ADOPT-A-CLASSROOM, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2020
With Comparative Totals for 2019

Mayer Hoffman McCann P.C.
1000 Campbell Mithun Tower, 222 S. Ninth St. ■ Minneapolis, MN 55402
Main: 612.339.7811 ■ Fax: 612.339.9845 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors

ADOPT-A-CLASSROOM, INC.

We have audited the accompanying financial statements of Adopt-A-Classroom, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adopt-A-Classroom, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Adopt-A-Classroom's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
December 16, 2020

ADOPT-A-CLASSROOM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 3,104,997	$ 1,809,378
Pledges receivable	370,618	240,390
Income tax receivable	5,513	-
Prepaids and other assets	53,038	26,007
TOTAL CURRENT ASSETS	3,534,166	2,075,775
PROPERTY AND EQUIPMENT, less accumulated depreciation	452,110	635,178
OTHER ASSETS		
Beneficial interest in a perpetual trust	490,231	530,895
TOTAL OTHER ASSETS	490,231	530,895
TOTAL ASSETS	$ 4,476,507	$ 3,241,848
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 91,268	$ 98,632
Accrued expenses	-	11,365
Refundable advances	327,001	200,000
TOTAL CURRENT LIABILITIES	418,269	309,997
NET ASSETS		
Without donor restrictions	643,325	533,515
With donor restrictions	3,414,913	2,398,336
TOTAL NET ASSETS	4,058,238	2,931,851
TOTAL LIABILITIES AND NET ASSETS	$ 4,476,507	$ 3,241,848

See Notes to Financial Statements

ADOPT-A-CLASSROOM, INC.

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2020 with comparative totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
SUPPORT AND REVENUE				
Contributions:				
Grants and general public	$ 904,666	$ 3,676,330	$ 4,580,996	$ 3,834,800
Investment return (loss)	22,237	-	22,237	32,042
Investment return - perpetual trust	2,603	23,429	26,032	25,473
Change in value of perpetual trust	-	(40,664)	(40,664)	(10,640)
Miscellaneous, tax refund	5,703	-	5,703	-
Net assets released from restrictions	2,642,518	(2,642,518)	-	-
TOTAL SUPPORT AND REVENUE	3,577,727	1,016,577	4,594,304	3,881,675
EXPENSES				
Program services:				
Classroom adoption	2,908,385	-	2,908,385	3,839,579
Supporting services:				
Administration and management	240,389	-	240,389	318,989
Fundraising	319,143	-	319,143	302,969
TOTAL EXPENSES	3,467,917	-	3,467,917	4,461,537
CHANGE IN NET ASSETS	109,810	1,016,577	1,126,387	(579,862)
NET ASSETS, BEGINNING OF YEAR,	533,515	2,398,336	2,931,851	3,511,713
NET ASSETS, END OF YEAR	$ 643,325	$ 3,414,913	$ 4,058,238	$ 2,931,851

See Notes to Financial Statements

ADOPT-A-CLASSROOM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 with comparative totals for 2019

	Program Services	Supporting Services		Total	
	Classroom Adoption	Administration and Management	Fundraising	2020	2019
Payroll and related costs	$ 514,983	$ 158,921	$ 255,840	$ 929,744	$ 983,858
Classroom purchases	1,713,527	-	-	1,713,527	2,626,174
Insurance	1,829	2,197	125	4,151	3,880
Professional fees	-	30,927	5,744	36,671	41,982
Technology	199,760	11,525	19,640	230,925	191,752
Printing and advertising	8,152	627	4,423	13,202	16,836
Travel and entertainment	4,482	1,951	573	7,006	20,613
Office expenses	4,767	6,246	434	11,447	14,080
Rent	45,028	3,070	3,070	51,168	47,230
Bad debt expense	-	-	-	-	3,000
Other	20,564	22,877	6,075	49,516	51,615
Corporate sponsor event	216,446	-	-	216,446	237,708
Depreciation	178,847	2,048	23,219	204,114	222,809
	$ 2,908,385	$ 240,389	$ 319,143	$ 3,467,917	$ 4,461,537

See Notes to Financial Statements

ADOPT-A-CLASSROOM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,126,387	$ (579,862)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	204,114	222,809
Change in value of beneficial interest in a perpetual trust	40,664	10,640
Change in assets and liabilities:		
Pledges receivable	(130,228)	(35,250)
Income tax receivable	(5,513)	-
Prepaids and other assets	(27,031)	9,044
Accounts payable	(7,364)	(97,166)
Accrued expenses	(11,365)	(8,893)
Refundable advance	127,001	200,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,316,665	(278,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,046)	(91,168)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(21,046)	(91,168)
NET INCREASE (DECREASE) IN CASH	1,295,619	(369,846)
CASH		
BEGINNING OF YEAR	1,809,378	2,179,224
END OF YEAR	$ 3,104,997	$ 1,809,378
SUPPLEMENTAL DISCLOSURES		
Unrelated business income taxes paid	$ -	$ 5,700

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Organization

Adopt-A-Classroom, Inc. (the "Organization") was incorporated in the State of Florida as a not-for-profit corporation. The Organization serves the community by soliciting contributions from corporations, foundations and the general public for use by specific teachers in acquiring school supplies for classrooms of local community schools and for the funding of the general expenses of the Organization.

(2) Summary of significant accounting policies

Use of estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization’s assessment has not identified any significant positions that it believes would not be sustained under examination.

The Organization has identified its tax status as a tax exempt entity as it’s only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction.

The Organization files Form 990 in the U.S. federal jurisdiction and with numerous states. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization’s management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(2) <u>Summary of significant accounting policies</u> (continued)

Revenue recognition – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed conditions and restrictions are reported as an increase in net assets without donor restrictions if the conditions and restrictions are met in the reporting period in which the contribution is recognized. Net investment return (loss) is reported as either increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs of other barriers. The Organization records conditional contributions received in advance of conditions being met as refundable advances until the contribution becomes unconditional, at which time the support is recognized as contribution revenue.

The Organization generates revenue through vendor revenue-share agreements in the form of discounts or rebates with certain vendors. Payments from the Organization to these approved vendors are made net of a revenue-share amount or the Organization receives periodic payments from vendors for their revenue-share amount. Revenue generated through these agreements are recorded as unrestricted contributions and amounted to $203,000 and $271,000 for the years ended June 30, 2020 and 2019, respectively.

When the Organization receives contributions that are designated by the donor for the benefit of an individual teacher, such funds are deemed to be an increase in net assets with donor restrictions. Per the terms of use published on the Organization's website, the teacher will have one calendar year from the date of each contribution to use those funds for the purchase of classroom supplies. In the event that a teacher does not spend the contributed funds within this period of time, such funds are released from net assets with donor restrictions and reclassified to net assets without donor restrictions.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization’s balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

(2) **Summary of significant accounting policies (continued)**

Pledges receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable). Management considers all receivables to be fully collectible at year-end and accordingly, an allowance for doubtful accounts has not been recorded.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates to the years in which the promises are to be received.

Property and equipment - Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Additions exceeding $1,000 are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from three to seven years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant improvements are capitalized. For the years ending June 30, 2020 and 2019, depreciation expense amounted to $204,000 and $223,000, respectively.

Beneficial interest in a perpetual trust - The Organization is the beneficiary of a perpetual irrevocable trust held and administered by an independent trustee. Under the terms of the trust, the Organization has the irrevocable right to receive its proportionate share of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Organization's estimate of fair value at each reporting date is based on fair value information received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, unitized funds, and equity securities. These assets are not subject to control or direction by the Organization. Gains and losses, which are not distributed by the trust, are reflected as the change in value of perpetual trusts in the statements of activities.

Fair value measurement - definition and hierarchy – The Organization utilizes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

(2) **Summary of significant accounting policies (continued)**

Fair value measurement - definition and hierarchy (continued) - The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

Contributed services, materials and equipment - Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional allocation of expenses – The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

(2) Summary of significant accounting policies (continued)

The expenses that are allocated include the following:

Expenses	*Method of Allocation*
Payroll and related costs	estimate of time and effort
Rent	estimate of space utilization
Other	review of actual expenses
Insurance	review of actual expenses
Office expenses	review of actual expenses
Professional fees	review of actual expenses
Printing and advertising	review of actual expenses
Travel and entertainment	review of actual expenses
Technology	review of utilized technology
Depreciation	review of utilized technology

Summarized information - The financial statements include certain prior year summarized comparative information in total but neither by net assets nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events - The Organization has evaluated subsequent events through December 16, 2020, which is the date the financial statements were available to be issued.

Adoption of accounting standards update - The Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The change in accounting principle was applied to funding agreements that were not completed as of July 1, 2019 or new agreements entered into after that date on a modified prospective basis. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019. Amounts reported related to fiscal year 2019 are unadjusted for the effects of ASU 2018-08. The adoption of ASU 2018-08 did not have a material impact on the Organization's financial position, changes in net assets, or cash flows.

New accounting pronouncements - In February 2016, FASB issued ASU 2016-02, *Leases* (*Topic 842*). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability on the statement of financial condition and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is assessing the impact this standard will have on its financial statements.

(3) Risks and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization may be significantly impacted by the pandemic and could result in material changes in the Organization's ability to provide services in its program areas. The extent of the impact of COVID-19 on our programs and operations will depend on certain developments, including duration and spread of the outbreak, government mandates (e.g. stay at home orders), impact on our donors, employees, and venders, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

(4) Liquidity and availability

The Organization regularly monitors the availability of revenues required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has an operating checking account as well as a money market account.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its general operations (teacher/school programs, administrative, and fundraising), to be general expenditures. The Organization receives contributions restricted by donors to be used for teacher and classroom purchases, and considers these restricted contributions which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

As of June 30, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be made readily available within one year of the balance sheet date to meet general expenditures over the next 12 months:

	2020	2019
Cash and cash equivalents	$ 3,104,997	$ 1,809,378
Pledges receivable	370,618	240,390
Total financial assets available over the next 12 months	$ 3,475,615	$ 2,049,768

In addition to financial assets available to meet general expenditures over the next 12 months, the organization strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Any differences to the budgeted plan will be offset by reserve funds, included in cash and cash equivalents, to the extent the financial assets are available.

(5) Concentrations of credit risk and major donors and vendors

Major donors - For the years ended June 30, 2020 and 2019, two donors and one donor accounted for approximately 59% and 50% of total contributions, respectively.

Major vendors - The Organization has agreements with multiple vendors mainly for school supply related products. The agreements provide for discounts on purchases from those vendors. These discounts vary from vendor to vendor ranging from 5% to 50%.

For the years ended June 30, 2020 and 2019, classroom purchases from three major vendors and four major vendors amounted to approximately $858,000 and $1,759,000, respectively. Other than vendor discounts received, no additional contributions were received from these vendors for the years ended June 30, 2020 and 2019.

(6) Property and equipment

At June 30, property and equipment is summarized as follows:

	2020	2019
Systems and website	$ 1,145,481	$ 1,110,831
Computers	9,112	6,616
Capital projects in progress	-	16,100
	1,154,593	1,133,547
Less: Accumulated depreciation and amortization	702,483	498,369
	$ 452,110	$ 635,178

(7) Beneficial interest in a perpetual trust

The Organization has a beneficial interest in a perpetual trust with the assets held by a third party. These assets are considered to be an endowment fund with donor restrictions. The Organization has no control over the investment of the funds. Distributions are made to the Organization of no less than 5% of the fair value of the fund as measured by a 12 quarter rolling average of the fair value of the fund. Fair value of the endowment fund includes any unrealized gains or losses.

Distributions received were approximately $26,000 and $25,000 for years ended June 30, 2020 and 2019, respectively. The fair value of the beneficial interest in the perpetual trust was $490,000 and $531,000 at June 30, 2020 and 2019, respectively.

(8) Fair value measurements

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis as of June 30, 2020 and 2019:

	Fair value measurements at reporting day used			
2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Beneficial interest in a perpetual trust	$ -	$ -	$ 490,231	$ 490,231

	Fair value measurements at reporting day used			
2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Beneficial interest in a perpetual trust	$ -	$ -	$ 530,895	$ 530,895

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial interest in a perpetual trust	
	2020	**2019**
Balance, beginning of year	$ 530,895	$ 541,535
Change in value of a perpetual trust recognized in the change in net assets with donor restrictions	(40,664)	(10,640)
Balance, end of year	$ 490,231	$ 530,895

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019:

Beneficial interest in a perpetual trust: Fair value for the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust reported by the trustee. The Organization considers the measurement of its beneficial interest in the perpetual trust to be a level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

(8) **Fair value measurements (continued)**

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(9) **Refundable advances**

Refundable advances at June 30, 2020 and 2019 consist of the following:

	2020	2019
Contribution conditional upon classroom purchases	$ 172,401	$ 200,000
PPP loan	154,600	-
	$ 327,001	$ 200,000

The Organization received a contribution of $200,000 for the year ended June 30, 2019 conditional upon a specified amount of classroom purchases being made. The refundable advance as of June 30, 2020 and 2019, of $172,401 and $200,000, respectively, represents the amount of the contribution received in advance of donor conditions being met. The refundable advance will be recognized as contribution revenue as the donor conditions are met.

The Organization applied for and received a forgivable Paycheck Protection Progam (PPP) Loan of approximately $154,600 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 9, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified expenses and that certain employment levels are maintained.

To the extent a portion of the loan does not meet the criteria to be forgiven, such amount will be required to be repaid including interest at 1% per the terms of the agreement. The Organization expects the entire loan to be forgiven. A formal request for forgiveness will be submitted after the performance period outlined above. Management considers the loan a conditional grant until forgiveness has been granted by the Federal Government.

(10) **Endowments**

The Organization's endowment consists of a perpetual trust. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

(10) Endowments (continued)

Interpretation of relevant law - The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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 fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect 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

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Perpetual trust required to be maintained in perpetuity	$ -	$ 490,231	$ 490,231

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Perpetual trust required to be maintained in perpetuity	$ -	$ 530,895	$ 530,895

(10) Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 530,895	$ 530,895
Investment return: Change in value of perpetual trust	-	(40,664)	(40,664)
Endowment net assets, end of year	$ -	$ 490,231	$ 490,231

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 541,535	$ 541,535
Investment return: Change in value of perpetual trust	-	(10,640)	(10,640)
Endowment net assets, end of year	$ -	$ 530,895	$ 530,895

Funds with deficiencies - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization's policy is not to permit spending from underwater endowments. There were no funds with deficiencies as of June 30, 2020 and 2019.

Return objectives and risk parameters - Endowment funds consist solely of and are held in perpetual trusts, the investment of which is determined by the trustee rather than the Organization.

(11) Net assets

The net assets are summarized as follows as of June 30, 2020:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 191,215	$ -	$ 191,215
Net investment in property and equipment	452,110	-	452,110
Restricted for fundraising consultant	-	21,476	21,476
Restricted for classroom purchases	-	2,903,206	2,903,206
Endowment funds restricted in perpetuity for classroom purchases:			
Perpetual trust held by third party	-	490,231	490,231
	$ 643,325	$ 3,414,913	$ 4,058,238

The net assets are summarized as follows as of June 30, 2019:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ (101,663)	$ -	$ (101,663)
Net investment in property and equipment	635,178	-	635,178
Restricted for classroom purchases	-	1,867,441	1,867,441
Endowment funds restricted in perpetuity for classroom purchases:			
Perpetual trust held by third party	-	530,895	530,895
	$ 533,515	$ 2,398,336	$ 2,931,851

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the passage of time, or by the occurrence of other events specified by donors. Net assets released from restrictions for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Classroom purchases	$ 2,363,993	$ 3,073,784
Technology	250,000	-
Fundraising consultant	28,525	-
Passage of specified time restrictions	-	6,000
	$ 2,642,518	$ 3,079,784

(12) Operating lease

The Organization leases office space under a noncancelable operating lease. The lease term ends December 31, 2022. Monthly payments range from $2,400 to $2,500 over the lease term. Also, additional rent for common area maintenance, taxes and insurance is due. Rent expense was approximately $51,000 and $47,000 for the years ended June 30, 2020 and 2019, respectively.

The future minimum lease payments including the new lease entered into subsequent to year end are as follows:

Year Ending June 30,	Amount
2021	$ 29,300
2022	29,900
2023	15,100
	$ 74,300