



**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

CITIZEN SCHOOLS, INC.

Contents
June 30, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors of
Citizen Schools, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Citizen Schools, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's 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 audits 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 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 above present fairly, in all material respects, the financial position of Citizen Schools, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
December 7, 2021

CITIZEN SCHOOLS, INC.Statements of Financial Position
June 30, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash	\$ 1,857,452	\$ 1,333,355
Current portion of pledges receivable	1,981,984	1,487,790
Public sector receivable, net	1,240,209	295,933
Prepaid expenses and other	72,057	51,309
Total current assets	5,151,702	3,168,387
Restricted Cash	30,210	30,210
Pledges Receivable, net of current portion and discount	-	806,215
Property and Equipment, net	39,408	48,411
Total assets	<u>\$ 5,221,320</u>	<u>\$ 4,053,223</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes payable	\$ 11,088	\$ 10,472
Accounts payable and accrued expenses	285,907	516,915
Conditional advance	-	314,551
Total current liabilities	296,995	841,938
Long-Term Liabilities:		
Notes payable, net of current portion	150,768	11,856
Total liabilities	<u>447,763</u>	<u>853,794</u>
Net Assets:		
Without donor restrictions:		
Operating	3,087,552	897,935
Property and equipment	27,552	26,083
Total without donor restrictions	3,115,104	924,018
With donor restrictions	1,658,453	2,275,411
Total net assets	<u>4,773,557</u>	<u>3,199,429</u>
Total liabilities and net assets	<u>\$ 5,221,320</u>	<u>\$ 4,053,223</u>

The accompanying notes are an integral part of these statements.

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CITIZEN SCHOOLS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Grants and contributions - private	\$ 3,115,879	\$ 893,453	\$ 4,009,332	\$ 3,105,654	\$ 1,019,196	\$ 4,124,850
Public sector	3,038,234	-	3,038,234	2,507,833	-	2,507,833
Donated goods and services	802,387	-	802,387	291,816	-	291,816
Net assets released from donor restrictions	1,510,411	(1,510,411)	-	1,550,782	(1,550,782)	-
Total operating support and revenue	<u>8,466,911</u>	<u>(616,958)</u>	<u>7,849,953</u>	<u>7,456,085</u>	<u>(531,586)</u>	<u>6,924,499</u>
Operating Expenses:						
Program services:						
Expanded Learning Time	1,693,745	-	1,693,745	2,775,705	-	2,775,705
Catalyst	1,286,218	-	1,286,218	925,493	-	925,493
Makers + Mentors	1,355,472	-	1,355,472	1,831,618	-	1,831,618
Total program services	<u>4,335,435</u>	<u>-</u>	<u>4,335,435</u>	<u>5,532,816</u>	<u>-</u>	<u>5,532,816</u>
Support services:						
Development	634,123	-	634,123	797,056	-	797,056
General and administrative	1,586,864	-	1,586,864	1,215,108	-	1,215,108
Total support services	<u>2,220,987</u>	<u>-</u>	<u>2,220,987</u>	<u>2,012,164</u>	<u>-</u>	<u>2,012,164</u>
Total operating expenses	<u>6,556,422</u>	<u>-</u>	<u>6,556,422</u>	<u>7,544,980</u>	<u>-</u>	<u>7,544,980</u>
Changes in net assets from operations	1,910,489	(616,958)	1,293,531	(88,895)	(531,586)	(620,481)
Net Income from Discontinued Operations	<u>280,597</u>	<u>-</u>	<u>280,597</u>	<u>641,281</u>	<u>-</u>	<u>641,281</u>
Change in net assets	2,191,086	(616,958)	1,574,128	552,386	(531,586)	20,800
Net Assets:						
Beginning of year	<u>924,018</u>	<u>2,275,411</u>	<u>3,199,429</u>	<u>371,632</u>	<u>2,806,997</u>	<u>3,178,629</u>
End of year	<u>\$ 3,115,104</u>	<u>\$ 1,658,453</u>	<u>\$ 4,773,557</u>	<u>\$ 924,018</u>	<u>\$ 2,275,411</u>	<u>\$ 3,199,429</u>

The accompanying notes are an integral part of these statements.

CITIZEN SCHOOLS, INC.Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,574,128	\$ 20,800
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	36,912	85,139
Bad debt expense	15,000	-
Change in pledges receivable discount	(18,785)	(24,218)
Changes in operating assets and liabilities:		
Pledges receivable	330,806	677,884
Public sector receivable	(959,276)	679,053
Prepaid expenses and other	(20,748)	(21,704)
Accounts payable and accrued expenses	(231,008)	(626,542)
Conditional advance	(314,551)	314,551
Net cash provided by operating activities	<u>412,478</u>	<u>1,104,963</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	<u>(27,909)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Proceeds from debt issuance	150,000	-
Payments on note payable	<u>(10,472)</u>	<u>(9,088)</u>
Net cash provided by (used in) financing activities	<u>139,528</u>	<u>(9,088)</u>
Net Change in Cash and Restricted Cash	524,097	1,095,875
Cash and Restricted Cash:		
Beginning of year	<u>1,363,565</u>	<u>267,690</u>
End of year	<u>\$ 1,887,662</u>	<u>\$ 1,363,565</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 1,857,452	\$ 1,333,355
Restricted cash	<u>30,210</u>	<u>30,210</u>
Total cash and restricted cash	<u>\$ 1,887,662</u>	<u>\$ 1,363,565</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 1,007</u>	<u>\$ 1,435</u>
Supplemental Disclosure of Non-Cash Transactions:		
Acquisition of property and equipment financed through note payable	<u>\$ -</u>	<u>\$ 31,416</u>

CITIZEN SCHOOLS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021						2020	
	Program Services			Support Services			Total	Total
	Expanded Learning Time	Catalyst	Makers + Mentors	Total Program Services	Development	General and Administrative		
Personnel and Related:								
Salaries	\$ 878,599	\$ 790,533	\$ 901,998	\$ 2,571,130	\$ 439,185	\$ 614,859	\$ 3,625,174	\$ 4,486,833
Fringe benefits	248,936	81,244	68,388	398,568	29,428	89,908	517,904	763,545
Payroll taxes	185,352	76,558	64,470	326,380	32,235	42,853	401,468	448,306
Total personnel and related	<u>1,312,887</u>	<u>948,335</u>	<u>1,034,856</u>	<u>3,296,078</u>	<u>500,848</u>	<u>747,620</u>	<u>4,544,546</u>	<u>5,698,684</u>
Other:								
In-kind goods and services	156,547	111,696	54,451	322,694	27,227	452,466	802,387	291,816
Professional fees and services	33,087	124,248	194,602	351,937	39,116	292,348	683,401	681,857
Equipment and software	84,255	39,505	29,681	153,441	26,727	1,241	181,409	116,564
Occupancy	31,705	12,922	11,506	56,133	5,591	7,511	69,235	142,792
Other	3,370	-	913	4,283	357	53,174	57,814	90,918
Insurance	24,567	10,147	8,545	43,259	4,272	5,875	53,406	73,870
Direct campus expenses	11,888	26,381	-	38,269	-	-	38,269	41,503
Depreciation	18,184	7,511	6,325	32,020	3,162	1,730	36,912	85,139
Promotional materials and advertising	4,165	-	367	4,532	20,392	4,679	29,603	88,602
Office	4,047	1,669	7,379	13,095	3,487	9,398	25,980	38,379
Meetings and trainings	5,242	2,785	2,345	10,372	1,173	1,612	13,157	35,608
Travel	1,400	-	2,978	4,378	866	5,008	10,252	51,420
Entrance and membership fees	2,099	1,019	1,047	4,165	905	793	5,863	2,498
Communications	302	-	477	779	-	3,409	4,188	38,644
Transportation	-	-	-	-	-	-	-	66,686
Total other	<u>380,858</u>	<u>337,883</u>	<u>320,616</u>	<u>1,039,357</u>	<u>133,275</u>	<u>839,244</u>	<u>2,011,876</u>	<u>1,846,296</u>
Total expenses	<u>\$ 1,693,745</u>	<u>\$ 1,286,218</u>	<u>\$ 1,355,472</u>	<u>\$ 4,335,435</u>	<u>\$ 634,123</u>	<u>\$ 1,586,864</u>	<u>\$ 6,556,422</u>	<u>\$ 7,544,980</u>

The accompanying notes are an integral part of these statements.

CITIZEN SCHOOLS, INC.

 Statement of Functional Expenses
 For the Year Ended June 30, 2020

	Program Services			Support Services			
	Expanded Learning Time	Catalyst	Makers + Mentors	Total Program Services	Development	General and Administrative	Total
Personnel and Related:							
Salaries	\$ 1,687,751	\$ 575,293	\$ 1,123,624	\$ 3,386,668	\$ 494,859	\$ 605,306	\$ 4,486,833
Fringe benefits	396,656	75,406	147,279	619,341	64,864	79,340	763,545
Payroll taxes	233,370	44,176	86,281	363,827	37,999	46,480	448,306
Total personnel and related	<u>2,317,777</u>	<u>694,875</u>	<u>1,357,184</u>	<u>4,369,836</u>	<u>597,722</u>	<u>731,126</u>	<u>5,698,684</u>
Other:							
In-kind goods and services	-	41,285	58,715	100,000	-	191,816	291,816
Professional fees and services	75,052	63,878	257,307	396,237	103,647	181,973	681,857
Equipment and software	52,141	9,864	24,180	86,185	20,000	10,379	116,564
Occupancy	72,734	14,399	28,123	115,256	12,386	15,150	142,792
Other	47,329	8,959	17,498	73,786	7,706	9,426	90,918
Insurance	38,454	7,279	14,217	59,950	6,261	7,659	73,870
Direct campus expenses	19,162	17,218	1,384	37,764	2,647	1,092	41,503
Depreciation	44,320	8,390	16,386	69,096	7,217	8,826	85,139
Promotional materials and advertising	1,361	50,000	2,286	53,647	22,708	12,247	88,602
Office	10,799	2,174	20,162	33,135	2,975	2,269	38,379
Meetings and trainings	6,376	474	5,758	12,608	6,564	16,436	35,608
Travel	1,648	2,826	20,981	25,455	3,263	22,702	51,420
Entrance and membership fees	1,750	64	-	1,814	684	-	2,498
Communications	20,116	3,808	7,437	31,361	3,276	4,007	38,644
Transportation	66,686	-	-	66,686	-	-	66,686
Total other	<u>457,928</u>	<u>230,618</u>	<u>474,434</u>	<u>1,162,980</u>	<u>199,334</u>	<u>483,982</u>	<u>1,846,296</u>
Total expenses	<u>\$ 2,775,705</u>	<u>\$ 925,493</u>	<u>\$ 1,831,618</u>	<u>\$ 5,532,816</u>	<u>\$ 797,056</u>	<u>\$ 1,215,108</u>	<u>\$ 7,544,980</u>

The accompanying notes are an integral part of these statements.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

Operations

Citizen Schools, Inc. (the Agency) is a Massachusetts nonprofit corporation founded in 1995 to help all students thrive through hands-on learning and career mentors. The Agency's vision is for all students to have experiences and career mentors that ignite curiosity, build confidence and help them develop into the next generation of leaders. The Agency accomplishes this through a combination of three program models: Expanded Learning Time, Catalyst and Makers + Mentors Network (formerly US2020).

In fiscal year 2021, the Agency operated Expanded Learning Time (ELT) programs at ten sites, enrolling approximately 1,500 students from schools in underserved communities across two states, and engaged approximately 240 "Citizen Teacher" volunteers. The Agency operated Catalyst, a Professional Development program to build teacher capacity, in thirty-four schools, supporting nearly 1,600 students and engaging an additional fifty volunteers. Catalyst's implementation was interrupted during the pandemic, which would have engaged double the number of teachers and class sections. The Agency also supported a network of regional coalitions, delivered through the Makers + Mentors Network, creating STEM-based hands-on learning for students in twenty-one cities, ultimately impacting over 200,000 students and over 20,000 volunteers. Student enrollment numbers in fiscal year 2021 were impacted by the COVID-19 pandemic and school enrollment in general.

In fiscal year 2020, the Agency operated Expanded Learning Time (ELT) programs at twelve sites, enrolling approximately 2,496 students from schools in underserved communities across three states, and engaged approximately 320 "Citizen Teacher" volunteers. The Agency operated Catalyst, a Professional Development program to build teacher capacity, in twenty-five classrooms, supporting nearly 1,200 students and engaging an additional fifty volunteers. Catalyst's implementation was interrupted during the pandemic, which would have engaged double the number of teachers and class sections. The Agency also supported a network of regional coalitions, delivered through the Makers + Mentors Network, creating STEM-based hands-on learning for students in twenty-one cities, ultimately impacting over 200,000 students and over 20,000 volunteers.

Students are enrolled for the entire school year and participate in an integrated program of skill-building, leadership, and teamwork. The Agency works with students intensively and consistently to build students' academic skills and expand their opportunities.

Specifically, the Agency:

- Provides deeper student learning and engagement through hands-on "Apprenticeships" and Catalyst "Projects"
- Teaches collaborative problem solving and Social Emotional Learning
- Provides Professional Development for teachers to build their capacity for experiential learning
- Encourages students to develop solutions to real world challenges in their community
- Engages a diverse range of volunteer mentors, who model career pathways
- Raises students' awareness and aspirations for colleges and post-secondary education
- Develops an interest in STEM career pathways
- Creates networks for students, while building Social Emotional Skills
- Advances maker-centered learning and STEM mentorship
- Builds capacity for Community Based Organizations
- Instills and celebrates the values of confidence, curiosity, DEI (diversity, equity, inclusion), teamwork, and perseverance

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Operations (Continued)

In fiscal year 2021, the Agency operated programs in the following states and cities:

- Massachusetts - three programs located in Somerville
- California - seven programs located in East Palo Alto, Oakland, and San Jose

The Agency's programs consist of the following:

ELT (Expanded Learning Time) - ELT expenditures include all costs incurred to operate the Agency's ELT campuses, which includes salaries/wages, stipends, benefits and fringe costs for front-line managers and staff (Campus Directors, Teaching Fellows, Teaching Associates) and all other expenses (e.g., supplies, transportation) related to the program incurred at the campus level.

ELT programs are run with the support of regional offices and personnel. This support includes recruitment, onboarding and ongoing support for campus staff and citizen teacher volunteers, local relationship and key stakeholder management, regional best practice sharing, regionally based staff training, and direct management and professional development of campus directors. It also includes management of the Teaching Fellow program, a two-year leadership development program for aspiring young educators that can include earning a Master of Education degree.

Catalyst Program - Catalyst Program includes all staff salary and benefits and all other expenses to develop and implement professional development and training to build experiential learning capacity for teachers, while recruiting, training and matching career mentors. It also includes program design, partner and school engagement, volunteer recruitment, teacher training, and stakeholder engagement.

Makers + Mentors Network/MMN - The Agency is dedicated to mobilizing public and community support for high-quality hands-on project-based learning and maker-centered learning. Makers + Mentors Network leads this work by organizing Support for STEM programming and initiatives, new site cultivation, and the development of an AmeriCorps service experience called the Maker Fellowship, designed to engage under-resourced communities in STEM learning in partnership with local community colleges, colleges and universities. Costs include staff salaries and benefits and direct expenses related to convening and mobilizing a national coalition of local organizations.

During fiscal year 2021, the Agency made the decision to discontinue operating the Expanded Learning Time program in California effective July 1, 2021. As a result, the operations for this segment of the Expanded Learning Time program are presented as net income from discontinued operations in the accompanying statements of activities and changes in net assets for the years ended June 30, 2021, and 2020. Also see Note 14.

Nonprofit Status

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within IRC requirements.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

The Agency's primary sources of revenue are from various Federal, state and local agencies. Amounts received under contracts with various Federal, state and local agencies, and grants and contributions have been recorded in accordance with ASC Subtopic 958-605, *Revenue Recognition*. These contracts are considered non-reciprocal transactions because the general public receives the benefit as a result of the assets transferred.

In accordance with ASC Subtopic 958-605, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. This standard prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as refundable advance liabilities until such conditions are met (see Note 9).

Contracts with Federal, state and local agencies are recorded as public sector support revenue as services are provided and costs are incurred. Contracts consist of government and state unit-rate and cost reimbursable contract revenue. The unit-rate contract revenue is recognized based on hours of service. Cost reimbursable contract revenue is recognized to the extent of expenditures incurred.

Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. The Agency reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants and contributions received and satisfied in the same period are included in net assets without donor restrictions.

The Agency has cost reimbursable contracts from governmental agencies. Reimbursements totaled approximately \$915,000 and \$1,137,000 for the years ended June 30, 2021 and 2020, respectively. Payments to the Agency are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2021 and 2020, or on its results of operations for the years then ended.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Agency receives services of volunteers and donated classroom space in various aspects of its programs. The value of these services and this space is not reflected in the accompanying financial statements since the value of these donations is not readily ascertainable.

The Agency receives donated goods and services (see Note 12) in support of various aspects of its programs, which are reflected as revenue and expense in the accompanying financial statements based upon the estimated value assigned to them by the donors.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is calculated based on management's best estimate of the amount of uncollectible pledges and public sector receivables. The estimate of uncollectible receivables is based on past collection experience together with a review of the current status of existing receivables. There was an allowance of \$15,000 as June 30, 2021, on the public sector receivable. There was no allowance deemed necessary as of June 30, 2020.

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated based upon records that accurately reflect the work performed and are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related, which are allocated on the basis of estimates of time and effort; occupancy, which is allocated on a square footage basis; and office expenses, which are allocated based on usage studies conducted annually.

Advertising

The Agency expenses advertising costs as they are incurred. Total advertising expenses were \$29,603 and \$88,602 for the years ended June 30, 2021 and 2020, respectively.

Property and Equipment and Depreciation

Purchased property and equipment with a cost of \$5,000 or more are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized as an addition to the related asset accounts, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

Operating - represent resources available to carry on the operations of the Agency.

Property and Equipment - reflect net book value of the Agency's property and equipment, net of related debt.

Net Assets with Donor Restrictions

The Agency receives contributions and grants that are restricted by donors for specific purposes or for future periods. These contributions are recorded as net assets with donor restrictions until they are released from restriction in accordance with donor designations.

Included in net assets with donor restrictions are pledges that are restricted to the time period in which they are payable to the Agency. These amounts are recorded at the present value of their estimated future cash flows (see Note 8).

Net assets with donor restrictions are restricted at June 30, 2021 and 2020, for the following:

	<u>2021</u>	<u>2020</u>
Time	\$ 1,408,453	\$ 2,275,411
Purpose	<u>250,000</u>	<u>-</u>
	<u>\$ 1,658,453</u>	<u>\$ 2,275,411</u>

Net assets were released from donor restrictions by occurrence of the passage of time as \$1,510,411 and \$1,550,782 at June 30, 2021 and 2020, respectively.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Restricted Cash

Restricted cash in the accompanying statements of financial position consists of a security deposit required for use of the corporate credit card. This security deposit is held in a savings account that is valued using Level 1 inputs.

All Other Assets and Liabilities

The carrying values of all other qualifying assets and liabilities do not differ materially from their estimated fair values and are considered Level 1 in the fair value hierarchy.

Accounting for Uncertainty in Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying financial statements at June 30, 2021 and 2020. The Agency's informational returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through December 7, 2021, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

CITIZEN SCHOOLS, INC.

Notes to Financial Statements
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3. LIQUIDITY

The Agency's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,857,452	\$ 1,333,355
Pledges receivable	1,981,984	1,487,790
Public sector receivable	<u>1,240,209</u>	<u>295,933</u>
	5,079,645	3,117,078
Less - net assets subject to purpose restrictions	<u>250,000</u>	<u>-</u>
Total financial assets	<u>\$ 4,829,645</u>	<u>\$ 3,117,078</u>

The Agency is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, the Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. LEASE AGREEMENTS

The Agency leases space for its headquarters and its program sites under multiple operating leases. For one of the lease agreements, the landlord has agreed to waive all but \$1 of the monthly base rent that would otherwise be due under this lease so long as the tenant is a nonprofit entity (see Note 12). The program site leases expire at various times through July 2022. Certain leases require the Agency to maintain insurance coverage. Monthly payments under the leases are subject to fluctuation based on use of conference rooms on the premises. Gross rent expense under the facility leases was approximately \$69,000 and \$116,000 for the years ended June 30, 2021 and 2020, respectively.

Future minimum cash lease payments under these agreements are as follows:

<u>Year Ending June 30</u>	<u>Rent</u>
2022	\$ 64,875
2023	\$ 1

The Agency had two sublease agreements for a portion of the headquarters' space and a program site. Revenue under the sublease agreement was approximately \$22,000 for the year ended June 30, 2020, and has been netted against rent expense in the accompanying statements of functional expenses. The sublease agreements were terminated during fiscal year 2020 and as such, there was no sublease revenue during fiscal year 2021.

CITIZEN SCHOOLS, INC.

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5. NOTES PAYABLE

In July 2019, the Agency entered into a loan agreement for \$31,416 with a lender to finance software. The note bears interest at a rate of 5.73% per annum and is payable in thirty-six equal installments. This note is secured by the software asset. The note matures on July 13, 2022.

In July 2020, the Agency applied for, and was awarded, an Economic Injury Disaster Loan (EIDL) of \$150,000 from the Small Business Administration (SBA) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan bears interest at 2.75% and requires monthly payments of principal and interest of \$641 beginning in July 2022 through June 2050 (maturity). The loan is secured by all business assets.

Future minimum principal payments on these notes over the next five years are as follows:

2022	\$ 11,088
2023	\$ 4,144
2024	\$ 3,470
2025	\$ 3,567
2026	\$ 3,666

There was no interest accrued on the notes payable as of June 30, 2021, as it would be immaterial to the overall financial statements.

6. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan under IRC Section 403(b) covering all eligible employees. Employees become eligible to participate after completing one year of service and attaining the age of twenty-one. The Agency matches employee contributions up to 3% per year, based on tenure. For the years ended June 30, 2021 and 2020, the Agency contributed \$60,997 and \$64,749, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

7. CONCENTRATIONS OF RISK

The Agency maintains its cash balances in a bank in Massachusetts, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances may exceed the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

Approximately 65% and 64% of net pledges and public sector accounts receivable were due from four and three organizations as of June 30, 2021 and 2020, respectively.

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Notes to Financial Statements
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8. PLEDGES RECEIVABLE

As of June 30, 2021 and 2020, the Agency has unconditional pledges for current and future operations. As of June 30, 2021 and 2020, these pledges are due as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 1,981,984	\$ 1,487,790
Due in two to four years	-	825,000
	<u>1,981,984</u>	<u>2,312,790</u>
Less - discount	-	18,785
	<u>1,981,984</u>	<u>2,294,005</u>
Less - current portion	<u>1,981,984</u>	<u>1,487,790</u>
	<u>\$ -</u>	<u>\$ 806,215</u>

Pledges receivable at June 30, 2020, due in greater than one year have been discounted to present value using various discount rates ranging from 0.45% to 2.33%. All pledges receivable are due in fiscal year 2022; accordingly, no discount is needed at June 30, 2021.

The Agency had \$370,963 and \$292,526 of pledges receivable, which were recorded as net assets without donor restrictions at June 30, 2021 and 2020, respectively. These amounts were released from restrictions during fiscal years 2021 and 2020 based on the donors' intent. All remaining pledges receivable are included within net assets with donor restrictions (see Note 2).

9. CONDITIONAL ADVANCE

The Agency applied for, and was awarded, a loan of \$1,229,161 from the Paycheck Protection Program (PPP) established by the CARES Act through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during a covered period as defined in the CARES Act. Effective May 4, 2021, the Agency received a full forgiveness for this loan from the SBA.

On July 20, 2021, the Agency applied for, and received, a second PPP loan for \$1,001,011. The second draw has the same loan terms as the first draw of the PPP loan. The funds will be used to pay certain payroll costs, including benefits, during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a five-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the SBA. In the opinion of management, the results of such reviews will not have a material effect on the financial position of the Agency as of June 30, 2021, or 2020, and on the changes in its net assets for the years then ended.

The Agency believes there is not more than a remote chance these loans will not be forgiven and, therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. It is determined that this grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with the loan application and CARES Act requirements.

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9. **CONDITIONAL ADVANCE** (Continued)

As of June 30, 2021, the Agency recognized \$1,315,562, which represents all of the second PPP loan and the balance of the first PPP loan. As of June 30, 2020, the Agency recognized \$914,610 of the first PPP Loan.

As of December 7, 2021, the Agency has not yet applied for forgiveness on the second PPP loan.

10. **THE EMPLOYEE RETENTION TAX CREDIT**

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020, and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, the Agency must meet certain conditions as described in applicable laws and regulations.

The Agency has determined that it qualifies for 2021 ERTC and therefore is accounting for it as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2021, and therefore, the entire refund of \$680,257 that the Agency expects to receive is included in the public sector receivable in the accompanying 2021 statement of financial position.

Subsequent to June 30, 2021, the Agency filed amended 2021 Federal employment tax returns in order to claim the ERTC. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Agency as of June 30, 2021, and on the changes in its net assets for the year then ended.

11. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 2,876,286	\$ 2,848,377
Less - accumulated depreciation	<u>2,836,878</u>	<u>2,799,966</u>
	<u>\$ 39,408</u>	<u>\$ 48,411</u>

12. **DONATED GOODS AND SERVICES**

The value of donated goods and services is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Program consulting	\$ 378,000	\$ 58,715
Legal consulting	194,321	113,060
Rent and maintenance	183,029	78,756
Computers	<u>47,037</u>	<u>41,285</u>
	<u>\$ 802,387</u>	<u>\$ 291,816</u>

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13. CONDITIONAL GRANTS

As of June 30, 2021, the Agency has received contract and conditional commitments with a government agency and a private donor through fiscal year 2022. These commitments are considered conditional under ASC Topic 958, as the Agency must incur qualified costs and provide specific services to meet performance requirements prior to recognizing revenue. Total contracts committed but not recognized as of June 30, 2021, summarized by the Agency, are as follows:

Private Foundation (time restricted)	\$ 325,097
Department of Defense STEM (cost reimbursable)	<u>22,185</u>
Total	<u>\$ 347,282</u>

14. DISCONTINUED OPERATIONS

The revenue and expenses related to the discontinued operations (see Note 1) for the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Operating support and revenue	\$ 1,745,920	\$ 2,064,487
Operating expenses	<u>1,465,323</u>	<u>1,423,206</u>
Income from discontinued operations	<u>\$ 280,597</u>	<u>\$ 641,281</u>

15. CONTINGENCIES

During fiscal year 2020 and continuing through fiscal year 2021, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Agency's operations and financial position. The financial impact to the Agency, if any, cannot be reasonably estimated at this time.

The Agency is engaged in legal cases that have arisen in the normal course of its operations. The Agency believes that the outcome of these cases will not have a material adverse effect on the financial position of the Agency.

16. RECLASSIFICATION

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform with the fiscal year 2021 presentation.