EL EDUCATION, INC.

Financial Statements

August 31, 2021

EL EDUCATION, INC.

Index

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
EL Education, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of EL Education, Inc., which comprise the statement of financial position as of August 31, 2021, 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.

Auditors' 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EL Education, Inc. as of August 31, 2021, 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 EL Education, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

As discussed in Note 2 to the financial statements, EL Education, Inc. changed its method of accounting for revenue from contracts with customers effective September 1, 2020, under the modified retrospective method. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann CPAs

New York, New York
March 2, 2022

EL EDUCATION, INC.
Statements of Financial Position
August 31, 2021 and 2020

ASSETS (Note 8)

	2021	2020
Assets:		
Cash and cash equivalents (Note 4)	$ 14,681,046	$ 10,175,190
Restricted cash (Note 4)	77,417	1,270
Investments (Note 5)	3,665,490	3,110,559
Accounts receivable, net	5,010,314	5,030,021
Unconditional promises to give (Notes 6 and 11)	3,918,532	683,524
Prepaid expenses and other assets	854,082	637,226
Property and equipment, net (Note 7)	155,498	199,304
Total assets	$ 28,362,379	$ 19,837,094

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities:		
Accounts payable and accrued expenses (Note 14)	$ 947,137	$ 800,798
Accrued salary and related expenses	885,972	939,655
Deferred revenue	1,381,751	731,877
Total liabilities	3,214,860	2,472,330
PPP loan payable (Note 9)	-	2,417,046
Commitments and contingencies (Notes 10 and 14)		
Net assets:		
Net assets without donor restrictions:		
Operating	16,290,031	10,478,769
Board-designated (Note 13)	1,000,000	1,000,000
Net assets with donor restrictions (Notes 12 and 13)	7,857,488	3,468,949
Total net assets	25,147,519	14,947,718
Total liabilities and net assets	$ 28,362,379	$ 19,837,094

See accompanying notes.

EL EDUCATION, INC.
Statement of Activities
For the Year Ended August 31, 2021
(With Summarized Comparative Totals for the Year Ended August 31, 2020)

	2021			
	Net Assets Without Donor Restrictions	**Net Assets With Donor Restrictions**	**Total**	**2020**
Revenue, support and gains:				
School, consulting and product revenue	$ 18,238,421	$ -	$ 18,238,421	$ 19,224,085
Contributions and grants (Note 11)	2,043,278	7,956,976	10,000,254	3,028,817
PPP loan forgiveness (Note 9)	2,445,446	-	2,445,446	-
Other income	36,372	-	36,372	116,428
Investment income (Note 5)	744,806	-	744,806	240,813
Net assets released from restrictions	3,568,437	(3,568,437)	-	-
Total revenue, support and gains	27,076,760	4,388,539	31,465,299	22,610,143
Expenses:				
Program services	14,924,986	-	14,924,986	17,952,931
General management and administration	5,443,882	-	5,443,882	4,083,838
Fundraising	896,630	-	896,630	989,901
Total expenses	21,265,498	-	21,265,498	23,026,670
Change in net assets	5,811,262	4,388,539	10,199,801	(416,527)
Net assets, beginning of year	11,478,769	3,468,949	14,947,718	15,364,245
Net assets, end of year	$ 17,290,031	$ 7,857,488	$ 25,147,519	$ 14,947,718

See accompanying notes.

EL EDUCATION, INC.
Statements of Cash Flows
For the Years Ended August 31, 2021 and 2020

	2021	**2020**
Cash flows from operating activities:		
Change in net assets	$ 10,199,801	$ (416,527)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	107,663	116,898
Bad debt expense	99,923	364,107
Investment losses (gains), unrealized, net	(606,847)	37,538
Investment gains, realized, net	(15,130)	(39,437)
Deferred rent	(18,242)	(23,637)
Accrued interest on PPP loan payable	28,400	-
PPP loan forgiveness	(2,445,446)	-
Decrease (increase) in:		
Accounts receivable, net	(80,216)	(598,632)
Government grant receivable	-	200,495
Unconditional promises to give	(4,737,992)	2,449,223
Prepaid expenses and other assets	(216,856)	(96,072)
Increase (decrease) in:		
Accounts payable and accrued expenses	164,581	(571,124)
Accrued salary and related expenses	(53,683)	361,015
Deferred revenue	649,874	(131,197)
Net cash provided by operating activities	3,075,830	1,652,650
Cash flows from investing activities:		
Proceeds from sale of investments	1,665,558	4,507,718
Purchases of investments	(95,528)	(2,560,874)
Property and equipment acquisitions	(63,857)	(61,939)
Net cash provided by investing activities	1,506,173	1,884,905
Cash provided by financing activities:		
Proceeds from PPP loan	-	2,417,046
Net increase in cash and cash equivalents and restricted cash	4,582,003	5,954,601
Cash and cash equivalents and restricted cash, beginning of year	10,176,460	4,221,859
Cash and cash equivalents and restricted cash, end of year	$ 14,758,463	$ 10,176,460

Supplemental Schedule of Non-Cash Investing and Financing Activities

Stock gifted to settle unconditional promise to give	$ 1,502,984	$ 496,251

See accompanying notes.

EL EDUCATION, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2021
(With Summarized Comparative Totals for the Year Ended August 31, 2020)

	2021					
		Supporting Services				
	Program Services	**General Management and Administration**	**Fundraising**	**Total Supporting Services**	**Total Expenses**	**2020 Total Expenses**
Salaries	$ 8,319,930	$ 2,512,884	$ 595,383	$ 3,108,267	$ 11,428,197	$ 11,751,016
Employee benefits and payroll taxes	1,709,436	452,860	132,675	585,535	2,294,971	2,560,555
Consultants and service providers	3,795,549	2,079,516	96,434	2,175,950	5,971,499	4,543,149
Travel	107,101	12,106	113	12,219	119,320	923,377
Rent and occupancy	287,793	86,923	20,595	107,518	395,311	442,581
Conferences and meetings	56,268	98,589	1,661	100,250	156,518	1,201,520
Depreciation and amortization	78,381	23,673	5,609	29,282	107,663	116,898
Books, professional development materials and copies	98,472	34,758	10,380	45,138	143,610	467,568
Miscellaneous	472,056	142,573	33,780	176,353	648,409	1,020,006
Total expenses	$ 14,924,986	$ 5,443,882	$ 896,630	$ 6,340,512	$ 21,265,498	$ 23,026,670

See accompanying notes.

Note 1 - Nature of Activities

EL Education, Inc. (the "Organization") partners with public schools and districts in diverse communities across the United States to improve student achievement; build student character; enhance teacher practices; and instill a positive school culture. The approach promotes rigorous and engaging curriculum; active, inquiry-based pedagogy; and a school culture that demands and teaches compassion and good citizenship.

The Organization is one of the nation's leading K-12 education organizations committed to creating classrooms where teachers can fulfill their highest aspirations and where students can achieve more than they think possible. The Organization has helped new and veteran teachers - in all types of school settings - strive for a vision of student success that joins academic achievement, character and high-quality work. The Organization's approach is grounded in respect for teachers and school leaders as creative agents in their classrooms. The Organization builds teachers' capacity to ignite each student's motivation, persistence and compassion so that they become active contributors to building a better world and succeed in school, college, career and life.

The Organization's model is characterized by:

- Active instructional and student-engaged assessment practices that build academic skills and students' ownership of their learning

- Rigorous academic projects connected to real-world issues that meet college and career-ready standards

- A culture of learning that builds persistence, collaboration, critical thinking, problem solving, communication and independence in the students

The Organization is the creator of the acclaimed EL Education K-8 Language Arts Curriculum, a standards-based comprehensive literacy program.

The Organization offers a comprehensive suite of professional development, coaching and strategic planning, curriculum, publications and open educational resources. Together with its school and district partners, the Organization serves more than 500,000 students in more than 1,500 schools in 35 states annually.

Note 2 - <u>Summary of Significant Accounting Policies</u>

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the provisions included in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for "Not-For-Profit Entities," which constitutes generally accepted accounting principles in the United States of America ("GAAP") for non-profit entities such as the Organization. GAAP requires the Organization 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 available for general use and not subject to donor restrictions. Included in net assets without donor restrictions are board-designated funds, which include resources under the full control of the Board of Directors for use in achieving the purpose of the Organization.

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, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. At August 31, 2021 and 2020, the Organization had $7,857,488 and $3,468,949, respectively, in net assets with donor restrictions, of which $1,988,473 remained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts with various commercial banks. Restricted cash is held in brokerage accounts and is limited to investing towards the Organization's endowment fund.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The estimated allowance for doubtful accounts as of August 31, 2021 and 2020 was approximately $202,000 and $329,000, respectively.

Fair Value Measurement

The Organization applies Topic 820, *Fair Value Measurement,* of FASB ASC, which defines fair value, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Topic 820 of FASB ASC are described below:

Level 1 - Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 - Significant unobservable prices or inputs (including the Organization's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition

Revenue is reported as increases in net assets without restrictions unless their use is limited by donor-imposed restrictions as follows:

The Organization derives revenue primarily through school, consulting and product revenue. Under accounting standards, revenue measurement is driven via a principles-based process that requires the entities (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied.

School, consulting and product revenue consists of network school revenue, curriculum focused consulting revenue and product revenue. Network school revenue is recorded at established rates based on signed contracts. Such amounts are recorded as revenue when performance obligations are satisfied, which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on the academic calendar which runs from September through August of each year and coincides with the Organization's fiscal year. Management has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Consulting and product revenue is recorded based on agreed-upon rates as listed in the contract. Such amounts are recorded as revenue when performance obligations are satisfied, which is generally at a point in time once services are rendered. Management believes that recognizing revenue at a point in time is the best measure of services rendered based on the contract and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations.

The following table provides revenue disaggregation by timing of revenue recognition:

	2021	2020
Services transferred at a point in time	$ 14,430,462	$ 14,370,753
Services transferred over time	3,807,959	4,853,332
	$ 18,238,421	$ 19,224,085

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition (Continued)

Contributions, including unconditional promises to give, and grants are recognized as revenue as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor imposed restrictions that can be met through the passage of time or upon the incurring of expenses are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs, or other barriers.

The Organization uses the allowance method to determine uncollectible promises and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and grants approved. At August 31, 2021 and 2020, no allowance has been recognized based on management's determination.

The Organization receives conditional grants and advances for program services for which revenue is recognized when the program condition is met.

Property and Equipment

Property and equipment is recorded at cost or, if received as a gift, at fair value when acquired. Depreciation is computed on the straight-line basis over the assets' useful lives, which range from three to seven years. Leasehold improvements are amortized over the shorter of the life of the asset or the term of the lease, using the straight-line method. Property and equipment purchases with a cost in excess of $1,000 are capitalized; all others are expensed as incurred.

Deferred Rent

Deferred rent reflects the excess of rent expensed on the straight-line basis over rent payments made under the terms of the lease.

Note 2 - Summary of Significant Accounting Policies (Continued)

Summarized Comparative Data

The amounts shown for the year ended August 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with August 31, 2021 and present summarized totals only. Accordingly, the August 31, 2020 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2020 from which the summarized information was derived.

Functional Allocation of Expenses

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated based on the estimate of time and effort.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York State Not-for-Profit Corporation law, respectively, and qualifies for the charitable contribution deduction.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold at the statement of financial position date and no interest or penalties related to unrecognized tax benefits have been recognized in the Organization's financial statements.

The Organization timely files federal Form 990 annually and New York State annual reports as required. The Organization's filing years prior to August 31, 2018 are no longer subject to examination. No returns or registrations are presently under examination by the relevant authorities.

Advertising

Advertising is expensed as incurred and amounted to approximately $37,800 and $45,300 for the years ended August 31, 2021 and 2020, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Revenue Recognition

In 2021, the Organization adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of 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 standard addresses inconsistency in revenue recognition by outlining a principle-based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The Organization adopted this standard using the modified retrospective approach on September 1, 2020. Total revenue recognized under the new revenue standard for the year ended August 31, 2021 was $18,238,421.

The adoption of this standard did not materially impact reported revenue in any period because: (1) performance obligations were determined to be similar as compared with deliverables previously identified; (2) the transaction price is consistent; and (3) revenue was recorded in the same manner as under prior standards. In evaluating the effects of the change, contracts in process as of the date of adoption were considered under the practical expedient allowed under the standard.

Note 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

Revenue Recognition (Continued)

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of other existing guidance should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

Leases

In February 2016, the FASB released ASU 2016-02, *Leases (Topic 842)*, and in June 2020, the FASB delayed the effective date for not-for-profit entities. This update requires that lessees and lessors should apply a right-of-use model in accounting for all leases, with certain exemptions. Under this model, the Organization would recognize an asset representing its right to use the leased property and a liability to make the lease payments. This model could have an impact on the Organization's statement of financial position and presentation of expenses in its statement of activities. The amendment is required to be adopted for the Organization's August 31, 2023 financial statements. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Presentation of Financial Statements for Not-for-Profit Entities

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would by accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred, or a receivable, as applicable. The Organization adopted the provisions of ASU 2018-08 for transactions in which it serves as the resource provider as of September 1, 2020. The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2021. Adoption did not have a material impact on the Organization's financial statements.

Note 3 - Liquidity and Availability

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

Cash and cash equivalents	$ 14,681,046
Investments	3,665,490
Accounts receivable, net	5,010,314
Unconditional promises to give	1,921,516
Total financial assets	25,278,366
Less amounts not available to be used within one year:	
Net assets with donor restrictions	7,857,488
Board-designated net assets	1,000,000
	8,857,488
Financial assets available to meet general expenditures over the next twelve months	$ 16,420,878

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to the financial assets available for general expenses above, the Organization has a $1,600,000 line of credit with a financial institution available for any immediate needs (see Note 8).

Note 4 - Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of financial position and cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Restricted cash on the statements of financial position includes restricted cash received with restrictions imposed by donors (but not yet invested) for investing in the Organization's endowment fund.

	August 31,	
	2021	2020
Cash and cash equivalents	$ 14,681,046	$ 10,175,190
Restricted cash	77,417	1,270
	$ 14,758,463	$ 10,176,460

Note 5 - Investments

Investments are stated at fair value. The Organization's investments consist of mutual funds. Mutual funds are valued at the daily quoted prices in active markets (Level 1 measurements).

Investments are comprised of the following at August 31, 2021 and 2020:

	Fair Market Value	
	2021	2020
Mutual funds - equities	$ 2,476,950	$ 1,935,289
Mutual funds - bonds	1,188,540	1,175,270
	$ 3,665,490	$ 3,110,559

Of the total investment balance as of August 31, 2021 and 2020, $1,988,473 is restricted for endowments.

For the years ended August 31, 2021 and 2020, investment return consisted of the following:

	2021	2020
Interest and dividend income	$ 122,829	$ 238,914
Realized gains, net	15,130	39,437
Unrealized gains (losses), net	606,847	(37,538)
	$ 744,806	$ 240,813

Note 6 - Unconditional Promises to Give

Unconditional promises to give consist of the following at August 31:

	2021	2020
Due within 1 year	$ 1,921,516	$ 683,524
Due years 2 through 5	1,997,016	-
	$ 3,918,532	$ 683,524

Unconditional promises to give are recorded at the expected future cash flows. The Organization has not recorded a discount to reflect the net present value of the future cash flows as of August 31, 2021 and 2020 as management determined the amounts to be trivial. There was no allowance for uncollectible accounts as of August 31, 2021 and 2020.

Note 7 - Property and Equipment

At August 31, property and equipment consists of:

	2021	2020	Estimated Useful Life
Leasehold improvements	$ 277,836	$ 277,836	Shorter of lease term or estimated useful life
Furniture, fixtures and equipment	1,018,261	954,404	3-7 years
	1,296,097	1,232,240	
Accumulated depreciation and amortization	(1,140,599)	(1,032,936)	
	$ 155,498	$ 199,304	

Note 8 - Line of Credit

The Organization has a revolving line of credit with a financial institution to allow for borrowings up to $1,600,000. The interest rate is defined as prime plus 1% (4.25% as of August 31, 2021). Outstanding balances on the line of credit are secured by deposits held at the lending institution, with a blanket lien on all assets as collateral. The line expires on April 30, 2022. As of August 31, 2021 and 2020, there were no amounts outstanding under the line of credit.

There were no borrowings on the line during the years ended August 31, 2021 and 2020.

Note 9 - PPP Loan Payable

The Organization applied for and received a forgivable Paycheck Protection Program ("PPP") loan of $2,417,046 as provided under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and the loan was funded on April 21, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24-week period through October 6, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on April 18, 2022 and carries an interest rate of 1%. During the year ended August 31, 2021, the Organization received full forgiveness of the loan in the amount of $2,417,046 in principal and $28,400 in interest. The Organization recorded a gain on the extinguishment of debt equal to the amount forgiven as PPP loan forgiveness on the statement of activities.

Note 10 - <u>Retirement Plan</u>

The Organization sponsors a 403(b) defined contribution retirement plan. The Organization matches dollar-for-dollar up to 5% for all employee contributions to the plan after six months of service. Total contributions to the plan were approximately $355,100 and $372,700 for the years ended August 31, 2021 and 2020, respectively.

Note 11 - <u>Concentrations of Credit Risk and Major Grantors</u>

Cash and Cash Equivalents

As of August 31, 2021 and 2020, the Organization maintains cash balances at a bank which is insured by the Federal Deposit Insurance Corporation for a limit of up to $250,000. The Organization also maintains cash balances at brokerage firms, which at August 31, 2021 and 2020, are insured by the Securities Investor Protection Corporation up to $250,000. The Organization maintains its cash in bank deposit accounts and brokerage firms which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Major Grantors

During the year ended August 31, 2021, approximately 60% of contributions and grants was received from three donors; approximately $3,647,000 was an unconditional promise to give from three donors as of August 31, 2021.

During the year ended August 31, 2020, approximately 42% of contributions and grants was received from two donors; approximately $576,000 was an unconditional promise to give from three donors as of August 31, 2020.

Note 12 - <u>Net Assets With Donor Restrictions</u>

Net assets with donor restrictions, excluding net assets in perpetuity of $1,988,473, consist of the following at August 31:

	2021	2020
Time and purpose restrictions	$ 5,869,015	$ 1,480,476

Note 12 - Net Assets With Donor Restrictions (Continued)

Time and purpose restrictions consist of the following at August 31:

	2021	2020
Development of EL Education Schools	$ 5,864,015	$ 1,157,188
Curriculum services	-	211,600
Other purpose-restricted activities	5,000	111,688
	$ 5,869,015	$ 1,480,476

Note 13 - Donor and Board-Designated Endowment

The Organization's endowment consists of two individual funds established to provide financial support to the operations of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies those net assets with donor restrictions that are perpetual in nature as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Note 13 - Donor and Board-Designated Endowment (Continued)

Endowment Net Asset Composition by Type of Fund
As of August 31, 2021 and 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,988,473	$ 1,988,473
Board-designated endowment funds	1,000,000	-	1,000,000
Total funds	$ 1,000,000	$ 1,988,473	$ 2,988,473

Changes in Endowment Net Assets
For the Fiscal Year Ended August 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, September 1, 2020	$ 1,000,000	$ 1,988,473	$ 2,988,473
Investment return:			
Purchases and sales, net	(17,372)	(34,544)	(51,916)
Net unrealized appreciation	203,063	403,784	606,847
Appropriation of endowment assets for expenditure	(185,691)	(369,240)	(554,931)
Endowment net assets, August 31, 2021	$ 1,000,000	$ 1,988,473	$ 2,988,473

Changes in Endowment Net Assets
For the Fiscal Year Ended August 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, September 1, 2019	$ 1,000,000	$ 1,988,473	$ 2,988,473
Investment return:			
Purchases and sales, net	58,389	116,104	174,493
Net unrealized depreciation	(12,561)	(24,977)	(37,538)
Appropriation of endowment assets for expenditure	(45,828)	(91,127)	(136,955)
Endowment net assets, August 31, 2020	$ 1,000,000	$ 1,988,473	$ 2,988,473

Note 13 - Donor and Board-Designated Endowment (Continued)

Description of Amounts Classified as Net Assets With Donor Restrictions in Perpetuity

	2021	2020
Net assets with donor restrictions in perpetuity:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by NYPMIFA	$ 1,988,473	$ 1,988,473

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to support regular program and/or project expenditures at a level of 3% to 4% of principal value, maintain the inflation-adjusted value of the principal over time, and grow the principal to the extent doing so is consistent with the other objectives.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets at least 50% of the portfolio investments should be liquid, which is defined as being convertible to cash within seven days. It is expected that the percentage of liquid investments will be substantially higher, as less liquid investments are likely to be a substantial portion of the portfolio only after it is at least $5,000,000 in total value.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment committee currently plans not to make distributions from the endowment. Once the endowment has been in existence for several years, the committee expects to adopt a spending policy that specifies distributions each year at the level of 3% to 4% of the average principal balance over the period of twelve calendar quarters preceding the year of distribution. Generally, the rate of expenditure for such projects will be 5% or less of the endowment's principal value each year; however, occasional distributions in excess of that level may be considered.

Note 14 - Commitments and Contingencies

The Organization leases office space and office equipment under operating leases expiring at various times through May 31, 2026.

Future approximate minimum aggregate lease payments for the next five years are as follows:

Year Ending August 31,	
2022	$ 197,100
2023	59,000
2024	31,900
2025	32,700
2026	24,500
	$ 345,200

Rent expense for the years ended August 31, 2021 and 2020, including escalation costs, amounted to approximately $314,000 and $355,000, respectively.

Certain leases contain provisions for increased base rents over the life of the lease. The accompanying financial statements reflect rent expense on a straight-line basis over the terms of the leases in accordance with GAAP. An obligation of approximately $18,000, representing the pro rata future rent payments, is included in accounts payable and accrued expenses on the statement of financial position at August 31, 2020. Included in rent expense for the years ended August 31, 2021 and 2020 is a decrease in rent of approximately $18,000 and $24,000, respectively, which represents the difference between the amounts paid pursuant to the leases and the rent expense calculated pursuant to the method referred to above.

Note 15 - Uncertainty

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Considering that it works directly with schools and school districts, the Organization experienced a disruption of normal business operations during the early months of the pandemic as schools and school districts were closed to prevent the spread of the virus and due to various state and city regulations on public gatherings. However, the Organization was able to adapt and move its operations to virtual settings. The Organization implemented some cost cutting measures, including reduction in salaries for some of its employees, significant reduction of all travel, and cancellation of all conferences and in-person meetings. In addition, the Organization applied for and received a PPP loan (see Note 9) to assist with short-term payroll, rent and utility costs, which was fully forgiven in 2021.

Note 15 - Uncertainty (Continued)

Due to the impact of the pandemic, there are continued economic uncertainties to consider. The Organization's management works closely with its Board of Directors to manage through these uncertainties. However, due to the unknown length of time of the pandemic, the Organization cannot quantify the full impact at this time.

Note 16 - Subsequent Events

The Organization has evaluated subsequent events through March 2, 2022, the date the financial statements were available to be issued, and has concluded that no such events or transactions took place which would require disclosure herein.