

EDUCATION IS FREEDOM FOUNDATION

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

JULY 31, 2020 AND 2019

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**EDUCATION IS FREEDOM FOUNDATION**  
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**JULY 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Education Is Freedom Foundation

We have audited the accompanying financial statements of Education Is Freedom Foundation which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Is Freedom Foundation as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Salmon Sims Thomas".

Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

January 27, 2021

EDUCATION IS FREEDOM FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2020 AND 2019

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	<b>ASSETS</b>	
	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,018,988	\$ 871,302
Investments	33,644	30,602
Contributions receivable	190,029	108,935
Program service fees receivable	185,291	181,981
Other receivables	4,979	1,476
Prepaid expenses	4,802	2,137
Total Current Assets	1,437,733	1,196,433
<b>Property and Equipment</b>		
Property and equipment, net	40,528	9,639
<b>Total Assets</b>	\$ 1,478,261	\$ 1,206,072
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 73,170	\$ 35,478
Paycheck protection program loan	360,100	-
Accrued payroll and related expenses	90,113	94,497
Total Current Liabilities	523,383	129,975
<b>Long Term Liabilities</b>		
Scholarships payable	3,250	5,500
<b>Net Assets</b>		
Net assets without donor restrictions	633,178	547,977
Net assets with donor restrictions	318,450	522,620
Total Net Assets	951,628	1,070,597
<b>Total Liabilities and Net Assets</b>	\$ 1,478,261	\$ 1,206,072

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

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Support</b>			
Contributions and grants	\$ 303,156	\$ 497,500	\$ 800,656
Program service fees	2,053,705	-	2,053,705
Special events	10,500	-	10,500
In-kind contributions	235,460	-	235,460
Interest and Investment income	4,667	-	4,667
	<u>2,607,488</u>	<u>497,500</u>	<u>3,104,988</u>
Net assets released from restriction	701,670	(701,670)	-
Total Revenues and Support	<u>3,309,158</u>	<u>(204,170)</u>	<u>3,104,988</u>
<b>Expenses</b>			
Program services	2,677,679	-	2,677,679
Management and general	468,637	-	468,637
Fundraising	77,641	-	77,641
Total Expenses	<u>3,223,957</u>	<u>-</u>	<u>3,223,957</u>
Change in Net Assets	85,201	(204,170)	(118,969)
<b>Net Assets, beginning of year</b>	<u>547,977</u>	<u>522,620</u>	<u>1,070,597</u>
<b>Net Assets, end of year</b>	<u>\$ 633,178</u>	<u>\$ 318,450</u>	<u>\$ 951,628</u>

The accompanying notes are an integral part of this financial statement.

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Support</b>			
Contributions and grants	\$ 81,469	\$ 735,618	\$ 817,087
Program service fees	2,008,307	-	2,008,307
Special events	40,868	-	40,868
In-kind contributions	181,649	-	181,649
Interest and Investment income	3,975	-	3,975
	<u>2,316,268</u>	<u>735,618</u>	<u>3,051,886</u>
Net assets released from restriction	565,271	(565,271)	-
Total Revenues and Support	<u>2,881,539</u>	<u>170,347</u>	<u>3,051,886</u>
<b>Expenses</b>			
Program services	2,157,637	-	2,157,637
Management and general	419,566	-	419,566
Fundraising	196,385	-	196,385
Total Expenses	<u>2,773,588</u>	<u>-</u>	<u>2,773,588</u>
Change in Net Assets	107,951	170,347	278,298
<b>Net Assets, beginning of year</b>	<u>440,026</u>	<u>352,273</u>	<u>792,299</u>
<b>Net Assets, end of year</b>	<u>\$ 547,977</u>	<u>\$ 522,620</u>	<u>\$ 1,070,597</u>

The accompanying notes are an integral part of this financial statement.

EDUCATION IS FREEDOM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2020

	Program Services				Total Program Services	Supporting Services		Total Expenses
	Intern Programs	Middle Schools	High Schools	Workforce Development		Management and General	Fundraising	
Salaries and related expenses	\$ 181,880	\$ 89,476	\$ 1,485,511	\$ 117,060	\$ 1,873,927	\$ 171,760	\$ 69,237	\$ 2,114,924
Fringe benefits	20,868	8,589	233,909	2,152	265,518	100,476	2,997	368,991
Contract services	2,623	15,849	40,451	-	58,923	18,270	3,510	80,703
Dues and subscriptions	1,089	-	3,574	-	4,663	3,862	766	9,291
Professional fees	6,061	243	9,485	-	15,789	48,856	146	64,791
Information technology	26,176	425	23,913	-	50,514	35,960	-	86,474
Office supplies	456	900	17,288	55	18,699	11,896	13	30,608
Travel and entertainment	5,470	-	21,704	10	27,184	3,766	79	31,029
Occupancy	-	10,680	193,115	-	203,795	-	-	203,795
Facility and equipment	2,811	67	13,121	-	15,999	42,335	-	58,334
Program activities	26,281	1,330	25,117	627	53,355	2,002	-	55,357
Scholarships	-	-	47,970	-	47,970	-	-	47,970
Insurance	702	181	15,587	-	16,470	12,802	-	29,272
Telecommunications	2,266	508	9,419	-	12,193	13,552	-	25,745
Other expenses	1,079	-	4,266	5	5,350	2,315	216	7,881
Depreciation	-	-	7,330	-	7,330	785	677	8,792
	<u>\$ 277,762</u>	<u>\$ 128,248</u>	<u>\$ 2,151,760</u>	<u>\$ 119,909</u>	<u>\$ 2,677,679</u>	<u>\$ 468,637</u>	<u>\$ 77,641</u>	<u>\$ 3,223,957</u>

The accompanying notes are an integral part of this financial statement.



**EDUCATION IS FREEDOM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2019**

	<u>Program Services</u>				Total Program Services	<u>Supporting Services</u>		Total Expenses
	Intern Programs	Middle Schools	High Schools	Workforce Development		Management and General	Fundraising	
Salaries and related expenses	\$ 237,809	\$ 99,752	\$ 997,824	\$ 137,327	\$ 1,472,712	\$ 92,020	\$ 118,394	\$ 1,683,126
Fringe benefits	6,050	13,930	208,653	1,913	230,546	124,281	7,459	362,286
Contract services	11,447	54,794	16,683	7,995	90,919	7,408	3,083	101,410
Dues and subscriptions	-	26	722	-	748	3,484	553	4,785
Professional fees	888	1,361	8,394	32	10,675	30,832	797	42,304
Information technology	1,922	2,804	23,626	-	28,352	38,375	51	66,778
Office supplies	5,968	795	7,756	227	14,746	11,368	1,203	27,317
Travel and entertainment	8,463	2,984	22,976	41	34,464	1,457	2,064	37,985
Occupancy	21,698	9,689	93,304	-	124,691	20,106	22,752	167,549
Facility and equipment	548	574	4,640	-	5,762	48,428	-	54,190
Program activities	32,552	6,369	33,474	9,029	81,424	4,349	38,131	123,904
Scholarships	-	-	33,074	-	33,074	-	-	33,074
Insurance	641	878	10,320	-	11,839	7,455	988	20,282
Telecommunications	-	306	2,680	-	2,986	17,666	-	20,652
Other expenses	341	3,946	5,944	-	10,231	1,984	910	13,125
Depreciation	-	-	4,468	-	4,468	10,353	-	14,821
	<u>\$ 328,327</u>	<u>\$ 198,208</u>	<u>\$ 1,474,538</u>	<u>\$ 156,564</u>	<u>\$ 2,157,637</u>	<u>\$ 419,566</u>	<u>\$ 196,385</u>	<u>\$ 2,773,588</u>

The accompanying notes are an integral part of this financial statement.

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (118,969)	\$ 278,298
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,792	14,821
Reinvested dividends, interest, and capital gain distributions	(951)	(2,225)
Unrealized (gain) loss on investments	(2,191)	1,015
Investment fees	100	80
(Increase) decrease in assets:		
Contributions receivable	(81,094)	(65,332)
Program service fees receivable	(3,310)	97,658
Other receivables	(3,503)	2,150
Prepaid expenses	(2,665)	1,891
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	37,692	(11,757)
Accrued payroll and related expenses	(4,384)	(74,457)
Scholarships payable	(2,250)	5,500
Net Cash Provided (Used) by Operating Activities	(172,733)	247,642
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(39,681)	(1,214)
<b>Cash Flows From Financing Activities</b>		
Proceeds from Paycheck Protection Program Loan	360,100	-
Net Increase in Cash and Cash Equivalents	147,686	246,428
<b>Cash and Cash Equivalents, beginning of year</b>	871,302	624,874
<b>Cash and Cash Equivalents, end of year</b>	\$ 1,018,988	\$ 871,302

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

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**NOTE 1: ORGANIZATION**

**Nature of Activities and History of the Foundation**

Education Is Freedom Foundation (Foundation) is a nonprofit organization based in Dallas, Texas, that focuses on reducing the high school dropout rates and increasing college readiness among disadvantaged middle and high school students. Founded in April 2002 on the principle that every young person deserves the opportunity to pursue a higher education, the Foundation strives to have a positive impact on the successes of urban youth and their pursuit of higher education by promoting responsibility, academic excellence, self-discipline, and good citizenship.

The Foundation originated with a two-tiered program targeted at both the national and local levels. The National Scholarship Program has served in all 50 states through a nationally competitive scholarship program. Locally, the Foundation is a comprehensive school-based program that provides middle and high school students with ongoing college preparation support through tutoring, mentoring, life skill development, and financial assistance. Both the national and local programs are supported through donor contributions, grants, and program service fees.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation, valuation allowances for contributions receivable, and functional allocation of expenses. Accordingly, it is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation**

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 as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets with donor restrictions (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. The Foundation places its cash and cash equivalents, which, at times, may exceed federally insured limits, with high-credit quality institutions. The Foundation has not experienced any losses on such assets.

**Contributions Receivable**

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is satisfied, donor restricted net assets are reclassified to net assets without donor restrictions.

Contributions receivable are considered past due when payments are not made under the terms of the contribution agreement. There were no past due contributions receivable at July 31, 2020 and 2019 and no provision was made for uncollectible receivables as of those dates. Contributions receivable are considered uncollectible and written off when the donor withdraws the contribution commitment or fails to provide a reasonable revised schedule of contributions.

EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Program Service Fees Receivable**

Program service fees are recognized when a contracted service is performed by the Foundation. Program service fees receivable are considered past due when payments are not made under the terms of the contract. Program service fees receivable are considered uncollectible on a case by case basis.

**Revenue Recognition**

The Foundation receives revenue for services that is recognized when the control of the promised service is transferred to customers in an amount that reflects the consideration the Foundation expects to be entitled to receive in exchange for those services under ASC 606. The Foundation's service revenue is for advising activities. Service revenue is primarily paid in the period of service and recognized as of year-end.

The Foundation also determined there were no conditional contributions received in fiscal years 2020 and 2019.

**Investments**

Investments, which consist of mutual funds held for sale, are recorded at their fair values. Securities that have been donated are recorded at the fair value as of the date of the gift. Increases or decreases in fair value are recorded as unrealized gains and losses and are reflected on the statements of activities and changes in net assets with all realized gains or losses, interest, and dividends, net of fees, under the caption "investment return."

**Fair Value Measurements**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at July 31, 2020 and 2019.

*Mutual Funds:* Mutual funds (Level 1): Mutual funds are valued at the closing price reported in an active market in which the mutual fund is traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation method is 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 stated at cost, when purchased, or at fair value as of the date of the gift, when donated. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to expense when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in the statements of activities and changes in net assets.

Depreciation and amortization are calculated using the straight-line method at rates sufficient to capitalize the related costs over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Computer equipment and software	3 to 5 years
Phone equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

**Donated Assets and Services**

Donations of noncash assets are recorded as contributions at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Assets and Services (Continued)**

For the years ended July 31, 2020 and 2019, the Foundation received contributed goods and services and recognized an estimated value of \$235,460 and \$181,649, respectively. The amounts recognized include estimated values for donated professional services totaling \$31,665 and \$14,100, respectively, and estimated values for donated office space totaling \$203,795 and \$167,549, respectively.

**Compensated Absences**

It is the Foundation's policy to accumulate earned but unused paid time off, of which a portion will be paid to employees upon separation from service. The accompanying financial statements reflect an accrued liability of \$22,981 and \$17,295 for paid time off earned but not taken as of July 31, 2020 and 2019, respectively.

**Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area. The expenses that are allocated include compensation and benefits, occupancy, depreciation, and professional fees, along with other program expenses. All other natural expense categories using the key concept of direct conduct or direct supervision are 100% charged to the benefiting program or support service.

**Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Foundation qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511.

**Accounting for Uncertainty in Income Taxes**

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole.

EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting for Uncertainty in Income Taxes (Continued)**

Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities and changes in net assets or accrued in the statements of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which superseded the previous revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance for treating receipts as exchange transactions under Topic 606 or as contributions under Topic 958, as well as clarifies the treatment of contributions as unconditional or conditional.

Both of these statements are effective for annual periods beginning after December 15, 2018; accordingly, the Foundation adopted these updates in the fiscal year ended July 31, 2020. See Note 2 for revenue recognition by the Foundation.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, Statement of Cash Flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance is effective for annual periods beginning after December 15, 2018 and interim periods within the fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The new guidance should be applied on a retrospective basis. The updated guidance results in a change in the statement of cash flows to include restricted cash and restricted cash equivalents.



EDUCATION IS FREEDOM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

The Foundation adopted this update in the fiscal year ended July 31, 2020 and there was no impact on the statements of cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months.

Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The new standard is effective for private entities for annual periods beginning after December 15, 2021. The Foundation does not expect the new ASU 2016-02 to have a material effect on its financial statements since it does not have a significant number of leases.

**Date of Management's Review**

The Foundation has evaluated subsequent events through January 27, 2021, the date the financial statements were available to be issued.

**NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

		Fair Value Measurements at July 31, 2020		
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 33,644	\$ 33,644	\$ -	\$ -
		Fair Value Measurements at July 31, 2019		
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 30,602	\$ 30,602	\$ -	\$ -

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2020 AND 2019**

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**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of July 31:

	2020	2019
Computer equipment and software	\$ 378,953	\$ 377,273
Phone equipment	25,527	25,527
Vehicle	38,000	23,397
Furniture and fixtures	91,519	91,519
	533,999	517,716
Less accumulated depreciation	(493,471)	(508,077)
	\$ 40,528	\$ 9,639

**NOTE 5: RELATED PARTY TRANSACTIONS**

Several members of the Board of Directors or their related organizations make significant contributions to the Foundation. Total contributions made by related parties were approximately \$87,500 and \$355,600 during the years ended July 31, 2020 and 2019, respectively.

**NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at July 31:

	2020	2019
College, career, and life counseling	\$ 220,000	\$ 233,667
Business analytics	-	69,804
Scholarships	-	2,500
Information technology and vehicles	2,616	66,649
Time restrictions	95,834	150,000
	\$ 318,450	\$ 522,620

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**NOTE 7: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets released from donor restrictions consisted of the following for the years ended July 31:

	2020	2019
College, career, and life counseling	\$ 299,667	\$ 94,951
Business analytics	69,804	65,196
Scholarships	2,500	48,368
MIFP	173,500	83,631
Information technology and vehicles	64,033	190,852
Time restrictions	54,166	82,273
Purchase of assets	38,000	-
	\$ 701,670	\$ 565,271

**NOTE 8: INVESTMENT RETURN**

Investment return consisted of the following for the years ended July 31:

	2020	2019
Reinvested dividends, interest, and capital gains	\$ 951	\$ 2,225
Unrealized gain (loss)	2,191	(1,015)
Bank interest	1,625	2,845
Less: investment fees	(100)	(80)
	\$ 4,667	\$ 3,975

**NOTE 9: RETIREMENT PLAN**

The Foundation has available, for all employees, a SEP-IRA retirement plan, which is managed by a third-party entity. Eligible employees can make contributions, subject to certain limitations, on a pretax basis. Further, the Foundation must make a matching contribution to the plan of up to 3% of the employee's salary on an annual basis. The Foundation made a matching contribution for the years ended July 31, 2020 and 2019 totaling \$24,883 and \$11,696, respectively.

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**NOTE 10: LEASE OBLIGATIONS**

**Operating Leases**

The Foundation leases various office space and equipment under noncancelable operating leases expiring at various dates through 2022. Future minimum lease payments are as follows:

For the years ending July 31,

2021	\$ 47,754
2022	2,072
2023 and thereafter	-
	<u>49,826</u>

Lease expense for the years ended July 31, 2020 and 2019 totaled \$55,659 and \$48,228, respectively.

**NOTE 11: PAYCHECK PROTECTION PROGRAM LOAN**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity. The ultimate impact of COVID-19 on the future financial performance of the Foundation cannot be reasonably estimated at this time.

The Foundation has implemented a virtual remote format for its outreach programs. The virtual remote format will continue as long as needed to ensure the safety of students, and staff. This format provides students with real-time interaction with advisors and has no effect on the quality, quantity or value compared with in person advising. The Foundation returned back to in-person advising on October 8, 2020. The Foundation will continue to collaborate with local and national authorities to monitor this ever-changing situation.

The Foundation received funding of \$360,100 in April 2020 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as part of the Paycheck Protection Program (PPP) to provide payroll assistance. All funding was spent as of June 8, 2020.

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**NOTE 11: PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)**

In accordance with the provisions of the PPP loan program, the Foundation may apply for forgiveness of all or a portion of the loan which was used by the Foundation, during the 24 weeks period from the funding disbursement date, to pay eligible payroll cost, interest on a mortgage obligation incurred before February 15, 2020, rent obligations under leases dated before February 15, 2020, and utility obligations under service agreements dated before February 15, 2020. At least 60% of the loan proceeds must be used for payroll costs. In addition, the Foundation is required to maintain full-time equivalent (FTE) employee levels through the end of the 24 weeks period to avoid a reduction to forgiveness.

The Foundation expects to have the full loan forgiven subsequent to the year-end but has recorded the entire amount as a note payable at July 31, 2020, pending forgiveness from the Small Business Administration.

**NOTE 12: LIQUIDITY**

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

The following reflects the Foundation's financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	2020	2019
Financial assets at year end	\$ 1,432,931	\$ 1,194,296
Less those unavailable for general expenditures		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(318,450)	(522,620)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,114,481	\$ 671,676