

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

Financial Statements

June 30, 2021

9 DOTS COMMUNITY LEARNING CENTER

Financial Statements

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
9 Dots Community Learning Center
South Pasadena, 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, 2021, 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, 2021, 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.

Kirsch, Kohn + Bridge LLP

Woodland Hills, California
December 29, 2021

9 DOTS COMMUNITY LEARNING CENTER

Statement of Financial Position

June 30, 2021

ASSETS

Cash and cash equivalents	\$ 1,429,383
Receivables	241,427
Other receivables	13,464
Prepaid expenses	26,022
Property and equipment, net	<u>29,364</u>

TOTAL ASSETS \$ 1,739,660

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 25,171
Accrued payroll	161,198
Deferred revenue	<u>10,901</u>

TOTAL LIABILITIES 197,270

NET ASSETS

Without donor restrictions	1,396,962
With donor restrictions	<u>145,428</u>

TOTAL NET ASSETS 1,542,390

TOTAL LIABILITIES AND NET ASSETS \$ 1,739,660

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE, AND RELEASES			
Contributions	\$ 287,734	\$ 1,302	\$ 289,036
Grants	1,173,000	145,000	1,318,000
Government grants	140,956	-	140,956
Program income	385,315	-	385,315
Other revenue	114,004	-	114,004
Net assets released from restrictions	<u>703,129</u>	<u>(703,129)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE, AND RELEASES	<u>2,804,138</u>	<u>(556,827)</u>	<u>2,247,311</u>
FUNCTIONAL EXPENSES			
Program services	1,681,167	-	1,681,167
Fundraising	55,219	-	55,219
Management and general	<u>601,108</u>	<u>-</u>	<u>601,108</u>
TOTAL FUNCTIONAL EXPENSES	<u>2,337,494</u>	<u>-</u>	<u>2,337,494</u>
OTHER EXPENSE			
Loss on lease termination	<u>166,410</u>	<u>-</u>	<u>166,410</u>
CHANGE IN NET ASSETS	300,234	(556,827)	(256,593)
NET ASSETS, BEGINNING OF YEAR	<u>1,096,728</u>	<u>702,255</u>	<u>1,798,983</u>
NET ASSETS, END OF YEAR	<u>\$ 1,396,962</u>	<u>\$ 145,428</u>	<u>\$ 1,542,390</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, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Get Coding</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Depreciation	\$ -	\$ -	\$ 16,897	\$ 16,897
Dues and subscriptions	-	-	4,952	4,952
Employee benefits	96,825	5,018	25,973	127,816
Hiring expenses	21	-	2,230	2,251
Insurance	11,830	304	20,222	32,356
Meals and entertainment	-	-	452	452
Office expenses	-	324	1,722	2,046
Outside services	66,743	2,190	6,173	75,106
Payroll taxes	91,011	1,976	12,601	105,588
Professional services	-	-	80,104	80,104
Project material	36,079	-	-	36,079
Repairs and maintenance	-	-	7,668	7,668
Salaries	1,098,924	45,407	275,734	1,420,065
Travel	165	-	252	417
Utilities and rent	<u>279,569</u>	<u>-</u>	<u>146,128</u>	<u>425,697</u>
Total expenses	<u>\$ 1,681,167</u>	<u>\$ 55,219</u>	<u>\$ 601,108</u>	<u>\$ 2,337,494</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (256,593)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	16,897
Loss on lease termination	166,410
(Increase) decrease in:	
Receivables	351,368
Prepaid expenses	1,484
Increase (decrease) in:	
Accounts payable	(58,023)
Accrued payroll	(67,691)
Grants payable	(216,667)
Deferred revenue	<u>10,901</u>

NET CASH USED IN OPERATING ACTIVITIES (51,914)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(6,533)</u>
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NET CASH USED IN INVESTING ACTIVITIES (6,533)

NET DECREASE IN CASH (58,447)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,487,830

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,429,383

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

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

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 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. 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, 2021

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

The Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842), for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. This pronouncement will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted, and must be applied using a modified retrospective approach. The Organization's management is currently evaluating the impact of adopting this standard on its financial statements.

The FASB issued ASU 2018-08, Not-for-Profit: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019 and early application is permitted. The Organization's management has adopted ASU 2018-08 effective July 1, 2020.

The FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities, which clarifies the presentation and disclosure of contributed land, buildings and other nonfinancial assets. This pronouncement is effective for fiscal years beginning after June 15, 2021. The Organization's management is currently evaluating the impact that this ASU might have on the financial statements.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

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, establishes a framework for the 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, 2021

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. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. 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
Leasehold improvements	10 years

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

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

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.

ASC Topic 740-10 on Accounting for Uncertainty in Income Taxes clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The accounting standard on Accounting for Uncertainty in Income Taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, 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.

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, 2021.

For the year ended June 30, 2021, 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.

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 of time spent or benefits derived.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

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

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.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets at June 30, 2021 (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 expenditures are as follows:

Financial assets at June 30, 2021	\$ 1,684,274
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted: executive development expenses	12,300
Donor-restricted: use of facility	133,128
Board designated operating reserve	<u>893,166</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>645,680</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.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

3. RECEIVABLES

Receivables consisted of the following balances at June 30, 2021:

Program income receivable	\$ 53,699
Grant receivable	54,600
Receivable for use of facility, see also Note 5	<u>133,128</u>
Total receivables	\$ <u>241,427</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and equipment	\$ 118,264
Leasehold improvements	<u>2,616</u>
	120,880
Less: accumulated depreciation	<u>91,516</u>
Property and equipment, net	\$ <u>29,364</u>

Depreciation expense for the year ended June 30, 2021 was \$16,897.

5. RELATED PARTY TRANSACTIONS

The Organization's Board members and their related entities donated a total of \$767,773 to the Organization during the year ended June 30, 2021.

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, 2021 was \$399,410. In addition, a receivable of \$133,128 is recognized for the fair value of future donated facility use under the current lease term which was terminated before the end of the renewal term in October 2021. A \$166,410 loss on lease termination has been recognized under other expenses on the statement of activities and changes in net assets as a result of the early termination of the leasing agreement.

9 DOTS COMMUNITY LEARNING CENTER

Notes to Financial Statements

June 30, 2021

6. RETIREMENT PLAN

A defined contribution retirement plan is in effect for eligible employees of the Organization. The Organization contributed \$27,051 into the employees' retirement plan accounts during the year ended June 30, 2021.

7. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were available for the following purposes at June 30, 2021:

Executive development	\$ 12,300
Use of facility	<u>133,128</u>
Total net assets with restrictions	<u>\$ 145,428</u>

Amounts released from restrictions during the year ended June 30, 2021 were as follows:

Educational programs	\$ 134,635
Executive development	2,700
Use of facility	<u>565,794</u>
Total releases	<u>\$ 703,129</u>

8. RISK AND UNCERTAINTIES

The ongoing COVID-19 pandemic continues to cause economic disruption on a global scale and has created significant uncertainty, volatility and disruption across economic and financial markets. While the disruption is expected to be temporary, there is considerable uncertainty around its duration. The Organization is uncertain at the date on which the financial statements were available to be issued if this matter will impact its long term operations.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2021, the date on which the financial statements were available to be issued.

The building that the Organization was leasing sold in October 2021 and the lease was terminated early. See also Note 5.

No other significant subsequent events have been identified that would require adjustment to or disclosure in the accompanying financial statements.