

TRAIL LIFE USA, INC.

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2024

**TRAIL LIFE USA, INC.
TABLE OF CONTENTS**

TABLE OF CONTENTS	Page No.
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Trail Life USA, Inc.

Opinion

We have audited the accompanying financial statements of Trail Life USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities 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 Trail Life USA, Inc. as of June 30, 2024, 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 Trail Life USA, Inc. 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 Trail Life USA, Inc.'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 Trail Life USA, Inc.'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 Trail Life USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

Other Matters

Prior Period Adjustment

As discussed in Note 10 to the financial statements, Trail Life USA, Inc. recorded a prior period adjustment to adjust the net assets properly reflect the Charitable Trust not included in the previous year.

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.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
September 16, 2024

TRAIL LIFE USA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,446,007
Cash, regional locations	247,650
Accounts receivable	90,863
Prepaid Expenses	38,776
Inventory	917,678
	<u>2,740,974</u>
Total current assets	<u>2,740,974</u>

NONCURRENT ASSETS

Property and equipment, net	212,922
Beneficial interest - Charitable remainder trust	133,000
Operating lease right-of-use asset, net	464,380
	<u>810,302</u>
Total noncurrent assets	<u>810,302</u>

Total assets	<u><u>\$ 3,551,276</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 69,925
Other current liabilities	59,353
Operating lease right-of-use liability, current	25,357
	<u>154,635</u>
Total current liabilities	<u>154,635</u>

NONCURRENT LIABILITIES

Operating lease right-of-use liability	439,023
	<u>439,023</u>
Total liabilities	<u>593,658</u>

NET ASSETS

Without donor restrictions	
Available for operations	2,866,475
With donor restrictions	
Purpose restrictions	91,143
	<u>2,957,618</u>
Total net assets	<u>2,957,618</u>

Total liabilities and net assets	<u><u>\$ 3,551,276</u></u>
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The accompanying notes are an integral part of these financial statements.

TRAIL LIFE USA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Merchandise sales	\$ 3,835,566	\$ -	\$ 3,835,566
Less: sales discounts	(164,430)	-	(164,430)
Less: cost of goods sold	<u>(2,426,448)</u>	<u>-</u>	<u>(2,426,448)</u>
Gross Profit	<u>1,244,688</u>	<u>-</u>	<u>1,244,688</u>
Contributions	495,917	39,991	535,908
Membership, program, and charter fees	3,156,083	-	3,156,083
Other revenues	<u>76,643</u>	<u>-</u>	<u>76,643</u>
Net assets released from restrictions for capital:	6,900	(6,900)	-
Net assets released from restrictions for operations:	<u>1,147</u>	<u>(1,147)</u>	<u>-</u>
Total revenues	<u>5,582,067</u>	<u>31,944</u>	<u>5,614,011</u>
EXPENSES			
Program expenses	4,385,525	-	4,385,525
Management and general	965,463	-	965,463
Fundraising	<u>14,139</u>	<u>-</u>	<u>14,139</u>
Total expenses	<u>5,365,127</u>	<u>-</u>	<u>5,365,127</u>
Changes in net assets from operating activities	<u>216,940</u>	<u>31,944</u>	<u>248,884</u>
NONOPERATING ACTIVITIES			
Contribution received-Board designated	500,000	-	500,000
Donated capital asset	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating activities	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Changes in net assets	716,940	31,944	748,884
NET ASSETS			
Beginning of year	2,018,535	59,199	2,077,734
Prior period adjustment	<u>131,000</u>	<u>-</u>	<u>131,000</u>
Beginning of year (as restated)	<u>2,149,535</u>	<u>59,199</u>	<u>2,208,734</u>
End of year	<u>\$ 2,866,475</u>	<u>\$ 91,143</u>	<u>\$ 2,957,618</u>

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

TRAIL LIFE USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,036,531	\$ 527,132	\$ 7,714	\$ 2,571,377
Professional fees	431,999	165,467	-	597,466
Insurance	290,185	32,243	-	322,428
Rent and utilities	69,468	43,176	680	113,324
Repairs and maintenance	35,249	21,908	345	57,502
Depreciation	15,302	13,569	-	28,871
Printing and publications	27,771	28,715	5,228	61,714
Credit card fees	97,006	-	-	97,006
Travel	214,131	23,792	-	237,923
Supplies	47,116	10,031	172	57,319
Software subscriptions	78,763	17,290	-	96,053
Marketing expenses	243,587	-	-	243,587
Contributions	-	57,000	-	57,000
Events	753,131	11,613	-	764,744
Miscellaneous	45,286	13,527	-	58,813
Total functional expenses	\$ 4,385,525	\$ 965,463	\$ 14,139	\$ 5,365,127

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

TRAIL LIFE USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 748,884
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	28,871
Amortization of right of use operating lease assets	24,123
Change in value of remainder trust	(2,000)
(Increase) decrease in:	
Accounts receivable	(33,148)
Inventory	568,795
Prepays	3,833
Increase (decrease) in:	
Accounts payable	(61,637)
Accrued expenses	57,781
Operating lease liabilities	(24,123)
Net cash provided by operating activities	1,311,379

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of furniture and fixtures	(75,023)
Net cash used in investing activities	(75,023)
Net increase in cash	1,236,356

CASH

Cash and cash equivalents, beginning of year	457,301
Cash and cash equivalents, end of year	\$ 1,693,657

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

TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1—NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Trail Life USA, Inc. (“the Organization”) is a Christ-entered, Boy-Focused, Church-Based, nationwide nonprofit organization based in South Carolina with over 36,000 members in more than 1,200 Troops across all 50 states. Their mission is to guide generations of courageous young men to honor God, lead with integrity, serve others, and experience outdoor adventure.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. Fundraising costs are expensed as incurred. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Net assets without donor restrictions: are net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Trail Life’s unspent contributions are classified in this class if the donor limited their use.

When a donor’s restriction is satisfied, either by using the resources in the manner 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. At June 30, 2024 there was \$91,143 in net assets with donor restrictions to be used towards future operating needs.

Cash and Cash Equivalents

Cash equivalents included in these financial statements are defined as all highly liquid instruments purchased with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are primarily amounts due from the Organization’s third-party merchandising company. Management believes that all outstanding accounts receivable are collectible in full; therefore, no allowance for uncollectable receivables has been provided.

(Continued)

TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Contributions

Contributions are recognized when received without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. For the year ended June 30, 2024, the Organization received a \$500,000 contribution that was designated for other Organization projects and initiatives. The Organization recorded this contribution as a nonoperating contribution.

Investments

The Organization measures and records investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in revenue without donor restrictions and other support unless the income or loss is restricted by donor or by law.

Inventory

Inventory are stated at the lower of average cost or market. Inventories consisting of uniforms and other program materials are evaluated for obsolescence during physical inventories which is performed once each year. Inventory are primarily amounts due from the Organization’s third-party merchandising company.

Property and Equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Trail Life reclassifies net assets with donor restrictions to net assets without donor restrictions that time. Trail Life capitalizes assets with a cost of \$5,000 or more. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets, as follows:

Buildings and Leasehold Improvements	10 - 13 years
Furniture and Equipment	3 – 10 years

Charitable Remainder Trust

The Organization is named as a remainder beneficiary of a Charitable Remainder Trust. Upon the death of both grantors and after certain specific cash bequests are satisfied, Trail Life USA will be entitled to 5% of the remaining balance of the trust. As of June 30, 2024, the current market value of the trust is \$2,746,267. The timing and amount of this distribution are contingent upon future events, including the death of the grantors and settlement of specific bequests, however the amount of \$133,000 is recorded representing the future benefit.

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TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Contributed Services and In-Kind Contributions

Individuals and organizations have contributed amounts of services and materials to the Organization. For those contributed services that did not create or enhance non-financial assets or require specialized skills or would not have been purchased if not donated, no amounts have been reflected in the financial statements for these services, since these services do not meet the criteria for recognition as contributed services. Services that meet the criteria for recognition as contributed services and in-kind contributions are recorded as contributions at their estimated fair market value. There were no contributed services or in-kind contributions recorded in the year ended June 30, 2024.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.

Functional Allocation of Expenses

The costs of providing program and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services. The Organization assigns and allocates its expenses based on the function that the expense serves. The Organization assigns and allocates costs to one of its programs (Program Services, Management and General, and Fundraising).

Fair Value Framework

The fair value framework under generally accepted accounting principles requires the categorization of assets into three levels based upon the assumptions used to value the assets. The fair value 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 (level one measurements) and the lowest priority to unobservable inputs (level three measurements). The three levels of the fair value hierarchy are described below:

- Level one – Unadjusted quoted prices for identical assets in active markets.
- Level two – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level three – Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset.

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

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TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Advertising and Marketing

The Organization has a policy of expensing advertising cost as incurred. Advertising costs for the year ended June 30, 2024 totaled \$243,587.

Income Tax Status

The Organization has obtained exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. In addition, the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Management is not aware of any transactions or events that would disqualify its tax-exempt status. Therefore, no provision for income taxes has been included in the financial statements.

Estimates

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

Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were program receivables.

NOTE 2 – CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Organization maintains all of its cash in bank deposit accounts at two financial institutions. As of June 30, 2024, the Organization's total bank balances at these financial institutions exceeded the Federal Deposit Insurance Corporation limit by \$1,294,286.

TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 – LIQUIDITY

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,693,657
Accounts receivable	90,863
Less: with donor restrictions	(91,143)
	\$ 1,693,377

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 are as follows:

Sales	\$ 90,863
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NOTE 5 – INVENTORY

Inventory at June 30, 2024 are as follows:

Inventories for sale	\$ 334,598
Uniform inventory	407,588
Henry Rifles inventory	38,475
Inventory deposits	137,017
Total	\$ 917,678

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Building and leasehold improvements	\$ 106,377
Furniture and equipment	222,107
	328,484
Less accumulated depreciation	(115,562)
Property and equipment, net	\$ 212,922

For the year ended June 30, 2024, the Organization recorded a depreciation expense of \$28,871.

TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – LEASING ACTIVITIES

Operating Leases

The Organization has a building operating lease. The lease has remaining lease term of 13 years. At June 30, 2024, the right-of-use (ROU) asset had a balance of \$464,380 as shown in noncurrent assets on the statement of financial position; the lease liability is included in noncurrent liabilities of \$464,380. The lease asset and liability were calculated utilizing the risk-free discount rate at 5.00 percent according to the Organization’s elected policy.

The maturities of lease liabilities as of June 30, 2024 were as follows:

2025		\$	48,000
2026			48,000
2027			48,000
2028			48,000
2029			48,000
Thereafter			396,000
Total lease payments			636,000
Less: present value discount			(171,620)
Total lease liability		\$	464,380

For the year ended June 30, 2024, operating lease expense was \$36,000 which is included in expense on the Statement of Functional Expenses.

NOTE 8 – RETIREMENT PLAN

The Organization sponsors a 403(b)-retirement plan (the “Plan”). The Plan allows its employees to defer up to 100 percent of their compensation but not more than \$23,500 per year. The Organization provides a 4 percent match on employee’s deferral. For the year ended June 30, 2024, the Organization contributed \$42,577 to the Plan.

TRAIL LIFE USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 – RELATED-PARTY TRANSACTIONS

For the year ended June 30, 2024, the organization recorded operating lease expense of \$36,000, to a related organization.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The Organization recorded the following as a prior period adjustment for the year began July 1, 2023:

	Net Assets
Ending Balance 6/30/2023	\$ 2,077,774
Charitable Trust	131,000
Beginning Balance 7/1/2023	<u>\$ 2,208,734</u>

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2024, which is the date the financial statements were available to be issued. There were no relevant subsequent events to report.