THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019

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Independent Auditor's Report

To the Board of Directors of
The Dwayne Peaslee Technical Training Center, Inc.

We have audited the accompanying financial statements of The Dwayne Peaslee Technical Training Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related notes to the financial statements.

Management's Responsibility for 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; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to about present fairly, in all material respects, the financial position of The Dwayne Peaslee Technical Training Center, Inc.as of December 31, 2019, 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.

Motsinger CPA Tax & Accounting LLC

Motsinger CPA Tax & Accounting LLC
Lawrence, Kansas
Draft for approval

THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Current assets	
Cash and cash equivalents	$ 673,207
Investments	3,686
Accounts receivable	36,436
Prepaid Expenses	11,042
Total current assets	724,371
Property and equipment, net	4,248,592
Other Assets	
Intangible assets, net	8,359
Deposits	252
Total other assets	8,611
Total assets	$ 4,981,574

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 50,575
Current portion of long-term debt	228,549
Accrued expenses	31,881
Total current liabilities	311,005
Long-Term Debt, net of current portion	1,175,932
Net assets	
Unrestricted	3,445,804
Temporarily restricted	48,833
Total net assets	3,494,637
Total liabilities and net assets	$ 4,981,574

The accompanying notes are an integral part of the financial statements.

THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
DECEMBER 31, 2019

Support and revenue	
Grants and other income	$ 429,317
Contributions	625,199
In-kind contributions	3,103
Facility income	233,882
Investment income	36
Total revenues, gains and other support	1,291,537
Expenses	
Program services	781,316
Management and general	37,665
Fundraising	13,420
Total expenses	832,401
Change in net assets	459,136
Net assets, beginning of year	3,035,501
Net assets, end of year	$ 3,494,637

The accompanying notes are an integral part of these financial statements.

THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
31-Dec-19

	Program Services	Mangement and general	Fundraising	TOTAL
Expenses:				
Salaries	$ 116,301	$ -	$ 12,922	$ 129,223
Payroll taxes	5,895	1,910	498	8,303
Other employee benefits	-	-	-	-
Management	-	-	-	-
Legal Fees	1,409	157	-	1,566
Accounting Fees	12,864	1,429	-	14,293
Office expenses	1,168	129	-	1,297
Occupancy	107,897	-	-	107,897
Travel	-	-	-	-
Advertising and Promotions	12,806	1,423	-	14,229
Interest	76,718	-	-	76,718
Depreciation	175,534	-	-	175,534
Insurance	14,905	3,733	-	18,638
Miscellaneous	1,850	-	-	1,850
Telephone and Internet	13,270	-	-	13,270
Assisted Tuition and Instructional Costs	191,648	-	-	191,648
Repairs and Maintenance	49,051	-	-	49,051
Dues and subscriptions	-	1,021	-	1,021
Bank service charges	-	1,746	-	1,746
Hospitality expense	-	733	-	733
Contract Labor	-	22,261	-	22,261
Bad Debt Expense	-	1,500	-	1,500
Amortization expense	-	1,623	-	1,623
Total expenses	$ 781,316	$ 37,665	$ 13,420	$ 832,401

The accompanying notes are an integral part of the financial statements.

THE DWAYNE PEASLEE TECHNICAL TRAINING CENTER, INC.

STATEMENT OF CASH FLOWS

DECEMBER 31, 2019

Cash flows from operating activities	
Change in net assets	$ 459,136
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Accounts receivable	(14,474)
Depreciation and amortizatoin	177,157
In kind donation	(3,103)
Increase (decrease) in liabilities	(134,566)
Net cash provided by operating activities	484,150
Cash flows from investing activities	
Change in investments	1,436
Cash flows from financing activities	
Increase (decrease) in notes payable	(228,573)
Net increase in cash and cash equivalents	257,013
Cash and cash equivalents, beginning of year	416,194
Cash and cash equivalents, ending of year	$ 673,207

The accompanying notes are an integral part of the financial statements.

Note 1 – Nature of organization

The Dwayne Peaslee Technical Training Center, Inc. (the Organization) was incorporated as a 501(c)(3) organization under the laws of the State of Kansas in 2014 as a catalyst for economic growth providing technical training to a diverse community of learners to meet the current and emerging needs of our communities and employers.

Note 2 – Summary of significant accounting policies

Basis of accounting

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

Financial Statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and 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 for 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.

The Organization's unspent contributions are reported in the net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner of specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Revenue recognition

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Management has reviewed the provisions of ASU No. 2014-09, Revenue from contracts with customers, and does not believe the adoption of this standard has a material impact on recognition of revenue.

Revenue with and without donor restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purpose of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other 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 with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Donated materials and services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Cash and cash equivalents

The Organization considers all cash and invested cash with original maturities not in excess of three months to be cash equivalents.

Property and equipment

Property and equipment are recorded at cost with depreciation computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5-10 years
Improvements	40 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Beneficial interest in assets held by others

The Organization established a fund held by Douglas County Community Foundation (DCCF). The balance consists of the fund's allocation of the pooled investment account held by DCCF. The Organization records investments in securities at the fair value on date of purchase or donation and recognizes the unrealized gain or loss resulting from the difference between cost and fair value in the statement of activities. Investments with readily determinable fair values are stated at fair value in the statement of financial position.

Income taxes

The Organization is exempt from income taxes under section 501 (c)(3) of the Internal Revenue Code as provided by a determination letter received from the Internal Revenue Service.

The Organization has adopted the provisions of FASB ASC 740-10, Accounting for Income Taxes. This standard clarifies the accounting for uncertainty in come taxes recognized in an organization's financial statements. The standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has not identified any uncertain tax positions.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Concentration of credit risk

The Organization is subject to credit risk due to bank accounts that are placed in financial institutions. As of December 31, 2019, the Organization did not maintain balances in excess of federally insured limits.

Recently adopted accounting guidance

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry=-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019. The Organization has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and has concluded that no material changes are necessary to conform with the new standard.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made. The guidance assists entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. The standard is effective for fiscal years beginning after December 31, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019.

Functional expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and activities benefited as depicted in the Statement of Functional Expenses.

Investments

The Organization carries investments in marketable securities with readily determinable fair values based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Fair value measurements – definition and hierarchy

The Organization adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. FASB AS 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstance. The hierarchy is broken down into three levels based on the observable inputs as follows:

> Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.
>
> Level 2: Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
>
> Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product 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 judgement. Accordingly, the degree of judgement exercised by the Organization in determining fair value is greatest for instruments 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. For disclosure purposes the level in the fair value hierarchy within 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 in its entirety.

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

Note 3 – Property and equipment

Property and Equipment include the following as of December 31, 2019:

Building components and structure	$ 4,435,913
Land and land improvements	441,625
Machinery and equipment	111,493
Furniture	24,337
Less: accumlated depreciation	(764,776)
Net property and equipment	$ 4,248,592

Note 4 – Investments

Investments held by the Organization consist of the following as of December 31, 2019:

	Fair Value
Mutual funds	$ 3,686

Following is a summary of investment returns for the year ended December 31, 2019, and is included in investment income in the Statement of Activities:

Interest and dividends	$ 36

Note 5 – Fair value disclosure

As discussed in Note 2, the Organization has a beneficial interest in the DCCF pooled investment fund. The investment policy governing the underlying investments is established by the Board of the Douglas County Community Foundation. These assets are measured at fair value on a recurring basis, and at December 31, 2019, are classified as Level 1 in the fair value hierarchy, respectively.

Unobservable inputs reflect DCCF's assumptions that the market participants would use in pricing the pooled investments, developed on the best information available in the circumstances, including assumptions about risk. Inputs may include market price information, volatility statistics, specific broad credit data, liquidity statistics, and other factors.

The following table presents assets measured at fair value on a recurring basis as of December 31, 2018:

	(Level 1)	(Level 2)	(Level 3)	Total
Mutual funds:				
Money Market	$ 3,686	$ -	$ -	$ 3,686
Beneficial interest in assets held by others	-	-	-	-
Total	3,686	-	-	3,686

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis for the year ended December 31, 2019:

Decemer 31, 2018	$ 2,250
Total dividend income and gains/losses	463
Contributions/additions	1,223
Fees	(250)
December 31, 2019	$ 3,686

Note 6 – Long Term Debt

Long-term debt consists of the following:

Note payable to Douglas County Kansas in the original amount of $143,294. Monthly payments of $1320 which include interest at 2.035%, through June 2025.	$85,926
Note payable to City of Lawrence in the original amount of $143,294. Monthly payments of $1,321 which include interest at 2.035%, through September 2025.	81,155
Note payable to Emprise Bank in the original amount of $1,437,400. Interest only payments are made eleven months out of the year. The twelfth payment is a princial payment of $200,000. Note is payable through January 2025.	1,237,400
Total	$1,404,481
Less current portion	228,549
Long-term debt, net of current portion	$1,175,932

Note 6 – Long Term Debt (continued)

Maturities of long-term debt are as follows:

2020	228,525
2021	229,111
2022	229,709
2023	230,319
2024 and thereafter	287,999
	$1,433,614

Note X – Pending accounting pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2020. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-02.

Note 7 – Subsequent events

Management has evaluated subsequent events through June 18, 2020, the date which the financial statements were available to be issued.

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID=-19 coronavirus in 2020, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance in unknown at this time.