

Davis Phinney Foundation

(a nonprofit Ohio corporation)

Financial Statements

December 31, 2022 and 2021

Davis Phinney Foundation

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Independent Auditor's Report

To the Board of Directors
Davis Phinney Foundation
Louisville, Colorado

Opinion

We have audited the financial statements of Davis Phinney Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related 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 accompanying financial statements present fairly, in all material respects, the financial position of Davis Phinney Foundation as of December 31, 2022 and 2021, 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.

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 Davis Phinney Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2022, Davis Phinney Foundation adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

Independent Auditor's Report (continued)

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 Davis Phinney Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the 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 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 Davis Phinney Foundation'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 Davis Phinney Foundation'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.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
April 6, 2023

Davis Phinney Foundation

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 790,461	\$ 4,323,937
Investments, at fair value	3,760,300	988,367
Accounts receivable	31,000	8,258
Prepaid expenses and other current assets	75,512	50,594
Total current assets	<u>4,657,273</u>	<u>5,371,156</u>
Equipment, at cost		
Furniture, fixtures, and equipment	12,784	36,200
Less accumulated depreciation	(10,860)	(26,519)
Net equipment	<u>1,924</u>	<u>9,681</u>
Other Assets		
Investment, at cost	150,000	-
Right-of-use operating lease asset	168,253	-
Total other assets	<u>318,253</u>	<u>-</u>
Total assets	<u>\$ 4,977,450</u>	<u>\$ 5,380,837</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 53,365	\$ 35,411
Grants payable, current	264,729	304,977
Accrued compensation and benefits	83,373	142,004
Deferred revenue	45,000	11,000
Current maturities of operating lease obligation	43,061	-
Total current liabilities	<u>489,528</u>	<u>493,392</u>
Long-Term Liability		
Grants payable, long-term	70,540	111,900
Operating lease obligation, net of current maturities	115,603	-
Total long-term liabilities	<u>186,143</u>	<u>111,900</u>
Total liabilities	675,671	605,292
Net Assets		
Without donor restrictions	<u>4,301,779</u>	<u>4,775,545</u>
Total liabilities and net assets	<u>\$ 4,977,450</u>	<u>\$ 5,380,837</u>

The accompanying Notes are an integral part of these financial statements

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Davis Phinney Foundation

Statement of Activities

Year ended December 31, 2022

	<u>Without Donor Restrictions</u>
Operating Revenue and Support	
Contributions	\$ 1,353,183
Sponsorships	756,658
Special events income, net	917,825
Other program income	14,155
In-kind contributions	11,400
Total operating revenue and support	<u>3,053,221</u>
Operating Expenses	
Program services	2,253,267
Supporting services	
General and administrative	194,578
Fundraising	425,824
Total operating expenses	<u>2,873,669</u>
Total operating revenue and support in excess of operating expenses	179,552
Other Changes	
Investment loss, net	(648,658)
Loss on disposal of equipment	(4,660)
Total other changes	<u>(653,318)</u>
Change in Net Assets	(473,766)
Net Assets, Beginning of Year	<u>4,775,545</u>
Net Assets, End of Year	<u>\$ 4,301,779</u>

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 1,262,073	\$ -	\$ 1,262,073
Sponsorships	1,048,682	-	1,048,682
Special events income, net	969,490	-	969,490
In-kind contributions	14,288	-	14,288
Other program income	4,803	-	4,803
Net assets released from restrictions			
Satisfaction of purpose restrictions	17,857	(17,857)	-
Expiration of time restrictions	300,000	(300,000)	-
Total operating revenue and support	<u>3,617,193</u>	<u>(317,857)</u>	<u>3,299,336</u>
Operating Expenses			
Program services	1,916,224	-	1,916,224
Supporting services			
General and administrative	143,229	-	143,229
Fundraising	<u>511,172</u>	<u>-</u>	<u>511,172</u>
Total operating expenses	<u>2,570,625</u>	<u>-</u>	<u>2,570,625</u>
Total operating revenue and support in excess (deficit) of operating expenses	1,046,568	(317,857)	728,711
Other Changes			
Investment loss, net	(1,492)	-	(1,492)
Loss on sale of equipment	<u>(450)</u>	<u>-</u>	<u>(450)</u>
Total other changes	<u>(1,942)</u>	<u>-</u>	<u>(1,942)</u>
Change in Net Assets	1,044,626	(317,857)	726,769
Net Assets, Beginning of Year	<u>3,730,919</u>	<u>317,857</u>	<u>4,048,776</u>
Net Assets, End of Year	<u>\$ 4,775,545</u>	<u>\$ -</u>	<u>\$ 4,775,545</u>

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part of these financial statements

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Davis Phinney Foundation

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 1,046,602	\$ 146,153	\$ 295,619	\$ 1,488,374
Payroll taxes and benefits	147,515	27,498	36,210	211,223
Total personnel	1,194,117	173,651	331,829	1,699,597
Research awards and grants	358,266	-	-	358,266
Computer and information technology	218,992	3,600	48,764	271,356
Rent	86,364	4,798	4,798	95,960
Program events	88,389	-	-	88,389
Postage and shipping	85,478	272	268	86,018
Printing	63,864	119	1,134	65,117
Travel and meals	33,796	92	869	34,757
Consulting	28,679	412	3,911	33,002
Contract labor	8,232	30	18,306	26,568
Legal and professional fees	15,046	4,232	3,623	22,901
Bank fees	16,250	556	5,143	21,949
Multimedia expense	17,945	417	159	18,521
Telephone and Internet	11,643	948	2,800	15,391
Staff development	7,306	359	1,299	8,964
Advertising and marketing	4,850	103	977	5,930
Taxes and licenses	-	4,766	-	4,766
Office expenses	4,044	26	251	4,321
Miscellaneous	3,277	25	60	3,362
Repairs and maintenance	1,637	41	394	2,072
Insurance	1,601	41	385	2,027
Dues and subscriptions	1,045	28	265	1,338
Total operating expenses before depreciation	2,250,821	194,516	425,235	2,870,572
Depreciation	2,446	62	589	3,097
Total operating expenses	\$ 2,253,267	\$ 194,578	\$ 425,824	\$ 2,873,669

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 790,844	\$ 97,308	\$ 304,374	\$ 1,192,526
Payroll taxes and benefits	117,793	21,436	43,360	182,589
Total personnel	908,637	118,744	347,734	1,375,115
Research awards and grants	428,738	-	-	428,738
Computer and information technology	186,411	7,512	44,799	238,722
Rent	89,393	5,960	23,838	119,191
Postage and shipping	73,316	171	10,062	83,549
Program manuals	66,843	-	-	66,843
Printing	29,766	30	32,168	61,964
Consulting	32,133	1,874	7,494	41,501
Contract labor	10,096	355	17,452	27,903
Program events	7,755	-	14,288	22,043
Bank fees	19,562	1,304	46	20,912
Legal and professional fees	13,372	892	3,567	17,831
Telephone and Internet	12,850	921	3,240	17,011
Staff development	11,973	53	388	12,414
Multimedia expense	8,234	56	222	8,512
Insurance	4,206	280	1,122	5,608
Taxes and licenses	323	4,580	86	4,989
Miscellaneous	2,198	93	2,313	4,604
Advertising and marketing	3,019	46	288	3,353
Travel and meals	2,656	97	585	3,338
Office expenses	2,151	88	414	2,653
Dues and subscriptions	-	-	375	375
Repairs and maintenance	57	4	15	76
Total operating expenses before depreciation	1,913,689	143,060	510,496	2,567,245
Depreciation	2,535	169	676	3,380
Total operating expenses	\$ 1,916,224	\$ 143,229	\$ 511,172	\$ 2,570,625

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (473,766)	\$ 726,769
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,097	3,380
Amortization of right-of-use operating lease asset	45,405	-
Net realized and unrealized loss on investments	708,785	8,161
Loss on disposal of equipment	4,660	450
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(22,742)	(8,202)
Pledge receivable	-	300,000
Accrued interest receivable	-	4,532
Inventory	-	17,226
Prepaid expenses and other current assets	(24,918)	(6,290)
Accounts payable	17,954	(6,027)
Grants payable	(81,608)	208,279
Accrued compensation and benefits	(58,631)	32,606
Deferred revenue	34,000	(164,733)
Operating lease obligation	(54,994)	-
Net cash provided by operating activities	<u>97,242</u>	<u>1,116,151</u>
Cash Flows From Investing Activities		
Proceeds from maturity of investments	2,930,122	2,778,356
Purchases of investments	(6,560,840)	(1,272,371)
Net cash (used) provided by investing activities	<u>(3,630,718)</u>	<u>1,505,985</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(3,533,476)	2,622,136
Cash and Cash Equivalents, Beginning of Year	<u>4,323,937</u>	<u>1,701,801</u>
Cash and Cash Equivalents, End of Year	<u>\$ 790,461</u>	<u>\$ 4,323,937</u>

The accompanying Notes are an integral
part of these financial statements

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Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. Davis Phinney Foundation ("the Organization") is an Ohio non-profit corporation that was incorporated in 2004 to help people living with Parkinson's disease to live well today. The Organization was founded by Olympic medal-winner, Davis Phinney, who was diagnosed with Parkinson's disease in 2000 at the age of 40. Today, Davis is both a role model in the cycling community and an inspiration to the people living with the chronic disease. Funding for the Organization is obtained through events and charitable contributions from interested parties.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, sponsorships, special events, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle. On January 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance on the accounting for leases that superseded previous guidance. Topic 842 requires lessees to recognize leases on the statement of financial position for all leases, including operating leases which were not previously recorded as assets and liabilities, and to disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are now classified as financing, formerly capital, or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASU 2016-02 under the modified retrospective approach, applying the amendments only to prospective reporting periods. In performing its analysis, the Organization reflected the aggregate effect of all modifications when identifying the lease obligations and ROU assets. The change in accounting method would not have had a material effect on the change in net assets for the year ended December 31, 2021, or on net assets as of December 31, 2021.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment custodian.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued). Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Debt and Equity Securities and Mutual Funds. The Organization values debt and equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2022 and 2021.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that substantially all accounts receivable are fully collectible at December 31, 2022 and 2021.

Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over \$2,500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally two to seven years. Depreciation expense for the years ended December 31, 2022 and 2021 was \$3,097 and \$3,380, respectively.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Leases and Right-of-Use Assets. Commencing January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable, or otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date for all leases. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Right-of-use assets under operating leases are recorded in other assets in the accompanying statement of financial position. The Organization has elected to exclude leases of 12 months or less from right-of-use asset recognition. Amortization of right-of-use assets for operating leases is included in rent expense.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2022 and 2021.

Revenue Recognition. The Organization earns revenue from contracts with customers through sponsorships. The Organization's customers are primarily corporations operating in the medical industry. The Organization's contracts typically include a single performance obligation to perform agreed upon services, which generally occur within a single fiscal year.

Sponsorship revenue is recognized upon completion of an event, once the Organization's customers receive and consume the benefits of the Organization's performance. The Organization typically provides the services under fixed fee arrangements which are billed at the time of registration. Amounts that have been invoiced are recorded in accounts receivable and in either deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Organization generally does not experience changes in the transaction price subsequent to the inception of its contracts.

Sponsorship revenue recognized under contracts with customers for the years ended December 31, 2022 and 2021, was \$756,658 and \$1,048,682, respectively.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued). Accounts receivable as of December 31, 2022 and 2021 totaled \$31,000 and \$8,258, respectively. The Organization did not have any contract assets associated with sponsorship revenue as of December 31, 2022 and 2021, or as of January 1, 2021. The Organization routinely collects fees in advance of the event taking place, which are recorded as deferred revenue (contract liabilities) on the statements of financial position. Contract liabilities as of December 31, 2022 and 2021 totaled \$45,000 and \$11,000, respectively. Contract liabilities as of December 31, 2020 totaling \$175,733 were recognized as revenue in 2021, and the December 31, 2021 contract liabilities were recognized as revenue in 2022. Additionally, the Organization expects to recognize the December 31, 2022 amounts as revenue in 2023.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 totaled \$5,930 and \$3,353, respectively.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Concentration. The Organization routinely maintains cash balances in excess of federally insured limits.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 6, 2023, the date at which the financial statements were available for release.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 2 - Adoption of Accounting Pronouncement

The Organization adopted Topic 842 on January 1, 2022 using the modified retrospective approach and recorded increases to opening right-of-use asset and operating lease liability of \$213,658 and \$211,061, respectively. The adoption changed the recognition of lease obligations and right-of-use assets. The adoption did not change net assets. The Organization elected certain practical expedients allowed under ASC 842 and, accordingly, did not reassess whether any expired or existing contracts are or include leases, or the lease classification of any expired or existing leases, and initial direct costs for any existing leases.

The cumulative effects of the changes made to the statement of financial position as of January 1, 2022 for the adoption of Topic 842 were as follows:

	Balance at December 31, 2021	Adjustments Due to ASC 842	Balance at January 1, 2022
Assets			
Right-of-use operating lease asset	\$ -	\$ 213,658	\$ 213,658
Liabilities			
Operating lease obligation	\$ -	\$ 211,061	\$ 211,061
Net assets	\$ 4,775,545	\$ -	\$ 4,775,545

Note 3 - Availability and Liquidity

The Organization had \$4,581,761 and \$5,320,562 in financial assets available within one year of December 31, 2022 and 2021, respectively. The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. The Organization's goal is to maintain financial assets to meet twelve months of operating expenses. As part of its liquidity plan, the Organization invests in short-term certificates of deposit, treasury securities, and maintains a money market savings that are available for liquidation as needed. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the Organization's guiding principles and goals.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 4 - Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value, as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt and equity securities				
U.S. equities	\$ 2,166,370	\$ -	\$ -	\$ 2,166,370
Municipal bonds	331,366	-	-	331,366
Real estate equities	-	99,886	-	99,886
Corporate bonds	40,119	-	-	40,119
Agency securities	24,909	-	-	24,909
Mutual funds				
Equity funds	646,067	-	-	646,067
Exchange traded funds	451,583	-	-	451,583
	<u>\$ 3,660,414</u>	<u>\$ 99,886</u>	<u>\$ -</u>	<u>3,760,300</u>
Investments carried at the lower of cost or market				
Real estate loan fund				<u>150,000</u>
Total investments				<u>\$ 3,910,300</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value, as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds	\$ 449,697	\$ -	\$ -	\$ 449,697
Bond funds	287,156	-	-	287,156
Certificates of deposit	-	250,000	-	250,000
Debt and equity securities				
U.S. equities	1,514	-	-	1,514
	<u>\$ 738,367</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 988,367</u>

Real Estate Loan Fund. The Organization invested in a fund that primarily invests in real estate loans, including loans that are non-recourse to the borrower. The investment is subject to a variety of risks in connection with such debt instruments. The fair value of the real estate loan fund is not readily determinable and is considered for impairment annually.

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2022 and 2021, there were no significant transfers in or out of fair value levels.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 4 - Investments (continued)

Investment loss consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 86,943	\$ 12,426
Net unrealized loss on investments	(519,134)	(6,269)
Net realized loss on investments	(189,651)	(1,892)
	<u>(621,842)</u>	<u>4,265</u>
Investment fees	(26,816)	(5,757)
Net investment loss	<u>\$ (648,658)</u>	<u>\$ (1,492)</u>

Note 5 - Grants Payable

The Organization has made unconditional promises to grant funds to certain recipients. A schedule of committed payments is as follows at December 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 264,729
2024	58,040
2025	12,500
	<u>\$ 335,269</u>

Note 6 - Operating Lease

The Organization leases office space in Louisville, Colorado under a noncancelable operating lease. The lease requires monthly base rent payments of \$4,050, with an escalated payment schedule, and expires in April 2026. Additionally, the lease agreement requires variable payments for the Organization's share of common costs. These variable lease payments are not included in lease payments used to determine lease obligations and are recognized as variable costs when incurred. The operating lease obligation and related right-of-use asset as of December 31, 2022 totaled \$158,664 and \$168,253, respectively.

Lease costs consist of the following for the year ended December 31, 2022:

	<u>Amount</u>
Operating lease costs	
Amortization of right-of-use assets	\$ 45,405
Interest on lease liability	9,316
Variable rent expense	41,239
	<u>\$ 95,960</u>

Rent expense, including common costs, on the leased facilities for the year ended December 31, 2021, prior to the implementation of ASC 842, totaled \$119,191.

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 - Operating Lease (continued)

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$61,713 for the year ended December 31, 2022.

The weighted average of the remaining lease terms and discount rates are as follows at December 31, 2022:

Remaining lease term, operating leases	3.33 years
Discount rate, operating leases	5.00%

The discount rate for the operating leases is estimated based on the Organization's incremental borrowing rate at the commencement of the lease.

Scheduled maturities of operating lease liabilities are as follows at December 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 50,019
2024	51,562
2025	53,105
2026	18,130
	<u>172,816</u>
Less imputed interest	<u>(14,152)</u>
	<u>\$ 158,664</u>

Note 7 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended December 31, 2021:

	<u>Community Support</u>	<u>Time Restrictions</u>	<u>Total</u>
Balance, January 1, 2021	\$ 17,857	\$ 300,000	\$ 317,857
Releases	(17,857)	(300,000)	(317,857)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no net assets with donor restrictions as of December 31, 2022.

Note 8 - Special Events

The Organization's net revenue from special fundraising events is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Event contributions	\$ 1,023,356	\$ 1,064,074
Direct costs	(105,531)	(94,584)
Net revenue	<u>\$ 917,825</u>	<u>\$ 969,490</u>

Davis Phinney Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 9 - In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Professional services	\$ 1,000	\$ 2,250
Materials and supplies	10,400	12,038
	<u>\$ 11,400</u>	<u>\$ 14,288</u>

The Organization receives contributed professional services that are reported using current rates for similar services. Contributed materials and supplies received by the Organization are valued at the current price for similar items located on a publicly available website.

All donated services and materials and supplies were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the in-kind contributions.

Note 10 - Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which allows an employee to contribute up to \$14,000 of their annual compensation. The Organization provides a 2% contribution to the plan for any employee with annual compensation in excess of \$5,000. The Organization contributed \$24,346 and \$21,725 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 11 - Commitments

The Organization reserves future events under noncancelable contractual agreements. At December 31, 2022, the unfunded future minimum payments required under contractual reservations due in 2023 totaled \$16,460.