

EDUCATION LAW CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

EDUCATION LAW CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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To the Board of Trustees of the
Education Law Center, Inc.
Newark, New Jersey

Opinion

We have audited the financial statements of the Education Law Center, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As discussed in Note 12 to the financial statements, in 2023, the Organization adopted FASB ASC 842, Leases. Our conclusion is not modified with respect to this matter.

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 GAAS 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 GAAS, 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.

Novak Francella LLC

Bala Cynwyd, Pennsylvania
March 21, 2024

EDUCATION LAW CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 177,302 | \$ 867,225 |
| Investments | 4,923,930 | 4,869,167 |
| Grants receivable | 1,160,250 | 19,250 |
| Prepaid expenses | 21,384 | 19,042 |
| Total current assets | 6,282,866 | 5,774,684 |
| PROPERTY AND EQUIPMENT | | |
| Office equipment | 42,282 | 42,282 |
| Furniture and fixtures | 35,361 | 35,361 |
| Computer equipment | 60,433 | 60,433 |
| Leasehold improvements | 12,530 | 12,530 |
| | 150,606 | 150,606 |
| Less: accumulated depreciation | (143,895) | (139,887) |
| Net property and equipment | 6,711 | 10,719 |
| OTHER ASSETS | | |
| Security deposit | 19,394 | 19,394 |
| RIGHT OF USE ASSET - OPERATING LEASES | | |
| | 356,035 | - |
| Total assets | \$ 6,665,006 | \$ 5,804,797 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Deferred revenue | \$ - | \$ 1,027,460 |
| Accounts payable and accrued expenses | 298,662 | 198,758 |
| Lease liability - operating leases | 80,780 | - |
| Total current liabilities | 379,442 | 1,226,218 |
| LONG-TERM LIABILITIES | | |
| Lease liability - operating leases | 275,440 | - |
| Total liabilities | 654,882 | 1,226,218 |

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------------------|-------------------------|
| NET ASSETS | | |
| Without donor restrictions | \$ 4,112,294 | \$ 3,610,241 |
| With donor restrictions | 1,897,830 | 968,338 |
| Total net assets | <u>6,010,124</u> | <u>4,578,579</u> |
| Total liabilities and net assets | <u>\$ 6,665,006</u> | <u>\$ 5,804,797</u> |

EDUCATION LAW CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | | |
|---------------------------------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND OTHER SUPPORT | | | |
| Grants and contracts | \$ 2,321,737 | \$ 2,474,955 | \$ 4,796,692 |
| Fundraising events and public support | 181,560 | - | 181,560 |
| Contributions | 61,108 | - | 61,108 |
| Investment income (loss) - net | 281,571 | 44,757 | 326,328 |
| Other income | 5,247 | - | 5,247 |
| | 2,851,223 | 2,519,712 | 5,370,935 |
| Net assets released from restrictions | 1,590,220 | (1,590,220) | - |
| Total revenue and other support | 4,441,443 | 929,492 | 5,370,935 |
| EXPENSES | | | |
| Program services | 3,121,601 | - | 3,121,601 |
| Management and general | 522,329 | - | 522,329 |
| Fundraising | 295,460 | - | 295,460 |
| Total expenses | 3,939,390 | - | 3,939,390 |
| CHANGE IN NET ASSETS | 502,053 | 929,492 | 1,431,545 |
| NET ASSETS | | | |
| Beginning of year | 3,610,241 | 968,338 | 4,578,579 |
| End of year | \$ 4,112,294 | \$ 1,897,830 | \$ 6,010,124 |

| 2022 | | |
|---------------------------------------|------------------------------------|---------------------|
| <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| \$ 5,392,499 | \$ 408,333 | \$ 5,800,832 |
| 88,202 | - | 88,202 |
| 69,296 | - | 69,296 |
| (146,428) | (173,336) | (319,764) |
| - | - | - |
| <u>5,403,569</u> | <u>234,997</u> | <u>5,638,566</u> |
| 408,333 | (408,333) | - |
| <u>5,811,902</u> | <u>(173,336)</u> | <u>5,638,566</u> |
| 2,820,998 | - | 2,820,998 |
| 437,276 | - | 437,276 |
| 264,434 | - | 264,434 |
| <u>3,522,708</u> | <u>-</u> | <u>3,522,708</u> |
| 2,289,194 | (173,336) | 2,115,858 |
| <u>1,321,047</u> | <u>1,141,674</u> | <u>2,462,721</u> |
| <u>\$ 3,610,241</u> | <u>\$ 968,338</u> | <u>\$ 4,578,579</u> |

EDUCATION LAW CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | | | |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fund Raising | Total |
| Salaries and wages | \$ 1,453,892 | \$ 144,847 | \$ 178,367 | \$ 1,777,106 |
| Employee benefits | 264,971 | 15,587 | 31,173 | 311,731 |
| Professional fees | - | 142,735 | - | 142,735 |
| Office expenses | - | 18,741 | - | 18,741 |
| Bank charges | - | 362 | - | 362 |
| Books and subscriptions | 878 | 46 | - | 924 |
| Computer maintenance | - | 32,904 | - | 32,904 |
| Conferences and meetings | 241,587 | 45,298 | 15,099 | 301,984 |
| Consultants and outside services | 801,014 | 38,646 | - | 839,660 |
| Dues | 19,633 | 2,182 | - | 21,815 |
| Education and training | 8,051 | - | - | 8,051 |
| Equipment rental | 8,747 | 1,093 | 1,093 | 10,933 |
| Insurance expense | 3,046 | 17,263 | - | 20,309 |
| Legal expenses | 7,845 | - | - | 7,845 |
| Pension plan | 55,023 | 3,237 | 6,473 | 64,733 |
| Postage and shipping expense | 1,699 | 212 | 212 | 2,123 |
| Printing and publications expense | 1,315 | 202 | 169 | 1,686 |
| Rent expense | 101,178 | 20,236 | 13,490 | 134,904 |
| Telephone expense | 6,265 | 1,154 | 824 | 8,243 |
| Travel expense | 12,374 | 2,320 | 773 | 15,467 |
| Utilities | - | 10,531 | - | 10,531 |
| Internet and web expenses | 19,480 | 5,566 | 2,783 | 27,829 |
| Fundraising expense | - | - | 34,348 | 34,348 |
| Research and survey | 64,640 | 12,274 | 4,909 | 81,823 |
| Licenses and permits | - | 1,233 | - | 1,233 |
| Payroll processing | 46,797 | 2,753 | 5,506 | 55,056 |
| Advertising | - | 2,306 | - | 2,306 |
| Depreciation | 3,166 | 601 | 241 | 4,008 |
| | <u>\$ 3,121,601</u> | <u>\$ 522,329</u> | <u>\$ 295,460</u> | <u>\$ 3,939,390</u> |
| Total expenses | <u>\$ 3,121,601</u> | <u>\$ 522,329</u> | <u>\$ 295,460</u> | <u>\$ 3,939,390</u> |

2022

| <u>Program Services</u> | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total</u> |
|-------------------------|-------------------------------|---------------------|---------------------|
| \$ 1,415,065 | \$ 174,686 | \$ 180,513 | \$ 1,770,264 |
| 266,128 | 53,226 | 35,484 | 354,838 |
| - | 38,131 | - | 38,131 |
| - | 14,589 | - | 14,589 |
| - | 322 | - | 322 |
| 1,868 | 98 | - | 1,966 |
| - | 17,704 | - | 17,704 |
| 46,624 | 8,742 | 2,914 | 58,280 |
| 650,159 | 34,219 | - | 684,378 |
| 14,730 | 1,637 | - | 16,367 |
| 2,861 | - | - | 2,861 |
| 8,981 | 1,123 | 1,123 | 11,227 |
| 2,420 | 13,712 | - | 16,132 |
| 6,661 | 351 | - | 7,012 |
| 64,772 | - | - | 64,772 |
| 2,467 | 308 | 308 | 3,083 |
| 5,271 | 811 | 676 | 6,758 |
| 142,396 | 28,479 | 18,986 | 189,861 |
| 11,090 | 2,043 | 1,459 | 14,592 |
| 27,067 | 5,075 | 1,692 | 33,834 |
| - | 11,525 | - | 11,525 |
| 45,895 | 13,113 | 6,556 | 65,564 |
| - | - | 4,793 | 4,793 |
| 59,168 | 11,235 | 4,492 | 74,895 |
| - | 2,932 | - | 2,932 |
| 44,103 | 2,594 | 5,189 | 51,886 |
| - | - | - | - |
| 3,272 | 621 | 249 | 4,142 |
| <u>\$ 2,820,998</u> | <u>\$ 437,276</u> | <u>\$ 264,434</u> | <u>\$ 3,522,708</u> |

EDUCATION LAW CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,431,545 | \$ 2,115,858 |
| Reconciliation of change in net assets to cash flows provided by (used for) operating activities: | | |
| Depreciation | 4,008 | 4,142 |
| Net (appreciation) depreciation of investments | (78,103) | 359,779 |
| Changes in assets and liabilities: | | |
| Grants receivable | (1,141,000) | 7,250 |
| Prepaid expenses | (2,342) | (6,650) |
| Accounts payable and accrued expenses | 99,904 | 45,964 |
| Deferred revenue | (1,027,460) | 255,195 |
| Lease asset and liability | 185 | - |
| Net cash provided by (used for) operating activities | (713,263) | 2,781,538 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (5,032,346) | (13,620,172) |
| Sales of investments | 5,055,686 | 9,532,218 |
| Purchase of fixed assets | - | (5,426) |
| Net cash provided by (used for) investing activities | 23,340 | (4,093,380) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (689,923) | (1,311,842) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 867,225 | 2,179,067 |
| End of year | \$ 177,302 | \$ 867,225 |

EDUCATION LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 1. ORGANIZATION AND TAX STATUS

Education Law Center, Inc. (the Organization) is a non-profit corporation. Founded in 1973, the Organization is the nation's legal defense fund for public education rights. The Organization is widely recognized for successfully advancing equal educational opportunity and justice in New Jersey and states across the country. The Organization pursues its advocacy work through litigation, public engagement, policy development, research and communications.

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management is required to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the U.S. Federal, state, or local taxing authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Typically, tax years will remain open for three years; however, this may differ depending upon the circumstances of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Presentation - Net assets and revenues, expenses, gains, and losses are classified as net assets without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of Trustees.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in checking accounts, money market accounts, certificates of deposit with an initial maturity of less than one year, and on hand.

Investments - Investment income is presented net of investment advisory/management fees and is in the statements of activities. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the statements of activities and changes in net assets.

Property and Equipment - Property and equipment are carried at cost. Major additions are capitalized, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed over the following estimated useful lives of the related assets by the straight-line method:

| | |
|------------------------|---------|
| Leasehold improvements | 9 years |
| Furniture and fixtures | 7 years |
| Office equipment | 5 years |
| Computer equipment | 5 years |

Depreciation expense totaled \$4,008 and \$4,142 for the years ended September 30, 2023 and 2022, respectively.

Revenue Recognition - Revenue is recognized when earned Grants and contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Grants Receivable - Grants are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible accounts receivables to operations when determined to be uncollectible. At September 30, 2023 and 2022, an allowance was not deemed necessary.

Contributions - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Reclassification of Prior Year Presentation - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases - The Fund is required to recognize a right-of-use model (ROU) asset and lease liability on the statement of financial position for all leases with a term longer than twelve months. ROU assets represent the lessee's right to control the use of the leased asset during the lease. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. Lease liabilities represent the present value of the future lease payments over the expected lease term. The present value of the lease liability is determined using the incremental borrowing rate at the lease inception. Over the lease term, the Fund uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized into expenses in a manner that results in a straight-line expense recognition in the statement of activities. As of September 30, 2023, the Fund has determined the leases identified are operating leases.

NOTE 3. CONCENTRATION OF CASH

The Organization maintains its cash and cash equivalents at various financial institutions deemed to be credit worthy. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2023, the Organization did not have a cash balance with a financial institution that exceeded the FDIC insured limit.

Availability and Liquidity - The following represents the Organization's financial assets at September 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 177,302 | \$ 867,225 |
| Investments | 4,923,930 | 4,869,167 |
| Grants receivable, due in one year | 592,750 | - |
| Total financial assets | <u>5,693,982</u> | <u>5,736,392</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions - Endowment Fund | <u>687,400</u> | <u>968,338</u> |
| | <u>687,400</u> | <u>968,338</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 5,006,582</u> | <u>\$ 4,768,054</u> |

As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit. The Organization has a \$50,000 line of credit available to meet cash flow needs.

NOTE 4. FAIR VALUE MEASUREMENTS

Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets for identical assets that are accessible at the measurement date.

Level 2 - Quoted prices in markets that are not considered active or investments for which all significant inputs are observable.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

| | Fair Value Measurements at September 30, 2023 | | | |
|-----------------|---|---------------------|----------------|----------------|
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investment cash | \$ 95,310 | \$ 95,310 | \$ - | \$ - |
| Common stock: | | | | |
| Energy | 5,044 | 5,044 | - | - |
| Mutual funds | <u>4,823,576</u> | <u>4,823,576</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 4,923,930</u> | <u>\$ 4,923,930</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| | Fair Value Measurements at September 30, 2022 | | | |
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investment cash | \$ 102,057 | \$ 102,057 | \$ - | \$ - |
| Common stock: | | | | |
| Energy | 2,991 | 2,991 | - | - |
| Mutual funds | <u>4,764,119</u> | <u>4,764,119</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 4,869,167</u> | <u>\$ 4,869,167</u> | <u>\$ -</u> | <u>\$ -</u> |

For the years ended September 30, 2023 and 2022, there were no transfers in or out of levels 1, 2, or 3.

NOTE 5. RESTRICTIONS ON NET ASSETS

Additions to net assets with donor restrictions of the Organization for the years ended September 30, 2023 and 2022, consisted of cash donations from the following organizations:

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|---------------------|-------------------|
| Endowment investment income/(loss) | \$ 44,757 | \$ (173,336) |
| NJEA | 1,135,000 | - |
| Seattle Foundation | 916,667 | 183,333 |
| Urban Superintendents | 70,000 | 48,000 |
| W.K. Kellogg Foundation | 30,000 | - |
| IOLTA Fund | 91,000 | 77,000 |
| New York State United Teachers | 100,000 | 100,000 |
| Nellie Mae Education Foundation | 50,000 | - |
| UVA Fellowship | 82,288 | - |
| | <u>\$ 2,519,712</u> | <u>\$ 234,997</u> |

Those donations received during the year that were satisfied were released from restriction.

NOTE 6. ENDOWMENT FUND

The Marilyn J. Morheuser Children's Education Endowment Fund (the Endowment Fund) was established to advance the public purpose of representing the broad public interest by providing legal assistance to individuals and groups in connection with improving public education systems and to carry out related research and educational activities. The Fund provides a permanent, reliable, and secure funding source for at least a portion of the Organization's special projects and operations.

The Organization follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as permanently restricted should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

The Board of Trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies the donor-restricted endowment as net assets with donor restrictions, including the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment, until those amounts are appropriated for expenditure by the Organization.

NOTE 6. ENDOWMENT FUND (continued)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the principal of contributions
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Board of Trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market, and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds, may be comprised of domestic and international securities, and will be further diversified into asset classes by their market capitalization.

The Organization may distribute the calendar year income (without regard to unrealized gains or losses) generated from the Endowment Fund. Income is defined as dividends, interest, and net realized gains. Income from the Endowment Fund shall be distributed and directed toward those special, unusual, or emergency needs of the Organization and toward current operating expenses of the Organization for purposes consistent with the By-Laws and the Certificate of Incorporation, at the times and for the specific purposes as determined in the sole discretion of donors and the objectives of the Endowment Fund. Distributions from the Endowment Fund in any one year for operating expenses of the Organization shall not exceed 50% of the average annual investment income earned during the previous five years. All other investment income shall remain in the Endowment Fund as restricted principal. This limitation is intended to promote the continued growth of the principal of the Endowment Fund.

The Board shall annually appoint an Investment Committee of the Board which shall be the custodian of the Endowment Fund. The Investment Committee shall consist of at least three members, appointed by the Board, all of whom shall be Trustees of the Organization. The Treasurer of the Organization shall also serve on the Investment Committee. A Chairperson of the Investment Committee shall be appointed by the Board. The Investment Committee shall meet at least quarterly, or more frequently if necessary.

The Investment Committee shall report on a quarterly basis to the Board, and at each Annual Meeting of the Board shall render a full and complete account of the administration of the Endowment Fund during the preceding year. The Investment Committee shall make recommendations to the Board regarding the management, investment, and control of the assets of the Endowment Fund, and shall do all else to further the purposes of the Endowment Fund.

NOTE 6. ENDOWMENT FUND (continued)

Changes in Endowment Net Assets:

For the fiscal year ended September 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, Beginning of year | \$ - | \$ 968,338 | \$ 968,338 |
| Investment return: | | | |
| Investment income | - | 16,547 | 16,547 |
| Net appreciation (depreciation) (realized and unrealized) | - | 28,210 | 28,210 |
| Total investment return | - | 44,757 | 44,757 |
| Distributions | - | (325,695) | (325,695) |
| Endowment net assets, End of year | <u>\$ -</u> | <u>\$ 687,400</u> | <u>\$ 687,400</u> |

For the fiscal year ended September 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, Beginning of year | \$ - | \$ 1,141,674 | \$ 1,141,674 |
| Investment return: | | | |
| Investment income | - | 8,139 | 8,139 |
| Net appreciation (depreciation) (realized and unrealized) | - | (181,475) | (181,475) |
| Total investment return | - | (173,336) | (173,336) |
| Endowment net assets, End of year | <u>\$ -</u> | <u>\$ 968,338</u> | <u>\$ 968,338</u> |

NOTE 7. LEASE LIABILITY AND RIGHT OF USE ASSET

In March 2022, the Organization entered into a sixty-month lease agreement for the use of a copier, with a monthly rental of \$818. The final payment is due March 2027. In January 2023, the Organization renewed its lease agreement for office space in Newark, New Jersey for an additional sixty-months, with a monthly rental of \$6,843. The final payment is due December 2027. The operating lease expense under these leases totaled \$71,578 and \$4,166 during the plan years ended September 30, 2023 and 2022, respectively.

Other information:

| | |
|--|-----------|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | \$ 64,550 |
| ROU assets obtained in exchange for new operating lease liabilities | 410,612 |
| Weighted-average remaining lease term in years for operating leases | 4.18 |
| Weighted-average discount rate for operating leases | 3.59% |

Maturity Analysis:

| <u>Year Ending</u> <u>September 30,</u> | <u>Operating</u> <u>Leases</u> |
|--|-----------------------------------|
| 2024 | \$ 91,920 |
| 2025 | 91,920 |
| 2026 | 91,920 |
| 2027 | 87,015 |
| 2028 | 20,528 |
| Total undiscounted cash flows | 383,303 |
| Less: present value discount | (27,083) |
| Total lease liabilities | <u>\$ 356,220</u> |

NOTE 8. FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, management, and general and fundraising expenses. Such allocations are determined by management on an equitable basis.

NOTE 9. RETIREMENT PLAN

The Organization sponsors a qualified 401(k) plan to which employees have the option to contribute a portion of their gross salary up to the maximum amount allowed by law. The Organization contributes 4% of the employee's salary to the Plan. Employees are fully vested. The Organization's contributions for fiscal years ended September 30, 2023 and 2022 were \$64,733 and \$65,268, respectively. At September 30, 2023 and 2022, \$67,004 and \$65,268 respectively, is included in accounts payable and accrued expenses related to the retirement plan.

NOTE 10. LINE OF CREDIT

The Organization has a revolving line of credit with PNC Bank to fund temporary deficits in its working capital. The total amount available under this line of credit is \$50,000. The revolving line of credit renews annually. At September 30, 2023, the Organization has borrowings in the amount of \$11,405 under this line of credit. Interest on the line of credit is payable based on the prime rate as published in the Wall Street Journal.

NOTE 11. GRANT REVENUE

The Organization is party to several grant agreements. Grant revenue for the years ended September 30, 2023 and 2022 consisted of:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|---------------------|
| <u>Without Donor Restrictions</u> | | |
| * Educational Testing Service | \$ 37,500 | \$ 150,000 |
| Dodge Foundation | 87,500 | 50,000 |
| Prudential Foundation | 100,000 | 56,250 |
| Ford Foundation | - | 5,208 |
| American Federation of Teachers | 125,000 | 120,833 |
| The Fund for New Jersey | 100,000 | 100,000 |
| W.K. Kellogg Foundation | 698,293 | 597,440 |
| * New Jersey Education Assn. | 545,000 | 575,000 |
| National Education Association | 225,000 | 100,000 |
| Southern Poverty Law Center | - | 93,750 |
| Skadden Foundation | - | 122,664 |
| * Sciarra Foundation | - | 75,000 |
| Henry/Marilyn Taub Foundation | 40,000 | 37,500 |
| Harvard Fellowship | - | 47,115 |
| AFT New Jersey/ Solidarity Fund | - | 2,500 |
| The Sunny Reid Fund | - | 5,000 |
| MacMillian Family Foundation | 50,000 | 25,000 |
| Yellow Chair Foundation | 250,000 | 150,000 |
| National Philanthropic Trust | - | 3,000,000 |
| Powell Fellowship Virginia University | - | 79,239 |
| Southern Education Foundation | 63,444 | - |
| | <u>\$ 2,321,737</u> | <u>\$ 5,392,499</u> |

NOTE 11. GRANT REVENUE (continued)

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|---------------------|-------------------|
| <u>With Donor Restrictions</u> | | |
| Great Schools New Jersey | \$ 70,000 | \$ 48,000 |
| New Jersey Education Assn. * | 1,135,000 | - |
| Seattle Foundation | 916,667 | 183,333 |
| W.K. Kellogg Foundation | 30,000 | - |
| IOLTA Fund of the Bar of NJ | 91,000 | 77,000 |
| New York State United Teachers | 100,000 | 100,000 |
| Nellie Mae Education Foundation | 50,000 | - |
| UVA Fellowship | 82,288 | - |
| | <u>\$ 2,474,955</u> | <u>\$ 408,333</u> |

* An employee of this entity is a member of the Board of Trustees of the Organization.

NOTE 12. NEW ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, codified in FASB Accounting Standards Codification (FASB ASC) 842, Leases. The standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2021 and establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) the beginning of the period of adoption (effective date method) or (2) the later of a) the beginning of the earliest comparative period presented in the financial statements and b) the commencement date of the lease (comparative method). The Fund has adopted the new standard using the effective date method. The Fund has adjusted the presentation of these statements accordingly. The ASU has been applied to the presentation and has a material effect on the financial statements.

NOTE 13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 21, 2024, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.