

SILVER SPRUCE ACADEMY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

SILVER SPRUCE ACADEMY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

October 18, 2023

Independent Auditors' Report

Board of Directors
Silver SPRUCE Academy, Inc.
Bayfield, Colorado

Opinion

We have audited the accompanying financial statements of Silver SPRUCE Academy, Inc. (a Colorado nonprofit corporation), which comprise the statement of financial position as of June 30, 2022 and 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 financial statements referred to above present fairly, in all material respects, the financial position of Silver SPRUCE Academy as of June 30, 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. 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 Silver SPRUCE Academy 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 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 Silver SPRUCE Academy'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 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 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, including omissions, 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 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 Silver SPRUCE Academy'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 Silver SPRUCE Academy'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.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
Denver, Colorado

SILVER SPRUCE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	2022
<u>Assets</u>	
Cash and cash equivalents	\$ 81,294
Prepaid expenses	2,553
Net property and equipment (Note 3)	209,806
Total assets	\$ 293,653
 <u>Liabilities and net assets</u>	
<u>Liabilities</u>	
Accrued expenses	3,553
TBK - Property Loan (Note 4)	127,500
Total liabilities	131,053
 <u>Net assets</u>	
Without donor restrictions	
Undesignated	55,616
Net investment in property and equipment	82,306
Capital campaign with donor restrictions (Note 8)	24,678
Total net assets	162,600
Total liabilities and net assets	\$ 293,653

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	2022		
	Without donor Restrictions	With Donor Restrictions	Total
<u>Revenue and other support</u>			
Mountain Middle School Program income	\$ 125,111	\$ -	\$ 125,111
Foundation	-	5,700	5,700
Program fees	8,878	-	8,878
Individual contributions	196	3,538	3,734
Special events	-	-	-
Paycheck Protection Program grant	16,602	-	16,602
Corporate contributions	188	27,500	27,688
Interest income	96	-	96
In-kind contributions (Note 5)	26,000	-	26,000
Net assets released from restrictions (Note 7)	12,060	(12,060)	-
Total revenue and other support	189,131	24,678	213,809
<u>Expense</u>			
Program services	153,160	-	153,160
Supporting services			
Management and general	30,109	-	30,109
Fundraising	7,279	-	7,279
Total expense	190,548	-	190,548
Change in net assets	(1,417)	24,678	23,261
Net assets, beginning of year	139,339	-	139,339
Net assets, end of year	\$ 137,922	\$ 24,678	\$ 162,600

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	2022			
		Supporting Services		
	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 75,065	\$ 14,075	\$ 4,692	\$ 93,832
Payroll taxes and benefit	6,652	1,247	416	8,315
Educational expenses	30,328	-	-	30,328
Rent	16,635	2,936	-	19,571
Insurance	5,144	964	321	6,429
Interest expense	-	5,494	-	5,494
Memberships and registration fees	3,558	-	-	3,558
Meals and entertainment	2,736	483	-	3,219
Accounting services	-	2,577	-	2,577
Books and subscriptions	2,063	-	-	2,063
Advertising and promotion	1,590	298	99	1,987
Facilities and equipment	1,464	275	92	1,831
Capital campaign	-	-	1,264	1,264
Printing and postage	837	157	52	1,046
Equipment rental and maintenance	1,011	-	-	1,011
Telephone	675	127	42	844
Bank and credit card fees	-	361	-	361
Utilities	229	40	-	269
Office supplies	-	83	-	83
Miscellaneous expenses	356	89	-	445
	\$ 148,343	\$ 29,206	\$ 6,978	\$ 184,527
Depreciation	4,817	903	301	6,021
	\$ 153,160	\$ 30,109	\$ 7,279	\$ 190,548

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 23,261
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities	
Depreciation	(15,040)
<u>Changes in operating assets and liabilities</u>	
(Increase)decrease in prepaids	(2,165)
(Increase)decrease in accounts payable	(450)
Increase(decrease) in accrued payroll expenses	(183)
Net cash provided(used) by operating activities	5,423
<u>Cash flows from financing activities</u>	
Borrowing on note payable	(16,602)
Net increase(decrease) in cash and cash equivalents	(11,179)
Cash and cash equivalents, beginning of year	92,473
Cash and cash equivalents, end of year	\$ 81,294

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - NATURE OF ACTIVITIES

Silver SPRUCE Academy, Inc. is a dynamic and inclusive K-12 educational institution dedicated to providing a wide range of educational options that cater to the diverse needs of students and families in the Four Corners Area. Established in 2013, our academy has grown steadily over the years, and we are proud of our strong partnerships with Mountain Middle School and Animas High School through the CO Charter School Institute. The Organization works with the parent/student team to offer classes, tutoring, testing, and other services or resources to supplement homeschooling education. Many participants live throughout the Four Corners Area and having varied classroom locations accommodate all program participants.

Our mission to provide educational enrichment programs and courses to students and families throughout the Four Corners Area, in collaboration with other educational organizations allows the Academy to offer a Supplemental Program and Resources Utilized in Curriculum Education for school choice families and students while creating the instructional scaffolding and educational framework to empower students. The Academy delivers a personalized education that fosters academic excellence, critical thinking, and lifelong learning while nurturing a vibrant, supportive community. We believe that every student is unique, and our dedicated team of educators works tirelessly to create individualized learning experiences that cater to each student's strengths, interests, and goals.

Silver SPRUCE Academy serves a variety of school choice programs, including Shared School, Homeschool, and Private School options, allowing families to choose the educational path that best suits their needs. Our experienced and passionate faculty members work collaboratively with students and their families to create tailored educational plans that promote both academic achievement and personal growth. No core curriculum is required or provided through the Organization's program to allow school choice families to choose the core curriculum or educational materials that serves their individual student best.

As the demand for our innovative educational offerings continues to grow, Silver SPRUCE Academy is committed to expanding our capacity to serve more students and families in our community. The construction of our Community Learning Campus will be a vital step toward achieving this goal, enhancing the learning environment for current and future students while ensuring that our academy remains at the forefront of educational excellence in the region.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. 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.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulation regarding how long the contributed asset must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$500. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

5. Estimates

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

6. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

7. Functional Reporting of Expenses

For the year ended June 30, 2022, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated are salaries and payroll taxes and benefits which are allocated based on estimates of time and effort.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

8. Revenue and revenue recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

9. Subsequent Events

Management has evaluated subsequent events through October 18, 2023, the date the financial statements were available to be issued. No conditions were noted, other than those described in note 10, that did not exist as of June 30, 2022, but arose subsequent to that date.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 42,962
Land	170,951
CIP land improvements	31,711
Loan fees	1,546
Less: accumulated amortization and depreciation	<u>(37,364)</u>
Net property and equipment	<u>\$ 209,806</u>

In the year 2021, the Organization purchased land, and is considered non-depreciable. Additionally, the organization planned to build on the property. Depreciation expense for the year was \$6,021.

NOTE 4 - NOTE PAYABLE

The Organization has a participating mortgage note payable of \$127,000 that was used to purchase the land at 743 County Road 510, Durango, CO 81303. The note bears interest at 4.25% and matures on February 26, 2024. Interest on the note is payable monthly, with principal due at maturity. Interest expense for the year was \$5,494. The Organization's note payable of \$127,000 agrees to the principal balance according to the amortization schedule provided by the lender.

Organization has been in communication with the bank on the intent to sell the land. The bank agrees to interest only payments until the land can be sold in efforts to pay off the loan balance.

NOTE 5 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected in the accompanying financial statements at the estimated value at date of receipt. The value of services included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Equipment and services	\$ 17,304
Equipment	3,732
Food	1,972
Facility	1,831
Educational supplies	989
Groceries	173
Total	<u>\$ 26,000</u>

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2022, Silver SPRUCE Academy involved approximately 100 volunteers providing over 1,000 hours of volunteer time. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

NOTE 6 - CONCENTRATION OF FUNDING SOURCE

Approximately 60% of the total revenue for year ended June 30, 2022 was from one contract. A significant reduction in the level of such support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Capital building project	<u>\$ 12,060</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Capital building project	<u>\$ 24,678</u>

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general operating expenditures within one year on June 30, 2022:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	<u>\$ 81,294</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 81,294</u>

The general goal of the Organization is to maintain financial assets at 20 percent of the total cash operating expenses budget. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.

NOTE 10 - SUBSEQUENT EVENT

Due to the loss of proposed funding from United States Department of Agriculture (USDA). Management and the board of directors have decided to sell the land purchased at 743 County Road 510, Durango, CO 81303. As of the report date, the organization will have no property available to operate activities past the date of May 31, 2024. The board and management will conduct normal activities through May 31, 2024.