dynamics and Shepherd's Staff

Combined Statements of Cash Flows

For the Years Ended September 30, 2024 and September 30, 2023

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

During the year ended September 30, 2024, the Organization sold fixed assets with a total cost basis of \$55,823 and total accumulated depreciation of \$55,823 for \$12,950, resulting in a gain of \$12,950.

During the year ended September 30, 2023, the Organization sold fixed assets with a total cost basis of \$6,260 and total accumulated depreciation of \$6,260 for \$8,426, resulting in a gain of \$8,426.

During the year ended September 30, 2023, the Organization placed right-of-use assets in the amount of \$9,351, with amortization of \$1,420, on the combined statements of financial position in exchange for an operating lease liability in the amount of \$7,931.

Youth Dynamics and Shepherd's Staff

Combined Statement of Functional Expenses

Year Ended September 30, 2024

	Program Services	Supporting Services			
	Program Expenses	Management and General	Fundraising	Total Supporting Activities	Total
Advertising	\$ 25,031	\$ 26,111	\$ 650	\$ 26,761	\$ 51,792
Amortization	8,500	-	-	-	8,500
Computer related	28,762	67,637	-	67,637	96,399
Conference and training	17,541	9,126	1,297	10,423	27,964
Depreciation	201,520	-	-	-	201,520
Dues and service charges	49,699	4,953	64,470	69,423	119,122
Event fees	39,180	1,297	14,706	16,003	55,183
Food	130,735	21,096	27,029	48,125	178,860
Gifts	11,476	6,799	5,135	11,934	23,410
Horse supplies	9,853	-	-	-	9,853
Insurance	145,255	6,846	-	6,846	152,101
Interest	10,692	-	-	-	10,692
Miscellaneous	8,480	3,926	59	3,985	12,465
Occupancy	20,132	-	-	-	20,132
Office	121,049	23,925	70,414	94,339	215,388
Professional fees	15,066	50,557	16,550	67,107	82,173
Salaries, wages & related expenses	2,589,131	311,308	331,520	642,828	3,231,959
Small equipment and maintenance	148,273	3,569	-	3,569	151,842
Student appointment and volunteer	7,092	-	-	-	7,092
Travel	139,653	25,101	10,395	35,496	175,149
Utilities	75,070	10,741	-	10,741	85,811
Total functional expenses	<u>\$ 3,802,190</u>	<u>\$ 572,992</u>	<u>\$ 542,225</u>	<u>\$ 1,115,217</u>	<u>\$ 4,917,407</u>

See Notes to Financial Statements.

Youth Dynamics and Shepherd's Staff

Combined Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services	Supporting Services			
	Program Expenses	Management and General	Fundraising	Total Supporting Activities	Total
Advertising	\$ 18,253	\$ 13,967	\$ 2,738	\$ 16,705	\$ 34,958
Amortization	8,500	-	-	-	8,500
Computer related	17,250	60,294	-	60,294	77,544
Conference and training	21,440	13,788	774	14,562	36,002
Depreciation	160,575	-	-	-	160,575
Dues and service charges	39,337	9,162	53,774	62,936	102,273
Event fees	30,443	350	15,043	15,393	45,836
Food	139,172	10,834	17,169	28,003	167,175
Gifts	20,885	9,034	6,354	15,388	36,273
Horse supplies	7,941	-	-	-	7,941
Insurance	110,162	12,275	-	12,275	122,437
Interest	8,036	-	-	-	8,036
Miscellaneous	400	3,883	451	4,334	4,734
Occupancy	26,784	-	-	-	26,784
Office	114,476	23,838	65,070	88,908	203,384
Professional fees	17,695	24,795	335	25,130	42,825
Salaries, wages & related expenses	2,279,282	284,910	284,910	569,820	2,849,102
Small equipment and maintenance	93,544	21,074	-	21,074	114,618
Student appointment and volunteer	6,775	-	-	-	6,775
Travel	115,703	24,227	17,276	41,503	157,206
Utilities	63,986	26,368	-	26,368	90,354
Total functional expenses	<u>\$ 3,300,639</u>	<u>\$ 538,799</u>	<u>\$ 463,894</u>	<u>\$ 1,002,693</u>	<u>\$ 4,303,332</u>

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 1: NATURE OF ORGANIZATION

Youth Dynamics is a Washington public benefit corporation organized to invite and challenge youth to a lifelong adventure with Christ and His church. Additionally, by connecting with school campuses, churches, families, and local service organizations in communities in Washington, Idaho and Oregon, Youth Dynamics offers the hope, acceptance, and love found in knowing God personally. Youth Dynamics was incorporated with the State of Washington in 1970, and is supported primarily through contributions from individuals and organizations interested in, and supportive of, its mission.

Shepherd's Staff is a Washington State nonprofit corporation organized to support Youth Dynamics through acquisition, maintenance and operation of assets utilized by Youth Dynamics. Shepherd's Staff was incorporated with the State of Washington in 2004.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The combined financial statements include the accounts of Youth Dynamics and Shepherd's Staff (collectively, the Organization). Significant balances and transactions between the two organizations have been eliminated in the combination.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of combined assets and liabilities and disclosures of combined contingent assets and liabilities at the date of the combined financial statements and the reported amounts of combined revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) and all subsequent lease related ASUs. This standard modified the guidance used by lessors and lessees to account for leasing transactions. For lease agreements with lease and non-lease components, the Organization elected the practical expedient to account for them as a single lease component. See Note 11 for additional information.

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. See Note 14 for further discussion.

Receivables and Allowance for Doubtful Accounts

Effective October 1, 2023, the Organization adopted FASB ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This new standard requires organizations to recognize an allowance that reflects a current estimate of credit losses expected to be incurred over the life of the asset. The Organization continuously monitors collections and payments from its customers and donors and estimates its allowance of doubtful accounts on several factors. These factors include the Organization's prior experience collecting receivables, the aging of receivables at year-end, and management's appraisal of current economic conditions. Based upon the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectable receivables. All receivables are expected to be collected within one year.

Property and Equipment

The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value at the date of donation. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repair and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which range from 3 to 40 years.

Net Assets

The statements report amounts separately by class of net assets:

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

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenses

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor restrictions or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as without donor restrictions.

The Organization follows ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606") for recognition of revenue. Topic 606 creates a single framework for recognizing revenue from contracts with customers and grantors that fall within the scope of the standard.

Advertising

Advertising costs are expensed as incurred. Advertising and promotion expense totaled \$51,792 and \$34,958 for the years ended September 30, 2024 and September 30, 2023, respectively.

Subsequent Events

Management has evaluated subsequent events through January 3, 2025, the date that the financial statements were available to be issued.

Note 3: DONATED GOODS AND SERVICES

In-kind donations of roofing materials, paint, adventure gear, and other goods are recorded at fair value on the date of receipt. In-kind donations for the years ended September 30, 2024 and September 30, 2023 were \$507,610 and \$197,868, respectively. Donated services are recognized only if services received; (a) create or enhance non-financial assets or (b) require special skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying combined financial statements as they do not meet the criteria for recognition. Donated goods and qualified donated services are as follows:

	September 30, 2024	September 30, 2023
Goods received for fundraising	\$ 29,067	\$ 20,864
Goods received for general/other purposes	12,975	43,905
Vehicles	16,500	52,500
Goods and services provided relating to capital assets	413,871	77,300
Services provided for general/other purposes	35,197	3,299
Total in-kind donations	<u>\$ 507,610</u>	<u>\$ 197,868</u>

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 4: NOTES PAYABLE

In January 2019, the Organization entered into a \$103,000 promissory note with Heritage Bank, maturing in January 2029, to finance the purchase of a new facility in Idaho. Monthly interest payments were due at a rate of 5.52% for the first 60 months. Starting January 2024, the interest rate rose to 7.00% and is expected to remain constant for the remainder of the loan. The balance was \$90,373 and \$92,888 at September 30, 2024 and September 30, 2023, respectively.

Each year, the Organization obtains a short-term loan from Capital Premium Financing to pay for insurance. The loan taken out in February 2023, was fully paid by February 2024 and the loan taken out in February 2024 is expected to be fully paid by February 2025 with an interest rate of 10% per annum. The outstanding balance was \$40,144 and \$28,199 at September 30, 2024 and September 30, 2023, respectively.

The Organization was obligated at September 30, 2024 and September 30, 2023 on the following notes payable:

	September 30, 2024	September 30, 2023
Note payable due to Heritage Bank requiring monthly payments of \$719, including a minimum interest rate at 7% per annum due January 2029.	\$ 90,373	\$ 92,888
Note payable due to Capital Premium Financing requiring monthly payments of \$13,605, including interest at 10% per annum due February 2025.	40,144	-
Note payable due to Capital Premium Financing requiring monthly payments of \$9,508, including interest at 6.89% per annum due February 2024.	-	28,199
	130,517	121,087
Less: Current portion	42,526	30,714
Total long-term note payable	<u>\$ 87,991</u>	<u>\$ 90,373</u>

Annual principal payments on long term debt for future years ending September 30 are as follows:

Year Ended September 30,	Amounts
2025	42,526
2026	2,554
2027	2,739
2028	2,937
2029	79,761
Total	<u>\$ 130,517</u>

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 5: NET ASSETS

Net assets consist of:

	September 30, 2024	September 30, 2023
Net assets without donor restrictions:		
Undesignated	\$ 1,207,843	\$ 1,194,824
Board designated for branch locations	273,636	330,203
Net investment in property and equipment	3,720,760	3,206,898
Total net assets without restrictions	<u>\$ 5,202,239</u>	<u>\$ 4,731,925</u>
Net assets with donor restrictions:		
Building improvements	\$ 468,844	\$ 287,392
Grants	-	38,287
Total net assets with donor restrictions	<u>\$ 468,844</u>	<u>\$ 325,679</u>

As of September 30, 2024 and September 30, 2023, available liquid assets were sufficient relative to net assets with donor restrictions.

Note 6: EMPLOYEE BENEFIT PLANS

Effective November 1, 2021, The Organization established a 401(k) Retirement plan which matches voluntary employee deferrals 0.5% up to the first 6% for a total potential match of 3%. Employees may begin contributing to the plan after 30 days of employment and are eligible for the match after 6 months of employment. Total 401(k) match for the years ending September 30, 2024 and September 30, 2023 were \$44,994 and \$42,243, respectively.

Note 7: PAYMENTS TO AFFILIATED ORGANIZATIONS

Youth Dynamics leases several facilities from Shepherd's Staff for use in the Organization's programs and operations. Youth Dynamics leases facilities in Washington State in Anacortes, Chelan County, and Burlington, as well as in Boise, Idaho, under the terms of five-year operating lease agreements that mature on December 31, 2025. The agreements contain four additional options to extend five years each. Youth Dynamics also leases two facilities in Idaho that are month-to-month agreements. Youth Dynamics pays no monthly rental payments for these related party operating lease agreements. In 2019, Youth Dynamics began leasing space from Shepherd's Staff in Idaho. Monthly payments are set at \$719. The rent expense associated with these lease agreements have been eliminated.

Youth Dynamics & Shepherd's Staff

Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 8: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects The Organization's financial assets available as of September 30, 2024 and September 30, 2023, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the year ended:

	September 30, 2024	September 30, 2023
Financial assets, at year end*	\$ 2,180,506	\$ 2,046,976
Less financial assets unavailable for general expenditures within one year, due to:		
Donor imposed restrictions		
Restrictions by donor with purpose restrictions	468,844	325,679
Board imposed restrictions:		
Restrictions by board with purpose restrictions	273,636	330,203
Total	<u>\$ 1,438,026</u>	<u>\$ 1,391,094</u>

**Total asset, less nonfinancial assets*

The Organization has certain donor-restricted and board-designated assets limited to use, which are not available for general expenditure within one year in the normal course of business. Accordingly, these assets have been excluded from the quantitative information above. The Organization is in the process of developing its cash management and reserves policy. Historically, the Organization has informally attempted to maintain a minimum of two months operating expenses.

Note 9: TAX STATUS

On July 30, 2002, the corporation has been determined by the Internal Revenue Service to be tax exempt under Section 501(c)(3) of the Internal Revenue Code (Code). The Organization is also classified as a publicly supported corporation, which is not a private corporation under Section 509(a)(2) of the Code. Contributions to the Organization are deductible for income tax purposes.

Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the corporation continues to qualify to be treated as a Section 501(c)(3) corporation for both federal and state purposes. For the years ended September 30, 2024 and September 30, 2023, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of September 30, 2024 and September 30, 2023, or the periods then ended. The annual information returns for the corporation are subject to examination by taxing authorities for a period of three years from the date they are filed.

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Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 10: FUNCTIONAL EXPENSES

The cost of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. Salaries, wages, and related costs are allocated based on time and effort. All other allocated expenses are allocated based on estimates of usage. Program services expense was \$3,802,190 and \$3,300,639 and support services expense was \$1,115,217 and \$1,002,693 for the years ended September 30, 2024 and September 30, 2023, respectively.

Note 11: LEASEE OPERATING LEASES

The Organization leases a postage meter under an operating lease agreement that is set to expire January 2029. The lease agreement contains no residual value guarantees, variable payments, or covenants. The lease requires quarterly payments and has an annual maintenance fee payable on the anniversary dates of enrollment. As of September 30, 2024 and September 30, 2023, the right-of-use asset, net of amortization, is included within other assets on the statements of financial position in the amount of \$6,511 and \$7,931, respectively. The associated lease liability is included in current and long-term liabilities on the statement of financial position in the amounts of \$6,511 and \$7,931, for the years ended September 30, 2024 and September 30, 2023, respectively.

The weighted average remaining lease term is 55 months and the weighted average discount rate is 4% for this lease as of September 30, 2024. The Organization elected to use the risk-free rate practical expedient as the discount rate for all new and existing leases after October 1, 2022.

The Organization also leases other facilities and equipment under operating lease agreements on a month-to-month basis. These leases are not considered in the calculation of right-of-use assets or lease liability.

The lease expense for the years ending September 30, 2024 and September 30, 2023 was \$26,087 and \$32,112, respectively.

The following table represents the future undiscounted lease payments for the postage meter at September 30, 2024:

Year Ended September 30,	Amount
2025	\$ 1,350
2026	1,350
2027	1,350
2028	1,350
2029	787
Total undiscounted lease payments	6,187
Add: net present value adjustment	324
Lease liability	<u>\$ 6,511</u>

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Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 12: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's revenue from contracts in the scope of Topic 606 is recognized within revenue on the financial statements. The following table reflects only the categories of income that are within the scope of Topic 606:

	September 30, 2024	September 30, 2023
Program fees	\$ 343,770	\$ 308,397
Rent	126,495	183,311
Area and special events	9,480	33,512
Totals	<u>\$ 479,745</u>	<u>\$ 525,220</u>

The adoption of Topic 606 did not have a material impact on the financial position, activities, net assets, or cash flows. A description of the revenue categories is provided below.

Program fees: The Organization will transport youths to one of their several Adventure Bases where they will participate in various excursions, such as whitewater rafting. Revenue received for these excursions is recognized at the time of the event.

Rent: The Organization provides lodging for participants during the course of their stay at Adventure Bases. The revenue received for purposes of lodging is recognized at the time of the stay.

Area and special events: The Organization will host various galas and other related special events throughout the year for purposes of fundraising. The revenue received to participate in these special events is recognized at the commencement of these events.

Note 13: GOODWILL

In January 2022, The Organization purchased property in Idaho for the purpose of building a new Adventure Base. The purchase of the property included land, buildings, equipment, and unrestricted access to the Salmon River via a permit which expires in March 2032. The fair market value of the purchase exceeded the transaction price by \$85,000, which the Organization has recognized as goodwill amortized over 10 years. Total amortization expense for the years ended September 30, 2024 and September 30, 2023 was \$8,500.

Management has evaluated the impairment of goodwill and has concluded that no impairment exists for the years ended September 30, 2024 and September 30, 2023. Management will continue to evaluate the impairment of goodwill on an annual basis.

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Notes to the Financial Statements

September 30, 2024 and September 30, 2023

Note 14: CREDIT RISK

In accordance with the FASB Accounting Standards Codification (ASC) 825-10-50-20, credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Bank deposits are federally insured up to \$250,000 for each account owned at a federally insured bank. Money market accounts held at brokerage firms are covered up to \$500,000 for each account owned at a U.S. registered broker-dealer. The following are deposits in excess of federally insured and SIPC (Securities Investor Protection Corporation) insured for the years ended September 30, 2024, and September 30, 2023, respectively:

	September 30, 2024	September 30, 2023
Deposits	\$ 633,313	\$ 803,049
Federally insured	<u>633,313</u>	<u>744,944</u>
Deposited in excess of federally insured limits	<u>\$ -</u>	<u>\$ 58,105</u>
Deposits	\$ 1,425,785	\$ 1,221,462
SIPC insured	<u>500,000</u>	<u>500,000</u>
Deposits in excess of SIPC insured limits	<u>\$ 925,785</u>	<u>\$ 721,462</u>

Note 15: PLEDGES RECEIVABLE

Pledges receivable are measured at fair value upon receipt. If a pledge is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique. The fair value of a pledge that is collectible within one year is its net realizable value. For the years ended September 30, 2024 and September 30, 2023, all pledges are expected to be collected within one year, thus, no present value calculation was required. Pledges receivable at September 30, 2024 and September 30, 2023 were \$100,000 and \$-0-, respectively.

