

**The College Crusade of
Rhode Island, Inc.**

Financial Statements

June 30, 2020

Independent Auditors' Report

Board of Directors The College Crusade of Rhode Island, Inc.

We have audited the accompanying financial statements of The College Crusade of Rhode Island, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

**Board of Directors
The College Crusade of Rhode Island, Inc.**

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College Crusade of Rhode Island, Inc. as of June 30, 2020 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Information

We have previously audited the Organization's June 30, 2019 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 22, 2020

The College Crusade of Rhode Island, Inc.

Statements of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

ASSETS	2020	2019
Current Assets		
Cash	\$ 835,473	\$ 419,369
Grants receivable	114,506	512,697
Interest receivable	8,339	8,967
Prepaid expenses	52,476	91,371
Total Current Assets	1,010,794	1,032,404
Investments	5,839,973	5,627,134
Property and equipment, net	113,489	204,056
Beneficial interest in assets held by a community foundation	147,243	148,591
	6,100,705	5,979,781
	\$ 7,111,499	\$ 7,012,185
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 242,667	\$ 239,756
Line of credit	-	436,025
Total Current Liabilities	242,667	675,781
Loan payable	574,200	-
Total Liabilities	816,867	675,781
Net Assets		
Without donor restrictions		
Board designated	5,657,727	5,730,964
With donor restrictions	636,905	605,440
Total Net Assets	6,294,632	6,336,404
	\$ 7,111,499	\$ 7,012,185

The College Crusade of Rhode Island, Inc.

Statement of Activities
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Grants, federal	\$ 3,339,624	\$ -	\$ 3,339,624	\$ 3,868,249
Grant, State of Rhode Island	355,000	-	355,000	355,000
Contributions and other grants	338,501	426,606	765,107	1,158,254
Special events	122,291	-	122,291	1,340
Interest and dividends, net	66,308	-	66,308	65,350
Realized and unrealized gain on investments, net	365,902	-	365,902	625,049
Change in fair value of beneficial interest in assets held by community foundation	-	(1,348)	(1,348)	6,143
In-kind support	469,947	-	469,947	937,630
Net assets released from restrictions	<u>393,793</u>	<u>(393,793)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>5,451,366</u>	<u>31,465</u>	<u>5,482,831</u>	<u>7,017,015</u>
EXPENSES				
Program Services	4,641,328	-	4,641,328	5,206,965
Fundraising	144,573	-	144,573	174,844
Management and General	<u>738,702</u>	<u>-</u>	<u>738,702</u>	<u>863,065</u>
Total Expenses	<u>5,524,603</u>	<u>-</u>	<u>5,524,603</u>	<u>6,244,874</u>
Change in Net Assets	(73,237)	31,465	(41,772)	772,141
NET ASSETS				
Beginning of year	<u>5,730,964</u>	<u>605,440</u>	<u>6,336,404</u>	<u>5,564,263</u>
End of year	<u>\$ 5,657,727</u>	<u>\$ 636,905</u>	<u>\$ 6,294,632</u>	<u>\$ 6,336,404</u>

The College Crusade of Rhode Island, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Program Services	Fundraising	Management and General	2020 Total	2019 Total
Salaries	\$ 2,198,343	\$ 72,177	\$ 198,057	\$ 2,468,577	\$ 2,509,659
Payroll taxes	185,490	5,869	16,390	207,749	221,360
Employee benefits	214,043	7,154	13,213	234,410	257,179
Supplies	65,695	-	-	65,695	43,513
Transnsportation	133,237	-	-	133,237	137,063
Meals	59,431	-	-	59,431	76,855
Other program costs	58,384	-	-	58,384	140,423
In-kind facilities	469,947	-	-	469,947	937,630
Cost of scholarships	955,576	-	-	955,576	965,486
Training	7,685	919	14,735	23,339	25,834
Consultants	201,201	1,451	23,318	225,970	283,662
Printing	11,687	2,003	1,298	14,988	27,874
Advertising	425	-	1,327	1,752	6,912
Occupancy	-	-	169,522	169,522	171,322
Postage	7,314	956	7,158	15,428	16,030
Office expense	7,488	232	30,257	37,977	49,822
Travel	18,579	517	4,126	23,222	54,027
Professional fees	894	41	72,801	73,736	135,724
Telephone	9,672	180	15,465	25,317	20,168
Insurance	-	-	16,970	16,970	17,406
Dues and subscriptions	19,237	3,308	28,120	50,665	17,968
Special event costs	17,000	49,766	-	66,766	526
Interest expense	-	-	13,979	13,979	17,378
Other expenses	-	-	215	215	2,825
Depreciation and amortization	-	-	111,751	111,751	108,228
Total Expenses	\$ 4,641,328	\$ 144,573	\$ 738,702	\$ 5,524,603	\$ 6,244,874

The College Crusade of Rhode Island, Inc.

Statements of Cash Flows
Year Ended June 30, 2020

(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,772)	\$ 772,141
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	111,751	108,228
Realized and unrealized gain on investments, net	(365,902)	(625,049)
Change in value of beneficial interest in assets held by a community foundation	1,348	(6,143)
Changes in operating assets and liabilities		
Grants receivable	398,191	(179,145)
Interest receivable	628	(1,778)
Prepaid expenses	38,895	(39,373)
Other assets	-	1,000
Accounts payable and accrued liabilities	2,911	(4,334)
Unexpended grant funds	-	(305,243)
Net Cash from Operating Activities	146,050	(279,696)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,349,075)	(322,715)
Proceeds from sales of investments	1,502,138	927,622
Purchases of property and equipment	(21,184)	(256,503)
Net Cash from Investing Activities	131,879	348,404
 CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	(436,025)	219,025
Proceeds from loan payable	574,200	-
Net Cash from Financing Activities	138,175	219,025
 Net Change in Cash	416,104	287,733
 CASH		
Beginning of year	419,369	131,636
End of year	\$ 835,473	\$ 419,369
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 13,979	\$ 17,378

See Notes to Financial Statements

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

1. Nature of Organization

The College Crusade of Rhode Island, Inc. (the "Organization") is a Rhode Island not-for-profit organization formed in November 1989 for the purpose of fostering the education of economically disadvantaged youth through Crusader support programs for parents and students along with student scholarship awards. The Organization receives a substantial portion of its support from federal grant funding.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Presentation

The Organization records resources for accounting and reporting purposes 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 available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Change in Accounting Principle

Revenue Recognition

Effective July 1, 2019, the Organization adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* which 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 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 judgments made by entities when following this framework. As permitted by the new framework, the Organization elected not to adjust the promised amount of consideration for the effects of a significant financing component as all revenue is collected within one year or less. The Organization adopted ASC 606 using the modified retrospective approach. The adoption of ASC 606 had an immaterial impact on the Organization’s financial statements.

Effective July 1, 2019, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU 2014-09 *Revenue from Contracts with Customers*). The ASU also aims to minimize diversity in the classification of grants and contracts that exists under current guidance with regards to exchange transactions and unconditional and conditional contributions. The adoption of the guidance related to contributions under this ASU did not have a material impact on the financial statements or related disclosures.

Prior Year Summarized Financial Information

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash Equivalents

Except for those cash equivalents which are included in the Organization’s investment portfolio which are held for long-term investment purposes, cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase. The Organization has no cash equivalents at June 30, 2020 and 2019.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Grants Receivable

The Organization carries its grants receivable at net realizable value. On a periodic basis, the Organization evaluates its grants receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Organization does not accrue interest on grants receivable. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense.

Investments

Investments consist principally of equity and debt securities that are traded or listed on national exchanges. Investments are carried at fair value. Fair value is determined as per the fair value standards in accordance with U.S. GAAP. Dividends, interest and net gains (losses) on investments are reported as increases in net assets without donor restrictions. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Investment gain (loss) includes the Organization's gains and losses on investments bought and sold as well as held during the year. Investments are primarily held to pay future scholarships under the Gaining Early Awareness and Readiness for Undergraduate Programs ("GEAR UP") grant requirements.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes 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.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Corporate bonds, U.S. Treasury securities, asset backed securities, preferred stock. Values utilized for these securities are obtained from an observable independent third-party pricing service that derives the prices through the use of recently reported trades for identical or similar securities with adjustments for trading volumes and market observable information through the reporting date.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Fair Value Measurements (continued)

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Assets held in beneficial interest in assets held by community foundation: Carried at fair value of the underlying assets, as reported by the foundation, which is considered a Level 3 measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

Property and equipment are reported at cost. The Organization capitalizes any furniture, fixtures and office equipment over \$2,000 and any leasehold improvements and computers over \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 5 years. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service, at which time the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Compensated Absences

Employees can accrue up to 140 hours based on years of employment at the Organization. Employees are entitled to receive full pay for the number of vacation days accrued at the time of termination. Employees' sick leave is not accrued and does not vest. Accordingly, employees may only utilize sick time when sick or when appropriately approved for personal reasons. At June 30, 2020 and 2019, accrued compensated absences included in accounts payable and accrued expenses on the accompanying statement of financial position were \$106,152 and \$85,803.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk adjusted interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Contributions received whose use is contingent upon the occurrence of a future event are deferred until the condition is substantially met, at which time they are recognized as support. Conditional promises to give are not recognized as support until the conditions are substantially met. The Organization has conditional promises to give that have not yet been recognized as revenue at June 30, 2020 of \$330,000. Such promises were determined to be conditional under U.S. GAAP because the stipulations in the grant agreements ultimately prevent recognition of the promise as contribution revenue until such funds under the promises are received by the Organization because the donor can rescind the pledge at any time prior to payment.

Grants

Revenue from grants and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue on the statements of financial positions.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Functional Expenses

The expenses incurred on behalf of the various programs and activities of the Organization have been summarized on a functional basis on the statement of activities and statement of functional expenses. Accordingly, natural expenses attributable to more than one functional category are allocated using a variety of techniques such as square footage and time and effort.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Income Taxes and Accounting for Uncertainty in Income Taxes

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2017.

Accounting Pronouncement to be Adopted

In February 2016, FASB issued ASU 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statements of financial position through a right-of-use asset and a lease liability. This ASU is effective for years beginning after December 15, 2020 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

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 December 22, 2020.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash, investments and grants receivable. The Organization may have cash on deposit with financial institutions which from time to time may exceed the Federal Deposit Insurance Corporation limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. Concentrations of credit risk with respect to receivables are limited due to the fact that receivables are due from governmental entities. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment represents a significant concentration of credit risk.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

4. Fair Value of Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 212,642	\$ -	\$ 212,642
U.S. Treasury Securities	-	1,261,582	-	1,261,582
Asset backed securities	-	163,770	-	163,770
Common stocks	4,078,885	-	-	4,078,885
Beneficial interest in assets held by community foundation	-	-	147,243	147,243
	<u>\$ 4,078,885</u>	<u>\$ 1,637,994</u>	<u>\$ 147,243</u>	<u>\$ 5,864,122</u>
Cash equivalents				123,094
				<u>\$ 5,987,216</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 125,654	\$ -	\$ 125,654
U.S. Treasury Securities	-	1,106,025	-	1,106,025
Asset backed securities	-	175,459	-	175,459
Common stocks	4,154,345	-	-	4,154,345
Beneficial interest in assets held by community foundation	-	-	148,591	148,591
	<u>\$ 4,154,345</u>	<u>\$ 1,407,138</u>	<u>\$ 148,591</u>	<u>\$ 5,710,074</u>
Cash equivalents				65,651
				<u>\$ 5,775,725</u>

The following is a reconciliation of activity for the years ended June 30, 2020 and 2019 for the Organization's financial assets valued using Level 3 inputs:

	2020	2019
Balance, beginning of year	\$ 148,591	\$ 142,448
Investment return, net of fees	(1,348)	6,143
Balance, end of year	<u>\$ 147,243</u>	<u>\$ 148,591</u>

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

5. Property and Equipment

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

	2020	2019
Leasehold improvements	\$ 129,208	\$ 129,208
Furniture and fixtures	522,116	500,932
	651,324	630,140
Accumulated depreciation	(537,835)	(426,084)
	<u>\$ 113,489</u>	<u>\$ 204,056</u>

6. Beneficial Interest in a Community Foundation

The Organization has certain split interest agreements with donors in which a community foundation holds the assets in trust. These assets are not reported as investments in the financial statements, however, contribution revenue and a beneficial interest in the trust are recognized at the date the trusts are established for the present value of estimated future payments to be received.

Perpetual trusts are valued based upon the fair value of the assets contributed to the trust which approximates the fair value of the beneficial interest in the trust. The Organization is the income beneficiary under these perpetual trusts, the corpus of which is not controlled by the management of the Organization. In the absence of donor-imposed conditions, the Organization recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. Although the Organization has no control over the administration of the investment of the funds held in this trust, the fair value of the Organization's beneficial interest is recognized in the financial statements.

7. Line of Credit

The Organization has a \$1,200,000 line of credit agreement with a financial institution that expires February 1, 2021. The line of credit provides the Organization with cash flow for the GEAR UP program until such time as the Organization is reimbursed. Interest is payable monthly at the one-month LIBOR daily floating rate plus 3.00% (3.16% and 5.39% at June 30, 2020 and 2019). The balance outstanding on June 30, 2019 was \$436,025. The Organization had no balance outstanding on the line of credit at June 30, 2020.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

8. Loan Payable

On April 30, 2020, the Organization received loan proceeds in the amount of \$574,200 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are 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 above a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although, the Organization believes this loan will substantially or fully forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP Loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is determined by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date. As of June 30, 2020, the PPP loan is recognized as a debt on the statements of financial position. The Organization will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 *Debt*.

9. Board Designated Net Assets

The Board of Directors voted to designate all net assets without donor restrictions for the purpose of scholarship and operations reserve.

10. Net Assets With Donor Restrictions

At June 30, 2020 and 2019, the Organization has net assets restricted to use for certain programmatic pursuits of \$489,662 and \$456,849, with net assets released from restriction of \$393,793 and \$326,331 for each of the years then ended. Additionally, at June 30, 2020 and 2019, the Organization has net assets restricted in perpetuity with the earnings to be used for certain programmatic pursuits of \$147,243 and \$148,591.

11. In-kind Support

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs and the use of space as in-kind support to the Organization.

For the years ended June 30, 2020 and 2019, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space was \$469,947 and \$937,630, and is recorded in the accompanying statement of activities as in-kind support and included in grant program expense.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

12. Operating Leases

On January 4, 2018, the Organization extended its lease for office space under a four-year noncancelable operating lease. Rent expense of \$145,200 and \$143,700 for the years ended June 30, 2020 and 2019, is included in occupancy costs on the accompanying statement of functional expenses.

The Organization also leases office equipment under noncancelable operating leases expiring at various dates through November 2022. Lease expense for both of the years ended June 30, 2020 and 2019 was \$12,984.

The future minimum lease payments under all noncancelable operating leases are as follows for the fiscal years ending June 30:

2021	\$	158,484
2022		80,219
2023		935
	\$	<u>239,638</u>

13. Scholarship Program

Through the accumulation of funds and federal awards received indirectly from the United States Department of Education under the GEAR UP, the Organization will award scholarships for post-secondary studies to eligible students. Scholarship awards are granted on a year-to-year basis. The Organization's scholarship amount to four-year colleges and universities and proprietary trade schools and certificate programs for 2020 were tied to the Organization Board maximum authorized scholarship amount of \$4,500. The Organization's scholarship amount for two-year colleges for 2020 were tied to the Organization Board maximum authorized scholarship amount at the time of matriculation, currently \$2,585. In the Organization's sole judgment, if not enough money is available to meet all of the Organization's current or future financial obligations, the Organization's paid scholarships may be reduced as the Organization deems appropriate, but not below the minimum Pell grant threshold which was \$650 for the 2019-2020 school year.

As part of the GEAR UP award, the Organization will be required to pay the minimum Pell grant threshold one time on behalf of each participant in the program during their post-secondary education. The Organization performed an actuarial study to estimate its minimum commitment for all participants in the program at the time of the actuarial study, June 30, 2017 and all estimated participants expected to enroll in the program through the end of the current GEAR UP grant agreement of September 25, 2024. The commitment estimate is adjusted for the potential years in which participants would utilize the scholarship and estimated expected increases in the minimum Pell grant threshold in the future years in which utilization is expected. The estimated commitment at June 30, 2020 was calculated to be approximately \$3,139,000, which in accordance with U.S. GAAP, has not been reflected as a liability in the accompanying statements of financial position.

The College Crusade of Rhode Island, Inc.

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14. Outside Scholarship Agreements

The Organization has obtained scholarship agreements from twenty colleges and universities. The college and university scholarship agreements are tied to the Organization's Board of Directors authorized tiered scholarship amounts at the time of matriculation, with certain exceptions in which the college or university establish their own scholarship rate.

The value of these scholarship agreements has not been recorded in the Organization's financial statements since they are considered an intention to give rather than a legal obligation to give, final awards are received directly by the students and awards are considered highly contingent. Because the scholarship is between the student and the college or university, the financial impact of the scholarships provided in the period provided are not reflected in the Organization's financial statements as either revenue or expense.

15. Pension Plan

The Organization maintains an employee benefit plan qualified under Internal Revenue Code Section 403(b) covering substantially all employees of the Organization meeting necessary eligibility requirements. The Organization may elect to make matching contributions during the year. Contributions made to the Plan for the years ended June 30, 2020 and 2019 were \$34,350 and \$44,389.

16. Economic Dependency

The Organization's principal source of revenue has been derived from a grant with the Rhode Island Office for Higher Education funded by GEAR UP. Under this grant agreement, the Organization earned 90% and 92% of federal and state grant revenue reported for the years ended June 30, 2020 and 2019 on the accompanying statement of activities. At June 30, 2020 and 2019, amounts due under this grant comprised 96% and 97% of grants receivable reported on the accompanying statements of financial position.

17. Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

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17. Financial Assets and Liquidity Resources (continued)

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and property and equipment costs not financed with debt, were as follows:

	2020	2019
Financial assets:		
Cash	\$ 835,473	\$ 419,369
Grants receivable	114,506	512,697
Interest receivable	8,339	8,967
Investments	5,839,973	5,627,134
Total financial assets available within one year	6,798,291	6,568,167
Liquidity resources:		
Bank line of credit	1,200,000	763,975
Less: Financial Assets with:		
Donor-imposed restrictions as to time and/or purpose	489,662	456,849
Board deisignations	5,657,727	5,730,964
Total financial assets and liquid resources available within one year	\$ 1,850,902	\$ 1,144,329

The Organization is typically able to manage liquidity with its cash reserves, however, should those reserves prove inadequate, the Organization has a line of credit with a bank upon which funds can be drawn (Note 7).

The Organization's governing board has designated all of its unrestricted resources for certain specific purposes (Note 9). Those amounts are identified as board designations in the table above.

18. Contingency

The Organization's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as a decline in sales activities. The outbreak is likely to adversely affect the Organization's business, financial conditions and results of operations on an interim basis. In an attempt to alleviate some of the financial uncertainty, In April 2020 the Organization applied for and received loan proceeds in the amount of \$574,200 under the Paycheck Protection Program (Note 8).

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