connectED

The National Center for College & Career

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ConnectEd: The National Center for College and Career
Berkeley, California

Opinion

We have audited the financial statements of ConnectEd: The National Center for College and Career, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ConnectEd: The National Center for College and Career as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ConnectEd: The National Center for College and Career and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ConnectEd: The National Center for College and Career’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ConnectEd: The National Center for College and Career's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ConnectEd: The National Center for College and Career's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Abbott, Stringham & Lynch

March 29, 2023

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF FINANCIAL POSITION

Assets

	September 30, 2022	September 30, 2021
Current assets:		
Cash	$ 701,584	$ 2,155,109
Grants receivable	2,917,791	2,022,953
Accounts receivable	595,531	490,701
Contract assets	277,244	413,089
Prepaid expenses and other assets	63,665	59,777
Total current assets	4,555,815	5,141,629
Grants receivable, less current portion	-	1,294,838
Property and equipment, net	32,709	20,969
Security deposits	10,397	10,397
	$ 4,598,921	$ 6,467,833

Liabilities and Net Assets

	2022	2021
Current liabilities:		
Accrued expenses	$ 612,913	$ 455,764
Grants payable	984,500	841,508
Contract liabilities	241,528	73,705
Paycheck Protection Program loan payable	-	371,438
Total current liabilities	1,838,941	1,742,415
Grants payable, less current portion	240,000	775,000
Total liabilities	2,078,941	2,517,415
Net assets (deficit):		
Without donor restrictions	(967,456)	(33,532)
With donor restrictions	3,487,436	3,983,950
Total net assets	2,519,980	3,950,418
	$ 4,598,921	$ 6,467,833

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF ACTIVITIES

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Revenue from grants	$ -	$ 345,000	$ 345,000	$ 150,000	$ 6,375,442	$ 6,525,442
Fee for service revenue	2,531,414	-	2,531,414	1,617,983	-	1,617,983
Contributions - individuals	29,753	-	29,753	18,651	-	18,651
Forgiveness of Paycheck Protection Program loan	371,438	-	371,438	344,400	-	344,400
Other income	29,905	-	29,905	-	-	-
Interest income	318	-	318	340	-	340
Net assets released from restrictions	841,514	(841,514)	-	2,783,822	(2,783,822)	-
Total revenue and support	3,804,342	(496,514)	3,307,828	4,915,196	3,591,620	8,506,816
Functional expenses:						
Program services	3,208,547	-	3,208,547	4,163,436	-	4,163,436
General and administrative	1,521,428	-	1,521,428	1,192,592	-	1,192,592
Fundraising	8,291	-	8,291	42,920	-	42,920
Total functional expenses	4,738,266	-	4,738,266	5,398,948	-	5,398,948
Change in net assets	(933,924)	(496,514)	(1,430,438)	(483,752)	3,591,620	3,107,868
Net assets (deficit), beginning of year	(33,532)	3,983,950	3,950,418	450,220	392,330	842,550
Net assets (deficit), end of year	$ (967,456)	$ 3,487,436	$ 2,519,980	$ (33,532)	$ 3,983,950	$ 3,950,418

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

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2022				Year Ended September 30, 2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel expenses:								
Salaries	$ 1,595,953	$ 649,698	$ 4,762	$ 2,250,413	$ 1,321,038	$ 549,196	$ 28,515	$ 1,898,749
Payroll taxes	128,580	52,344	384	181,308	108,647	45,168	2,345	156,160
Employee benefits	601,585	244,900	1,795	848,280	489,484	203,493	10,565	703,542
Total personnel expenses	2,326,118	946,942	6,941	3,280,001	1,919,169	797,857	41,425	2,758,451
Other expenses:								
Consultants	249,355	318,516	-	567,871	162,555	107,615	765	270,935
Travel	215,618	34,659	-	250,277	22,635	1,056	-	23,691
Technology and communication	130,283	24,140	550	154,973	87,511	14,411	530	102,452
Occupancy	94,031	24,248	-	118,279	141,146	120,731	-	261,877
Grants	89,500	-	-	89,500	1,710,000	-	-	1,710,000
Professional services	-	85,695	-	85,695	-	67,663	-	67,663
Conferences and events	43,319	9,902	-	53,221	2,543	-	-	2,543
Subcontractors	43,266	-	-	43,266	101,012	-	-	101,012
Temporary services	-	26,000	-	26,000	-	1,438	-	1,438
Telephone	6,722	14,929	250	21,901	-	6,397	150	6,547
Depreciation and amortization	10,335	8,762	-	19,097	16,865	10,370	-	27,235
Insurance	-	13,453	-	13,453	-	13,750	-	13,750
Moving expense	-	5,922	-	5,922	-	19,654	-	19,654
Equipment rental	-	3,917	-	3,917	-	1,100	-	1,100
Printing and postage	-	2,479	550	3,029	-	903	50	953
Other	-	1,404	-	1,404	-	6,176	-	6,176
Office supplies	-	460	-	460	-	1,537	-	1,537
Bad debt	-	-	-	-	-	21,934	-	21,934
Total other expenses	882,429	574,486	1,350	1,458,265	2,244,267	394,735	1,495	2,640,497
Total functional expenses	$ 3,208,547	$ 1,521,428	$ 8,291	$ 4,738,266	$ 4,163,436	$ 1,192,592	$ 42,920	$ 5,398,948

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2022	2021
Cash flows from operating activities:		
Change in net assets	$ (1,430,438)	$ 3,107,868
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,097	27,235
Forgiveness of Paycheck Protection Program loan	(371,438)	(344,400)
Changes in assets and liabilities:		
Grants receivable	400,000	(3,215,680)
Accounts receivable	(104,830)	(123,381)
Contract assets	135,845	(157,588)
Prepaid expenses and other assets	(3,888)	18,756
Security deposits	-	25,741
Accrued expenses	157,149	17,000
Grants payable	(392,008)	1,269,008
Contract liabilities	167,823	33,363
Net cash (used in) provided by operating activities	(1,422,688)	657,922
Cash flows from investing activities:		
Purchases of property and equipment	(30,837)	-
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan payable	-	371,438
Net (decrease) increase in cash	(1,453,525)	1,029,360
Cash, beginning of year	2,155,109	1,125,749
Cash, end of year	$ 701,584	$ 2,155,109
Non-cash financing activities:		
Forgiveness of Paycheck Protection Program loan	$ 371,438	$ 344,400

Note 1 - Organization

ConnectEd: The National Center for College and Career (the "Organization") was founded in 2006 with a belief, and a question. The belief, which still guides the work today, is that every student, especially those furthest from opportunity, deserves a great education. The question was: can a Linked Learning approach work to make that happen? Over the years, partnering with numerous school districts across the country, what started as a hypothesis has since proven to be true. Namely, in community after community, implementing a system of high-quality college and career pathways has had impressive results in engaging all students, educators, school districts, and the wider communities around them.

The Organization's mission is to partner with school, district, and community leaders to transform education through college and career pathways so that all students, especially those furthest from opportunity, are prepared to succeed in college, career, and civic life. The Organization takes a systemic approach to school improvement as it works across multiple levels of a school system, including with community leaders, district administrators, school leaders, and classroom teachers.

Until 2013, the Organization focused on leading and supporting the nine districts making up the California Linked Learning District Initiative. In 2013, California Assembly Bill 790 expanded the Linked Learning work in California to include twenty new "pilots," many comprised of multiple school districts. In 2014 and again in 2015, through the California Career Pathways Trust, the California legislature invested $250 million in support of college and career pathways in the state. As a result, the Organization's support for Linked Learning in California expanded to serve more than 40 school districts in California.

Over the past 15 years, the Organization has partnered with school districts in 10 states. The Organization's partnerships include initiatives in large urban school districts in Long Beach, California, Detroit, Michigan, Oakland, California, and Portland, Oregon. The Organization also partnered with mid-sized districts in Madison, Wisconsin, and Rockford, Illinois. Most recently, the Organization has been partnering with districts in New Mexico, including Farmington, Gallup-McKinley County, and Santa Fe. In addition, the Organization worked with individual schools in both Boston, Massachusetts, and New Orleans, Louisiana, to improve schools' college- and career-readiness strategies. In each partnership, the Organization works closely with local partners to co-design projects and deliver services that meet their needs.

Briefly, the Organization has:

- ✓ Supported more than fifty communities
- ✓ Served more than 85,000 students
- ✓ Partnered with districts to create more than 300 college and career pathways
- ✓ Trained over 400 Linked Learning coaches
- ✓ Provided professional development to 2,500 pathway teachers

Impact and results:

A multi-year evaluation conducted by SRI International's Center for Education Policy shows that students in certified Linked Learning pathways within the California Linked Learning District Initiative were more prepared to succeed in college, career, and life compared to peers in traditional high school programs. Specifically, compared with their peers, students in certified Linked Learning pathways earned more credits in high school; reported greater confidence in their life and career skills; and said they were experiencing more rigorous, integrated, and relevant instruction. They were less likely to drop out and more likely to graduate on time. Furthermore, students who had low achievement scores in earlier grades made significant progress when they participated in Linked Learning.

Note 1 - Organization (continued)

Major financial donors

The Organization's major financial donors have included: The Barr Foundation, The Bill & Melinda Gates Foundation, The Hearst Foundation, The Hewlett Foundation, The James Irvine Foundation, The Joyce Foundation, The Moxie Foundation, The Skillman Foundation, Walter & Elise Haas Fund, Carnegie Corporation, LANL Foundation, Thornburg Foundation, and The Stuart Foundation.

Note 2 - Management's operational and fundraising plan

For the past nine years, ConnectED has been transitioning from an organization supported by two or three major funders to one supported by a more diverse group of foundations, as well as a growing number of "fee-for-service" contracts. This growing reliance on fee-for-service contracts has, in some years, resulted in a decline of restricted net assets, as revenue from these contracts is earned as the work is performed. Additionally, in some years, reliance on fee-for-service has meant that total revenue for ConnectED declined because the organization was less likely to be re-granting foundation revenue to districts or other sub-grantees.

For the year ended September 30, 2021, the Organization received two large grants from The Bill and Melinda Gates Foundation, totaling $5.7 million. Consequently, the Organization saw a large increase in revenue, as well as net assets. Outstanding grant receivable from these grants amounted to approximately $2.9 million at September 30, 2022 due to the timing of milestone payments outlined in the agreements. This timing difference accounted for approximately $500,000 of the deficit in net assets without donor restriction at September 30, 2022. The next installment of milestone payment in the amount of approximately $1.6 million was received on October 13, 2022, with the remaining balance expected to be collected by September 2023. This will result in a release from restriction that will improve the Organization's deficit in net assets without donor restriction.

Management expects that major contracts with existing clients, expiring in April and June 2023, will be renewed. The Organization completed and applied for Employee Retention Credit (ERC) program in November 2022 and was credited approximately $295,000 from the Internal Revenue Service. Therefore, the Organization is projecting positive cash flow through January 2024, based entirely on existing grants and contractual commitments.

Simultaneously, the Organization continues to aggressively pursue new fee-for-service and grant opportunities.

In summary, management currently has grants and contracts in place to fully fund the Organization through January 2024, with ongoing business development continuing.

Note 3 - Summary of significant accounting policies

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations, whereby net assets and changes therein are classified according to the existence or absence of donor-imposed restrictions.

Note 3 - Summary of significant accounting policies (continued)

Basis of accounting and financial statement presentation (continued)

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

> *Without donor restrictions* - net assets that are not subject to donor-imposed restrictions. This category represents net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.
>
> *With donor restrictions* - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. This classification includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include the useful lives of property and equipment, revenue recognition, and the allocation of functional expenses. Actual results could differ from those estimates.

Property, equipment, intangible assets, depreciation and amortization

The Organization capitalizes all property and equipment, either purchased or donated, with a value greater than $5,000. Property and equipment are stated at cost if purchased, or if donated, at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided using the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

The Organization capitalizes costs incurred to develop internal software to support the Linked Learning curriculum. The capitalized costs are amortized using the straight-line method over the estimated useful life of the software.

The estimated useful lives of the related assets are as follows:

Computers and software	3 years
Internally developed software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lease term or 5 years, whichever is shorter

Note 3 - Summary of significant accounting policies (continued)

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. To date, the Organization has not recorded any impairment of its long-lived assets as a result of this analysis.

Accounts and grants receivable

Accounts receivable arise principally from charges to funding sources, generally in proportion to current expenses incurred. The Organization records an allowance for doubtful accounts based on specifically identified amounts that it believes are uncertain and records additional allowances based upon certain percentages of aged receivables, which are determined based on historical experience and consideration of the general financial conditions that may affect payment. At September 30, 2022 and 2021, the Organization has not recorded a provision for uncollectible receivables.

The Organization records grants and contributions receivable when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contribution. Management believes that discounts on long-term grants receivable at September 30, 2021 are immaterial to the financial statements.

The Organization records an allowance for doubtful contributed support receivables based on specifically identified amounts that it believes are uncertain as to collectability. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. At September 30, 2022 and 2021, the Organization has not recorded a provision for uncollectible grants and contributions receivables.

Functional expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on estimates made by management.

Revenue recognition - contracts with customers

Fee for service revenue

The Organization’s fee for service revenue is derived from fixed-price contracts with various school districts within the United States to implement a system of high-quality college and career pathways. Revenues from fixed-price contracts are recognized over-time on the basis of the Organization’s actual cost incurred (an input method) as it is the most representative depiction of the Organization's performance because it directly measures the value of the services transferred to these school districts.

Note 3 - Summary of significant accounting policies (continued)

Revenue recognition - contracts with customers (continued)

Fee for service revenue (continued)

Fee for service revenue also includes registration fees for Experiential Site Visits. These site visits are held once or twice per year which allows participants to experience how students, teachers, and site administrators use Linked Learning as a strategy for transforming the experience for students. Registration fees totaling $107,290 are recognized at a point in time at the time of the Experiential Site Visit for the year ended September 30, 2022. There was no registration fee revenue for the year ended September 30, 2021.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in Accounting Standards Codification Topic 606*, Revenue from Contracts with Customers* (ASC 606). A contract's transaction price is allocated to each distinct performance obligation within that contract and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Organization's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

Contract assets and contract liabilities

Contract assets represent revenue recognized in excess of amounts billed on contracts in progress (typically for fixed-price contracts). The Organization anticipates that substantially all incurred costs associated with contract assets as of September 30, 2022 will be billed and collected within one year.

Contract liabilities represent amounts billed or payments received in advance in excess of revenue recognized to date.

The opening balances as of October 1, 2020, of accounts receivable, contract assets, and contract liabilities were $367,320, $255,501 and $40,342, respectively.

Financing component

Substantially all of the Organization's contract arrangements are short-term in nature and do not have any significant financing components as payment is received shortly after the request for payment is issued.

Revenue recognition - grants and contributions

Grants and contributions

Grants and contributions of cash and other assets are reported as support with donor restrictions if they are received with grantor/donor stipulations that limit the use of the assets. When a grantor/donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Note 3 - Summary of significant accounting policies (continued)

Revenue recognition - grants and contributions (continued)

Contributed goods and services

Donated material and equipment are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization releases net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records contribution revenue for certain services received based upon the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. For the years ended September 30, 2022 and 2021, there were no contributed goods or services which met these criteria.

Tax-exempt status

The Organization has been granted tax-exempt status by the Internal Revenue Service (Section 501(c)(3)) and the California Franchise Tax Board (Section 23701d). The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is subject to a tax on income from any unrelated business. The Organization does not believe it has any unrelated business taxable income that should have been reported for tax purposes.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization’s federal Return of Organization Exempt from Income Tax (Form 990) for years ended September 30, 2019 through 2022 are subject to examination by the IRS, generally for three years after they are filed. The Organization’s state returns (Form 199) for the years ended September 30, 2018 through 2022 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Fair value measurements

The Organization has adopted fair value accounting guidance for all applicable assets and liabilities to define fair value, establish a framework for measuring fair value, and enhance fair value measurement disclosure. The application of this guidance does not have a significant impact on the Organization’s financial statements. All the carrying amounts of the Organization’s financial assets and liabilities on its balance sheets approximate fair value because of the short maturity of these instruments, with the exception of the long-term grants receivable, which are recorded at fair value in the initial year based on discounted cash flows.

Note 3 - Summary of significant accounting policies (continued)

New accounting pronouncements - not yet adopted

In 2016 and through subsequent amendments, the FASB issued new accounting guidance 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. The new standard will be effective for annual reporting periods beginning with October 2022. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

In 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year beginning October 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

Subsequent events

In preparing its financial statements, the Organization has evaluated subsequent events through March 29, 2023, which is the date the financial statements are available to be issued.

Note 4 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general expenditures within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

	September 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	$ 701,584	$ 2,155,109
Grants receivable	2,917,791	2,022,953
Accounts receivables and contract assets	872,775	903,790
Financial assets	4,492,150	5,081,852
Less:		
Accrued expenses	(612,913)	(455,764)
Grants payable	(1,224,500)	(1,616,508)
Total financial assets and liquidity resources available within one year	$ 2,654,737	$ 3,009,580

Note 5 - Property, equipment, and intangible assets

Property, equipment, and intangible assets consisted of the following:

	September 30,	
	2022	2021
Internally developed software	$ 1,132,086	$ 1,132,086
Computers and software	154,625	136,628
Furniture and fixtures	58,314	45,474
Leasehold improvements	47,495	47,495
	1,392,520	1,361,683
Less accumulated depreciation and amortization	(1,359,811)	(1,340,714)
	$ 32,709	$ 20,969

Depreciation and amortization expense totaled $19,097 and $27,235 for the years ended September 30, 2022 and 2021, respectively.

Note 6 - Paycheck Protection Program loan payable

On April 30, 2020, the Organization received loan proceeds in the amount of $344,400 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses for amounts of up to 2.5 times the average monthly payroll expenses of the qualifying business for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On February 26, 2021, upon completion of loan forgiveness review by the SBA, the Organization received confirmation that the loan and interest have been forgiven in full, and the SBA has remitted these amounts to the lender in satisfaction of the Organization’s obligation.

On January 25, 2021, the Organization obtained a second PPP loan in the amount of $371,438. On May 9, 2022, this loan and all accrued interest was also forgiven by the SBA and lending institution.

Note 7 - Grants payable

The Organization has made commitments of grants to schools and school districts with scheduled payments of $1,224,500 through September 2024. Grants payable totaling $481,508 outstanding at September 30, 2021 have been disbursed during the fiscal year ended September 30, 2022.

Note 8 - Accrued expenses

Accrued expenses consisted of the following:

	September 30, 2022	September 30, 2021
Accrued employee benefits	$ 203,652	$ 172,925
Accrued vacation	180,512	139,945
Accrued payroll and payroll taxes	131,118	107,733
Sales tax payable	67,166	-
Accrued liabilities - other	30,465	35,161
Total accrued expenses	$ 612,913	$ 455,764

Note 9 - Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes:

	October 1, 2021	Additions	Released from Restrictions	September 30, 2022
Education development	$ 3,983,950	$ 345,000	$ (841,514)	$ 3,487,436

	October 1, 2020	Additions	Released from Restrictions	September 30, 2021
Education development	$ 392,330	$ 6,375,442	$ (2,783,822)	$ 3,983,950

Note 10 - Commitments

The Organization had a non-cancellable lease agreement for its headquarters, which ended in July 2021. In August of 2021, the Organization entered into a separate non-cancellable lease agreement for reduced space within its current headquarters. This lease commenced on October 2021 and is due to expire in September 2026. Both lease agreements have a rent escalation clause. Under GAAP, rent expense should be recognized on a straight-line basis over the lease term, with rent expense in excess of the cash payments made recognized as deferred rent liability. Management has determined that deferred rent liability on September 30, 2022 and 2021 was not considered to be material to the overall financial statements.

Note 10 - Commitments (continued)

Future minimum lease payments for the facility are as follows:

Year Ending September 30,	Amount
2023	$ 128,501
2024	132,356
2025	136,326
2026	140,416
	$ 537,599

Rent expense, net of sublease income, amounted to $118,543 and $252,340 for the years ended September 30, 2022 and 2021, respectively, including the Organization's share of common area expenses for real estate taxes, insurance, and maintenance.

On June 1, 2017, the Organization entered into a sublease agreement for use of a portion of its facility with an unrelated third party that generated sublease income of approximately $12,800 per month for the years ended September 30, 2021. The sublease agreement expired on June 30, 2021. Sublease income of $115,200 for the year ended September 30, 2021, has been netted against rent expense.

On July 1, 2019, the Organization entered into a sublease agreement for use of a portion of its facility with another unrelated third party that generated sublease income of approximately $5,000 per month. The sublease agreement expired on December 31, 2020. Sublease income of approximately $15,000 for the year ended September 30, 2021, has been netted against rent expense.

Note 11 - Concentrations of credit risk

The Organization maintains its cash accounts with one financial institution which, at times, the balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). As of September 30, 2022, the Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on its cash accounts.

During the year ended September 30, 2022, one donor accounted for 51% of the Organization's revenue from grants. As of September 30, 2022, receivable from this same donor represented 100% of total grants receivable.

During the year ended September 30, 2021, one donor accounted for 78% of the Organization's revenue from grants. As of September 30, 2021, receivable from this same donor represented 100% of total grants receivable.

Note 12 - Employee retirement plan

The Organization maintains a 403(b) plan that allows eligible employees to contribute on a pre-tax basis into qualified, self-directed retirement savings accounts. In addition, the Organization makes an annual discretionary contribution of up to 7% of the employee's salary. Employees are eligible to participate in the 403(b) plan on the first day following one month of employment from the initial date of hire. Employees are fully vested after five years of service. The Organization's contributions were $182,315 and $153,735 for the years ended September 30, 2022 and 2021, respectively, and are reflected in employee benefits.

Note 13 - Risks and uncertainties

Domestic and international economies continue to face uncertainty related to the impact of the COVID-19 disease. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees, and partners, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.