

FREEDOM SCHOOL PARTNERS, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2020

FREEDOM SCHOOL PARTNERS, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Freedom School Partners, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Freedom School Partners, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Freedom School Partners, Inc., as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and our report dated March 31, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
April 1, 2021

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2020, With Prior Year Comparative Totals**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$ 1,151,251	\$ 653,672
Receivables:		
Promises to give, net	82,031	114,601
Sales tax refund	6,351	7,488
Prepaid expenses	14,966	20,474
Investments:		
Beneficial interest in assets held in trust by third party	249,909	-
Property and equipment, net of accumulated depreciation	10,619	11,644
<i>TOTAL ASSETS</i>	<i>\$ 1,515,127</i>	<i>\$ 807,879</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,879	\$ 79,141
Total Liabilities	30,879	79,141
Net Assets:		
Without donor restrictions:		
Undesignated	954,852	308,431
Designated	300,000	301,956
Total Net Assets Without Donor Restrictions	1,254,852	610,387
With donor restrictions	229,396	118,351
Total Net Assets	1,484,248	728,738
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 1,515,127</i>	<i>\$ 807,879</i>

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2020, With Prior Year Comparative Totals**

	December 31, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
<u>SUPPORT AND REVENUE</u>				
Contributions:				
Cash	\$ 2,128,927	\$ 187,175	\$ 2,316,102	\$ 2,919,933
In-kind	91,177	-	91,177	92,484
Investment income	3,308	-	3,308	6,690
Program service fees	-	-	-	13,881
Loss on disposal of property	(488)	-	(488)	-
Net assets released from restrictions:				
Satisfaction of time restrictions	71,130	(71,130)	-	-
Satisfaction of purpose restrictions	5,000	(5,000)	-	-
<i>TOTAL SUPPORT AND REVENUE</i>	<i>2,299,054</i>	<i>111,045</i>	<i>2,410,099</i>	<i>3,032,988</i>
<u>EXPENSES</u>				
Program services	969,509	-	969,509	2,225,526
Supporting services:				
Management and general	218,281	-	218,281	322,436
Fundraising	466,799	-	466,799	540,644
Total Supporting Services	685,080	-	685,080	863,080
<i>TOTAL EXPENSES</i>	<i>1,654,589</i>	<i>-</i>	<i>1,654,589</i>	<i>3,088,606</i>
<i>CHANGE IN NET ASSETS</i>	<i>644,465</i>	<i>111,045</i>	<i>755,510</i>	<i>(55,618)</i>
<i>NET ASSETS, BEGINNING</i>	<i>610,387</i>	<i>118,351</i>	<i>728,738</i>	<i>784,356</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,254,852</i>	<i>\$ 229,396</i>	<i>\$ 1,484,248</i>	<i>\$ 728,738</i>

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2020, With Prior Year Comparative Totals**

	Program Services	Supporting Services		Totals	Prior Year Comparative Totals
		Management and General	Fund Raising		
<u>PERSONNEL</u>					
Salaries and wages	\$ 552,862	\$ 114,223	\$ 295,396	\$ 962,481	\$ 1,392,441
Payroll taxes	40,763	8,379	21,145	70,287	106,737
Employee benefits	51,175	10,832	30,738	92,745	103,504
Total	644,800	133,434	347,279	1,125,513	1,602,682
<u>OTHER EXPENSES</u>					
Curriculum and training	85,073	-	-	85,073	418,398
Bus rental	-	-	-	-	235,554
Occupancy	77,891	26,152	26,152	130,195	130,067
Field trips/activities	28,796	-	-	28,796	76,970
Supplies	56,848	13,381	10,443	80,672	69,909
Food	338	-	-	338	47,898
Travel and meetings	8,427	1,209	2,393	12,029	31,477
Evaluations	9,725	-	-	9,725	59,274
Uniforms	2,402	-	-	2,402	20,266
Site technology	6,634	-	-	6,634	12,302
Year-round engagement	5,350	-	-	5,350	16,161
Professional fees	9,597	25,513	17,246	52,356	199,016
Telephone	5,951	3,371	5,934	15,256	7,739
Liability insurance	12,433	4,145	4,145	20,723	16,933
Marketing	2,696	33	22,352	25,081	50,085
Printing	2,445	1,053	1,100	4,598	13,881
Depreciation	-	4,147	-	4,147	3,116
Parent meetings	-	-	-	-	10,731
Equipment and vehicle	6,105	2,342	2,342	10,789	18,407
Postage	538	274	3,762	4,574	4,191
Celebrations	-	-	-	-	21,531
Dues and subscriptions	3,442	1,789	20,987	26,218	16,931
Service charges	18	1,438	2,664	4,120	5,048
Miscellaneous	-	-	-	-	39
TOTAL	\$ 969,509	\$ 218,281	\$ 466,799	\$ 1,654,589	\$ 3,088,606

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2020, With Prior Year Comparative Totals**

	<u>2020</u>	<u>2019</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 755,510	\$ (55,618)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,147	3,116
Loss on disposal of property	488	-
Change in value of beneficial interest in assets held in trust by third party	91	-
(Increase) decrease in operating assets:		
Prepaid expenses	5,508	(16,290)
Promises to give	32,570	(111,601)
Sales tax refund	1,137	(3,440)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(48,262)	26,755
	<u>751,189</u>	<u>(157,078)</u>
	<i>Cash Flows From Operating Activities</i>	<i>(157,078)</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(250,000)	-
Purchases of property and equipment	(3,610)	(9,496)
	<u>(253,610)</u>	<u>(9,496)</u>
	<i>Cash Flows From Investing Activities</i>	<i>(9,496)</i>
CHANGE IN CASH	497,579	(166,574)
CASH, BEGINNING	653,672	820,246
CASH, ENDING	\$ 1,151,251	\$ 653,672

NOTE 1 - NATURE OF ORGANIZATION AND ACTIVITIES

Freedom School Partners, Inc. (the Organization) is a non-profit organization formed on November 29, 1999, in the State of North Carolina. Its purpose is to promote the long-term success of children by preventing summer learning loss through igniting a passion for reading and inspiring a love of learning. The Organization's funding primarily comes from private grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The 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). Under GAAP, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

- *Net assets without donor restrictions:* Net assets that are not subject to any donor-imposed stipulations and which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its program or supporting services. Designated net assets represent funds designated by the Organization for specific purposes. However, these funds have not been restricted by donors and are available for any purpose at the Organization's discretion.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed stipulations. These net assets may be temporarily restricted, with the restriction being met either by actions of the Organization or the passage of time, or permanently restricted, which are subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year, the Organization had no permanently restricted net assets.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. Restricted grants and contributions whose restrictions are met in the same reporting period as received are reported in support without donor restrictions.

Promises to give

The Organization recognizes promises of grants and contributions as support in the year the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Based on the historical collectability of promises receivable from the organizations making the promises, management has determined that no allowance for doubtful accounts is required.

Investments

Investments are reported at fair value.

FREEDOM SCHOOL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
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Revenue recognition

The Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (ASU 2014-09)*, for the year ending December 31, 2020. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The implementation of ASU 2014-09 did not have an impact on the Organization's financial statements.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During the year, the Organization recorded no donated services or goods.

The Organization receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they generally do not meet the criteria for recognition described above.

Donated facilities

Donated facilities are recorded as contributions at the estimated fair rental value. For the year ended December 31, 2020, the fair value of this donated rent has been calculated at \$91,177 with a like amount included in occupancy expense. This amount is for the Organization's corporate offices, which are leased from Covenant Presbyterian Church.

Functional allocation of expenses

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include personnel, which are allocated on the basis of estimates of time and effort. Occupancy, supplies, travel and meetings, professional fees, telephone, liability insurance, marketing, printing, equipment and vehicle, postage, dues and subscriptions, service charges, and miscellaneous are allocated based on similar percentages as total personnel expenses, except that if a cost relates to a specific employee, that cost is allocated the same way that their salary is. Curriculum and training, bus rental, field trips/activities, food, evaluations, uniforms, site technology, year-round engagement, parent meetings, and celebrations are fully allocated to program services. The costs of providing the various programs and other activities are summarized in the accompanying financial statements.

Income tax status

Freedom School Partners, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not classified as a private foundation as defined by Section 509(a)(1) of the IRC.

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Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's December 31, 2019 financial statements, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

The Foundation for the Carolinas (FFTC) holds funds in trust accounts for the benefit of the Organization. The Organization may request annual distributions of accumulated income from these accounts. Recommendations for distribution of principal, as considered necessary by the Board of Directors of the Organization, may be made to FFTC. FFTC has complete discretion as to the timing and amounts of distributions from these funds; however, FFTC has no variance power to distribute any portion of these funds to another not-for-profit entity. Assets at FFTC with a year-end fair value of \$99,875 are held in an investment pool with a fund type of *Quasi-Endowed Designated* and an asset investment strategy of *Passive Long-Term*, and assets at FFTC with a year-end fair value of \$150,034 are held in an investment pool with a fund type of *Quasi-Endowed Designated* and an asset investment strategy of FFTC – Income & Growth.

NOTE 4 - FAIR VALUE MEASUREMENTS

Current accounting standards require fair value to be determined based on the exchange price that would be received for an asset in the most advantageous market. Assets are classified utilizing a three-level valuation hierarchy based upon observable and unobservable inputs. Level 1 assets are those assets for which unadjusted quoted prices for identical instruments in active markets are available as of the measurement date. Level 2 assets are those assets which do not have quoted market prices but have values that are observable either directly or indirectly. Level 3 assets do not have observable values.

The Organization's investments are classified as Level 3 assets. Values of the Organization's investments held at FFTC are determined by FFTC based on the fair value of the underlying assets, which consists of assets, some of which are publicly traded and some of which are not publicly traded. The value of the other investment is estimated.

FREEDOM SCHOOL PARTNERS, INC.
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The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year.

Balance, beginning of year	\$ -
Purchases	250,000
Net decrease in value	<u>(91)</u>
Balance, end of year	<u>\$ 249,909</u>

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable as of year-end are expected to be collected as follows:

Year ended December 31:	
2021	\$ 72,909
2022	<u>9,875</u>
Total	82,784
Deduct:	
Present value discount	<u>753</u>
Total	<u>\$ 82,031</u>

Management has determined the above present value discount related to long-term pledges assuming an interest rate of 1.62 percent for pledges received in 2019 and 0.17 percent for pledges received in 2020.

NOTE 6 - PROPERTY AND EQUIPMENT

Purchased fixed assets are carried at cost, and donated fixed assets are recorded at their fair value at the date of the gift, when the cost or the fair value exceeds \$500. Depreciation expense is provided using the straight-line method over the estimated useful lives, which range from 3 to 7 years.

At December 31, 2020, property and equipment are composed of the following:

Machinery and equipment	\$ 80,901
Leasehold improvements	<u>48,244</u>
Total	129,145
Less - accumulated depreciation	<u>(118,526)</u>
Total	<u>\$ 10,619</u>

FREEDOM SCHOOL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - NET ASSETS

Designated

The Board of Directors of Freedom School Partners, Inc. designates funds for sponsoring partner reserves and working capital reserves. At December 31, 2020, the designated amount to support general operating needs were \$300,000.

With donor restrictions

The Organization's net assets with donor restrictions at December 31, 2020, are as follows:

Time Restricted:

2021 summer programming	\$ 157,937
Pledges receivable in future years	71,459
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	\$ 229,396
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NOTE 8 - LEASE COMMITMENTS

The Organization leases office equipment under non-cancelable lease agreements. Lease payments for the year ended December 31, 2020 totaled \$35,449. Minimum future rental payments related to these leases as of December 31, 2020 are as follows:

Year Ending December 31:

2021	\$ 33,322
2022	4,966
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	\$ 38,288
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NOTE 9 – RETIREMENT PLAN

The Organization maintains a SIMPLE IRA Plan. The Organization makes matching contributions up to three percent of a participating employee's annual salary. The Organization's contributions to this plan were \$8,598 for the year ended December 31, 2020.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,480,420 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$1,151,251 and receivables of \$72,909. These receivables are expected to be collected within one year of year-end. Of these financial assets, \$157,937 are subject to donor restrictions that make them unavailable for general expenditure. The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet one year of normal operating expenses, which are, on average, approximately \$1,200,000.

NOTE 11 – PAYROLL PROTECTION PROGRAM

The Organization obtained a refundable advance for \$156,902 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic. The advance was fully utilized by December 31, 2020, and therefore is recorded as income in the accompanying financial statements. Management expects this advance will be formally forgiven in the subsequent year when the request for forgiveness will be submitted.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

Cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization as of December 31, 2020, includes \$674,674 in excess of insured limits covered by the FDIC. However, the Organization believes it is not exposed to any significant credit risk related to these accounts.

Geographic location

The Organization operates in a limited geographic area and as a result is sensitive to changes in the local economy.

Revenue and receivables

For the year ended December 31, 2020, contributions from five donors comprise 31 percent of all cash contributions.

NOTE 13 – UNCERTAINTY

The COVID-19 pandemic has resulted in major changes in the local economy and has resulted in the Organization suspending certain events. At this point, the full impact of the pandemic on the Organization is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the audited financial statements were available for issuance. During this period, no material recognizable subsequent events were identified.