CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during the year ended September 30, 2023, ConnectEd: The National Center for College and Career adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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

May 3, 2024

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF FINANCIAL POSITION

Assets

	September 30, 2023	September 30, 2022
Current assets:		
Cash	$ 600,092	$ 701,584
Grants receivable	1,394,838	2,917,791
Accounts receivable	315,000	595,531
Contract assets	334,257	277,244
Prepaid expenses and other assets	83,271	63,665
Total current assets	2,727,458	4,555,815
Property and equipment, net	18,539	32,709
Operating lease right-of-use asset	379,927	-
Security deposits	10,397	10,397
	$ 3,136,321	$ 4,598,921

Liabilities and Net Assets

	2023	2022
Current liabilities:		
Accrued expenses	$ 670,095	$ 612,913
Grants payable	566,000	984,500
Contract liabilities	90,074	241,528
Operating lease liability	119,507	-
Total current liabilities	1,445,676	1,838,941
Operating lease liability, less current portion	266,319	-
Grants payable, less current portion	-	240,000
Total liabilities	1,711,995	2,078,941
Net assets (deficit):		
Without donor restrictions	(900,967)	(967,456)
With donor restrictions	2,325,293	3,487,436
Total net assets	1,424,326	2,519,980
	$ 3,136,321	$ 4,598,921

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF ACTIVITIES

	Year Ended September 30, 2023			Year Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Revenue from grants	$ -	$ 465,000	$ 465,000	$ -	$ 345,000	$ 345,000
Fee for service revenue	2,449,858	-	2,449,858	2,531,414	-	2,531,414
Contributions - individuals	22,845	-	22,845	29,753	-	29,753
Forgiveness of Paycheck Protection Program loan	-	-	-	371,438	-	371,438
Employee Retention Credit	338,863	-	338,863	-	-	-
Other income	3,405	-	3,405	29,905	-	29,905
Interest income	115	-	115	318	-	318
Net assets released from restrictions	1,627,143	(1,627,143)	-	841,514	(841,514)	-
Total revenue and support	4,442,229	(1,162,143)	3,280,086	3,804,342	(496,514)	3,307,828
Functional expenses:						
Program services	3,196,999	-	3,196,999	3,208,547	-	3,208,547
General and administrative	1,167,640	-	1,167,640	1,521,428	-	1,521,428
Fundraising	11,101	-	11,101	8,291	-	8,291
Total functional expenses	4,375,740	-	4,375,740	4,738,266	-	4,738,266
Change in net assets	66,489	(1,162,143)	(1,095,654)	(933,924)	(496,514)	(1,430,438)
Net assets (deficit), beginning of year	(967,456)	3,487,436	2,519,980	(33,532)	3,983,950	3,950,418
Net assets (deficit), end of year	$ (900,967)	$ 2,325,293	$ 1,424,326	$ (967,456)	$ 3,487,436	$ 2,519,980

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2023				Year Ended September 30, 2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel expenses:								
Salaries	$ 1,611,530	$ 417,417	$ 1,370	$ 2,030,317	$ 1,595,953	$ 649,698	$ 4,762	$ 2,250,413
Payroll taxes	134,749	34,903	115	169,767	128,580	52,344	384	181,308
Employee benefits	606,767	157,164	516	764,447	601,585	244,900	1,795	848,280
Total personnel expenses	2,353,046	609,484	2,001	2,964,531	2,326,118	946,942	6,941	3,280,001
Other expenses:								
Consultants	342,349	345,305	7,750	695,404	249,355	318,516	-	567,871
Travel	193,204	33,448	-	226,652	215,618	34,659	-	250,277
Technology and communication	111,682	32,700	550	144,932	130,283	24,140	550	154,973
Occupancy	96,115	25,422	-	121,537	94,031	24,248	-	118,279
Professional services	-	74,360	-	74,360	-	85,695	-	85,695
Subcontractors	40,700	-	-	40,700	43,266	-	-	43,266
Conferences and events	26,346	5,476	-	31,822	43,319	9,902	-	53,221
Grants	20,000	-	-	20,000	89,500	-	-	89,500
Telephone	2,316	14,523	250	17,089	6,722	14,929	250	21,901
Depreciation and amortization	9,485	7,122	-	16,607	10,335	8,762	-	19,097
Insurance	-	13,258	-	13,258	-	13,453	-	13,453
Other	1,756	2,474	-	4,230	-	1,404	-	1,404
Office supplies	-	2,235	-	2,235	-	460	-	460
Printing and postage	-	1,453	550	2,003	-	2,479	550	3,029
Equipment rental	-	380	-	380	-	3,917	-	3,917
Temporary services	-	-	-	-	-	26,000	-	26,000
Moving expense	-	-	-	-	-	5,922	-	5,922
Total other expenses	843,953	558,156	9,100	1,411,209	882,429	574,486	1,350	1,458,265
Total functional expenses	$ 3,196,999	$ 1,167,640	$ 11,101	$ 4,375,740	$ 3,208,547	$ 1,521,428	$ 8,291	$ 4,738,266
Percentage of total expenses	73.07%	26.68%	0.25%		67.72%	32.11%	0.17%	

CONNECTED: THE NATIONAL CENTER FOR COLLEGE AND CAREER

STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2023	Year Ended September 30, 2022
Cash flows from operating activities:		
Change in net assets	$ (1,095,654)	$ (1,430,438)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,607	19,097
Forgiveness of Paycheck Protection Program loan	-	(371,438)
Non-cash operating lease expense	134,400	-
Changes in assets and liabilities:		
Grants receivable	1,522,953	400,000
Accounts receivable	280,531	(104,830)
Contract assets	(57,013)	135,845
Prepaid expenses and other assets	(19,606)	(3,888)
Accrued expenses	57,182	157,149
Grants payable	(658,500)	(392,008)
Contract liabilities	(151,454)	167,823
Operating lease liability	(128,501)	-
Net cash used in operating activities	(99,055)	(1,422,688)
Cash flows from investing activities:		
Purchases of property and equipment	(2,437)	(30,837)
Net decrease in cash	(101,492)	(1,453,525)
Cash, beginning of year	701,584	2,155,109
Cash, end of year	$ 600,092	$ 701,584
Non-cash financing activities:		
Forgiveness of Paycheck Protection Program loan	$ -	$ 371,438

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 our work today, is that all students, especially those furthest from opportunity, deserve 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.

ConnectED'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. ConnectED 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, ConnectED 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, ConnectED's support for Linked Learning in California expanded to serve more than 40 school districts in California.

Over the past 17 years, ConnectED has partnered with school districts in 14 states. Our partnerships include initiatives in large urban school districts in Long Beach, California, Detroit, Michigan, Oakland, California, and Portland, Oregon. They have also partnered with mid-sized districts in Madison, Wisconsin, and Rockford, Illinois. In 2022, they began partnering with districts in New Mexico, including Farmington, Gallup-McKinley County, and Santa Fe. Most recently, they began partnering with Adams14, about 20 minutes northeast of Denver to help transform Adams City High School. In addition, they have worked with individual schools in both Boston, Massachusetts, and New Orleans, Louisiana, to improve schools' college- and career-readiness strategies. In each partnership, ConnectED works closely with local partners to co-design projects and deliver services that meet their needs.

Briefly, ConnectED has:

- ✓ Supported more than fifty communities
- ✓ Served more than 85,000 students
- ✓ Partnered with districts to create more than 1,000 college and career pathways
- ✓ Trained over 400 Linked Learning coaches
- ✓ Provided professional development to 3,500 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: American Student Assistance, The Barr Foundation, The Bill & Melinda Gates Foundation, The Hearst Foundation, The Hewlett Foundation, The James Irvine Foundation, The Joyce Foundation, The Kellogg Foundation, The McKinnon Family 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

Since 2013, the Organization 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. Outstanding grants receivable from these grants amounted to approximately $1.3 million at September 30, 2023 due to the timing of milestone payments outlined in the agreements. The final installment of milestone payments in the amount of approximately $1.3 million was received on October 12, 2023. This resulted in a release from restriction that improved the Organization's deficit in net assets without donor restriction.

Management expects that major contracts with existing schools and school districts, expiring in April and June 2024, will be renewed. Therefore, the Organization is projecting positive cash flow through May 2025, based entirely on existing grants and contractual commitments. Simultaneously, the Organization continues to aggressively pursue new fee-for-service and grant opportunities. Management estimates that it has sufficient grants and contracts in place to fully fund the Organization through May 2025, 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, risk-free rate, lease term, 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 calculated using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated 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, 2023 and 2022, 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. The Organization does not have any long-term grants receivable at September 30, 2023 and 2022.

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, 2023 and 2022, the Organization has not recorded a provision for uncollectible grants and contributions receivables.

Functional expenses

Expenses that apply to more than one functional category have been allocated between program, management and general, and fundraising based on time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

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 $57,221 and $107,290, for the years ended September 30, 2023 and 2022, respectively, are recognized at a point in time at the time of the Experiential Site Visit.

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, 2023 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, 2021, of accounts receivable, contract assets, and contract liabilities were $490,701, $413,089 and $73,705, 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, 2023 and 2022, there were no contributed goods or services which met these criteria.

Employee Retention Credit

In March 2020, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which among other things, contains provisions for an Employee Retention Credit ("ERC"). The ERC allows for a refundable tax credit against certain employment taxes equal to 50% of the first $10,000 in qualified wages paid to each employee commencing on March 13, 2020 and through January 1, 2021. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. During the year ended September 30, 2023, the Organization recognized $338,863 related to the ERC as revenue and support on the statement of activities.

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, 2020 through 2023 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, 2019 through 2023 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Note 3 - Summary of significant accounting policies (continued)

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.

Leases - recently adopted accounting guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance, Accounting Standards Codification (ASC) Topic 842, *Leases,* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after, October 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for the Organization's existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital lease or operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on October 1, 2022, a lease liability of $496,858, which represents the present value of the remaining operating lease payments of $537,599, discounted using the risk-free rate of 4.01%, and right-of-use asset of $496,858. The effect of adopting the new standard did not require any adjustment to net assets as of October 1, 2022.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use asset and operating lease liabilities on the statements of financial position. Right-of-use asset represents the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, management uses the risk-free interest rate based on the information available at the commencement date in determining the present value of the lease payments. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 3 - Summary of significant accounting policies (continued)

Leases - recently adopted accounting guidance (continued)

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

New accounting pronouncements - not yet adopted

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 May 3, 2024, 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, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 600,092	$ 701,584
Grants receivable	1,394,838	2,917,791
Accounts receivables and contract assets	649,257	872,775
Financial assets	2,644,187	4,492,150
Less:		
Accrued expenses	(670,095)	(612,913)
Grants payable	(566,000)	(1,224,500)
Operating lease liability	(119,507)	-
Total financial assets and liquidity resources available within one year	$ 1,288,585	$ 2,654,737

Note 5 - Property, equipment, and intangible assets

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

	September 30, 2023	September 30, 2022
Internally developed software	$ 1,132,086	$ 1,132,086
Computers and software	157,062	154,625
Furniture and fixtures	58,314	58,314
Leasehold improvements	47,495	47,495
	1,394,957	1,392,520
Less accumulated depreciation and amortization	(1,376,418)	(1,359,811)
	$ 18,539	$ 32,709

Depreciation and amortization expense totaled $16,607 and $19,097 for the years ended September 30, 2023 and 2022, respectively.

Note 6 - 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 $658,500 outstanding at September 30, 2022 have been disbursed during the fiscal year ended September 30, 2023.

Note 7 - Paycheck Protection Program loan payable

On February 26, 2021, the Organization received loan proceeds in the amount of $371,438 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 May 9, 2022, this loan and all accrued interest was also forgiven by the SBA and lending institution.

Note 8 - Accrued expenses

Accrued expenses consisted of the following:

	September 30, 2023	September 30, 2022
Accrued vacation	$ 185,113	$ 180,512
Accrued employee benefits	179,580	203,652
Sales tax payable	166,512	67,166
Accrued payroll and payroll taxes	135,457	131,118
Accrued liabilities - other	3,433	30,465
Total accrued expenses	$ 670,095	$ 612,913

Note 9 - Net assets with donor restrictions

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

	October 1, 2022	Additions	Released from Restrictions	September 30, 2023
Education development	$ 3,487,436	$ 465,000	$ (1,627,143)	$ 2,325,293

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

Note 10 - Operating lease

In August of 2021, the Organization entered into a non-cancellable lease agreement for its headquarters. This lease commenced on October 2021 and is due to expire in September 2026. Lease expense for the years ended September 30, 2023 and 2022 were $138,001 and $118,543, respectively.

Other information related to the operating lease for the year for the year ended September 30, 2023 are as follows:

Operating cash flows from operating leases	$ 128,501
ROU assets obtained in exchange for new operating lease liabilities	$ 496,858
Weighted-average remaining lease term in years for operating leases	3.00
Weighted-average discount rate for operating leases	4.01%

Note 10 - Operating lease (continued)

Future minimum lease payments are as follows:

For the Years Ending September 30,	Amount
2024	$ 132,356
2025	136,327
2026	140,416
Total undiscounted cash flows	409,099
Less: present value discount	(23,273)
Total lease liability	385,826
Less: current portion of operating lease liability	(119,507)
	$ 266,319

For the year ended September 30, 2022, the Organization accounted for leases under the accounting guidance of FASB ASC Topic 840, requiring the disclosures of the future minimum operating lease payments as follows:

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

Note 11 - Concentrations of credit risk

The Organization maintains its cash accounts with one financial institution which balances, at times may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). As of September 30, 2023, 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, 2023, five donors accounted for 91% of the Organization’s revenue from grants. As of September 30, 2023, receivable from one donor represented 93% of total grants receivable.

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.

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 $163,619 and $182,315 for the years ended September 30, 2023 and 2022, respectively, and are reflected in employee benefits.