

**EQUAL CHANCE FOR EDUCATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 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 statement of cash receipts and disbursements and the statement of functional expenses – cash basis for the year ended June 30, 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 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 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 cash receipts and disbursements for Equal Chance for Education, for the year ended June 30, 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  
Brentwood, Tennessee  
October 13, 2020

**EQUAL CHANCE FOR EDUCATION**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Cash Receipts</b>			
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 restriction	7,238	(7,238)	-
Total receipts	<u>1,250,501</u>	<u>64,805</u>	<u>1,315,306</u>
<b>Cash Disbursements</b>			
Program services	1,182,720	-	1,182,720
Management and general	28,810	-	28,810
Fundraising	39,061	-	39,061
Total disbursements	<u>1,250,591</u>	<u>-</u>	<u>1,250,591</u>
<b>Excess (deficiency) of cash receipts over cash disbursements</b>	(90)	64,805	64,715
<b>Cash at beginning of year</b>	<u>88,575</u>	<u>264,830</u>	<u>353,405</u>
<b>Cash at end of year</b>	<u><u>\$ 88,485</u></u>	<u><u>\$ 329,635</u></u>	<u><u>\$ 418,120</u></u>

The accompanying notes are an integral part of these financial statements.

**EQUAL CHANCE FOR EDUCATION**  
**STATEMENT OF FUNCTIONAL EXPENSES – CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Tuition	\$ 1,121,369	\$ -	\$ -	\$ 1,121,369
Salary and taxes	34,814	17,407	34,814	87,035
Student COVID-19 relief	17,083	-	-	17,083
Events	8,390	-	2,924	11,314
Legal & Professional	-	6,250	-	6,250
Meals and travel	1,064	-	1,323	2,387
Equipment and software	-	1,683	-	1,683
Printing and postage	-	1,558	-	1,558
Dues and fees	-	682	-	682
Miscellaneous	-	984	-	984
Media and website	-	246	-	246
Total expenses paid by function	<u>\$ 1,182,720</u>	<u>\$ 28,810</u>	<u>\$ 39,061</u>	<u>\$ 1,250,591</u>

The accompanying notes are an integral part of these financial statements.

**EQUAL CHANCE FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Equal Chance for Education (the Organization) is a non-profit organization with a goal to provide opportunities for higher education without regard to race, religion, or nation of birth. To date, the Organization has supported 306 scholars at 15 Tennessee colleges and universities.

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 (U.S. GAAP). This basis differs from U.S. 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

Contributions 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 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 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.

**EQUAL CHANCE FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, and is classified by the Internal Revenue Service (IRS) as other than a private foundation. The Organization is subject to routine audits by taxing jurisdictions from 2016 to the present; however, there are currently no audits for any tax periods in progress.

Concentrations

As of June 30, 2020, the Organization held cash balances at one financial institution that exceeded the amount insured by the Federal Deposit Insurance Corporation by \$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.

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. 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 Air, 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 has unspent proceeds from the PPP loan in the amount of \$9,362. It has presented this amount in net assets with donor restrictions in the statement of cash receipts and disbursements.

**EQUAL CHANCE FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 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:

Financial assets at year-end:	
Cash	\$ 418,120
Less amounts not available to be used within one year:	
Restrictions by donor	<u>329,635</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 88,485</u>

The Organization is substantially supported by contributions. 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.

It is unknown how long the economic conditions resulting from the COVID-19 pandemic (described in Note 1) will last and what the ultimate financial effect to the Organization will be.

**NOTE 3 – ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows for the year ended June 30, 2020:

Description:	
Memphis scholarships	\$ 320,273
Net proceeds from PPP loan	<u>9,362</u>
Total net assets with donor restrictions	<u>\$ 329,635</u>

**NOTE 4 – PPP LOAN**

On May 14, 2020, the Organization received a loan in the amount of \$16,600 in accordance with the Paycheck Protection Program section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended \$16,600 [or 100%] on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on May 13, 2022. As long as the Organization submits its loan forgiveness application within 10 months of December 31, 2020, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the



**EQUAL CHANCE FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4 – PPP LOAN (CONTINUED)**

lender by the U.S. Small Business Administration (SBA). If the loan is fully forgiven, the Organization will not be responsible for any payments.

The Organization has elected to treat the PPP loan as a conditional contribution in the financial statements. As of fiscal year-end, it recognized income in the amount of \$16,600 in grants in net assets with donor restrictions as it believes the conditions for forgiveness have been substantially met.

**NOTE 5 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 13, 2020, the date which the financial statements were available to be issued.