

# **Education Pioneers, Inc.**

**Audited Financial Statements**

*Years Ended September 30, 2020 and 2019  
With Independent Auditors' Report*

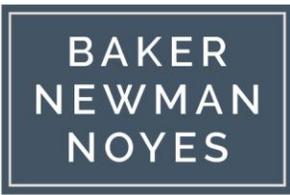
**EDUCATION PIONEERS, INC.**

**AUDITED FINANCIAL STATEMENTS**

For the Years Ended September 30, 2020 and 2019

**TABLE OF CONTENTS**

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Education Pioneers, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Education Pioneers, Inc., which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' 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.

Board of Directors  
Education Pioneers, Inc.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Pioneers, Inc. as of September 30, 2020 and 2019, and the results of its activities, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Newman + Noyes LLC*

Portland, Maine  
February 19, 2021

**EDUCATION PIONEERS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

September 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 837,228	\$1,202,305
Restricted cash – COVID Fellowship	1,000,000	–
Investments	498	25,013
Grants and contributions receivable	249,862	282,705
Accounts receivable, net	89,086	120,718
Prepaid expenses	<u>12,263</u>	<u>54,132</u>
Total current assets	2,188,937	1,684,873
Property and equipment:		
Computer equipment and software	498,889	498,889
Website	207,814	207,814
Furniture and fixtures	2,482	7,994
Accumulated depreciation	<u>(698,368)</u>	<u>(670,803)</u>
	10,817	43,894
Grants and contributions receivable, net of current portion	110,000	50,000
Security deposits	<u>600</u>	<u>10,475</u>
Total assets	<u>\$2,310,354</u>	<u>\$1,789,242</u>

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable	\$ 19,406	\$ 51,175
Compensated absences	126,502	99,585
Accrued expenses	167,466	111,629
Foundation grants, fellow-stipends	–	37,370
Unearned contributions	1,000,000	–
Deferred revenue	–	100,000
Current portion of long-term debt	<u>192,967</u>	<u>112,500</u>
Total current liabilities	1,506,341	512,259
Long-term debt, less current portion	621,302	693,601
Net assets (deficit):		
Without donor restrictions	(269,782)	100,941
With donor restrictions	<u>452,493</u>	<u>482,441</u>
Total net assets	182,711	583,382
	_____	_____
Total liabilities and net assets	<u>\$2,310,354</u>	<u>\$1,789,242</u>

See accompanying notes.

**EDUCATION PIONEERS, INC.**

**STATEMENTS OF ACTIVITIES**

Year Ended September 30, 2020

(With summarized financial information for the year ended September 30, 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	
			<u>2020</u>	<u>2019</u>
Revenues:				
Foundation grants and contributions	\$ 1,798,956	\$ 258,680	\$ 2,057,636	\$ 3,211,880
Corporate contributions	41,630	-	41,630	210,723
Individual contributions	193,076	-	193,076	342,078
Investment income	4,247	-	4,247	2,679
Other income	534,999	-	534,999	68,601
Program fees	463,223	-	463,223	408,375
In-kind donations	167,554	-	167,554	195,409
Gain on extinguishment of debt	-	-	-	85,171
Reclassification of prior year grant	-	13,220	13,220	-
Net assets released from restrictions	<u>301,848</u>	<u>(301,848)</u>	<u>-</u>	<u>-</u>
Total revenues	3,505,533	(29,948)	3,475,585	4,524,916
Expenses:				
Program services	2,862,510	-	2,862,510	2,766,858
Management and general	449,082	-	449,082	606,709
Fundraising	<u>564,664</u>	<u>-</u>	<u>564,664</u>	<u>435,058</u>
Total expenses	<u>3,876,256</u>	<u>-</u>	<u>3,876,256</u>	<u>3,808,625</u>
Change in net assets	(370,723)	(29,948)	(400,671)	716,291
Net assets (deficit), beginning of year	<u>100,941</u>	<u>482,441</u>	<u>583,382</u>	<u>(132,909)</u>
Net assets (deficit), end of year	<u>\$ (269,782)</u>	<u>\$ 452,493</u>	<u>\$ 182,711</u>	<u>\$ 583,382</u>

See accompanying notes.

**EDUCATION PIONEERS, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

(With summarized financial information for the year ended September 30, 2019)

	Program Services	Management and General	Fundraising	Totals	
				2020	2019
Personnel costs:					
Other salaries and wages	\$1,466,485	\$284,513	\$376,025	\$2,127,023	\$2,017,720
Employee benefits	81,104	15,734	20,796	117,634	95,058
Payroll taxes	<u>112,512</u>	<u>21,828</u>	<u>28,850</u>	<u>163,190</u>	<u>158,390</u>
Total personnel costs	1,660,101	322,075	425,671	2,407,847	2,271,168
Bank charges	29,342	5,634	6,690	41,666	107,191
Board of Directors meetings	-	-	-	-	9,520
Business development	13,637	1,835	2,000	17,472	37,655
Consultants	542,820	65,520	71,421	679,761	493,119
Facilities	124,203	24,815	27,050	176,068	193,695
Human capital insurance	11,006	2,199	2,397	15,602	12,568
Marketing and promotional	17,766	1,795	1,956	21,517	9,331
Office expenses	14,229	2,748	2,996	19,973	22,742
Depreciation	23,333	4,662	5,082	33,077	29,230
Other	173,443	1,194	1,301	175,938	276,514
Professional development	10,515	2,101	2,290	14,906	3,813
Program development	9,682	-	-	9,682	56
Program events	126,366	-	-	126,366	141,704
Recruiting events	2,493	-	-	2,493	10,131
Staff meetings	21,279	1,342	1,462	24,083	54,491
Staff recruiting	76	15	17	108	427
Technology	<u>82,219</u>	<u>13,147</u>	<u>14,331</u>	<u>109,697</u>	<u>135,270</u>
Total expenses	<u>1,202,409</u>	<u>127,007</u>	<u>138,993</u>	<u>1,468,409</u>	<u>1,537,457</u>
	<u>\$2,862,510</u>	<u>\$449,082</u>	<u>\$564,664</u>	<u>\$3,876,256</u>	<u>\$3,808,625</u>

See accompanying notes.

**EDUCATION PIONEERS, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (400,671)	\$ 716,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,077	29,230
Restricted contributions	(258,680)	(200,000)
Reclassification of prior year grant	(13,220)	-
Forgiveness of debt	-	(35,000)
Change in imputed interest on debt	8,168	(157,441)
Loss on disposal of property and equipment	-	74,291
Changes in operating assets and liabilities:		
Grants and contributions receivable	(27,157)	172,294
Accounts receivable	31,632	137,398
Prepaid expenses	41,869	4,353
Security deposits	9,875	15,639
Accounts payable	(31,769)	(87,549)
Accrued expenses	55,837	(492,374)
Foundation grants, fellow-stipends	(24,150)	(2,850)
Compensated absences	26,917	(58,471)
Unearned contributions	1,000,000	-
Deferred revenue	<u>(100,000)</u>	<u>173,874</u>
Net cash provided by operating activities	351,728	289,685
Cash flows from investing activities:		
Net investment sales/purchases	<u>24,515</u>	<u>(25,013)</u>
Net cash provided (used) by investing activities	24,515	(25,013)
Cash flows from financing activities:		
Payment on line of credit	-	(1,458)
Restricted contributions	<u>258,680</u>	<u>200,000</u>
Net cash provided by financing activities	<u>258,680</u>	<u>198,542</u>
Net increase in cash and cash equivalents and restricted cash	634,923	463,214
Cash and cash equivalents and restricted cash at beginning of year	<u>1,202,305</u>	<u>739,091</u>
Cash and cash equivalents and restricted cash at end of year	<u>\$1,837,228</u>	<u>\$1,202,305</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 26,848	\$ 68,363
Supplemental information:		
Noncash refinancing of line of credit, net of debt forgiveness	\$ -	\$ 963,542

See accompanying notes.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 1. **Reporting Entity**

Education Pioneers, Inc. (the Organization) is a national nonprofit, tax-exempt organization founded in 2003 to recruit, connect, and advance a new generation of leaders dedicated to transforming our educational systems so that all students receive a quality education.

Throughout the year, the Education Pioneers Fellowship gives these leaders access to high-impact roles within education organizations and meaningful learning opportunities. Education Pioneers Fellows solve problems from outside the classroom so that students and teachers can succeed inside the classroom. The Organization connects Fellows with opportunities to advance the work of over 200 partner organizations such as school districts, charter organizations, and education nonprofits. Fellows also participate in cohort-based programming that immerses Fellows in an understanding of the root causes of the opportunity gap, and sharpens their skillsets and mindsets to effect transformative change in education. The Organization provides Fellows with access to our network of more than 3,000 Alumni, plus 200-plus partner organizations around the country, to establish connections and support them during their careers as transformative leaders in education.

The Organization operates in locations throughout the country, including Boston, Chicago, Denver, Kansas City, Memphis, Nashville, New Orleans, New York City, Newark, the San Francisco Bay Area, and Washington, D.C. The Organization is supported primarily through individual and corporate contributions, grants from foundations, and program fees from partner organizations.

### 2. **Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### *Financial Statement Presentation*

The Organization reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. In accordance with FASB ASC Topic 958, contributions received are recorded depending on the existence of any donor restrictions, and operations into the following categories:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors.

*Net Assets With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor may stipulate the funds be maintained in perpetuity.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 2. Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

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

#### Cash and Cash Equivalents

The Organization considers all short-term, highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### Investments

Investments are stated at fair value. Gains and losses on investments are computed on the specific identification basis. Investment income and realized and unrealized gains/losses are included in revenue without donor restrictions unless restricted by donor or law. In addition, investment returns from donor restricted investments are classified as net asset with donor restrictions until appropriated for expenditures.

Investments, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

#### Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give by donors and have been recorded at net realizable value. Contributions receivable are due from individuals, corporations and foundations. An allowance for uncollectible grants and contributions receivable is provided as necessary by management based on a review of the underlying pledges. The Organization has not experienced any losses and has determined that no allowance for uncollectible grants and contributions receivable is necessary at September 30, 2020 or 2019. Amounts would be charged off against any established allowance when deemed uncollectible.

#### Accounts Receivable

Accounts receivable represent amounts due to the Organization for program fees. Management considers the age of outstanding balances and past collection efforts in determining the allowance for uncollectible amounts. Management has recorded an allowance of \$3,247 for the years ended September 30, 2020 and 2019. Amounts are charged off against any established allowance when deemed uncollectible.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 2. Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

The Organization capitalizes property and equipment acquisitions over \$500. Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at its estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to five years.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support.

#### Revenue Recognition

Contributions received are recorded as restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions on the accompanying financial statements.

Grant revenue, for expenditure driven grants, is recognized in the period expenditures are incurred in connection with carrying out the terms of the grant agreement. Other grant revenues are recognized over the period of the agreement in proportion to how services are rendered. Amounts received prior to recognition are shown as deferred revenue. As of September 30, 2020, unearned contributions in the amount of \$1,000,000 have been recorded as result of grant funds received in advance of work to be performed through December 31, 2021. The advanced funding is also reflected as restricted cash on the balance sheet.

Program revenue is recognized over the period of the contract in proportion to how services are rendered. The Organization recognizes revenue when obligations under the terms of the contract with its customer are satisfied; revenues from fixed price contracts are recognized on the percentage-of-completion method, measured by the percentage of deliverables completed to date. The Organization bills amounts under contracts in accordance with the contractual terms. Amounts billed in excess of the related services provided are recorded as deferred revenue in the accompanying statements of financial position.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 2. Summary of Significant Accounting Policies (Continued)

#### Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private organization under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the years ended September 30, 2020 or 2019.

In certain circumstances, tax-exempt organizations may be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the FASB, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the financial statements.

#### Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Those expenses which cannot be specifically identified by function type have been allocated among programs, management and general, and fundraising based upon employee time.

#### Advertising Costs

Advertising costs are expensed as incurred and totaled \$12,975 and \$655 for the years ended September 30, 2020 and 2019, respectively.

#### In-Kind Support

The Organization records various types of in-kind support including professional services, tangible assets and the use of tangible assets. Contributed professional services are recognized if the services received, (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contribution of tangible assets or the use thereof is recognized when promised or received, whichever is earlier. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or in the case of long-term assets, over the period benefited. Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 2. Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

If vacation or compensatory leave is not taken by employees during their employment, the Organization is obligated to make cash payments to them upon termination or retirement at the salary rates then in effect. The Organization's employees receive from 15 to 20 days of compensatory leave each year.

#### New Accounting Pronouncements

Effective October 1, 2019, the Organization adopted the new accounting guidance regarding revenue recognition under the FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and all related amendments using the modified retrospective approach. ASU 2014-09 provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. The Organization completed its overall assessment of revenue streams and review of related contracts potentially affected by the ASU. Based on this assessment, the Organization concluded that ASU 2014-09 did not materially change the method in which the Organization currently recognizes revenue. The Organization recognizes revenue upon satisfaction of each performance obligation and a cumulative effect adjustment to opening net assets was not necessary.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenues and expense recognition. ASU 2018-08 is effective for the Organization for transactions in which they serve as the resource recipient beginning October 1, 2019. The Organization adopted ASU 2018-08 as the resource recipient effective October 1, 2019. Adoption of this standard did not result in a significant change in these financial statements. The adoption of ASU 2018-08 as the resource provider is effective October 1, 2020, and will not have a significant impact on the financial statements.

#### Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic. The current and ongoing COVID-19 outbreak could negatively impact the ability of the Organization and its partners to conduct business in areas affected by COVID-19 in fiscal year 2021. At the time of the issuance of these financial statements, the Organization has taken steps to proactively adjust its activities and programs in order to mitigate any potential disruption or impact of COVID-19 in fiscal year 2021. The Organization responded to the business impact of COVID-19 in fiscal year 2020 by implementing an organizational restructuring and reducing headcount, which took effect at the beginning of fiscal year 2021.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 2. **Summary of Significant Accounting Policies (Continued)**

In addition, the Organization has adjusted its programs in fiscal year 2021 to focus on a smaller set of programs that are more relevant for COVID and responsive to a more limited and focused funding landscape. At the time of the issuance of these financial statements, the Organization had secured philanthropic commitments to fund 100% of its planned expenses for fiscal year 2021, and therefore management believes there is minimal risk that COVID-19 will negatively impact the Organization in fiscal year 2021. Because the continued impact of COVID-19 could adversely affect the Organization's financial condition and results of operations over the long term, at the date of these financial statements management is unable to quantify the potential effects of this pandemic on future operations beyond fiscal year 2021.

#### Reclassifications

Certain 2019 amounts have been reclassified to permit comparison with the 2020 financial statements presentation format.

#### Subsequent Events

Management has evaluated subsequent events through February 19, 2021, the date on which financial statements were available to be issued.

### 3. **Concentration of Credit Risks Arising From Cash Deposits in Excess of Insured Amounts**

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured except balances which exceed the maximum insured levels of FDIC. At September 30, 2020 and 2019, the Organization's cash balance exceeds the FDIC limit by \$1,251,945 and \$649,988, respectively. The Organization has not experienced losses on its FDIC insured and uninsured accounts and believes they are not exposed to any significant credit risk.

### 4. **Grants and Contributions Receivable**

Grants and contributions receivable in the amount of \$249,862 are expected to be received in the next year. Remaining grants and contributions in the amount of \$110,000 are expected to be received in equal payments of \$55,000 in fiscal 2022 and 2023.

Grant revenue from three grantors represented 45% and 48% of grant revenue for the years ended September 30, 2020 and 2019, respectively.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 5. Lease Agreements

The Organization leased separate facilities under operating lease arrangements through September 30, 2020.

Facilities rent expense under operating leases was \$165,946 and \$179,466 for the years ended September 30, 2020 and 2019, respectively.

### 6. Retirement Plan

The Organization offers a group sponsored 403(b) retirement plan (Plan) to employees. The Plan covers substantially all employees and provides the employees with the opportunity to make contributions to the Plan on a tax-deferred basis. There were no employer contributions made to the Plan for the years ending September 30, 2020 and 2019.

### 7. In-Kind Donations

The Organization received the following in-kind donations during the years ended September 30:

	<u>2020</u>	<u>2019</u>
Advertising services	\$ 11,700	\$ 12,144
Software and support	<u>155,854</u>	<u>183,265</u>
Total in-kind donations	<u>\$167,554</u>	<u>\$195,409</u>

### 8. Long-Term Debt

During 2017, the Organization entered into a line of credit agreement with Boston Private Bank & Trust Company with a maximum borrowing limit of \$1,000,000, which was collateralized by substantially all assets of the Organization. Interest only payments were due monthly with a variable interest rate equal to one percent over the current Wall Street Journal Prime rate.

Effective January 31, 2019, the Organization entered a revised agreement with Boston Private Bank & Trust Company to repay the outstanding \$1,000,000 balance on the line of credit. The line of credit agreement was modified from a revolving line of credit to a term loan and no further advances were allowed. Payments of interest only for a period of nine months began February 1, 2019 at a fixed rate of 8%.

# EDUCATION PIONEERS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

### 8. Long-Term Debt (Continued)

In September 2019, the outstanding balance was refinanced with a private lender. The refinanced loan called for a payment of \$112,500 plus accrued interest on June 30, 2020 and annual repayments of \$154,115 plus accrued interest on June 30 each year thereafter through 2026. The loan bears interest at a rate of 1%, which is below the market interest rate of 5%. As a result of the favorable interest rate, the Organization recognized a contribution of \$157,441 which will be released from net assets with donor restrictions over the term of the loan. As part of the refinance, Boston Private Bank & Trust forgave principal and accrued interest in the amount of \$85,171 which has been reflected as a gain on extinguishment of debt in the statements of activities.

In May 2020, the loan agreement was modified to defer the payment due on June 30, 2020. The initial payment on the loan in the amount of \$38,852 plus accrued interest will be due on January 31, 2021. Annual repayments of \$154,115 plus accrued interest will resume on June 30, 2021 and continue on June 30 each year after through 2026.

Scheduled payments for the outstanding debt at September 30, 2020 are as follows:

2021	\$ 192,967
2022	154,115
2023	154,115
2024	154,115
2025	154,115
Thereafter	<u>154,115</u>
	963,542
Less below market rate contribution	<u>(149,273)</u>
	\$ <u>814,269</u>

### 9. Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of \$452,493 and \$482,441 at September 30, 2020 and 2019, respectively, represent contributions received and contributions pledged to support programs in future years. When the stipulated purpose and time restrictions end, the amounts will be reported in the statement of activities as net assets released from restrictions.

**EDUCATION PIONEERS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

**10. Liquidity and Availability**

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following at September 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$1,837,228
Investments	498
Grants and contributions receivable within the next year	249,862
Accounts receivable	<u>89,086</u>
 Financial assets available to meet general expenditures within one year	 <u>\$2,176,674</u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. These amounts are included in the table above.

**11. Conditional Grant**

In August 2019, the Organization received a conditional grant from a private foundation in the amount of \$1,000,000. The grant will support program activities through July 31, 2022. The grantor reserves the right to terminate the agreement at any time and will release funds as the Organization achieves certain goals as outlined in the grant document. As of September 30, 2020 and 2019, the Organization had received \$300,000 and \$250,000, respectively, for satisfaction of established goals and, accordingly, recognized the associated revenue within foundation grants and contributions in the statements of activities. The remaining balance of \$450,000 has not been reflected in the financial statements as the conditions of the grant have not yet been met.

**12. Paycheck Protection Program**

In April 2020, the Organization received loan proceeds in the amount of \$429,700 under the Paycheck Protection Program (PPP). The PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), provides for loans to businesses for amounts up to 2.5 times the average monthly payroll expenses of the Organization. Loans and accrued interest have terms that are forgivable after eight weeks or twenty-four weeks, based on the borrower's election, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of the forgiveness can be reduced if the borrower terminated employees or reduced payroll below certain levels during the selected period.

## EDUCATION PIONEERS, INC.

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2020  
(With summarized financial information for September 30, 2019)

#### 12. **Paycheck Protection Program (Continued)**

When the Organization applied for the loan, management believed it would qualify to have the loan forgiven under the terms of PPP, and therefore considered the loan to be, substantively, a conditional government grant. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and the right of return related to the PPP loan no longer existed. As of September 30, 2020, the Organization had utilized all of the proceeds for payroll and other qualified expenses. The Organization submitted its application for forgiveness of its PPP loan to its lender, Boston Private Bank & Trust Company, on November 23, 2020. The Organization received notification from Boston Private Bank & Trust Company on December 31, 2020 that 100% of its PPP loan has been forgiven by the SBA (Small Business Administration) and no further action is required. The Organization recognized \$429,700 as grant revenue for the year ended September 30, 2020.