STRONG TOWNS

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR’S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

STRONG TOWNS
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B. Johnson & Assoc., Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Strong Towns
Brainerd, MN 56401

Opinion

We have audited the accompanying financial statements of Strong Towns (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flow for the years 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 Strong Towns as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting and 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 Strong Towns 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 Strong Towns' 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.

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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 Strong Towns' 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 Strong Towns' 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.

B Johnson + Assoc. Ltd

B. Johnson & Assoc., Ltd.
June 29, 2023

STRONG TOWNS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 891,096	$ 338,020
Accounts Receivable	31,534	1,940
Inventory	1,922	1,998
Prepaid Expenses	17,343	4,529
Total Current Assets	941,895	346,487
NONCURRENT ASSETS		
Property and Equipment (Net)	1,135	1,734
Total Noncurrent Assets	1,135	1,734
TOTAL ASSETS	$ 943,030	$ 348,221
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 11,435	$ 50
Credit Card Payable	37,226	25,658
Accrued Expenses	88,581	47,273
Deferred Revenue	558,500	36,097
QSEHRA Payable	1,128	-
Total Current Liabilities	696,870	109,078
TOTAL LIABILITIES	696,870	109,078
NET ASSETS		
Without Donor Restrictions	246,160	239,143
Total Net Assets	246,160	239,143
TOTAL LIABILITIES AND NET ASSETS	$ 943,030	$ 348,221

See Independent Auditor’s Report
The accompanying notes are an integral part of these financial statements.

STRONG TOWNS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue Gains and Other Support		
Grants Received	$ 106,000	$ 255,500
Contributions Received	619,837	583,912
Program Service Revenue	359,914	230,100
Interest Income	175	284
Royalties Received	485	389
Net Assets Released from Restrictions:	156,000	10,000
Total Revenue, Gains and Other Support	1,242,411	1,080,185
Expenses		
Program Services	799,480	609,968
Fundraising	133,857	105,068
Management and General Services	302,057	136,765
Total Expenses	1,235,394	851,801
Change in Net Assets Without Donor Restrictions	7,017	228,384
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	156,000	-
Net Assets Released from Restrictions	(156,000)	(10,000)
Change in Net Assets With Donor Restrictions	-	(10,000)
CHANGE IN NET ASSETS	7,017	218,384
NET ASSETS - BEGINNING OF YEAR	239,143	20,759
NET ASSETS - END OF YEAR	$ 246,160	$ 239,143

See Independent Auditor’s Report
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STRONG TOWNS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

2022	Program	Fundraising	Management and General	Total
Salaries	$ 517,191	$ 61,003	$ 103,825	$ 682,019
Payroll Taxes	44,953	3,272	8,616	56,841
Employee Benefits	54,198	4,490	6,993	65,681
Cost of Good Sold	3,555	-	-	3,555
Rent Expense	-	-	5,700	5,700
Advertising	61,763	24,311	2,014	88,088
Professional Services	60,944	35,235	66,390	162,569
Insurance	-	-	2,024	2,024
Telephone and Utilities	12,765	2,350	5,528	20,643
Travel and Lodging	36,155	32	62,591	98,778
Office Supplies	7,956	3,164	11,049	22,169
Depreciation	-	-	599	599
Bank Charges	-	-	26,728	26,728
TOTAL	$ 799,480	$ 133,857	$ 302,057	$1,235,394

2021	Program	Fundraising	Management and General	Total
Salaries	$ 365,210	$ 92,520	$ 29,217	$ 486,947
Payroll Taxes	29,539	7,483	2,363	39,385
Employee Benefits	19,992	5,065	1,599	26,656
Cost of Good Sold	7,022	-	-	7,022
Rent Expense	4,275	-	1,425	5,700
Advertising	79,070	-	-	79,070
Professional Services	46,117	-	54,127	100,244
Insurance	-	-	974	974
Telephone and Utilities	17,144	-	-	17,144
Travel and Lodging	38,184	-	-	38,184
Office Supplies	3,415	-	20,671	24,086
Depreciation	-	-	600	600
Bank Charges	-	-	25,789	25,789
TOTAL	$ 609,968	$ 105,068	$ 136,765	$ 851,801

See Independent Auditor’s Report
The accompanying notes are an integral part of these financial statements.

STRONG TOWNS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 7,017	$ 218,384
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	599	600
Change in:		
Accounts Receivable	(29,594)	687
Inventory	76	(1,868)
Prepaid Expenses	(12,814)	(3,388)
Change in:		
Accounts Payable	11,385	(13,610)
Credit Card Payable	11,568	8,535
Accrued Expenses	41,308	9,686
Deferred Revenue	522,403	(27,047)
QSEHRA Payable	1,128	-
Net Cash Provided by Operating Activities	553,076	191,979
NET INCREASE IN CASH	553,076	191,979
CASH - BEGINNING OF YEAR	338,020	146,041
CASH - END OF YEAR	$ 891,096	$ 338,020

See Independent Auditor’s Report
The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Strong Towns (the Organization) was incorporated under the laws of the State of Minnesota on February 23, 2010. The Organization was established with the belief that everyone deserves the opportunity to live a good life in a prosperous place and that future generations deserve the same opportunity too. The Organization is located in Brainerd, Minnesota and supports thousands of people across the United States and Canada who are advocating for a radically new way of thinking about the way we build our world.

Basis of Presentation
Financial statements presentation follows the recommendations of the American Institute of Certified Public Accountants in its presentation of financial statements of not-for-profit entities.

Cash Equivalents
For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents.

Financial Statement Presentation
Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. the organization has a policy of reporting donor-restricted amounts as unrestricted when the restrictions are met in the same reporting period. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Directors have set aside for a particular purpose.

Net assets with donor restrictions – Those resources subject to a donor-imposed restriction that will be satisfied by actions of the Organization or passage of time. The donor of these types of resources usually permits the Organization to use all or part of the income earned, including capital appreciation or related investments.

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

	2022	2021
Rocket Foundation	$ -	$ 10,000
Crash Analysis Studio	156,000	-
Released Restrictions	(156,000)	(10,000)
Total Net Assets with Donor Restrictions	$ -	$ -

In addition, the Organization is required to present a statement of cash flows. At December 31, 2022 and 2021, the Organization only had net assets without donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a Minnesota nonprofit corporation and is exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. As of December 31, 2022 and 2021, the Organization holds no uncertain tax positions

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances at year-end. All outstanding receivables are considered collectible on December 31, 2022 and 2021. Therefore, no allowance for uncollectible accounts has been reflected in the financial statements.

Concentration of Credit Risk

The Organization has a concentrated credit risk for cash and cash equivalents because it maintains deposits in banks that may exceed amounts insured by the Federal Deposit Insurance Corporation from time to time.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses are recorded in functional categories (program activities, fundraising or management and general) when incurred. Expenses that are not directly identifiable by program or supporting service are allocated based on the best estimates of management. Joint costs are incurred across functional categories during certain events; those costs are allocated based on the best estimates of management.

Property and Equipment

Purchased property and equipment are recorded at cost. Major renewals and betterments exceeding $1,000 are capitalized and charged to the property accounts while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets of 5 years.

Inventories

Inventories are stated at the lower of cost or market method. Cost is determined using the specific identification method for gambling inventory and the first-in, first-out (FIFO) method for camp store inventory.

Advertising

Advertising costs are generally charged to operations as marketing expenses as incurred and amounted to $88,088 and $79,070 for the years ended December 31, 2022 and 2021, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue is comprised of receipts for speaking fees collected in the current year, but attributable to services rendered in the following year and grant proceeds received in the current year for future use.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

Contributions

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Program Income

The Organization recognizes program revenues at the time amounts are received, or the conditions of the agreement are satisfied in the case of events.

Grant Income

The Organization recognizes grant revenues ratable over the term of the grant and as the conditions of the grant agreement are satisfied.

NOTE 2 ROYALTIES

Royalties are received from book sales and are recognized during the period in which the sale occurred. The Organization does not have future performance obligations under this revenue stream.

NOTE 3 LINE OF CREDIT

The Organization has a line of credit available with First Western Bank and Trust in the amount of $20,000 and $20,000 on December 31, 2022 and 2021, respectively, and bears interest at the national prime rate as published by the Wall Street Journal with a floor of 5.50%. The balance on this line of credit at December 31, 2022 and 2021 was $0 and $0, respectively.

NOTE 4 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 29, 2023, the date the financial statements were available to be issued.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost when purchased. Property and equipment consist of the following on December 31, 2022 and 2021:

	2022	2021
Equipment	$ 4,369	$ 4,369
Less: Accumulated Depreciation	(3,234)	(2,635)
Total Property and Equipment (Net)	$ 1,135	$ 1,734

Depreciation expenses totaled $599 and $600 as of the years ended December 31, 2022 and 2021, respectively.

NOTE 6 RETIREMENT PLAN

The Organization adopted and sponsors a 401(k) Contribution for Employees, beginning on January 1, 2022. All employees who meet certain service requirements are eligible to participate in the Organization's 401(k) plan. The Plan allows employees to defer a portion of their salary annually, subject to Internal Revenue Code limits. The Plan provides for contributions by the Organization in such amounts as the management may determine annually, subject to Internal Revenue Code limits. Organization contributions to the Plan was $27,320 for the year ended December 31, 2022.

The Organization sponsored a Savings Incentive March Plan for Employees (SIMPLE), ending on December 31, 2021. All employees who met certain age, compensation, and service requirements were eligible to participate in the Organization's SIMPLE plan. The Plan allowed employees to defer a portion of their salary annually, subject to Internal Revenue Code limits. The Plan provided for contributions by the Organization in such amounts as the management may determine annually, subject to Internal Revenue Code limits. Organization contributions to the Plan were $11,656 for the year ended December 31, 2021.

NOTE 7 LIQUIDITY AND AVAILABILITY

The Organization has $891,096 of financial assets available as of the statement of financial position date to meet cash needs for general expenditures consisting of cash. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization sets a goal of having financial assets on hand to meet 6 months of normal operating expenses, which are, on average, $617,100. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next 6 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

NOTE 8 RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statement presentation to correspond with current year's format. There was no effect on total net assets and change in net assets due to these reclassifications.