

Equal Chance for Education

Financial Statements
For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Equal Chance for Education

Report on the Financial Statements

We have audited the accompanying financial statements of Equal Chance for Education (a not-for-profit organization), which comprise the statements of cash receipts and disbursements and the statements of functional expenses – cash basis for the years ended June 30, 2021 and 2020, 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 the cash basis of accounting described in note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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 revenue collected and expenses paid of Equal Chance for Education during the years ended June 30, 2021 and 2020, in accordance with the cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 10, 2021

Equal Chance for Education
Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Cash Receipts			
Contributions	\$ 1,401,922	\$ 5,667	\$ 1,407,589
Grants	242,000	-	242,000
Interest income	-	359	359
Net assets released from restrictions	9,362	(9,362)	-
Total cash receipts	<u>1,653,284</u>	<u>(3,336)</u>	<u>1,649,948</u>
Cash Disbursements			
Program services	1,529,922	-	1,529,922
Management and general	30,490	-	30,490
Fundraising	67,061	-	67,061
Total cash disbursements	<u>1,627,473</u>	<u>-</u>	<u>1,627,473</u>
Excess (deficiency) of cash receipts over cash disbursements	25,811	(3,336)	22,475
Cash, beginning of year	88,485	329,635	418,120
Cash, end of year	<u>\$ 114,296</u>	<u>\$ 326,299</u>	<u>\$ 440,595</u>

Equal Chance for Education
Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Cash Receipts			
Contributions	\$ 1,138,263	\$ 52,916	\$ 1,191,179
Grants	105,000	16,600	121,600
Interest income	-	2,527	2,527
Net assets released from restrictions	<u>7,238</u>	<u>(7,238)</u>	<u>-</u>
Total cash receipts	1,250,501	64,805	1,315,306
Cash Disbursements			
Program services	1,182,720	-	1,182,720
Management and general	28,810	-	28,810
Fundraising	<u>39,061</u>	<u>-</u>	<u>39,061</u>
Total cash disbursements	1,250,591	-	1,250,591
Excess (deficiency) of cash receipts over cash disbursements	(90)	64,805	64,715
Cash, beginning of year	<u>88,575</u>	<u>264,830</u>	<u>353,405</u>
Cash, end of year	\$ 88,485	\$ 329,635	\$ 418,120

Equal Chance for Education
Statement of Functional Expenses - Cash Basis
For the Year Ended June 30, 2021

	Program services	Management and general	Fundraising	Total
Tuition	\$ 1,399,880	\$ -	\$ -	\$ 1,399,880
Salary and taxes	89,105	17,732	66,001	172,838
Dues and fees	-	659	-	659
Equipment and software	-	4,179	-	4,179
Events	467	-	90	557
Insurance	-	333	-	333
Legal and professional	-	5,770	-	5,770
Meals and travel	1,075	-	970	2,045
Media and website	-	883	-	883
Parachute bridge	30,000	-	-	30,000
Printing and postage	-	929	-	929
Student COVID-19 relief	9,395	-	-	9,395
Miscellaneous	-	5	-	5
	\$ 1,529,922	\$ 30,490	\$ 67,061	\$ 1,627,473

Equal Chance for Education
Statement of Functional Expenses - Cash Basis
For the Year Ended June 30, 2020

	Program services	Management and general	Fundraising	Total
Tuition	\$ 1,121,369	\$ -	\$ -	\$ 1,121,369
Salary and taxes	34,814	17,407	34,814	87,035
Dues and fees	-	682	-	682
Equipment and software	-	1,683	-	1,683
Events	8,390	-	2,924	11,314
Legal and professional	-	6,250	-	6,250
Meals and travel	1,064	-	1,323	2,387
Media and website	-	246	-	246
Printing and postage	-	1,558	-	1,558
Student COVID-19 relief	17,083	-	-	17,083
Miscellaneous	-	984	-	984
	\$ 1,182,720	\$ 28,810	\$ 39,061	\$ 1,250,591

Equal Chance for Education
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Equal Chance for Education (the Organization) is a not-for-profit organization with a goal to provide opportunities for higher education without regard to race, religion, or nation of birth.

Basis of Presentation

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (US GAAP). This basis differs from US GAAP in that support is recognized when received instead of when the support is pledged and payments to vendors are recognized when paid instead of when goods and services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported as net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement cash receipts and disbursements as net assets released from restriction.

Income Tax Status

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation. The Organization is subject to routine audits by taxing jurisdictions from 2018 to the present; however, there are currently no audits for any tax periods in progress.

Equal Chance for Education
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Concentrations

As of June 30, 2021 and 2020, the Organization held cash balances at one financial institution that exceeded the amount insured by the Federal Deposit Insurance Corporation by \$194,000 and \$69,000. The Organization has not experienced any losses in its bank accounts and management does not believe the Organization is exposed to any significant credit risk.

For the year ended June 30, 2021, 48% of the Organization's cash receipts were received from two donors and for the year ended June 30, 2020, 44% of the Organization's cash receipts were received from one donor.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of functional expenses – cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to the program or supporting functions are allocated based on various relationships. Events, meals, and travel are allocated on an expenditure-by-expenditure basis and allocated to the direct program benefited. Payroll expenses are allocated based on time and effort.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance, and derecognize the liability and recognize income as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

As of June 30, 2020, the Organization had unspent proceeds from the PPP loan in the amount of \$9,362. The Organization presented this amount in net assets with donor restrictions in the statement of cash receipts and disbursements. It spent the all of these funds during the year ended June 30, 2021.

Equal Chance for Education
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position consist of the following as of June 30:

	2021	2020
Financial assets		
Cash	\$ 440,595	\$ 418,120
Less amounts not available to be used within one year		
Restrictions by donor	<u>(326,299)</u>	<u>(329,635)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 114,296	\$ 88,485

The Organization is substantially supported by contributions and grants. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures and other obligations become due. It forecasts future cash flows and maintains sufficient reserves to fund operating needs. It also manages its expenses to only those that are necessary for the program.

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows for the year ended June 30:

	2021	2020
Memphis scholarships	\$ 326,299	\$ 320,273
Unspent PPP loan proceeds	<u>-</u>	<u>9,362</u>
Total net assets with donor restrictions	\$ 326,299	\$ 329,635

Note 4. PPP Loan

On May 14, 2020, the Organization received a loan in the amount of \$16,600 in accordance with the PPP section of the CARES Act. The Organization elected to treat the PPP loan as a conditional contribution in the financial statements for the year ended June 30, 2020. On July 1, 2021, it received full forgiveness of the PPP loan.

Note 5. Subsequent Events

Management has evaluated subsequent events through November 10, 2021, the date on which the financial statements were available for issuance.