

InnovateEDU Inc

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Directors
InnovateEDU Inc

Report on the Financial Statements

We have audited the accompanying financial statements of InnovateEDU Inc (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

December 24, 2020

InnovateEDU Inc

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,928,023	\$ 1,760,560
Grants and contracts receivable	478,375	263,334
Due from related party	35,986	163,544
Other receivables	39,429	24,186
Prepaid expenses	-	12,851
Total Current Assets	3,481,813	2,224,475
Property and equipment, net	38,955	36,623
	\$ 3,520,768	\$ 2,261,098
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 39,618	\$ 40,993
Accrued payroll and payroll taxes	112,343	98,054
Total Current Liabilities	151,961	139,047
Paycheck Protection Program loan payable	279,502	-
Total Liabilities	431,463	139,047
Net Assets		
Without donor restrictions	1,291,988	1,880,480
With donor restrictions	1,797,317	241,571
Total Net Assets	3,089,305	2,122,051
	\$ 3,520,768	\$ 2,261,098

See Notes to Financial Statements

InnovateEDU Inc

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service revenue	\$ 218,600	\$ -	\$ 218,600
Grants and contributions	210	2,920,842	2,921,052
City grant	445,262	-	445,262
Donated goods and services	1,530,807	-	1,530,807
Other income	36,962	-	36,962
Net assets released from restrictions	1,365,096	(1,365,096)	-
Total Revenue and Support	3,596,937	1,555,746	5,152,683
EXPENSES			
Program services	3,571,891	-	3,571,891
Management and general	521,218	-	521,218
Fundraising	92,320	-	92,320
Total Expenses	4,185,429	-	4,185,429
Change in Net Assets	(588,492)	1,555,746	967,254
NET ASSETS			
Beginning of year	1,880,480	241,571	2,122,051
End of year	\$ 1,291,988	\$ 1,797,317	\$ 3,089,305

InnovateEDU Inc

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service revenue	\$ 793,373	\$ -	\$ 793,373
Grants and contributions	8,000	824,976	832,976
City grant	435,884	-	435,884
Donated goods and services	538,272	-	538,272
Other income	2,219	-	2,219
Net assets released from restrictions	1,763,937	(1,763,937)	-
Total Revenue and Support	3,541,685	(938,961)	2,602,724
EXPENSES			
Program services	3,140,725	-	3,140,725
Management and general	445,285	-	445,285
Fundraising	55,391	-	55,391
Total Expenses	3,641,401	-	3,641,401
Change in Net Assets	(99,716)	(938,961)	(1,038,677)
NET ASSETS			
Beginning of year	1,980,196	1,180,532	3,160,728
End of year	\$ 1,880,480	\$ 241,571	\$ 2,122,051

InnovateEDU Inc

Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,473,922	\$ 167,429	\$ 32,945	\$ 1,674,296
Payroll taxes and benefits	198,650	22,566	4,440	225,656
Grants to the School	31,246	3,551	710	35,507
Consultants	82,290	9,352	1,870	93,512
Dues and subscriptions	-	26,190	-	26,190
Accounting/audit services	-	71,176	-	71,176
Legal services	-	28,310	-	28,310
Other professional fees	129,461	2,943	14,711	147,115
Advertising and promotion	7,390	840	168	8,398
Office expense	16,269	1,848	370	18,487
Postage, printing and copying	2,651	301	60	3,012
Insurance	27,402	3,113	623	31,138
Travel and transportation	129,040	14,664	2,933	146,637
In-kind	1,347,110	153,081	30,616	1,530,807
Depreciation	11,856	1,347	269	13,472
Non-capitalized equipment	114,604	13,023	2,605	130,232
Miscellaneous	-	1,484	-	1,484
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,571,891</u>	<u>\$ 521,218</u>	<u>\$ 92,320</u>	<u>\$ 4,185,429</u>

InnovateEDU Inc

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 1,308,841	\$ 145,428	\$ 23,084	\$ 1,477,353
Payroll taxes and benefits	176,735	19,637	3,117	199,489
Grants to the School	200,610	21,653	3,535	225,798
Consultants	401,297	44,592	7,075	452,964
Dues and subscriptions	-	25,506	-	25,506
Accounting/audit services	-	61,196	-	61,196
Legal services	-	9,283	-	9,283
Other professional fees	161,180	17,905	2,846	181,931
Advertising and promotion	85,752	9,528	1,512	96,792
Office expense	14,204	1,578	251	16,033
Postage, printing and copying	29,856	3,316	527	33,699
Insurance	38,362	4,262	677	43,301
Travel and transportation	183,914	20,435	3,244	207,593
In-kind	476,875	52,986	8,411	538,272
Depreciation	5,017	557	88	5,662
Non-capitalized equipment	58,082	6,453	1,024	65,559
Miscellaneous	-	970	-	970
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,140,725</u>	<u>\$ 445,285</u>	<u>\$ 55,391</u>	<u>\$ 3,641,401</u>

See Notes to Financial Statements

InnovateEDU Inc

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 967,254	\$ (1,038,677)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	13,472	5,662
Changes in operating assets and liabilities		
Grants and contracts receivable	(215,041)	(74,949)
Due from related party	127,558	122,453
Other receivables	(15,243)	(1,032)
Prepaid expenses	12,851	(1,653)
Accounts payable and accrued expenses	(1,375)	(63,034)
Accrued payroll and payroll taxes	14,289	(5,462)
Net Cash from Operating Activities	903,765	(1,056,692)
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(15,804)	(28,893)
 CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loan	279,502	-
 Net Change in Cash	1,167,463	(1,085,585)
 CASH		
Beginning of year	1,760,560	2,846,145
End of year	\$ 2,928,023	\$ 1,760,560

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

InnovateEDU Inc (the "Organization"), was incorporated under the laws of the State of New York on September 12, 2013. The Organization's mission is to eliminate the achievement gap by accelerating innovation in common core-aligned, next generation learning models and tools that serve, inform, and enhance teaching and learning.

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Revenue from Contracts with Customers

Effective July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers.

In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Organization to not recognize revenue until it is probable of collection. Based on the Organization's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions – consist of resources available for the general support of the Organization's operations. Net assets without donor restrictions may be used at the discretion of the Organization's management and/or the Board of Directors.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the Organization or to be used at a future date. The Organization records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Grants and Contracts Receivable

Grants and contributions to the Organization are recorded as revenue upon the receipt of a pledge without donor restrictions. Contributions are considered available for use without restrictions, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible promises to give is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution, and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000. Property and equipment is recorded at cost at the date of acquisition or at their fair values at the date of donation. Minor costs of repairs and maintenance are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to the long lived asset, in which case it is expensed as incurred.

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

Computer equipment	3 years
Furniture and fixtures	7 years

Property and equipment is reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

Refundable Advances

The Organization records certain grants and contracts as refundable advances until related services are performed, at which time they are recognized as revenue.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Support

Grants and other contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the Organization in current year's activities are recorded as revenue without donor restrictions. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met. Program service revenue is recognized when services are performed in accordance to the agreement. City grants are recorded when expenditures are incurred and billable to the government agency.

Donated Goods and Services

Donated goods are recorded at their fair value when received. The Organization recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, would typically need to be purchased if not provided by the Organization, and are measurable.

For the years ended June 30, 2020 **and 2019**, facilities and other goods and services totaling \$1,486,707 and \$538,272 were provided to the Organization at no charge by Brooklyn Laboratory Charter Schools, a related party (see Note 7). These donated facilities and other goods and services were recorded under in-kind in the accompanying statements of functional expenses.

Two entities have provided legal services to the Organization at no charge. The value of these services met the criteria for recognition in the financial statements and was recorded at fair value. For the years ended June 30, 2020 and 2019, the value of such donated services amounted to \$44,100 and \$0. These donated services were recorded under consultants and legal services in the accompanying statements of functional expenses.

The Organization received the following donated goods and services for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Facilities and other goods and services	\$ 1,486,707	\$ 538,272
Pro-bono legal services	<u>44,100</u>	<u>-</u>
	<u>\$ 1,530,807</u>	<u>\$ 538,272</u>

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

2. Significant Accounting Policies (*continued*)

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the Organization to be appropriate.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled \$8,398 and \$96,792 for the years ended June 30, 2020 and 2019.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to June 30, 2017.

Reclassification

Certain 2019 accounts have been reclassified to conform to the 2020 financial statement presentation. The reclassifications had no effect on 2019 net assets and change in net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date December 24, 2020.

3. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2020 and 2019 are due within one year and consist of the following:

	<u>2020</u>	<u>2019</u>
New York City Department of Youth and Community Development	\$ 127,560	\$ 138,058
Foundation grants	<u>350,815</u>	<u>125,276</u>
	<u>\$ 478,375</u>	<u>\$ 263,334</u>

At June 30, 2020 and 2019 no allowance for doubtful accounts has been deemed necessary.

InnovateEDU Inc

Notes to Financial Statements June 30, 2020 and 2019

4. Conditional Promises to Give

At June 30, 2020, the Organization had two conditional grants totaling \$1,775,916, which contained donor conditions regarding future milestones. Since these grants represent conditional promises to give, they are not recognized as grant revenue until donor conditions are met. As of June 30, 2020, \$1,245,804 of these conditions have been met, and the remaining balance of the conditional grants was \$530,112.

5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 40,797	\$ 29,784
Furniture and fixtures	<u>20,767</u>	<u>15,976</u>
	61,564	45,760
Accumulated depreciation	<u>(22,609)</u>	<u>(9,137)</u>
	<u>\$ 38,955</u>	<u>\$ 36,623</u>

6. Liquidity and Availability of Financial Assets

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, are comprised of the following at June 30, 2020:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash	\$ 2,928,023	\$ 1,760,560
Grants and contracts receivable	478,375	263,334
Due from related party	35,986	163,544
Other receivables	<u>39,429</u>	<u>24,186</u>
Total Financial Assets	<u>3,481,813</u>	<u>2,211,624</u>
Less Amounts Unavailable for General Expenditure:		
Donor restricted amounts held in cash	1,446,502	116,295
Grants and contracts receivable with donor restricted purposes	<u>350,815</u>	<u>125,276</u>
	<u>1,797,317</u>	<u>241,571</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year:	<u>\$ 1,684,496</u>	<u>\$ 1,970,053</u>

As part of the Organization's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

7. Related Party Transactions (*Not Disclosed Elsewhere*)

Brooklyn Laboratory Charter Schools

The Organization is related to Brooklyn Laboratory Charter Schools (the "School"), a New York State, not-for-profit educational corporation, by common management. On August 9, 2014, the Organization entered into a service agreement with the School to provide the School with educational core services. This agreement has since expired and has been renewed through June 30, 2021. This agreement was amended to add services provided by senior fellows and consultants.

On September 5, 2017, the School entered into an agreement with the Organization for the School to compensate the Organization for an afterschool program for the 2017-2018 school year. In accordance with these agreements, the School provided donated facilities expenses and other services to the Organization at a fair value of \$1,486,707 and \$538,272 for the years ended June 30, 2020 and 2019, included under in-kind in the accompanying statements of functional expenses.

The Organization charged the School \$218,600 and \$793,373 for services relating to the above agreements, and is included in program service revenue in the statements of activities for the years ended June 30.

Grants expense to the School amounted \$35,507 and \$225,798 for the years ended June 30, 2020 and 2019.

In addition, for the years ended June 30, 2020 **and 2019**, the Organization paid on behalf of the School \$261 and \$63,059 for operating expenses. Net balances due from the School as of June 30, 2020 and 2019 amounted to \$35,986 and \$163,544.

Design Innovation Factory, LLC

The Organization is related to Design Innovation Factory, LLC ("DIF") by common management, a socially oriented consultancy firm that focuses on rapidly developing interactive solutions to eliminate the achievement gap for high-need students. The owner of DIF is the Organization's Co-Founder and Executive Director. There were no transactions between the Organization and DIF during the years ended June 30, 2020 and 2019.

Friends of Brooklyn Laboratory Schools, Inc.

The Organization is related to Friends of Brooklyn Laboratory Charter Schools, Inc. ("Friends Of"), a New York State, not-for-profit corporation, by common management. During the year ended June 30, 2019, a grant in the amount of \$700,000 was assigned to Friends Of as the grantee. The grant was originally awarded to the Organization, acting on behalf of the School, on December 14, 2016, in the amount of \$1,600,000. The assignment of the grant was agreed to by the grantor on December 14, 2018.

InnovateEDU Inc

Notes to Financial Statements June 30, 2020 and 2019

7. Related Party Transactions *(Not Disclosed Elsewhere)* *(continued)*

In addition, for the years ended June 30, 2020 and 2019, the Organization paid on behalf of Friends Of \$18,752 and \$0 for operating expenses. Net balances due from Friends Of as of June 30, 2020 and 2019 amounted to \$697 and \$0 and is included in other receivables in the statements of financial position for the years ended June 30.

8. Paycheck Protection Program Loan Payable

On April 16, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$279,502 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Organization believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan through the date principal is repaid in full or maturity date.

9. Net Assets

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Ed-Fi Rhode Island Technical Assistance	\$ 32,397	\$ 3,090
Landing Zone Project	4,727	62,859
Project Unicorn	884,793	-
Development and support of new secondary schools under the Opportunity by Design initiative	137	175,622
Open Source Data Schema project	542,482	-
Strategic planning	250,000	-
Support students with disabilities during distance learning due to COVID-19	21,997	-
Development and launch of community of practice on talent strategies to support innovative schools	60,784	-
	\$ 1,797,317	\$ 241,571

InnovateEDU Inc

Notes to Financial Statements June 30, 2020 and 2019

9. Net Assets (continued)

Net assets with donor restrictions were released as follows for the years ended June 30:

	2020	2019
Project Unicorn	\$ 490,746	\$ 300,276
Ed-Fi Rhode Island Technical Assistance	100,693	96,910
Landing Zone Project	227,632	86,141
Development and support of new secondary schools under the Opportunity by Design initiative	175,485	962,679
Data Whiz project	-	40,989
Open Source Data Schema project	253,321	-
Support students with disabilities during distance learning due to COVID-19	28,003	-
Development and launch of community of practice on talent strategies to support innovative schools	89,216	-
Support of Brooklyn Laboratory Charter Schools	-	276,942
	<u>\$ 1,365,096</u>	<u>\$ 1,763,937</u>

10. Retirement Plan

The Organization has a SEP-IRA retirement plan that covers all eligible employees. Under the plan, the Organization provides vesting contributions of 1% to 5% of the employees' base salary based on years of service. Total employer contribution for the year ended June 30, 2020 and 2019 amounted to \$22,376 and \$13,731.

11. Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

12. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2020 and 2019, approximately \$2,678,000 and \$1,511,000 of cash was maintained with an institution in excess of FDIC limits.

InnovateEDU Inc

Notes to Financial Statements
June 30, 2020 and 2019

13. Concentration of Revenue and Support

For the years ended June 30, 2020 and 2019, the Organization received approximately 54% and 29% of total revenue and support from two foundations.

14. Risks and Uncertainties

The Organization's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction in educational core service revenue from the School, decreased funding from private foundations, and operational and other changes that could increase expenses. The outbreak may adversely affect the Organization's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the Organization is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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