

50CAN, Inc.

Financial Statements

December 31, 2020 and 2019

Independent Auditors' Report

Board of Directors
50CAN, Inc.

We have audited the accompanying financial statements of 50CAN, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 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 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 50CAN, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

Bethesda, Maryland
March 24, 2022

50CAN, Inc.

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 5,089,084	\$ 3,940,952
Contributions receivable	983,858	3,121,720
Other receivables	1,630,647	917,270
Investments	52,091	55,756
Prepaid expenses	58,099	28,404
Deposits	32,216	32,216
Inventory	15,603	15,716
Property and equipment, net	44,477	76,465
	<u>\$ 7,906,075</u>	<u>\$ 8,188,499</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 208,458	\$ 422,746
Deferred revenue	67,400	-
Notes payable	-	307,321
Total Liabilities	<u>275,858</u>	<u>730,067</u>
Net Assets		
Without donor restrictions	4,036,501	640,666
With donor restrictions	<u>3,593,716</u>	<u>6,817,766</u>
Total Net Assets	<u>7,630,217</u>	<u>7,458,432</u>
	<u>\$ 7,906,075</u>	<u>\$ 8,188,499</u>

See notes to financial statements

50CAN, Inc.

Statements of Activities

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ 6,164,241	\$ 1,336,187	\$ 7,500,428	\$ 8,007,948	\$ 6,400,953	\$ 14,408,901
In-kind contributions - legal services	318,075	-	318,075	8,352	-	8,352
Service fees and other income	1,746,035	-	1,746,035	1,053,481	-	1,053,481
PPP income	994,209	-	994,209	-	-	-
Other income	90,325	-	90,325	14,478	-	14,478
Investment income	7,383	-	7,383	1,174	-	1,174
Net assets released from restrictions	4,560,237	(4,560,237)	-	1,603,158	(1,603,158)	-
Total Revenue	13,880,505	(3,224,050)	10,656,455	10,688,591	4,797,795	15,486,386
EXPENSES						
Program services	7,699,510	-	7,699,510	8,435,473	-	8,435,473
Management and general	1,938,079	-	1,938,079	1,667,013	-	1,667,013
Fundraising	847,081	-	847,081	717,652	-	717,652
Total Expenses	10,484,670	-	10,484,670	10,820,138	-	10,820,138
Change in Net Assets	3,395,835	(3,224,050)	171,785	(131,547)	4,797,795	4,666,248
NET ASSETS						
Beginning of year	640,666	6,817,766	7,458,432	772,213	2,019,971	2,792,184
End of year	\$ 4,036,501	\$ 3,593,716	\$ 7,630,217	\$ 640,666	\$ 6,817,766	\$ 7,458,432

See notes to financial statements

50CAN, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries and related expenses	\$ 4,210,036	\$ 1,210,624	\$ 807,083	\$ 6,227,743	\$ 4,191,352	\$ 1,003,993	\$ 669,329	\$ 5,864,674
Professional fees								
Legal	-	60,237	-	60,237	57,811	59,740	-	117,551
In-kind expenses - legal services	318,075	-	-	318,075	8,352	-	-	8,352
Accounting	-	55,112	-	55,112	-	19,379	-	19,379
Graphic design services	50,000	-	-	50,000	110,180	-	-	110,180
IT services	26,804	62,544	-	89,348	26,469	61,762	-	88,231
Professional fundraiser	-	-	2,000	2,000	-	-	535	535
Consulting	886,474	281,010	-	1,167,484	806,670	171,915	8,079	986,664
Program stipend	1,062,961	-	-	1,062,961	1,321,646	-	-	1,321,646
Grants made	199,768	-	-	199,768	549,616	-	-	549,616
Public relations	91,090	-	-	91,090	213,045	-	-	213,045
Occupancy and related expenses	278,339	34,793	34,793	347,925	265,747	33,218	33,218	332,183
Travel and meetings	136,910	41,455	189	178,554	433,860	75,921	1,019	510,800
Program expense	110,737	21,290	-	132,027	100,848	30,535	-	131,383
Information technology	189,850	94,925	2,875	287,650	157,514	78,756	2,387	238,657
Office related expenses	110,159	19,875	141	130,175	100,572	56,577	3,085	160,234
Insurance	3,503	19,849	-	23,352	4,116	23,326	-	27,442
Staff development	24,804	4,377	-	29,181	87,675	15,138	-	102,813
Depreciation	-	31,988	-	31,988	-	36,753	-	36,753
Total Expenses	<u>\$ 7,699,510</u>	<u>\$ 1,938,079</u>	<u>\$ 847,081</u>	<u>\$ 10,484,670</u>	<u>\$ 8,435,473</u>	<u>\$ 1,667,013</u>	<u>\$ 717,652</u>	<u>\$ 10,820,138</u>

See notes to financial statements

50CAN, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 171,785	\$ 4,666,248
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	31,988	36,753
Net realized and unrealized (gain)/loss on investments	(4,037)	3,155
Changes in operating assets and liabilities		
Receivables	1,424,485	(2,112,020)
Prepaid expenses	(29,695)	38,006
Deposits	-	5,868
Inventory	113	6,358
Deferred revenue	67,400	-
Accounts payable and accrued expenses	(214,288)	(36,116)
 Net Cash from Operating Activities	 <u>1,447,751</u>	 <u>2,608,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(56,595)	(54,000)
Proceeds from sales of investments	64,297	51,293
Purchase of property and equipment	-	(1,700)
 Net Cash from Investing Activities	 <u>7,702</u>	 <u>(4,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(307,321)	(7,986)
 Net Change in Cash and Cash Equivalents	 1,148,132	 2,595,859
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,940,952</u>	<u>1,345,093</u>
 End of year	 <u>\$ 5,089,084</u>	 <u>\$ 3,940,952</u>

See notes to financial statements

50CAN, Inc.

Notes to the Financial Statements December 31, 2020 and 2019

1. Organization

50CAN, Inc. ("50CAN") is a not-for-profit organization formed on July 9, 2010 and is committed to closing America's achievement gap by building public support for proven models of effective public education.

50CAN is organized for the purpose of improving the quality of public education in the United States of America. It does so through the creation and management of state-based educational reform programs that support greater choices, transparency, accountability, and flexibility in public education. Elements of these programs include research on and development of effective educational reform policies, development and use of information technology, data gathering and outcome measurements designed to inform, evaluate and strengthen public education, production of communication materials and the use of outreach strategies to educate the general public, elected officials, school administrators and teachers, civic and community groups and other interested parties about the state of public education and the potential of education reform policies and programs, and educational and fellowship programs to train individuals to become effective educational reform leaders.

50CAN is a charitable organization exempt from tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of 50CAN and changes therein, are classified and reported as with or without donor restrictions.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use by 50CAN has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP require 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 reporting period. The most significant estimates and assumptions relate to the determination of the allowance for doubtful accounts, depreciation and functional expense allocation. Actual results could differ from those estimates.

50CAN, Inc.

Notes to the Financial Statements December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Allowance for Doubtful Accounts

An allowance for uncollectible receivables is provided based on management's evaluation of potential uncollectible contributions receivable at year end. 50CAN has considered a number of factors in evaluating this reserve including the economy and contribution payment history. Management has determined no allowance was required at December 31, 2020 and 2019.

New Accounting Pronouncements

Effective January 1, 2020, 50CAN adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgements made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way 50CAN, Inc. recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The new guidance requires 50CAN to not recognize revenue until it is probable of collections, and based on the 50CAN's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Cash and Cash Equivalents

50CAN considers all highly liquid debt investments with a maturity of three months or less, at the time of purchase, to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if received by donation, at the estimated fair value at the time such items are received. Depreciation is provided using the straight-line method over the estimated useful life of the asset, which range from three to five years. All acquisitions of property and equipment in excess of \$5,000 and expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized.

50CAN, Inc.

Notes to the Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Inventory

Inventory consists of books, which are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is less than its cost, the difference is recognized as a loss in the statements of activities in the period in which it occurs.

Contributions

Contributions are recognized when a donor makes a promise, that is in substance unconditional, to give to 50CAN. Contributions are recorded at net realizable amounts. Unconditional promises to give, which are due in future periods are net assets with donor restrictions and are reported at the present value of their future cash payments, using risk-adjusted interest rates applicable to the years in which the promises are to be received. Contributions of assets other than cash are recorded at their estimated fair value. Support that is restricted by the donor is reported as a net asset without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is recorded as net assets with donor restrictions. Donor restricted contributions are reclassified to without donor restrictions when the restriction is satisfied or when the time restriction lapses.

In-Kind Contributions

Donated services (legal services) are reported in the financial statements at fair value if those services create or enhance non-financial assets or deliver specialized skills provided by individuals possessing those skills that would typically be purchased if not provided by donation.

In addition, time and supportive services have been donated to 50CAN programs by volunteers. These donations do not meet the requirements for recognition in the financial statements.

Service Fee Income

50CAN provides administrative, program and financial services to nonprofit organizations. Service fee income is recognized as earned over a course of a month which is the period that 50CAN satisfies the performance obligation. Service fees collected for services not yet performed are recorded as deferred revenue and recognized as income in the period to which the services pertain.

Grants

50CAN records grants payable when the grants are approved. All grants made are in accordance with the terms of the various governing instruments and are subject to approval.

Functional Expenses

50CAN reports certain categories of expenses that are attributable to the program or supporting functions of 50CAN. Those expenses are: salaries and related expenses, employee benefits, occupancy and other expenses. Salaries and benefits are allocated based on effort. Other expenses have been allocated among the program and supporting services classifications on other bases as determined by management of 50CAN to be appropriate.

50CAN, Inc.

Notes to the Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

50CAN follows U.S GAAP guidance on fair value measurements which defines fair value and established a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Accounting for Uncertainty in Income Taxes

50CAN recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that 50CAN had no uncertain tax positions that would require financial statement recognition or disclosure. 50CAN is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 24, 2022.

3. Investments

Investments consist of equity securities with readily determinable fair values (level 1).

4. Concentrations

Financial instruments that potentially subject 50CAN to concentrations of credit risk consist principally of cash, cash equivalents and investments. 50CAN maintains its cash accounts with a financial institution. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation. The investment portfolio is diversified by type of investment and industry concentration so that no individual group of investments represents a significant concentration of risk.

For the years ended December 31, 2020 and 2019, four and two donors accounted for 45% and 52% of total contributions. As of December 31, 2020 and 2019 two and three donors accounted for 15% and 88% of contributions receivable.

5. Notes Payable

50CAN entered into a loan agreement for new software with Leaf Capital Funding, LLC during 2017, in the original amount of \$23,959. Monthly payments of principal were \$665 with no interest. The loan was repaid in full as of December 31, 2020. The outstanding balance at December 31, 2020 and 2019 was \$0 and \$7,321.

During the year ended December 31, 2018, 50CAN entered into a loan agreement for \$300,000 with 50CAN Action Fund, Inc., an independent not-for profit entity exempt from tax under 501(c)(4). The amount was agreed to be paid in full without interest by December 31, 2020. The outstanding balance at December 31, 2020 and 2019 was \$0 and \$300,000.

50CAN, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

6. Paycheck Protection Program

50CAN received loan proceeds in the amount of \$994,209 under the Paycheck Protection Program (the "PPP") during 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for the amount of 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears interest of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

50CAN intends to use all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended in 2020, will be forgiven. Management is recognizing the PPP loan as a conditional grant under ASC 958-605, Revenue Recognition – Contributions and will recognize income as allowable costs are incurred and other related conditions are met. The PPP funds are reported as income in the statement of activities for 2020. The amount was forgiven in 2021.

7. Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2020	2019
Receivables due in less than one year	\$ 983,858	\$ 3,096,720
Receivables due in one to five years	-	25,000
Total Contributions Receivable	<u>\$ 983,858</u>	<u>\$ 3,121,720</u>

8. Property and Equipment

Property and equipment, net are summarized as follows at December 31:

	2020	2019
Equipment and software	\$ 207,570	\$ 207,570
Furniture and fixtures	57,076	57,076
	264,646	264,646
Accumulated depreciation	(220,169)	(188,181)
	<u>\$ 44,477</u>	<u>\$ 76,465</u>

50CAN, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Restriction by initiative:		
Affiliate	\$ -	\$ 75,000
National	432,151	1,078,610
Connecticut (ConnCAN)	24,635	91,423
New Jersey (JerseyCAN)	33,243	266,030
South Carolina (South CarolinaCAN)	51,844	-
Florida (FloridaCAN)	66,485	344,899
Tennessee (TennesseeCAN)	1,076,377	655,248
Delaware (DelawareCAN)	200,000	400,000
Hawaii (HawaiiKidsCAN)	149,589	213,880
Georgia (GeorgiaCAN)	364,078	1,004,848
New Mexico (NMCAN)	99,863	82,030
Partnership for Educational Justice (PEJ)	218,504	428,142
National Voices	199,455	497,820
Sponsorships	390,715	1,373,172
My Child My Choice	101,524	-
SchoolFactsBoston	185,253	306,664
	<u>\$ 3,593,716</u>	<u>\$ 6,817,766</u>

For the years ended December 31, net assets with donor restrictions released from restrictions were as follows:

	2020	2019
Restriction by initiative:		
Virginia (VACAN)	\$ -	\$ 25,000
North Carolina (CarolinaCAN)	-	20,082
National	646,457	82,258
New Jersey (JerseyCAN)	232,788	18,333
Connecticut (ConnCAN)	66,788	-
South Carolina (South CarolinaCAN)	-	2,500
Tennessee (TennesseeCAN)	605,649	65,564
National Voices	298,365	
Florida (FloridaCAN)	190,791	50,000
Georgia (GeorgiaCAN)	730,459	350,000
Delaware (DelawareCAN)	200,000	200,000
Hawaii (HawaiiKidsCAN)	213,880	208,750
New Mexico (NMCAN)	82,030	20,000
Affiliate	75,000	30,000
Sponsorships	886,981	307,536
Partnership for Educational Justice (PEJ)	209,638	-
My Child My Choice	-	98,655
SchoolFactsBoston	121,411	124,480
	<u>\$ 4,560,237</u>	<u>\$ 1,603,158</u>

50CAN, Inc.

Notes to Financial Statements December 31, 2020 and 2019

10. Liquidity and Availability

Total financial assets available to meet cash needs for general expenditures within one year at December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,089,084	\$ 3,940,952
Receivables	2,614,505	4,038,990
Investments	<u>52,091</u>	<u>55,756</u>
Financial Assets as of Year End	7,755,680	8,035,698
Amounts unavailable for general expenditures due to:		
Subject to donor purpose restrictions	<u>(3,593,716)</u>	<u>(6,817,766)</u>
	<u>\$ 4,161,964</u>	<u>\$ 1,217,932</u>

50CAN's goal is generally to maintain financial assets to meet at least 90 days of operating expenses.

11. Lease Commitments

50CAN occupies office space in several states with lease agreements expiring through July 2021. Rent and related expenses amounted to \$347,925 and \$332,183 for the years ended December 31, 2020 and 2019. In November 2015 50CAN entered into a lease agreement upon their relocation to Washington, D.C. The lease term is 5 years and 5 months, which began on March 1, 2016. In March 2017, 50CAN entered into a month to month lease agreement for their Connecticut office.

Future minimum annual rentals at December 31, 2020 under the office leases are scheduled to be paid as follows:

<u>Year Ending December 31,</u>	<u>Minimum</u>
<u>2021</u>	<u>Lease</u>
	<u>Commitment</u>
	<u>\$ 152,441</u>

12. Retirement Plan

50CAN has a 401(k) retirement plan covering all eligible employees. At the Board's discretion, 50CAN matches employee contributions up to five percent of base salary. Retirement expenses for the years ended December 31, 2020 and 2019 totaled \$191,252 and \$145,927.

50CAN, Inc.

Notes to Financial Statements
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13. Agreements

Resource Sharing and Expense Reimbursement Agreement

50CAN and 50CAN Action Fund, Inc. ("50CAN Action Fund"), independent organizations, signed a Resource Sharing and Expense Reimbursement Agreement (the "Agreement") in July 2012. 50CAN Action Fund is exempt from tax under Section 501(c)(4) of the Internal Revenue Code and is organized to close the racial and socioeconomic achievement gaps through the enactment of public policy changes that support great schools. Under the Agreement, 50CAN shares certain resources, such as office, equipment, and personnel. 50CAN bills 50CAN Action Fund on a monthly basis for direct and indirect services incurred. 50CAN billed 50CAN Action Fund \$631,918 and \$507,678 for the years ended December 31, 2020 and 2019. As of December 31, 2020 and 2019 \$1,630,647 and \$917,270 was due from 50CAN Action Fund which is included in other receivables as of December 31, 2020 and 2019.

14. COVID-19

The Coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact on future results of operations, cash flows, or financial condition.

15. Subsequent Events

During April of 2021 50CAN received an additional \$1,063,895 in PPP funding. In addition, 50CAN entered into a lease beginning in April of 2021 and ending in December of 2022 for \$992 per month in Alexandria, Virginia.

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