

**9 DOTS COMMUNITY LEARNING CENTER
(A NON-PROFIT ORGANIZATION)**

Financial Statements

June 30, 2020

9 DOTS COMMUNITY LEARNING CENTER

Financial Statements

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
9 Dots Community Learning Center
Los Angeles, California

We have audited the accompanying financial statements of 9 Dots Community Learning Center (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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 of 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 9 Dots Community Learning Center as of June 30, 2020, and 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.

Kirsch, Kohn + Bridge LLP

Woodland Hills, California
October 29, 2020

9 DOTS COMMUNITY LEARNING CENTER
Statement of Financial Position
June 30, 2020

ASSETS

Cash and cash equivalents	\$ 1,487,830
Receivables	772,669
Prepaid expenses	27,506
Property and equipment, net	<u>39,729</u>

TOTAL ASSETS \$ 2,327,734

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 83,195
Accrued payroll	228,889
Grants payable	<u>216,667</u>

TOTAL LIABILITIES 528,751

NET ASSETS (PAGE 4)

Without donor restrictions	1,096,728
With donor restrictions	<u>702,255</u>

TOTAL NET ASSETS 1,798,983

TOTAL LIABILITIES AND NET ASSETS \$ 2,327,734

See accompanying independent auditor's report
and notes to financial statements

9 DOTS COMMUNITY LEARNING CENTER
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE, AND RELEASES			
Contributions	\$ 2,527,099	\$ 799,500	\$ 3,326,599
Grants	478,000	423,500	901,500
Government contract	209,188	6,000	215,188
Program income	398,750	-	398,750
Other revenue	73,107	-	73,107
Special event, net of cost of direct benefits to donors of \$27,879	39,989	-	39,989
Net assets released from restrictions	<u>875,260</u>	<u>(875,260)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE, AND RELEASES	<u>4,601,393</u>	<u>353,740</u>	<u>4,955,133</u>
EXPENSES			
Program services	3,322,879	-	3,322,879
Fundraising	124,599	-	124,599
Management and general	<u>653,200</u>	<u>-</u>	<u>653,200</u>
TOTAL EXPENSES	<u>4,100,678</u>	<u>-</u>	<u>4,100,678</u>
CHANGE IN NET ASSETS	500,715	353,740	854,455
NET ASSETS, BEGINNING OF YEAR	<u>596,013</u>	<u>348,515</u>	<u>944,528</u>
NET ASSETS, END OF YEAR	<u>\$ 1,096,728</u>	<u>\$ 702,255</u>	<u>\$ 1,798,983</u>

See accompanying independent auditor's report
and notes to financial statements

9 DOTS COMMUNITY LEARNING CENTER

Statement of Functional Expenses

For the Year Ended June 30, 2020

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Academy</u>	<u>Get Coding</u>	<u>Research</u>	<u>Fund-Raising</u>	<u>Management and General</u>	<u>Direct Benefits to Donors</u>	
Depreciation	\$ 5,766	\$ 6,727	\$ 961	\$ -	\$ 5,766	\$ -	\$ 19,220
Dues and subscriptions	-	-	-	-	27,972	-	27,972
Event costs	-	-	-	-	-	27,879	27,879
Employee benefits	5,993	143,323	20,166	8,957	37,489	-	215,928
Equipment rental	2,017	2,353	336	-	2,017	-	6,723
Hiring expenses	91	111	-	-	22,868	-	23,070
Insurance	1,772	21,582	2,935	1,504	21,517	-	49,310
Meals and entertainment	-	-	-	-	9,995	-	9,995
Miscellaneous	-	-	-	-	169	-	169
Office expenses	-	-	-	3,410	8,606	-	12,016
Outside services	-	120,951	128,548	933	8,070	-	258,502
Payroll taxes	8,590	140,947	17,710	8,190	22,411	-	197,848
Professional services	-	-	-	-	52,150	-	52,150
Project material	11,407	255,620	2,918	-	-	-	269,945
Repairs and maintenance	-	-	-	-	6,857	-	6,857
Salaries	99,597	1,749,372	230,388	101,605	296,750	-	2,477,712
Transportation	27,891	1,608	-	-	-	-	29,499
Travel	-	6,413	2,412	-	117	-	8,942
Utilities and rent	<u>130,446</u>	<u>152,187</u>	<u>21,741</u>	<u>-</u>	<u>130,446</u>	<u>-</u>	<u>434,820</u>
Total expenses	293,570	2,601,194	428,115	124,599	653,200	27,879	4,128,557
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,879)</u>	<u>(27,879)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 293,570</u>	<u>\$ 2,601,194</u>	<u>\$ 428,115</u>	<u>\$ 124,599</u>	<u>\$ 653,200</u>	<u>\$ -</u>	<u>\$ 4,100,678</u>

See accompanying independent auditor's report
and notes to financial statements

9 DOTS COMMUNITY LEARNING CENTER

Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 854,455
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	19,220
Changes in operating assets and liabilities:	
Receivables	(444,316)
Prepaid expenses	20,031
Accounts payable	35,164
Accrued payroll	132,961
Grants payable	<u>216,667</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>834,182</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(1,138)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,138)</u>

NET INCREASE IN CASH 833,044

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 654,786

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,487,830

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non cash transactions during the year:	
Disposal of depreciated equipment	\$ <u><u>20,381</u></u>

See accompanying independent auditor's report
and notes to financial statements

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of activities

9 Dots Community Learning Center, (the "Organization"), a corporation and 501(c)(3) non-profit organization, was formed and began operations in 2011 primarily to develop, provide, and share STEM (Science, Technology, Engineering, and Mathematics) programs dedicated to helping students from underserved backgrounds. The Organization seeks an equitable education system that empowers all students to become dynamic problem solvers and socially conscious leaders in an increasingly technologically-driven world. The Organization provides computer science education after-school, summer, and in-school programming, free of charge, for kindergarten through eighth grade students.

In-school, the Organization places teachers to teach alongside in-school teachers for a year of computer science curriculum for each grade. The Organization is working towards creating complete pathways so that children receive computer science classes from kindergarten to sixth grade. The Organization teaches in Title 1 schools in Los Angeles and Compton. Afternoons during the school year, the Organization brings in students from local schools for additional STEM teaching. Additionally, 9 Dots runs an Advanced Placement Computer Science Principles program for middle schoolers.

The Organization's principal office is located in Los Angeles, California.

The Organization is supported primarily through contributions from individuals, foundations, and businesses within the United States.

B. Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of presentation (continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

C. New accounting pronouncements

Accounting Standards Update (ASU) No. 2014-09 (Topic 606), "Revenue from Contracts with Customers" supersedes existing revenue recognition guidance and requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires that certain contract costs incurred to obtain or fulfill a contract, such as sales commissions, be capitalized as an asset and amortized as revenue is recognized. This pronouncement is currently effective for fiscal years beginning after December 15, 2019. Management is in the process of assessing the impact of this pronouncement on the results of the Organization's operations and financial condition.

ASU No. 2016-02 "Leases" requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. This pronouncement is currently effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this pronouncement on the results of the Organization's operations and financial condition.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenue recognition

The Organization records its contributions in conformity with Accounting Standards Codification (ASC) "Not-for-Profit Entities Revenue Recognition" whereby contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions. This standard also requires that unconditional contributions be measured at current fair value and recognized currently as revenue.

Income from program dues and fees are deferred and recognized over the periods to which the dues and fees relate.

The Organization records grant revenue under a government contract as expenses are incurred and subsequently invoiced to the government entity.

Donated investments and other non cash donations are recorded as contributions at their fair value at the date of donation.

E. Fair value of financial instruments

ASC 825, Financial Instruments, which establishes framework for fair value of financial instruments. This guidance states that the requirement to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in Level 1, 2, or 3 does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed.

The carrying amounts of the Organization's financial instruments, including cash and cash equivalents, receivables, investments, prepaid assets, accounts payable and accrued expenses approximate fair value.

F. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturity dates of three months or less to be cash equivalents.

H. Concentration of risk

The Organization may have cash balances in excess of FDIC limits throughout the year. The Organization has not experienced losses on these accounts.

I. Receivables

Receivables are stated at the amount the Organization expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All accounts receivable are anticipated to be collected and no provision for bad debts has been made.

J. Property and equipment

Acquisitions of property and equipment and betterments to existing property are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization is computed using primarily the straight-line method over the estimated useful lives of the property as follows:

Furniture and equipment	1 - 7 years
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K. Income taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Code Section 23701d.

The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Income taxes (Continued)

Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ending June 30, 2020.

For the year ended June 30, 2020, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2016 to 2019.

L. Expense allocation

Expenses that can be identified with a specific program, fundraising, or supporting service are charged directly to the related program, fundraising, or supporting service. Certain expenses associated with all program, fundraising, and supporting services have been allocated based on Management's estimates based on time spent or benefits derived.

M. Donated facility and donated services

In accordance with FASB ASC 958, the use of a facility under a leasing agreement for an amount under fair market value has been recognized as a donated facility and is included in contribution income at the inception of the lease term and rent expense each year at fair market value. In addition, a receivable has been recorded for the fair value of future donated facility use under the current lease term.

No amounts have been reflected in the financial statements for donated services, unless they are services requiring specific expertise. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and fundraising activities and no amounts have been reflected in the financial statements for their time.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets at June 30, 2020 (reduced by amounts not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Financial assets at June 30, 2020	\$ 2,260,499
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted: qualified program expenses	3,333
Donor-restricted: use of facility	698,922
Board designated operating reserve	<u>342,841</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,215,403</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in a money market fund which has been designated by the Board as an operating reserve.

3. RECEIVABLES

Receivables consisted of the following balances at June 30, 2020:

Program income receivable	\$ 38,666
Grant receivable	35,081
Receivable for use of facility, see also Note 5	<u>698,922</u>
Total receivables	<u>\$ 772,669</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and equipment	\$ 114,347
Accumulated depreciation	<u>(74,618)</u>
Property and equipment, net	<u>\$ 39,729</u>

Depreciation expense for the year ended June 30, 2020 was \$19,220.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

5. RELATED PARTY TRANSACTIONS

The Organization's Board members and their related entities donated a total of \$2,602,000 to the Organization during the year ended June 30, 2020.

In March 2014, the Organization entered into a four year lease agreement with one of the Organization's Board members. Under the agreement, the lease will automatically renew for five renewal terms of two years each commencing upon termination of the initial lease term. The Organization is currently under the second automatic renewal term. Under the lease agreement, the Organization is leasing a location from the Board member at an annual rate below the estimated fair value of rent. As discussed in Note 1M, the Organization includes in rent expense each year the estimated fair value of rent under the lease agreement. Rent expense under this lease agreement for the year ending June 30, 2020 was \$399,384. In addition, a receivable of \$698,922 is recognized for the fair value of future donated facility use under the current lease term which expires April 2022.

6. RETIREMENT PLAN

A defined contribution retirement plan is in effect for eligible employees of the Organization. The Organization contributed \$41,944 into the employees' retirement plan accounts during the year ended June 30, 2020.

7. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were available for the following purposes at June 30, 2020:

Educational program	\$ 3,333
Use of facility	<u>698,922</u>
Total net assets with restrictions	<u>\$ 702,255</u>

Amounts released from restrictions during the year ended June 30, 2020 were as follows:

Educational programs	\$ 475,876
Use of facility	<u>399,384</u>
Total releases	<u>\$ 875,260</u>

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2020

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2020, the date on which the financial statements were available to be issued.

During 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses and schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The Organization is uncertain at this time if this matter will impact its long term operations.

No other significant subsequent events have been identified that would require adjustment of the accompanying financial statements.