

THE NSORO  
EDUCATIONAL  
FOUNDATION, INC.  
*Atlanta, Georgia*

Financial Statements  
*December 31, 2020 and 2019*

THE NSORO EDUCATIONAL FOUNDATION, INC.  
ATLANTA, GEORGIA

FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Nsoro Educational Foundation, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of The Nsoro Educational Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Nsoro Educational Foundation, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Wilson Lewis".

November 12, 2021

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

|                                  | <u>2020</u>         | <u>2019</u>         |
|----------------------------------|---------------------|---------------------|
| ASSETS                           |                     |                     |
| CURRENT ASSETS                   |                     |                     |
| Cash and cash equivalents        | \$ 500,978          | \$ 472,512          |
| Investments                      | 208,672             | 178,657             |
| Promises to give, net            | 490,700             | 420,951             |
| Prepaid expenses                 | <u>1,250</u>        | <u>1,250</u>        |
| Total current assets             | <u>1,201,600</u>    | <u>1,073,370</u>    |
| PROPERTY AND EQUIPMENT           |                     |                     |
| Property and equipment           | 5,371               | 29,750              |
| Less: accumulated depreciation   | <u>(4,781)</u>      | <u>(25,789)</u>     |
| Property and equipment, net      | <u>590</u>          | <u>3,961</u>        |
| LONG-TERM ASSETS                 |                     |                     |
| Long-term pledge receivable      | <u>100,000</u>      | <u>-</u>            |
| Total long-term assets           | <u>100,000</u>      | <u>-</u>            |
| Total assets                     | <u>1,302,190</u>    | <u>1,077,331</u>    |
| LIABILITIES AND NET ASSETS       |                     |                     |
| CURRENT LIABILITIES              |                     |                     |
| Accounts payable                 | -                   | 5,662               |
| Accrued expenses                 | 56,661              | 64,674              |
| Notes payable - current portion  | 1,630               | -                   |
| Contract liabilities             | <u>-</u>            | <u>151,650</u>      |
| Total current liabilities        | <u>58,291</u>       | <u>221,986</u>      |
| LONG TERM LIABILITIES            |                     |                     |
| Note payable                     | <u>148,270</u>      | <u>-</u>            |
| NET ASSETS                       |                     |                     |
| Without donor restrictions       | <u>1,095,629</u>    | <u>855,345</u>      |
| Total net assets                 | <u>1,095,629</u>    | <u>855,345</u>      |
| Total liabilities and net assets | <u>\$ 1,302,190</u> | <u>\$ 1,077,331</u> |

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2020 and 2019

|                                       | 2020                          |                            |                     | 2019                          |                            |                   |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
| REVENUE AND SUPPORT                   |                               |                            |                     |                               |                            |                   |
| Contributions                         | \$ 991,220                    | \$ -                       | \$ 991,220          | \$ 60,683                     | \$ -                       | \$ 60,683         |
| Restricted contributions              | -                             | 93,600                     | 93,600              | -                             | -                          | -                 |
| Non-cash contributions                | 55,337                        | -                          | 55,337              | 25,005                        | -                          | 25,005            |
| Event revenue                         | 561,064                       | -                          | 561,064             | 1,427,326                     | -                          | 1,427,326         |
| Investment income, net                | <u>24,564</u>                 | <u>-</u>                   | <u>24,564</u>       | <u>37,620</u>                 | <u>-</u>                   | <u>37,620</u>     |
| Total revenue and support             | <u>1,632,185</u>              | <u>93,600</u>              | <u>1,725,785</u>    | <u>1,550,634</u>              | <u>-</u>                   | <u>1,550,634</u>  |
| Net assets released from restrictions | <u>93,600</u>                 | <u>(93,600)</u>            | <u>-</u>            | <u>-</u>                      | <u>-</u>                   | <u>-</u>          |
| EXPENSES                              |                               |                            |                     |                               |                            |                   |
| Program services                      | 981,262                       | -                          | 981,262             | 550,459                       | -                          | 550,459           |
| Supporting services                   | 239,352                       | -                          | 239,352             | 320,987                       | -                          | 320,987           |
| Fundraising                           | <u>264,887</u>                | <u>-</u>                   | <u>264,887</u>      | <u>228,627</u>                | <u>-</u>                   | <u>228,627</u>    |
| Total expenses                        | <u>1,485,501</u>              | <u>-</u>                   | <u>1,485,501</u>    | <u>1,100,073</u>              | <u>-</u>                   | <u>1,100,073</u>  |
| CHANGE IN NET ASSETS                  | 240,284                       | -                          | 240,284             | 450,561                       | -                          | 450,561           |
| NET ASSETS, beginning of year         | <u>855,345</u>                | <u>-</u>                   | <u>855,345</u>      | <u>404,784</u>                | <u>-</u>                   | <u>404,784</u>    |
| NET ASSETS, end of year               | <u>\$ 1,095,629</u>           | <u>\$ -</u>                | <u>\$ 1,095,629</u> | <u>\$ 855,345</u>             | <u>\$ -</u>                | <u>\$ 855,345</u> |

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2020 and 2019

|                                            | <u>2020</u>                |                           |                   |                     | <u>2019</u>                |                           |                   |                     |
|--------------------------------------------|----------------------------|---------------------------|-------------------|---------------------|----------------------------|---------------------------|-------------------|---------------------|
|                                            | <u>Supporting Services</u> |                           |                   |                     | <u>Supporting Services</u> |                           |                   |                     |
|                                            | Program<br>Services        | Management<br>and General | Fundraising       | Total               | Program<br>Services        | Management<br>and General | Fundraising       | Total               |
| EXPENSES                                   |                            |                           |                   |                     |                            |                           |                   |                     |
| Bank / merchant fees                       | \$ -                       | \$ 4,710                  | \$ 42,385         | \$ 47,095           | \$ -                       | \$ 4,795                  | \$ 43,152         | \$ 47,947           |
| Computer                                   | 1,156                      | 6,933                     | 3,466             | 11,555              | 1,087                      | 6,524                     | 3,262             | 10,873              |
| Donations                                  | -                          | -                         | -                 | -                   | -                          | -                         | -                 | -                   |
| Insurance                                  | 833                        | 555                       | -                 | 1,388               | 242                        | 162                       | -                 | 404                 |
| Interest                                   | -                          | 2,061                     | -                 | 2,061               | -                          | -                         | -                 | -                   |
| Marketing                                  | 382                        | -                         | 9,728             | 10,110              | 4,026                      | -                         | 15,810            | 19,836              |
| Meeting expense                            | 397                        | 265                       | -                 | 662                 | 1,979                      | 1,319                     | 2,732             | 6,030               |
| Office expenses                            | 2,983                      | 3,977                     | 2,983             | 9,943               | 3,225                      | 4,300                     | 3,226             | 10,751              |
| Professional fees                          | -                          | -                         | 58,235            | 58,235              | 2,659                      | 10,635                    | 13,293            | 26,587              |
| Programs                                   | 248,847                    | -                         | -                 | 248,847             | 99,175                     | -                         | -                 | 99,175              |
| Rent                                       | -                          | 21,600                    | 5,400             | 27,000              | -                          | 14,696                    | 3,674             | 18,370              |
| Scholarships awarded                       | 482,516                    | -                         | -                 | 482,516             | 259,024                    | -                         | -                 | 259,024             |
| Special events                             | 4,042                      | -                         | 122,025           | 126,067             | 3,711                      | -                         | 122,881           | 126,592             |
| Special events - direct benefits to donors | -                          | 149,417                   | -                 | 149,417             | -                          | 224,776                   | -                 | 224,776             |
| Telephone                                  | <u>630</u>                 | <u>90</u>                 | <u>180</u>        | <u>900</u>          | <u>2,899</u>               | <u>414</u>                | <u>829</u>        | <u>4,142</u>        |
| Total cash expenses                        | <u>741,786</u>             | <u>189,608</u>            | <u>244,402</u>    | <u>1,175,796</u>    | <u>378,027</u>             | <u>267,621</u>            | <u>208,859</u>    | <u>854,507</u>      |
| PERSONNEL COSTS                            |                            |                           |                   |                     |                            |                           |                   |                     |
| Accounting and administrative              | -                          | 9,100                     | -                 | 9,100               | -                          | 21,337                    | -                 | 21,337              |
| Employee benefits                          | -                          | 1,350                     | -                 | 1,350               | -                          | 1,462                     | -                 | 1,462               |
| Payroll fees                               | -                          | 2,703                     | -                 | 2,703               | -                          | 2,747                     | -                 | 2,747               |
| Payroll taxes                              | 12,524                     | 737                       | 1,473             | 14,734              | 11,643                     | 685                       | 1,370             | 13,698              |
| Salaries                                   | <u>161,599</u>             | <u>9,506</u>              | <u>19,012</u>     | <u>190,117</u>      | <u>156,386</u>             | <u>9,199</u>              | <u>18,398</u>     | <u>183,983</u>      |
| Total personnel costs                      | <u>174,123</u>             | <u>23,396</u>             | <u>20,485</u>     | <u>218,004</u>      | <u>168,029</u>             | <u>35,430</u>             | <u>19,768</u>     | <u>223,227</u>      |
| NON-CASH EXPENSES                          |                            |                           |                   |                     |                            |                           |                   |                     |
| Bad debt                                   | 63,330                     | -                         | -                 | 63,330              | -                          | -                         | -                 | -                   |
| Depreciation                               | 2,023                      | 1,348                     | -                 | 3,371               | 4,403                      | 2,936                     | -                 | 7,339               |
| Professional fees donated                  | <u>-</u>                   | <u>25,000</u>             | <u>-</u>          | <u>25,000</u>       | <u>-</u>                   | <u>15,000</u>             | <u>-</u>          | <u>15,000</u>       |
| Total non-cash expenses                    | <u>65,353</u>              | <u>26,348</u>             | <u>-</u>          | <u>91,701</u>       | <u>4,403</u>               | <u>17,936</u>             | <u>-</u>          | <u>22,339</u>       |
| Total expenses                             | <u>\$ 981,262</u>          | <u>\$ 239,352</u>         | <u>\$ 264,887</u> | <u>\$ 1,485,501</u> | <u>\$ 550,459</u>          | <u>\$ 320,987</u>         | <u>\$ 228,627</u> | <u>\$ 1,100,073</u> |

See accompanying notes and independent auditor's report

THE NSORO EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020 and 2019

|                                                                                            | <u>2020</u>       | <u>2019</u>       |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                |                   |                   |
| Change in net assets                                                                       | \$ 240,284        | \$ 450,561        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                   |                   |
| Non-cash donations of investments                                                          | (30,377)          | (10,005)          |
| Depreciation expense                                                                       | 3,371             | 7,339             |
| Bad debt expense                                                                           | 63,330            | -                 |
| Investment income                                                                          | (6,828)           | (25,866)          |
| (Increase) decrease in assets:                                                             |                   |                   |
| Promises to give                                                                           | (233,079)         | (312,479)         |
| Prepaid expenses                                                                           | -                 | 44,913            |
| Increase (decrease) in liabilities:                                                        |                   |                   |
| Accounts payable                                                                           | (5,662)           | 5,662             |
| Accrued expenses                                                                           | (8,014)           | 11,748            |
| Contract liabilities                                                                       | <u>(151,650)</u>  | <u>35,550</u>     |
| Total adjustments                                                                          | <u>(368,909)</u>  | <u>(243,138)</u>  |
| Net cash provided by (used in) operating activities                                        | <u>(128,625)</u>  | <u>207,423</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                |                   |                   |
| Purchase of property and equipment                                                         | -                 | (1,414)           |
| Purchase of investments                                                                    | (12,809)          | (4,953)           |
| Redemption of investments                                                                  | <u>20,000</u>     | <u>-</u>          |
| Net cash provided by (used in) investing activities                                        | <u>7,191</u>      | <u>(6,367)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                |                   |                   |
| Borrowings on loan                                                                         | <u>149,900</u>    | <u>-</u>          |
| Net cash provided by financing activities                                                  | <u>149,900</u>    | <u>-</u>          |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                           | 28,466            | 201,056           |
| Cash and cash equivalents, beginning of year                                               | <u>472,512</u>    | <u>271,456</u>    |
| Cash and cash equivalents, end of year                                                     | <u>\$ 500,978</u> | <u>\$ 472,512</u> |

**SUPPLEMENTAL DISCLOSURES:**

|               |   |   |
|---------------|---|---|
| Interest paid | - | - |
|---------------|---|---|

See accompanying notes and independent auditor's report

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization*

The Nsoro Educational Foundation, Inc., ( the "Foundation"), is a nonprofit corporation organized under the laws of the State of Georgia on February 8, 2006. The Nsoro Foundation is designed exclusively for charitable and educational purposes, specifically to create educational opportunities and mentoring situations that will enhance the lives of foster children.

#### *Basis of Accounting*

The Foundation recognizes revenue and expenses on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### *Financial Statement Presentation*

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*. Accordingly, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Foundation. As of December 31, 2020 and December 31, 2019, net assets without donor restrictions were \$1,095,629 and \$855,345, respectively.

Net assets with donor restrictions are amounts subject to donor-imposed stipulations that may, or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires or the Foundation has satisfied the restriction, donor restricted net assets are reclassified to non-donor restricted net assets. There were no net assets with donor restrictions for the years ended December 31, 2020 and 2019, respectively.

#### *Use of Estimates*

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

#### *Revenue Recognition*

The Foundation generates revenue from contributions, auction sales, and ticket sales. Contributions are recognized when the promises to give are made.

The Foundation recognizes revenue from auction sales and ticket sales under Contracts with Customers in accordance with ASC Topic 606 Revenue from Contracts with Customers. ASC 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 5. Recognize revenue

Revenue is disaggregated based on the timing of the transfer of goods and services and the type of goods and services transferred. The transaction price is the amount of consideration to which the Foundation expects to be entitled in exchange for transferring goods and services to the customer. The transaction price generally includes fixed amounts but may from time to time include variable amounts to the extent that a significant reversal of revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved, that is, it is probable and estimable.

Generally, the Foundation's contracts with customers contain one performance obligation. Performance obligations related to contracts with customers for event ticket revenue and auction sales revenue are satisfied at a point in time because the performance of the contract typically creates or enhances an asset that the customer controls as the asset is delivered to the customer. Revenue is recognized as performance obligations are satisfied and control of the promised goods and / or service is transferred to the customer. Revenue is recognized at a point in time as control is transferred to the customers by measuring the progress toward complete satisfaction of the performance obligation using the units delivered output method which is generally the best depiction of transfer of control.

Subsequent to the inception of a contract, the transaction price could change for various reasons, including a credit that can be applied to amounts owed, or that will be owed, or a full or partial refund. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis at contract inception. Otherwise, changes are accounted for as separate performance obligations and the separate transaction price is allocated as discussed above.

#### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, all investments purchased with a maturity date of three months or less are considered to be cash equivalents because they are highly liquid.

#### *Promises to Give*

Promises to give are recorded at the amount the Foundation expects to collect on donations and pledges made. Management closely monitors promises to give and writes off, as of year end, any balances that are considered to be uncollectible. All promises to give are expected to be collected within one year. The Foundation has determined there are no significant financing components for promises to give for the years ended December 31, 2020 and 2019. Based on the history of collecting these promises to give, the allowance for doubtful accounts as of December 31, 2020 and 2019 was \$1,083,330 and \$0, respectively.

#### *Contributed Services and Auction Items*

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individual possessing those skills and are services which would be typically purchased if not provided by donation. The Foundation recorded contributed services revenue and related expense for the years ended December 31, 2020 and 2019 of \$25,000 and \$15,000, respectively for financial statement audit work.

The Foundation may receive items from donors to be auctioned off at their events. Items donated that are

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

not sold at auction, or items that are purchased and re-donated, are held by the company and auctioned off at future events. Items held by the Foundation at year end are valued at fair value.

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the determination of the change in net assets.

*Property and Equipment*

Property and equipment are recorded at cost and are depreciated using the straight-line method over the useful lives of the assets. Property and equipment consists of computer hardware and software which has a useful life of five years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the current year's changes in net assets. Repairs and maintenance charges, which do not significantly extend the useful lives of the assets, are charged to expense as incurred, while major replacements and betterments are capitalized. Depreciation expense for the years ended December 31, 2020 and 2019 was \$3,371 and \$7,339, respectively.

*Contract Liabilities*

Contract liabilities represent funds received for ticket sales for an event to be held subsequent to year end.

*Marketing*

Marketing costs are expensed as they are paid. Marketing costs for the years ended December 31, 2020 and 2019 were \$10,110 and \$19,836, respectively.

*SBA Paycheck Protection Program Loan*

During the year ended December 31, 2020, the Foundation received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan has conditions that must be met within a specified time from the date of receipt in order to be considered for forgiveness. This loan has been recorded as a restricted government grant. The transaction records related to funds spent by the Foundation are subject to examination by the SBA and the SBA Inspector General for six years after the loan was approved.

*Income Taxes*

The Foundation is a nonprofit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for examination for a period of three years after the respective filing deadlines of those returns.

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Functional Allocation of Expenses*

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### *Fair Value of Financial Instruments*

The Foundation's financial instruments, including cash and cash equivalents, promises to give and notes payable, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Foundation's investments are carried at fair value at year end.

### 2. ACCOUNTING POLICY CHANGES

The Financial Accounting Standards Board (FASB) released ASU 2018-08 Not-for-Profit Entities in June 2018. This amendment clarifies current guidance for contributions received and contributions made regarding whether a transfer of assets is considered a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendment is effective for fiscal years beginning after December 15, 2018, should be applied on a modified prospective basis, which means the update is applied to agreements that are either not completed as of the effective date or entered into after the effective date, and early adoption is permitted. The Foundation has adopted this amendment for the year ended December 31, 2019.

The Financial Accounting Standards Board (FASB) released ASU 2016-01 Financial Instruments in January 2016 and several related ASU's that provide additional guidance. This amendment eliminates the requirement to classify investments as trading, held to maturity, or available for sale, and requires that investments in equity securities to be measured at fair value with changes in the fair value recognized in net income (not comprehensive income as was previously required). The amendment allows equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment and requires enhanced disclosures about those investments. The amendment is effective for fiscal years beginning after December 15, 2018, should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Organization has adopted this amendment for the year ended December 31, 2019.

The Financial Accounting Standards Board (FASB) issued ASC Topic 606 (ASC 606) Revenue from Contracts with Customers in May 2014 and subsequently issued several related ASU's, which provide guidance for recognizing revenue from contracts with customers. The core principle of this new standard is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. This new standard is effective for annual periods beginning after December 15, 2018 and can be applied using either of two methods: retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Foundation has adopted the amendment for the year ended December 31, 2019.

#### Transitional Disclosures for ASC 606

The Foundation has elected to adopt ASC 606 using the modified retrospective transition approach, which resulted in recognizing the cumulative effect of initially applying the new guidance as an

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. ACCOUNTING POLICY CHANGES *(continued)*

adjustment to the opening balance of net assets at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under the previous revenue guidance.

As part of the adoption of ASC 606, the Foundation has elected to use the following transition practical expedients: 1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and 2) ASC 606 is applied only to contracts that are not complete as of January 1, 2019. The Foundation does not expect a significant impact as a result of electing these practical expedients. The adoption had no impact on the beginning balance of net assets as of January 1, 2019.

### 3. FAIR VALUE MEASUREMENTS

The Foundation applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements that are recognized and disclosed at fair value in the financial statements on a non-recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants on the measurement date. ASC 820 also established a fair value hierarchy that requires the Foundation to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation estimated the fair value of its investments at quoted market prices; accordingly, they are considered Level 1 fair values. The Foundation estimated the fair value of its donated auction items using the current selling prices as determined by the third party manufacturer or reseller of the item and are considered Level 2 fair values. There were no transfers in or out of Level 1 or 2 within the fair value hierarchy as of December 31, 2020 or 2019.

### 4. PROMISES TO GIVE

Promises to give consist of the following:

|                                                   | <u>2020</u>        | <u>2019</u>       |
|---------------------------------------------------|--------------------|-------------------|
| Promises to give - due in less than one year      | \$ 1,574,030       | \$ 420,951        |
| Promises to give - due between one and five years | 100,000            | -                 |
| Less: allowance for doubtful pledges              | <u>(1,083,330)</u> | <u>-</u>          |
| Total promises to give, net                       | <u>\$ 590,700</u>  | <u>\$ 420,951</u> |

**THE NSORO EDUCATIONAL FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2020 and 2019

**5. NOTE PAYABLE**

Note payable consists of the following:

|                                                                                                                       | <u>2020</u>       | <u>2019</u> |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|-------------|
| SBA - Economic Injury Disaster Loan at 2.75% interest, in monthly installments of \$641 through June 2051. Unsecured. | \$ 149,900        | \$ -        |
| Less: current portion                                                                                                 | <u>(1,630)</u>    | <u>-</u>    |
| Total long-term debt                                                                                                  | \$ <u>148,270</u> | \$ <u>-</u> |

The following is a schedule of future minimum principal payments under the notes payable:

|                        |                   |
|------------------------|-------------------|
| 2021                   | \$ 1,630          |
| 2022                   | 3,331             |
| 2023                   | 3,428             |
| 2024                   | 3,528             |
| 2025 and thereafter    | <u>137,983</u>    |
| Total minimum payments | \$ <u>149,900</u> |

**6. SBA PAYCHECK PROTECTION LOAN**

During the year ended December 31, 2020, the Foundation received a Paycheck Protection Program loan of \$34,1000 from the Small Business Administration (SBA) applied for under the CARES Act. This is a forgivable loan as long as the following condition is met during the specified period: the Foundation is required to spend a minimum of 75% of the loan proceeds on payroll costs, interest on mortgages, rent, and utilities. Loan payments are deferred to either the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The loans have a maturity date of two years from the date of receipt, and an interest rate of 1% if not forgiven. The loan is unsecured. As of December 31, 2020 the Foundation is in compliance with the forgiveness conditions.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets released from donor restrictions are as follows:

|                              | <u>2020</u>      | <u>2019</u> |
|------------------------------|------------------|-------------|
| Food assistance for scholars | \$ 10,000        | \$ -        |
| Scholarship funds            | 49,500           | -           |
| Payroll                      | 34,100           | -           |
| Total                        | \$ <u>93,600</u> | \$ <u>-</u> |

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 8. INVESTMENT INCOME

Investment income consists of the following:

|                                   | <u>2020</u>      | <u>2019</u>      |
|-----------------------------------|------------------|------------------|
| Net realized and unrealized gains | \$ 25,234        | \$ 35,825        |
| Dividends and interest            | 3,741            | 5,882            |
| Less: investment fees             | <u>(4,411)</u>   | <u>(4,087)</u>   |
| Total return on investments       | <u>\$ 24,564</u> | <u>\$ 37,620</u> |

### 9. OPERATING LEASE

The Foundation entered into a lease agreement during March 2019 for its office space in Atlanta, Georgia. The agreement was effective on March 1, 2019 for two years ending on February 28, 2021. The minimum rent per month is \$2,250. Future minimum rental commitments under this operating lease are as follows:

|       |                  |
|-------|------------------|
| 2021  | \$ 27,000        |
| 2022  | <u>4,500</u>     |
| Total | <u>\$ 31,500</u> |

### 10. NET ASSETS LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

|                               | <u>2020</u>         | <u>2019</u>         |
|-------------------------------|---------------------|---------------------|
| Cash and cash equivalents     | \$ 500,978          | \$ 472,512          |
| Investments                   | 208,672             | 178,657             |
| Promises to give - short-term | <u>490,700</u>      | <u>420,951</u>      |
| Total                         | <u>\$ 1,200,350</u> | <u>\$ 1,072,120</u> |

The Foundation has a goal to maintain a cash balance to meet several months of operating expenses which were on average \$123,792 and \$91,673 for the years ended December 31, 2020 and 2019, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

There were no internally-directed restrictions on net assets for the years ended December 31, 2020 and 2019.

# THE NSORO EDUCATIONAL FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 11. JOINT COSTS

The Foundation conducted activities that included requests for contributions, as well as program and supporting expenses. Those activities included a gala, an auction, and various other events. The costs of conducting those activities included a total of \$476,373 and \$561,217 of joint costs, for the years ended December 31, 2020 and 2019, respectively, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

|             | <u>2020</u>       | <u>2019</u>       |
|-------------|-------------------|-------------------|
| Fundraising | \$ 150,765        | \$ 159,821        |
| Programs    | 166,420           | 166,102           |
| Support     | <u>159,188</u>    | <u>235,294</u>    |
| Total       | <u>\$ 476,373</u> | <u>\$ 561,217</u> |

### 12. CONCENTRATIONS

#### Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalents with federally insured financial institutions. At times during the year, the balances at these financial institutions exceeded the FDIC insured limit of \$250,000.

#### Contributions

For the year ended December 31, 2020, one donor contributed 10% of revenue. For the year ended 2019, there were no significant donors.

### 13. RECLASSIFICATIONS

Certain reclassifications have been made to the December 31, 2019 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

### 14. EXTRAORDINARY EVENT

During the year ended December 31, 2020, there was a worldwide public health emergency declared related to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time. These closures and the health emergency have affected normal day to day operations of the Foundation, its donors, and its vendors, the impact of which still continues through the date these financial statements were issued. The related future financial impact on the Foundation of these closures cannot be estimated at this time.

THE NSORO EDUCATIONAL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

**15. DATE OF MANAGEMENT'S REVIEW**

The Foundation is not aware of any other significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that require adjustment to the financial statements or disclosure in the notes to the financial statements. Management has evaluated subsequent events as of November 12, 2021, the date the financial statements were available for issue.