

Independent Auditor's Report and Financial Statements
The Dwayne Peaslee Technical
Training Center, Inc.
December 31, 2023

Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

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

Opinion

We have audited the accompanying statement of financial position of The Dwayne Peaslee Technical Training Center, Inc. (the Organization), as of December 31, 2023, and were engaged to audit the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the statement of financial position referred to above presents fairly, in all material respects, the financial position of The Dwayne Peaslee Technical Training Center, Inc., as of December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Statements of Activities, Functional Expenses, and Cash Flows

We do not express an opinion on the statements of activities and changes in net assets, functional expenses, and cash flows of The Dwayne Peaslee Technical Training Center, Inc., for the year ended December 31, 2023. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations, functional expenses, and cash flows for the year ended December 31, 2023.

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 the Organization 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 on the statement of financial position.

Basis for Disclaimer of Opinion on Statements of Activities, Functional Expenses, and Cash Flows

The audit for the December 31, 2022 calendar year had not been completed at the time of the audit and we were unable to obtain sufficient appropriate audit evidence related to the audit work performed on beginning balances of the 2023 audit period. By not testing beginning balances, this materially affects the determination of the Statements of Activities, Functional Expenses, and Cash Flows for the year ended December 31, 2023.

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.

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 the Organization'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 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 the Organization'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 the Organization'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.

Wendling Noe Nelson & Johnson LLP

Topeka, Kansas
August 29, 2024

The Dwayne Peaslee Technical Training Center, Inc.
Statement of Financial Position
December 31, 2023

Assets	
Current assets	
Cash and cash equivalents	\$ 2,055,362
Accounts receivable, net	21,583
Prepaid expenses	<u>9,282</u>
Total current assets	<u>2,086,227</u>
Property and equipment, net	<u>4,897,633</u>
Other assets	
Beneficial interest in assets held by others	5,915
Deferred financing costs, net	<u>1,409</u>
Total other assets	<u>7,324</u>
Total assets	<u><u>\$ 6,991,184</u></u>
Liabilities and Net Assets	
Current liabilities	
Current portion of long-term debt	\$ 230,941
Accounts payable	272,359
Accrued salaries, benefits, and paid time off	17,280
Deferred revenue	<u>144,404</u>
Total current liabilities	<u>664,984</u>
Long-term debt, excluding current portion	<u>257,058</u>
Total liabilities	<u>922,042</u>
Net assets	
Without donor restrictions	5,805,751
With donor restrictions	<u>263,391</u>
Total net assets	<u>6,069,142</u>
Total liabilities and net assets	<u><u>\$ 6,991,184</u></u>

The accompanying notes are an integral part of this statement.

The Dwayne Peaslee Technical Training Center, Inc.
Statement of Activities and Changes in Net Assets
Year ended December 31, 2023

Changes in net assets without donor restrictions	
Revenues, gains, and other support	
Student tuition and fees	\$ 588,112
Support from governmental entities	600,000
Grants and contributions	101,310
Leased facility income	271,152
Investment income	30,986
Gain on involuntary conversion	1,187,488
Gain on disposal of asset	4,500
Net assets released from restriction	<u>60,720</u>
Total revenues and gains and other support	<u>2,844,268</u>
Expenses	
Program service	1,077,546
Management and general	326,133
Fundraising	<u>18,266</u>
Total expenses	<u>1,421,945</u>
Change in net assets without donor restrictions	<u>1,422,323</u>
Change in net assets with donor restrictions	
Grants and other income	271,265
Assets released from restrictions	<u>(60,720)</u>
Change in net assets with donor restrictions	<u>210,545</u>
Change in net assets	<u>1,632,868</u>
Net assets at beginning of year, as previously reported	4,531,245
Prior period adjustment to adjust beginning net assets	<u>(94,971)</u>
Net assets at beginning of year, as restated	<u>4,436,274</u>
Net assets at end of year	<u><u>\$ 6,069,142</u></u>

The accompanying notes are an integral part of this statement.

The Dwayne Peaslee Technical Training Center, Inc.
Statement of Functional Expenses
Year ended December 31, 2023

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel related expenses				
Salary expenses	\$ 422,557	\$ 94,362	\$ 16,120	\$ 533,039
Purchased administrative services		170,733		170,733
Employee benefits	<u>56,241</u>	<u>12,559</u>	<u>2,146</u>	<u>70,946</u>
Total salary, benefits, and purchased administrative services	<u>478,798</u>	<u>277,654</u>	<u>18,266</u>	<u>774,718</u>
Other expenses				
Assisted tuition and instructional costs	143,540			143,540
Accounting fees	16,122	1,791		17,913
Advertising and promotions	15,850	1,761		17,611
Occupancy	167,687	3,422		171,109
Depreciation	166,079	3,389		169,468
Repairs and maintenance	35,165	718		35,883
Interest	25,159	513		25,672
Telephone and internet	12,096	247		12,343
Miscellaneous	292			292
Bank and financial fees		9,320		9,320
Business licenses and permits		15,659		15,659
Dues and subscriptions		2,336		2,336
Hospitality		4,222		4,222
Insurance	13,135	3,284		16,419
Professional fees	518	58		576
Office	3,105	345		3,450
Travel		<u>1,414</u>		<u>1,414</u>
Total other expenses	<u>598,748</u>	<u>48,479</u>	<u>-</u>	<u>647,227</u>
Total expenses	<u>\$ 1,077,546</u>	<u>\$ 326,133</u>	<u>\$ 18,266</u>	<u>\$ 1,421,945</u>

The accompanying notes are an integral part of this statement.

The Dwayne Peaslee Technical Training Center, Inc.
Statement of Cash Flows
Year ended December 31, 2023

Cash flows from operating activities	\$ 1,632,868
Change in net assets	\$ 1,632,868
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	169,468
Amortization	1,410
Gain on involuntary conversion	(1,187,488)
Gain on sale of equipment	(4,500)
(Increase) decrease in	
Accounts receivable	(3,318)
Prepaid expenses	(1,294)
Beneficial interest in assets held by others	106
Increase (decrease) in	
Accounts payable	247,562
Accrued salaries, benefits, and paid time off	(7,643)
Deferred revenue	<u>(20,442)</u>
Net cash provided by operating activities	<u>826,729</u>
Cash flows from investing activities	
Purchase of property and equipment	(1,262,488)
Insurance proceeds received	1,187,488
Proceeds from sale of equipment	<u>4,500</u>
Net cash used by investing activities	<u>(70,500)</u>
Cash flows from financing activities	
Payment on long-term debt	<u>(230,319)</u>
Change in cash and cash equivalents	525,910
Cash and cash equivalents, beginning of year	<u>1,529,452</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,055,362</u></u>
Cash paid during the year for interest	<u><u>\$ 24,263</u></u>

The accompanying notes are an integral part of this statement.

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements
December 31, 2023

Note A - Description of Organization and Summary of Significant Accounting Policies

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. The Organization is located in Lawrence, Kansas, and is governed by a seven-member Board of Directors. Four members of the Board are appointed by the Commission of Douglas County, Kansas, and three members are appointed by the City Commission of the City of Lawrence, Kansas.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Use of estimates

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

2. Basis of accounting

Transactions are recorded using the accrual basis of accounting wherein revenue is recorded as earned and expenses are recorded when incurred in accordance with accounting principles generally accepted in the United States of America.

3. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers cash and cash equivalents to consist of checking accounts, demand deposits, and certificates of deposit with financial institutions.

4. Accounts receivable

Accounts receivable are stated at their estimated collectible amounts. Accounts are written off when deemed uncollectible. Interest is not charged on past due balances.

5. Property and equipment

Purchased property and equipment with a cost greater than \$1,000 and a useful life of more than one year are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of gift. Major renewals or betterments are capitalized and maintenance and repairs that do not improve or extend the life of the respective asset are recorded as expenses in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Total depreciation expense for the year ended December 31, 2023, was \$169,468. The estimated lives range as follows:

Buildings and fixed equipment	15 - 40 years
Land improvements	15 - 20 years
Machinery, equipment, and furniture	5 - 10 years

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements - Continued
December 31, 2023

Note A - Description of Organization and Summary of Significant Accounting Policies - Continued

6. Beneficial interest in assets held by others

The Organization has 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 purchases or donations to the fund at the fair value on the date of the respective purchase or donation and recognizes the unrealized gain or loss resulting from the difference between cost and fair value in the statement of activities and changes in net assets. Beneficial interest in assets with readily determinable fair values are stated at fair value in the statement of financial position. The Organization has appointed an Advisory Committee to make recommendations to the DCCF Board of Directors concerning grants from the funds. The Organization has granted various powers to the DCCF Board of Directors if a distribution request becomes impossible, inconsistent with a stated legal purpose, illegal, or the charitable purpose is no longer in existence.

7. Deferred revenue

The Organization will receive payment for instructional classes which are earned over a period of time as the classroom instruction is provided. The Organization also receives lease rent income in advance of the period of service. Amounts received for which the Organization has not met the requirements to recognize as revenue are reported as deferred revenue.

8. Net assets

Net assets, revenues, and gains are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
- *Net Assets with Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as changes in net assets without donor restrictions in the accompanying financial statements.

9. Income taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization did not have any material unrelated business income for the year ended December 31, 2023. The Organization is not aware of any material uncertain tax positions. Tax years that remain subject to examination in the Organization's major jurisdictions are for the years ended December 31, 2023, 2022, 2021, and 2020.

10. Revenue recognition

The Organization accounts for revenue from contracts with customers under ASC 606 guidance and is included in program revenue on the statement of activities and changes in net assets. Its program revenue is generated substantially from student tuition and fees, contributions, and support from Douglas County, Kansas (County), and the City of Lawrence, Kansas (City). The Organization analyzed the provisions of ASC 606, Revenue from Contracts with Customers, and has concluded that no changes

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements - Continued
December 31, 2023

Note A - Description of Organization and Summary of Significant Accounting Policies - Continued

were necessary to conform with the new standard. The timing of revenue recognition was not affected by the new standard. Revenues are recognized over a period of time as educational classes are provided and the related performance obligation has been satisfied. Payment is typically received prior to the instructional services being provided. Accounts receivable balances at December 31, 2023 and 2022, were \$21,583 and \$18,265, respectively.

11. Support and revenues

The Organization receives funding from donations, various programs, and the County and City. Revenues from donations are recognized when earned. Certain funds received by the Organization include grantor-imposed restrictions. The income for these funds is recognized as expenses are incurred. Grant funds received but not yet expended are reported as deferred revenue on the Statement of Financial Position.

12. Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses directly assigned by function with salary and wages determined by management based on estimates.

13. Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses are not material.

14. Subsequent events

The Organization has evaluated events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. See Note J.

15. Prior period net asset adjustments

During 2023, the Organization adjusted beginning net assets to reflect certain items that had not been previously recognized in the proper period. The adjustments were related to the accrual of year-end payroll, real estate taxes, paid time off, items expensed from construction in progress, and recognizing a valuation allowance related to a receivable related to employee retention credits.

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements - Continued
December 31, 2023

Note B - Information Regarding Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>
Cash and cash equivalents	\$ 2,055,362
Account receivables, net	<u>21,583</u>
Total cash and accounts receivable	<u>2,076,945</u>
Less amounts unavailable for general expenditures due to Net assets with donor restrictions	<u>(263,391)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,813,554</u>

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note C - Concentration of Credit Risk

At December 31, 2023, the carrying amounts of the Organization's deposits were \$2,055,141 and the bank balances were \$2,056,935. Of the bank balances, \$1,348,845 was covered by federal depository insurance and \$708,090 was uninsured and uncollateralized. Management monitors the soundness of these financial institutions and believes the risk of loss is negligible.

Note D - Property and Equipment, Net

Property and equipment include the following as of December 31, 2023:

Property and equipment being depreciated	
Buildings and fixed equipment	\$ 4,476,194
Land improvements	172,615
Machinery and equipment	106,156
Furniture	<u>25,275</u>
Total property and equipment being depreciated	4,780,240
Less: accumulated depreciation	<u>(1,427,605)</u>
Net property and equipment being depreciated	3,352,635
Land	282,510
Construction in progress	<u>1,262,488</u>
Property and equipment, net	<u>\$ 4,897,633</u>

Construction in progress consists of costs associated with the cost of roof replacement for the buildings owned by the Organization. There were no significant commitments related to this project at December 31, 2023.

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements - Continued
December 31, 2023

Note E - Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in the Douglas County Community Foundation (DCCF) pooled investment fund. The investment policy governing the underlying investments is established by the Board of DCCF. The Organization carries this interest at its reported share of the pooled investment fund as provided by DCCF.

Note F - Long-term Debt

Long-term debt consists of the following at December 31, 2023:

2.035% Note payable to Douglas County Kansas, issued on March 25, 2015, in the original amount of \$143,294, due serially through October 1, 2025	\$ 27,223
2.035% Note payable to City of Lawrence, issued on March 24, 2015, in the original amount of \$143,294, due serially through June 1, 2025	23,376
4.350% Note payable to Emprise Bank, issued on January 29, 2018, in the original amount of \$1,347,400, due serially through January 1, 2026	<u>437,400</u>
Total	487,999
Less current maturities and premium on bonds	<u>230,941</u>
	<u><u>\$ 257,058</u></u>

Maturities of long-term debt are as follows:

2024	\$ 230,941
2025	<u>257,058</u>
	<u><u>\$ 487,999</u></u>

Note G - Net Assets with Donor Restrictions

Net assets with donor restrictions are summarized as follows:

Specified purposes	
Solar project expenditures	\$ 150,000
Tuition assistance	99,731
Carpentry program expenditures	11,000
Tenants to homeowners	<u>2,660</u>
Total net assets with donor restrictions	<u><u>\$ 263,391</u></u>

The Dwayne Peaslee Technical Training Center, Inc.
Notes to Financial Statements - Continued
December 31, 2023

Note G - Net Assets with Donor Restrictions - Continued

Net assets were released from restrictions by incurring expenses satisfying the purposes specified by the donors as follows:

Purpose restriction satisfied	
For tuition assistance	\$ 23,410
Educational expenses for specified purposes	<u>37,310</u>
 Total net assets released from restrictions	 <u>\$ 60,720</u>

Note H - Leases

The Organization leases office and classroom space primarily to other educational institutions. The lease agreements vary from month-to-month to 5-year agreements. Leased facility income recognized related to operating leases totaled \$271,152 during the year ended December 31, 2023.

The following is a schedule of annual undiscounted cash flows of operating lease payments under signed agreements expected to be received as of December 31, 2023:

<u>Year ended</u>	
2024	\$ 117,946
2025	92,185
2026	92,185
2027	<u>30,728</u>
	 <u>\$ 333,044</u>

Note I - Related-party Transactions

The Organization is related to Douglas County, Kansas (the County), and the City of Lawrence, Kansas (the City), through board governance. During the year ended December 31, 2023, the Organization received \$400,000 of support from the County and \$200,000 from the City, respectively. The Organization also reimburses the County for the CEO salaries and benefit costs. The total amount expensed to the County for the services of the CEO was approximately \$170,000. At December 31, 2023, the Organization had recorded as a liability \$124,971 to the County for these services.

Note J - Subsequent Events

On January 12, 2024, the Organization entered into an agreement to install a solar system. Total estimated costs of the project are \$419,000 and the project is expected to result in significant energy savings after it is installed.