

STUDENT U
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

STUDENT U

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Student U
Durham, North Carolina

We have audited the accompanying financial statements of Student U (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Student U as of December 31, 2019 and 2018, 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.

Minor, Anglin + Associates, P.A.

August 31, 2020

STUDENT U
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 690,870	\$ 711,618
Contributions and Grant Receivable	248,220	594,987
Prepaid Expenses	<u>10,394</u>	<u>2,898</u>
TOTAL CURRENT ASSETS	<u>949,484</u>	<u>1,309,503</u>
PROPERTY AND EQUIPMENT		
Leasehold Improvements	5,644,577	5,644,577
Furniture & Fixtures	35,315	35,315
Office Equipment	1,612	1,612
Computers & Software	<u>24,751</u>	<u>24,751</u>
	5,706,255	5,706,255
Less: Accumulated Depreciation	<u>(515,657)</u>	<u>(129,044)</u>
NET PROPERTY AND EQUIPMENT	<u>5,190,598</u>	<u>5,577,211</u>
TOTAL ASSETS	<u>\$ 6,140,082</u>	<u>\$ 6,886,714</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 38,624	\$ 31,412
Line of Credit	<u>110,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>148,624</u>	<u>31,412</u>
TOTAL LIABILITIES	<u>148,624</u>	<u>31,412</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	5,791,458	6,362,352
With Donor Restrictions		
Purpose restrictions	<u>200,000</u>	<u>492,950</u>
TOTAL NET ASSETS	<u>5,991,458</u>	<u>6,855,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,140,082</u>	<u>\$ 6,886,714</u>

See accompanying notes and independent auditors' report.

STUDENT U
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Public Support and Revenue:				
Contributions and Grants	\$ 1,662,173	\$ 125,000	\$ 1,787,173	\$ 245,500
Contributions for Building Renovations		-		-
Rental Income	159,132	-	159,132	-
Interest Income	75,787	-	75,787	-
Total	1,897,092	125,000	2,022,092	245,500
Net Assets Released From Restrictions	417,950	(417,950)	-	(472,550)
Total Public Support and Revenue	2,315,042	(292,950)	2,022,092	(227,050)
EXPENSES:				
Program Services:				
Middle School	872,307		872,307	826,276
High School	831,661		831,661	646,871
College Success	363,730		363,730	242,508
Supporting Services:				
Management and General	671,729		671,729	623,937
Fundraising	146,509		146,509	195,865
TOTAL EXPENSES	2,885,936	-	2,885,936	2,535,457
Change in Net Assets	(570,894)	(292,950)	(863,844)	(227,050)
Net Assets - Beginning of Year	6,362,352	492,950	6,855,302	720,000
Net Assets- End of Year	\$ 5,791,458	\$ 200,000	\$ 5,991,458	\$ 492,950
				\$ 6,855,302

See accompanying notes and independent auditors' report.

STUDENT U
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2019 and 2018

	2019					Totals
	Program Services			Management	Fund-	
	Middle School	High School	College Success	and General	raising	
Salaries and wages	\$ 465,243	\$ 467,868	\$ 259,402	\$ 238,676	\$ 75,907	\$ 1,507,096
Occupancy	82,985	59,275	-	94,840	-	237,100
Travel, tours and field trips	44,660	55,884	-	13,701	6,851	121,096
Program supplies and materials	23,995	17,946	22,957	10,178	10,178	85,254
Payroll taxes	38,169	35,251	20,615	19,341	5,949	119,325
Employee benefits	39,814	50,447	36,869	30,902	12,990	171,022
Conferences and seminars	2,934	12,516	2,934	2,933	2,933	24,250
Internship program	-	9,050	-	-	-	9,050
Consultants and professionals	18,141	-	-	34,286	-	52,427
Meetings	-	4,350	-	-	-	4,350
Communication	-	-	290	897	3,234	4,421
Interest expense	-	-	-	575	-	575
Office supplies and equipment	11,124	11,124	2,781	19,468	13,823	58,320
Repairs & Maintenance	-	-	-	11,956	-	11,956
Insurance	-	-	-	22,652	-	22,652
Marketing and promotion	-	-	-	14,644	14,644	29,288
Scholarships and grants	-	5,932	17,882	-	-	23,814
Technology	7,982	3,421	-	-	-	11,403
Dues and subscriptions	-	-	-	2,034	-	2,034
Interpretation	1,945	1,944	-	-	-	3,889
Depreciation Expense	135,315	96,653	-	154,646	-	386,614
TOTAL EXPENSES	<u>\$872,307</u>	<u>\$831,661</u>	<u>\$ 363,730</u>	<u>\$ 671,729</u>	<u>\$ 146,509</u>	<u>\$ 2,885,936</u>

	2018					Totals
	Program Services			Management	Fund-	
	Middle School	High School	College Success	and General	raising	
Salaries and wages	\$ 509,674	\$ 370,828	\$ 160,812	\$ 340,678	\$ 134,778	\$ 1,516,770
Occupancy	26,047	18,604	-	29,768	-	74,419
Travel, tours and field trips	62,498	57,288	-	5,807	3,131	128,724
Program supplies and materials	58,750	34,393	29,598	5,197	-	127,938
Payroll taxes	40,580	28,712	12,413	25,534	11,230	118,469
Employee benefits	35,730	44,159	24,686	54,045	19,862	178,482
Conferences and seminars	-	17,045	-	28,231	-	45,276
Internship program	-	16,868	-	-	-	16,868
Consultants and professionals	14,812	468	468	32,940	-	48,688
Communication	2,188	2,188	390	-	13,624	18,390
Office supplies and equipment	-	-	14,141	16,443	-	30,584
Insurance	-	-	-	17,973	-	17,973
Marketing and promotion	-	-	-	13,240	13,240	26,480
Scholarships and grants	-	11,389	-	-	-	11,389
Security	20,198	5,049	-	-	-	25,247
Technology	10,634	4,558	-	-	-	15,192
Dues and subscriptions	-	-	-	2,463	-	2,463
Depreciation Expense	45,165	32,261	-	51,618	-	129,044
TOTAL EXPENSES	<u>\$826,276</u>	<u>\$646,871</u>	<u>\$ 242,508</u>	<u>\$ 623,937</u>	<u>\$ 195,865</u>	<u>\$ 2,535,457</u>

See accompanying notes and independent auditors' report.

STUDENT U
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (863,844)	\$ 2,949,218
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	386,613	129,044
(Increase) decrease in Contribution and grants receivable	346,767	247,263
Prepaid expenses	(7,496)	22,836
Increase (decrease) in Accounts payable and accrued expenses	<u>7,212</u>	<u>1,923</u>
Net cash (used) provided by operating activities	<u>(130,748)</u>	<u>3,350,284</u>
Cash Flows From Investing Activities		
Construction-in-process	-	1,894,577
Purchase of Property & Equipment	<u>-</u>	<u>(5,706,255)</u>
Net cash used by investing activities	<u>-</u>	<u>(3,811,678)</u>
Cash Flows From Financing Activities		
Proceeds from line of credit (net)	<u>110,000</u>	<u>-</u>
Net cash provided by financing activities	<u>110,000</u>	<u>-</u>
Net (decrease) in cash	(20,748)	(461,394)
Cash - Beginning of year	<u>711,618</u>	<u>1,173,012</u>
Cash - End of year	<u>\$ 690,870</u>	<u>\$ 711,618</u>
Supplemental Disclosure		
Interest paid	\$ 575	

See accompanying notes and independent auditors' report.

STUDENT U
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATIONAL OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Student U (the "Organization") is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was incorporated in the State of North Carolina in September, 2010. The Organization is dedicated to empower students in the Durham Public Schools to take ownership of their education by developing the academic and personal skills they need to realize their full potential in school and beyond.

Basis of Accounting and Use of Estimates

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements or activities as net assets released from restrictions.

STUDENT U
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATIONAL OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Board designations of contributions received are not classified as restricted since the Board may reverse such designations. There were no net assets with donor restrictions that are perpetual in nature as of December 31, 2019 and 2018.

Cash and Cash Equivalents

For purposes of the statements of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. Cash is held in demand accounts at a national bank and cash balances may exceed the federally insured amounts throughout the year.

Revenue and Support Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their net realized value, using risk-free rates applicable to the years in which the promises are to be received.

Grant support is recognized as revenue when expenditures are incurred for the specific purpose established under the grant agencies.

Gifts-in-kind Contributions

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimate fair value at the date of the gift, provided that the value of the asset and its estimated useful life meet the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed.

Contributed Services

Some services provided to the Organization are donated. Contributed services are recognized by the Organization if the services rendered (a) are quantifiable and necessary to increase program or fundraising revenue or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Additionally, the Organization receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

STUDENT U
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATIONAL OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a program basis in the statement of activities. Costs are allocated between fundraising, management and general and the appropriate programs based on evaluations of the related benefit. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Income Taxes

The Organization is a publicly supported not-for-profit organization, recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code, and not considered to be a "private foundation" within the meaning of Section 509(a) of the Code. Management has concluded that the Organization has properly maintained their exempt status and has no uncertain tax positions as of December 31, 2017, 2018, and 2019. The prior three tax years through the current year are subject to examination by federal and state authorities; there are currently no examinations being conducted.

Marketing and Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion costs are \$29,288 and \$26,480 for the years ended December 31, 2019 and 2018, respectively.

Fair Value Measurement

The Organization implemented FASB ASC 820-10 for financial assets and liabilities that are re-measured and reported at fair value and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The guidance in FASB ASC 820-10 includes a definition of fair value, established a framework for measuring fair value in generally accepted accounting principles, and expands disclosure requirements in financial statements that incorporate fair value measurements. The hierarchy gives the highest ranking (Level 1) to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities. Fair values determined by (Level 2) inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. The lowest ranking (Level 3) are fair values determined using methodologies and models with unobservable inputs. An asset's or liability's classification is based on the lowest level input that is significant to its measurement.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

STUDENT U
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - LIQUIDITY AND AVAILABILITY (continued)

	<u>2019</u>	<u>2018</u>
Cash	\$ 690,870	\$ 711,618
Contributions and Grant Receivable	<u>248,220</u>	<u>594,987</u>
Total	<u>\$ 939,090</u>	<u>\$ 1,306,605</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term money market funds.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded after discounting to the present value the expected future cash flows. Unconditional promises to give at December 31, 2019 and 2018 are expected to be realized as follows:

	<u>2019</u>	<u>2018</u>
One year or less	\$ 48,220	\$ 334,987
One year to five years	200,000	260,000
Totals	<u>\$ 248,220</u>	<u>\$ 594,987</u>

At December 31, 2019, the unconditional promise to give was due from one donor. In the opinion of management, no allowance for doubtful promises to give is deemed necessary as of December 31, 2019 and 2018. Because of general business uncertainties, it is reasonably possible this estimate will change in the near-term.

NOTE D - REVOLVING LINE OF CREDIT

On September 9, 2019, the Organization entered into an agreement with a financial institution for a \$300,000 revolving line of credit. The company is required to make interest only payments each month, the line of credit carries a variable interest rate equal to the Wall Street Journal Prime Rate (4.50% at December 31, 2019), and is available until September 9, 2021. At December 31, 2019, the Company had \$190,000 available balance under the line of credit.

NOTE E - NET ASSETS

Net assets with donor restrictions are restricted for the following purpose.

	<u>2019</u>	<u>2018</u>
High School/College Success Program	\$ 200,000	\$ 492,950
Totals	<u>\$ 200,000</u>	<u>\$ 492,950</u>

STUDENT U
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE F - RESTRICTIONS RELEASED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

NOTE G - EMPLOYEE BENEFIT PLAN

The Organization has a SIMPLE (Savings Incentive Match Plan for Employees of Small Employers) IRA plan. The Organization matches employee's contributions at 3%. Total employee benefit plan expense was \$25,844 for 2019 and \$28,109 for 2018, respectively.

NOTE H - SUBSEQUENT EVENTS

The Organization evaluated the effect subsequent events would have on the financial statements through August 31, 2020, which is the date the financial statements were available to be issued.