

Freedom West Community Development Corporation

**Independent Auditor's Report
and Financial Statements**

Year Ended September 30, 2020

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Freedom West Community Development Corporation
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For the year ended September 30, 2020

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Freedom West Community Development Corporation
Statement of Financial Position
September 30, 2020

ASSETS

Current Assets:

Cash & Cash Equivalents	\$	73,781
Certificate of Deposits		55,610
Accounts Receivable		2,900
Inventory		8,844
Prepaid Insurance		8,014
Total Current Assets		149,149

Fixed Assets (Note 7):

Property, furniture, and equipment		2,076,012
Less: Accumulated depreciation		(656,375)
Land		10,000
Construction in Progress		112,002
Total Fixed Assets		1,541,639

Total Assets	\$	1,690,788
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable		2,753
Accrued Payroll & Taxes		5,818
Tenant Deposits		7,950
Notes Payable, current portion		9,143
Total Current Liabilities		25,664

Notes Payable, Long-Term (Note 8)		81,313
Total Liabilities		106,977

Net Assets

Without Donor Restrictions		294,105
With Donor Restrictions		1,289,706
Total Net Assets		1,583,811

Total Liabilities and Net Assets	\$	1,690,788
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The accompanying report and notes are an integral part of these financial statements

Freedom West Community Development Corporation
Statement of Activities
For Year Ended September 30, 2020

Change in Net Assets:	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Donations	\$ 1,901	\$ 75,996	\$ 77,897
In-kind Donations	2,400	-	2,400
Grants	18,000	11,175	29,175
Rental Income	77,101	-	77,101
Art Gallery Income	11,299	-	11,299
Other income	334	-	334
Interest Income	1,131	-	1,131
Total Revenues	112,166	87,171	199,337
Expenses:			
Program Services:			
Advertising	252	331	583
Professional Fees	1,350	-	1,350
Rent-Gallery	-	11,500	11,500
Gallery Expense	-	15,534	15,534
Insurance	9,377	1,251	10,628
Contributions	15,700	7,000	22,700
Depreciation	-	74,537	74,537
Repairs & Maintenance	15,058	-	15,058
Utilities	802	2,414	3,216
Total Program Services	42,539	112,567	155,106
Supporting Services:			
Bookkeeping	3,890	11,595	15,485
Personnel Costs	17,460	35,490	52,950
Professional fees	4,800	2,200	7,000
Insurance	2,807	-	2,807
Depreciation	43	-	43
Communications	680	2,471	3,151
Training and Travel	492	195	687
Supplies	-	5,540	5,540
Rent	3,600	-	3,600
Payroll Taxes	1,336	2,715	4,051
Total Supporting Services	35,108	60,206	95,314
Total Expenses	77,647	172,773	250,420
Increase/(decrease) in net assets before other items	34,519	(85,602)	(51,083)
Other Income/(Expense):			
Interest Expense	(5,110)	-	(5,110)
Increase/(decrease) in net assets	29,409	(85,602)	(56,193)
Net assets at beginning of year	305,359	1,334,645	1,640,004
Reclassification (Note 17)	(40,663)	40,663	-
Net assets at end of year	\$ 294,105	\$ 1,289,706	\$ 1,583,811

The accompanying report and notes are an integral part of these financial statements

Freedom West Community Development Corporation
Statement of Cash Flows
For Year Ended September 30, 2020

Cash Flows Provided (Used) by Operating Activities:	
Increase (decrease) in net assets	(56,193)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	74,580
(Gain)/Loss on Sale of Assets	-
Net (increase) decrease in accounts receivables	8,510
Net (increase) decrease in prepaid insurance	715
Net (increase) decrease in inventory	(2,225)
Net increase (decrease) in accounts payables	429
Net increase (decrease) in tenant deposits	1,100
Net increase (decrease) in payroll and taxes	1,149
Net Cash Provided (Used) by Operating Activities	28,065
Cash Flows Provided (Used) by Investing Activities:	
Purchase of investments	(1,116)
Purchase of fixed assets	(16,934)
Net Cash Provided (Used) by Investing Activities	(18,050)
Cash Flows Provided (Used) by Financing Activities:	
Loan Proceeds	10,771
Principle Payments	(10,235)
Net Cash Flows Provided (Used) by Financing Activities:	536
Net Increase (Decrease) in Cash and Cash Equivalents	10,551
Beginning Cash and Cash Equivalent Balance	63,230
Ending Cash and Cash Equivalent Balance	\$ 73,781

Supplemental information:

Cash paid for interest during fiscal year ending September 30, 2020	\$ 5,110
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The accompanying report and notes are an integral part of these financial statements

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Freedom West Community Development Corporation (the “Corporation”) is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation was organized to assist rural communities in their revitalization efforts to increase community sustainability through proactive social and economic efforts.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized when earned and expenses are recognized when a liability is incurred.

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with ASU 2016-14 the Corporation reports net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may, or will be, met either by actions of the Corporation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted accounts and deposits with a maturity of three months or less to be cash equivalents.

Property and Equipment

Depreciable assets are recorded at cost when purchased. Assets donated are recorded at fair market value when received. Major maintenance activities, if they extend the expected useful life of the asset and are greater than \$1,000, are capitalized and depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Property and improvements	5 – 40 years
Furniture and equipment	3 – 15 years
Equipment and vehicles	3 – 7 years

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Income Tax

The Corporation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*. As such, no provision has been made in the financial statements for federal or state income taxes.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes* (Currently FASB Accounting Standards Codification (ASC) 740, *Income Taxes*), which requires extensive disclosures about uncertain income tax positions. This standard seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to income taxes. The Corporation evaluates any uncertain tax positions using the provision of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Corporation does not believe that it engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist, and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the three previous reporting periods remain open to examination. Currently the Corporation has no open examination with either the Internal Revenue Service or state taxing authorities.

The Corporation's policy is to record any income tax related penalties and interest incurred as operating expense. There were no income tax related penalties or interest included in the accompanying financial statements.

Fair Value Measurement

FASB ASC No. 820-10-50, Fair Value Measurements, established a framework for measuring fair value. That 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10-50 is described as follows:

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Fair Value Measurement-continued

Level 1- Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2- Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

Level 3- Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Corporation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Corporation in determining fair value is greatest for investments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy in which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Investments

In accordance with FASB Accounting Standards Codification No. 958-302, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Net unrealized and realized gains and losses on investments are included in the statements of activities as changes in unrestricted net assets.

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Corporation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation, but these services do not meet the criteria for recognition as contributed services.

Inventory

Inventory consists of materials, including sculpting materials as well as merchandise and artwork available for sale at the gallery. Cost of goods sold is recognized on an average cost basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect assets, liabilities, net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

NOTE 2 – GOVERNING BOARD DESIGNATIONS:

The Corporation's governing board has designated, from net assets without donor restrictions \$41,281, net assets for the following purposes as of September 30, 2020:

Cash — Art Program	\$ 41,281
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NOTE 3 – ACCOUNTING FOR CONTRIBUTIONS:

The Corporation has adopted the provisions of Statement of Financial Accounting Standards in its ASC 958 (formerly Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

Unconditional promises to give are recorded as received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promises, are recorded as temporarily restricted net assets until the conditions on which they depend are met.

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 3 – ACCOUNTING FOR CONTRIBUTIONS- continued:

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

NOTE 4 – CASH AND CASH EQUIVALENTS:

For purposes of the financial statements, cash equivalents consist of deposits in checking, savings accounts and petty cash. As of September 30, 2020, the Corporation held cash balances of \$ 73,781, with depository insurance on amounts up to \$250,000.

Certificates of deposit with an original maturity in excess of 90 days, in the amounts of \$55,610 on September 30, 2020, are reported as temporary investments rather than cash equivalents. A credit risk exists when deposits held at a financial institution are in excess of FDIC insured amounts or when cash accounts at brokerage firms exceed SIPC limits. For the year ended September 30, 2020 there was no deposits in excess of FDIC or SIPC limits.

NOTE 5 – ACCOUNTS RECEIVABLE:

Accounts receivable is deemed to be fully collectible by management and is composed of the following amounts at September 30, 2020:

Accounts Receivable	\$ 2,900
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NOTE 6 – INVESTMENTS:

Investments are considered to be level 2 investments in the fair value hierarchy previously mentioned. The Corporation reports held-to-maturity investments at cost.

	Fair Market Value <u>9/30/20</u>	Cost <u>9/30/20</u>
<u>Certificates of deposits</u>		
Alva State Bank	\$ 55,610	\$ 55,610

Total investment return consists of the interest revenue in the amount of \$1,131 for fiscal year ending September 30, 2020.

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 7 – PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, if purchased, or at fair market value if donated as follows:

	Balance 10/01/19	Additions	Disposals	Balance 9/30/20
Capital Assets:				
Buildings	\$ 1,952,768	\$ -	\$ -	\$ 1,952,768
Furniture & Equipment	67,270	3,618	-	70,888
Vehicles	15,900	-	-	15,900
Improvements	23,140	13,316	-	36,456
Total Capital Assets	2,059,078	16,934	-	2,076,012
Less: Accumulated Depreciation	(581,795)	(74,580)	-	(656,375)
Capital Assets, net	1,477,283	(57,646)	-	1,419,637
Land	10,000	-	-	10,000
Construction in Process	112,002	-	-	112,002
Total Fixed Assets, net	\$ 1,599,285	\$ (57,646)	\$ -	\$ 1,541,639

Total depreciation for the year ending September 30, 2020 was \$ 74,580

NOTE 8 – NOTES PAYABLE:

	<u>Balance 09/30/20</u>
COMMUNITY BANK	
Origination amount \$10,771 on April 15, 2020 payable \$606 per month at 1% interest, maturing March 15, 2022.	\$ 10,771
 ALVA STATE BANK	
Origination amount \$94,774 payable \$637 per month at 7% interest, maturing November 2030. Collateral for this note is residential rental.	<u>79,685</u> 90,456
Less: Current portion of L-T Debt	<u>(9,143)</u>
Long-Term Debt	<u>\$ 81,313</u>

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 8 – NOTES PAYABLE- continued:

Principle maturities on notes for each of the next five years are as follows:

2021	\$ 9,143
2022	5,682
2023	2,254
2024	2,254
2025	2,254
Thereafter	<u>68,869</u>
	<u>\$ 90,456</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Corporation’s assets as of the balance sheet date, reduced by amounts not available for general use because of restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term capital asset purchases that could be drawn upon if the governing board approves that action. The Corporation’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash & Investments	\$ 129,391
Accounts receivable	2,900
Less those unavailable for general expenditures within one year:	
Board designations	<u>(41,281)</u>
	<u>\$ 91,010</u>

As part of the Corporation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invest cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Corporation also could draw upon \$ 41,281 of its board designated funds.

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 10 – EXPENSES BY NATURE AND FUNCTION:

The table below presents expenses by both their nature and their function for fiscal year 2020.

Expenses	Program	Management and General	Fundraising	Total Expenses
Personnel Costs	\$ -	\$ 57,001	\$ -	\$ 57,001
Supplies and travel	15,534	6,227	-	21,761
Services and professional fees	1,933	22,485	-	24,418
Office and occupancy	14,716	6,751	-	21,467
Insurance	10,628	2,807	-	13,435
Repairs & Maintenance	15,058	-	-	15,058
Contributions	22,700	-	-	22,700
Depreciation	74,537	43	-	74,580
Total expenses	\$ 155,106	\$ 95,314	\$ -	\$ 250,420

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS:

Expirations of donor restrictions, either time or purpose restrictions, are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions in the Statement of Activities. The following amounts are subject to expenditure for specified purpose:

Donor Restricted- Art Program	<u>9/30/2020</u>
Cash-Edward Jones	\$ 33

Subject to the passage of time:

Book value of assets purchased with OHFA funds	<u>1,289,673</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,289,706</u>

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 12 – OPERATING LEASES

The Corporation entered into multiple operating leases during the fiscal year ended September 30, 2020. The lease terms are on month-to-month contracts in the amount of \$958 for gallery rent and \$167 for a copier lease. No obligations for future payments are required.

NOTE 13 – DESCRIPTION OF FACILITIES USE AGREEMENT

The Corporation occupies office space in the Northwest Technology Center business incubator with no written lease agreement or rent payment. Management has estimated the fair market value of the use of office space to be \$2,400 annually, which has been reflected in the statement of activities as an in-kind donation.

NOTE 14 – RISK MANAGEMENT:

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Corporation purchases commercial insurance for these and other risks of loss.

NOTE 15– CONCENTRATIONS:

The Corporation relies on donations significant portion of their project funding. Due to the uncertainty of maintaining those levels of funding from year to year it is possible that the operations of the organization would have to be curtailed significantly in the event that those appropriations were not made. Due to the extent those revenues make up the total revenues of the organization, loss of that funding could have a material impact on the financial position of the organization as a whole.

NOTE 16 – CONTINGENCIES:

Grant expenditures are subject to financial compliance audits by the grantor agencies or their representatives. Such audits could lead to requests or reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Corporation believes that the amount for expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 17 – RECLASSIFICATIONS:

Expirations of donor restrictions, either time or purpose restrictions, are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions in the Statement of Activities.

Freedom West Community Development Corporation
Notes to Financial Statements
For the year ended September 30, 2020

NOTE 18 – EVALUATION OF SUBSEQUENT EVENTS:

On October 29, 2020, the Community Bank note payable (Note 8) used for the paycheck protection program was forgiven in full in the amount of \$10,771. The Corporation was released from all liability associated with the repayment of this loan.

Management has evaluated subsequent events through January 28, 2021 and believes that there are no other subsequent events that are not disclosed which would be required under Generally Accepted Accounting Principles. January 28, 2021 is the date that the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Freedom West Community Development Corporation
Schedule of Federal and State Financial Awards-(Cash Basis)
For Year Ended September 30, 2020

<u>Grantor/Program</u>	<u>Contract Amount</u>	<u>Receipts or Revenue</u> <u>Recognized</u>	<u>Disbursements or</u> <u>Expenses</u> <u>Recognized</u>
Oklahoma Arts Council	\$ 1,175	\$ 1,175	\$ 1,175
Total state awards		<u>\$ 1,175</u>	<u>\$ 1,175</u>

See the accompanying independent auditors report.