STUDENT U

Financial Statements

December 31, 2020

Steward Ingram & Cooper PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEX

Steward Ingram & Cooper PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Student U
Durham, North Carolina

We have audited the accompanying financial statements of Student U (a nonprofit corporation), which comprise the statement of financial position as of December 31, 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.

Auditor's Responsibility

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

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

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

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To the Board of Directors
Student U
Durham, North Carolina

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, a prior period adjustment has been made in the 2020 financial statements to correct material misstatements in previously issued financial statements. As a result, beginning of year net assets without donor restrictions has been restated in the Statement of Activities. Our opinion is not modified with respect to this matter.

Steward Ingram + Cooper PLLC

Raleigh, North Carolina
November 12, 2021

STUDENT U

Statement of Financial Position

December 31, 2020

Assets	
Current assets:	
Cash and cash equivalents	$ 1,262,344
Grants receivable, net	168,606
Promises to give, net	225,000
Accounts receivable, net	1,000
Interest receivable - Self-Help Ventures Fund	6,314
Prepaid expenses	526
Total current assets	1,663,790
Properties and equipment:	
Furniture and fixtures	35,315
Computers and software	43,951
Office equipment	1,612
Total	80,878
Less: accumulated depreciation	(25,186)
Properties and equipment, net	55,692
Other assets:	
Promises to give, net	100,000
Notes receivable - Self-Help Ventures Fund	5,602,600
Total other assets	5,702,600
Total assets	$ 7,422,082
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	$ 13,534
Accrued salaries and wages	44,220
Accrued interest	2,389
Note payable - Payroll Protection Program	336,840
Total current liabilities	396,983
Long-term liabilities:	
Accrued rent liability	59,709
Total liabilities	456,692
Net assets:	
Without donor restrictions	6,666,012
With donor restrictions	299,378
Total net assets	6,965,390
Total liabilities and net assets	$ 7,422,082

See accompanying notes to financial statements

STUDENT U

Statement of Activities

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 1,382,761	$ 299,378	$ 1,682,139
Government grants	723,282	-	723,282
Rental income	151,169	-	151,169
Interest income	81,893	-	81,893
Consulting services	2,334	-	2,334
Total support and revenue	2,341,439	299,378	2,640,817
Net assets released from restrictions	200,000	(200,000)	-
Total support, revenue, and reclassifications	2,541,439	99,378	2,640,817
Expenses:			
Program services:			
Middle School	634,093	-	634,093
High School	554,345	-	554,345
College Success	272,009	-	272,009
The W.G. Pearson Center	242,191	-	242,191
Supporting services:			
Management and general	337,384	-	337,384
Fundraising	284,851	-	284,851
Total expenses	2,324,873	-	2,324,873
Change in net assets	216,566	99,378	315,944
Net assets at beginning of year	5,791,458	200,000	5,991,458
Prior period adjustment (Note 16)	657,988	-	657,988
Net assets at beginning of year, as restated	6,449,446	200,000	6,649,446
Net assets at end of year	$ 6,666,012	$ 299,378	$ 6,965,390

STUDENT U

Statement of Functional Expenses

For the year ended December 31, 2020

	Program Services					Supporting Services		
	Middle School	High School	College Success	The W.G. Pearson Center	Total	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 417,457	$ 368,788	$ 177,407	$ 75,521	$ 1,039,173	$ 207,832	$ 210,198	$ 1,457,203
Employee benefits	30,630	38,386	22,849	6,437	98,302	24,798	25,061	148,161
Payroll taxes	31,945	28,107	13,622	5,750	79,424	15,749	15,931	111,104
Experiental education	93	5,242	-	-	5,335	-	-	5,335
Program supplies	31,339	18,410	31,390	-	81,139	-	-	81,139
Contracted services	9,314	-	-	-	9,314	-	-	9,314
College readiness	-	3,780	-	-	3,780	-	-	3,780
Occupancy	66,084	47,203	-	154,483	267,770	56,644	18,881	343,295
Travel and transportation	8,569	8,568	4,284	-	21,421	-	-	21,421
Professional development	1,148	1,148	765	-	3,061	3,062	1,531	7,654
Professional fees	5,933	5,933	4,747	-	16,613	4,747	2,373	23,733
Office expense	13,863	12,189	6,094	-	32,146	10,600	4,463	47,209
Insurance	6,337	6,337	5,070	-	17,744	5,069	2,535	25,348
Marketing and promotion	3,498	3,498	2,798	-	9,794	2,798	1,399	13,991
Information technology	2,608	2,608	2,086	-	7,302	2,086	1,043	10,431
Dues and subscriptions	559	559	279	-	1,397	-	-	1,397
Depreciation	3,944	2,817	-	-	6,761	3,381	1,127	11,269
Interest expense	772	772	618	-	2,162	618	309	3,089
	$ 634,093	$ 554,345	$ 272,009	$ 242,191	$ 1,702,638	$ 337,384	$ 284,851	$ 2,324,873

STUDENT U

Statement of Cash Flows

For the year ended December 31, 2020

Cash flows from operating activities:	
Support from contributions and foundation grants	$ 1,710,953
Support from government grants	571,280
Salaries and wages paid	(1,419,747)
Operating expenses paid	(816,681)
Interest paid	(700)
Income taxes paid	-
Other income received	2,334
Rental income collected	156,096
Interest income received	94,629
Net cash provided by operating activities	298,164
Cash flows from financing activities	
Loan proceeds - Payroll Protection Program	336,840
Payments on line of credit	(160,000)
Net cash provided by financing activities	176,840
Increase in cash and cash equivalents	475,004
Cash and cash equivalents, beginning of year	787,340
Cash and cash equivalents, end of year	$ 1,262,344

Reconciliation of change in net assets to cash flows from operating activities:

Change in net assets	$ 315,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,269
Fair value of donated equipment	(19,200)
Changes in operating assets and liabilities:	
Grants receivable, net	(152,002)
Promises to give, net	51,640
Accounts receivable, net	4,927
Other receivable	19,050
Prepaid expenses	9,868
Notes receivable - Self-Help Ventures Fund	(6,314)
Accounts payable	(22,374)
Accrued salaries and wages	37,456
Accrued interest	2,389
Accrued rent liability	45,511
Net cash provided by operating activities	$ 298,164

STUDENT U
Notes to Financial Statements
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Student U (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization and Programs
Student U was organized in North Carolina as a nonprofit corporation in September 2010.

Student U is a community organization that uses the power of education, advocacy, and leadership to build a just and equitable Durham.

Student U's major programs consist of the following:

Middle School – Beginning the summer before their sixth-grade year, our students attend Middle School Summer Academy, where they receive instruction in the four core subject areas: English, math, science, and Global Connect (similar to Social Studies). Students also choose elective classes crafted off of their teachers' passions, talents, and skills. These classes can range from dance to theater to poetry to yoga to astronomy. All classes at our Summer Academy are small – approximately 8-12 students – so that each student receives individualized academic attention and support. Students also attend weekly field trips, during which they learn about their local communities, explore different career opportunities, tour local colleges, and engage in community service. During the school year, middle school students board Durham Public School buses Monday through Thursday after-school and come to the W.G. Pearson Center for three hours of after-school programming and enrichment. The after-school program mirrors the structures, values, and culture already well-established in Student U's Summer Academy. Programming includes study sessions, academic goal setting, intense academic remediation, academic and arts clubs, and community building. Perhaps just as beneficial as the academic support are the close and supportive relationships, they are able to continue building with their Student U peers and teachers throughout the school year.

High School – Student U's High School program provides student's various academic programs over the summer including, marine biology, screenwriting, and psychology, the history of Durham, and Lantinx studies. Student also participate in various summer internships and academic camps. During the school year, high school students are supported by in-school and community Advocates. In-school Advocates are teachers or guidance counselors employed by Durham Public Schools, and community Advocates are people in the community interested in supporting students through their high school experience. Students meet with their Advocates weekly, and students' families and teachers communicate regularly with their Advocates. Students also receive individually tailored academic improvement plans based on their progress. All students and Advocates at each individual high school gather monthly at Cluster meetings to allow students to build college-ready skills and engage with the Student U community.

Note 1 – Summary of Significant Accounting Policies (continued)

College Success – Student U's College Success program provides academic, social/emotional, and financial support for students during their four years in college. Student U's College Success coordinators support college students through in-person meetings, phone check-ins, topic-focused retreats and connections to on-campus resources for each student.

The W.G. Pearson Center – In 2017, the W.G. Pearson Center was acquired and renovated by an affiliate of the Self-Help Ventures Fund. Since Student U became the master tenant of the space in 2018 they have been committed to keeping the Center a youth-centered space that houses activities and programs that enrich the lives and outcomes of young people and ensuring the Center is accessible to the surrounding community of neighbors and organizations. In order to accomplish these commitments Student U subleases a portion of the Center to other nonprofit organizations that provide youth-centered activities in Durham.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This update has been further amended and clarified by ASU No.'s 2015-14, 2016-08, 2016-10 and 2016-12. These updates require revenue recognition to be more closely aligned with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to receive in exchange for those goods or services. The updates also require additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, along with any significant judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-9 is effective for years beginning after December 15, 2019.

On January 1, 2020, the Organization adopted ASU's 2014-09, as amended, as management believes these standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions in these standards resulted in no significant changes in the way the Organization recognizes revenue, therefore no changes to the previously issued audited financial statements were required. The presentation and disclosures related to revenue have been enhanced in accordance with these standards.

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, with early adoption permitted. Management is in the process of evaluating this standard and currently does not plan to elect early adoption.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities. The ASU also requires that organizations disclose the disaggregated amounts of the contributed nonfinancial assets by category and qualitative information about how the contributed nonfinancial assets are going to be used, a description of any donor restrictions related to the assets, and valuation techniques used to value the contributions. The effective date of this standard is for annual reporting periods beginning after June 15, 2021, with early adoption permitted. Management is in the process of evaluating this standard and currently does not plan to elect early adoption.

Cash and Cash Equivalents
The Organization considers all checking accounts, money market accounts, and any other highly liquid investments with original maturities of less than three months to be cash equivalents. The Organization's checking and money market accounts are maintained at various financial institutions.

At any given time, amounts in these accounts may exceed the $250,000 federally insured limit. As of December 31, 2020, the Organization had account balances in excess of the federally insured limit in the amount of $796,138.

Grants Receivable
Grants receivable represent amounts that have been earned in accordance with grant agreements but not collected as of the date of the financial statements. Grants receivable represent amounts owed by state and local government agencies. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Note 1 – Summary of Significant Accounting Policies (continued)

Promises to Give

The Organization records unconditional promises to give that are expected to the collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The Organization reviewed the promises to give and determined that no allowance for uncollectible promises to give was necessary as of December 31, 2020.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due from tenants for rental income The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when they are deemed uncollectible. As of December 31, 2020, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Properties and Equipment

The Organization records property and equipment additions over $500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Furniture and fixtures	7 years
Computers and software	3-5 years
Office equipment	7 years

When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

Note 1 – Summary of Significant Accounting Policies (continued)

Notes Receivable

Notes receivable consists of loans made to another nonprofit organization. These loans are carried at their principal amount plus accrued interest at the stated rates contained in the promissory notes. The Organization evaluated these loans and determined based on market conditions and the creditworthiness of the borrower that the stated rates were consistent with market rates.

The Organization evaluates the notes receivable on an annual basis to determine if an allowance for uncollectible notes receivable is necessary. The Organization's evaluation is based on their estimate of the collectability of the notes in light of historical experience, the existence of any adverse situation that may affect the borrower's ability to repay the notes, and prevailing economic conditions. As of December 31, 2020, the Organization has determined that no allowance for uncollectible notes receivable is necessary.

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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Revenue earned under cost-reimbursement grant agreements is recognized when the allowable costs have been incurred and are recorded as grants receivable until the funds are received.

Consulting revenue and rental income are recognized at the time the services are performed.

Note 1 – Summary of Significant Accounting Policies (continued)

Marketing and Promotion Costs
Marketing and promotion costs are expensed as incurred and amounted to $13,991 for the year ended December 31, 2020.

Donated Services
A number of volunteers have donated significant amounts of time to the Organization's program services. Donated services are recognized as contributions if the services 1) create or enhance nonfinancial assets or 2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services not meeting these criteria are not reflected in the financial statements.

Compensated Absences
All full-time employees of the Organization are entitled to paid-time-off. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

Functional Allocation of Expenses
The costs of programs and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supported services benefited.

Income Taxes
The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

In the normal course of business, the Organization is subject to examination by various taxing authorities. Although the outcome of tax audits is always uncertain, management believes that there are no significant unrecognized tax liabilities as of December 31, 2020.

The Organization files Form 990 (Return of Organization Exempt from Tax) as required by law. The Organization is no longer subject to Federal tax return examination for years ending prior to December 31, 2017.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts with financial institutions believed to be creditworthy. Credit risk associated with accounts and grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and other long-time donors. All of the Organization's notes receivable are with one nonprofit organization, Self-Help Ventures Fund. Credit risk with these notes receivable is considered to be limited based on their prior payment history and their overall credit worthiness.

Subsequent Events

The Organization has evaluated all subsequent events through November 12, 2021, the date the financial statements were available to be issued.

Subsequent to year end the Organization's Payroll Protection Program note payable was forgiven in full. See Note 5.

Note 2 – Liquidity and Availability

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

Cash and cash equivalents	$ 1,262,344
Grants and accounts receivable, net	169,606
Promises to give, net	325,000
Accrued interest on notes receivable	6,314
Notes receivable – Self-Help Ventures Fund	5,602,600
Total financial assets	7,365,864
Notes receivable payable in greater than one year	(5,602,600)
Promises to give estimated to be collected in two years	(100,000)
Financial assets available for general expenditure	$ 1,663,264

The Organization invests cash in excess of daily requirements in money market accounts.

The Organization has a line of credit limit of $300,000 available to help manage unanticipated cash needs.

Note 3 – Promises to Give

Unconditional promises to give are estimated to be collected as follows as of December 31, 2020 and 2019:

Within one year	$	225,000
Within two years		100,000
	$	325,000

Note 4 – Notes Receivable – Self-Help Ventures Fund

Notes receivable consist of two notes with Self-Help Ventures Fund, which is a nonprofit 501(c)(3) loan fund capitalized with loans and grants from foundations, religious organizations, corporations, nonprofits, and government sources. The Fund manages Self-Help Federal Credit Union's higher risk business loans, real estate development and home loan secondary market programs.

The Organization advanced a total of $5,602,600 to the Fund to assist in financing the purchase and subsequent renovation of a commercial property in Durham, North Carolina. The Organization currently leases the acquired and renovated property from an entity affiliated with the Fund.

Both notes require quarterly interest only payments until September 15, 2029. The notes have a maturity date of October 12, 2049. The Fund may make prepayments at any time without penalty.

As of December 31, 2020, Note A has a principal balance due of $2,975,400. Interest on this note is paid quarterly at a rate of 1.4971%.

As of December 31, 2020, Note B has a principal balance due of $2,627,200. Interest on this note is paid quarterly at a rate of 1.1418%.

As of December 31, 2020, the Organization has accrued interest receivable totaling $6,314 related to these notes receivable. During the year ended December 31, 2020, the Organization has reported interest income totaling $81,893 related to these notes receivable.

Note 5 – Note Payable-Payroll Protection Program

On April 17, 2020, the Organization received loan proceeds from Self-Help Federal Credit Union in the amount of $336,840 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided loans to qualifying businesses for amounts up to 2.5 times their 2019 average monthly payroll expenses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its pre-pandemic employee levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%.

Subsequent to December 31, 2020, the Organization was notified by Self-Help Federal Credit Union that the SBA approved their PPP loan forgiveness application. The entire amount, including accrued interest, will be presented as an increase to net assets in the Statement of Activities for the year ending December 31, 2021.

Note 6 – Line of Credit

The Organization has a $300,000 operating line of credit agreement with a banking institution. The line of credit renews on a biannual basis and has a current maturity date of September 9, 2021. The line of credit agreement calls for monthly payments of interest on the outstanding balance. Interest is calculated on a 365/360 basis using the Wall Street Journal Prime Rate, less 0.25 % points, with a minimum interest rate of 4.50%. At the date these financial statements were available to be issued, the Organization's line of credit renewal process was ongoing.

During the year ended December 31, 2020, the Organization repaid prior advances under this agreement totaling $160,000, plus interest of $700. The Organization did not receive any advances under this agreement during 2020 and the line of credit had a zero balance as of December 31, 2020.

Note 7 – Leases

Facilities

The Organization leases facilities in Durham, North Carolina under a lease with an affiliate of Self-Help Ventures Fund. The lease commenced on August 14, 2018 and expires on September 30, 2028. Under this lease agreement the Organization is required to make escalating monthly base rent payments that range from $11,250 to $13,490 per month. Additionally, the Organization is required to make monthly additional rent payments that are considered their portion of the building's real estate taxes, insurance, interest, etc. These amounts are initially estimated and subsequently trued up by the landlord as actual information is available.

During 2020, the Organization entered into a lease modification with its landlord to eliminate its base rent for one month and reduce its base rent by $5,500 for 6 months. These reductions applied for the months of July 2020 through January 2021.

Note 7 – Leases (continued)

Rent expense under this lease amounted to $193,231 for the year ended December 31, 2020.

Future minimum payments required under this lease consist of the following:

2021	$ 133,580
2022	141,862
2023	144,699
2024	147,593
2025	150,545
Thereafter	429,472
	$ 1,147,751

Office Equipment

In 2018, the Organization entered into lease agreements for various pieces of office equipment. These leases currently have a maturity date of August 2022. The base monthly rental amount $520 per month plus other variable costs based on actual usage of the equipment.

Rent expense under these leases amounted to $8,807 for the year ended December 31, 2020.

Future minimum payments required under this lease consist of the following:

2021	$ 6,244
2022	4,162
	$ 10,406

Note 8 – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes as of December 31, 2020:

Subject to expenditure for specified purpose:	
Internship program	$ 6,000
Curriculum planning & development	188,868
Construction of an outdoor learning space	54,510
	249,378
Subject to the passage of time:	
2021 operating costs	50,000
Total net assets with donor restrictions	$ 299,378

Note 8 – Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2020:

Subject to the passage of time:	
2020 operating costs	$ 200,000

Note 9 – Rental Income

The Organization subleases a portion of its leased facilities to nine other nonprofits and religious organizations under short-term leases. These organizations have exempt purposes similar to Student U. These leases typically last 12 months and provide for the Organization to receive rent of approximately $13,500 per month. Rental income under these agreements is recognized monthly as the rental payments are due. Rental income from these subleases amounted to $138,839 for the year ended December 31, 2020.

The total amount of minimum rentals to be received based on the leases in place as of December 31, 2020 is $26,000.

The spaces that are being subleased are typically small and are generally leased to small organizations. Therefore, there is a risk that a tenant may not renew their lease at the end of its term.

Additionally, the Organization occasionally receives rental income from third parties that lease part of their leased facilities for one-time community events. Rental revenue from these rentals is recognized when the event takes place. Rental income from one-time event rentals amounted to $12,330 for the year ended December 31, 2020.

Note 10 – Revenue from Contracts with Customers

The Organization receives revenue from contracts with customers by occasionally providing consulting services. Revenue from providing consulting services is recognized at the time the service is performed. Invoices for these services are generally issued at the completion of the services and payment is due upon receipt.

During the year ended December 31, 2020, the Organization's revenue from consulting services amounted to $2,334.

Note 11 – Contributed Assets and Donated Materials

During the year ended December 31, 2020, the Organization received support in the form of donated materials and supplies and donated computer equipment. Computer equipment donations received during the year were valued at $19,200 and are included in properties and equipment. Donated materials and supplies were valued at $3,626. These contributions were recorded at their fair value when received.

Note 12 – Contingencies, Commitments, and Concentrations

Government Grants

The Organization has received significant grant funds from the State of North Carolina and other local government entities. These grant agreements contain provisions stating that the grantor has the right to audit all financial, performance, and compliance records related to grant agreements. Such audits could result in the refund of grant funds to the grantor. Management has reviewed all provisions of these grant agreements and believes that the Organization is in compliance with all aspects of these agreements. Therefore, no provision has been made in the accompanying financial statements for the refund of grant funds.

Because a significant portion of the Organization's revenues is provided by government grants, its funding is vulnerable to changes in the legislative priorities of state and local governments.

For the year ended December 31, 2020, government grant consisted of approximately 27% of the Organization's total support and revenue.

Financial Support

The Organization also receives significant support from several Board members that varies from year-to-year. Their support is in the form of cash contributions. While Student U receives significant funding from several other sources it is possible that any significant decrease in financial support from Board members could have a material impact on the Organization's operations.

For the year ended December 31, 2020, contributions from Board members consisted of approximately 6% of the Organization's total support and revenue.

Note 13 – Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to programs and supporting services. All expenses not directly identifiable are allocated based on estimates of time and effort with the exception of occupancy costs. Occupancy costs have been allocated based on the actual usage of the leased facilities.

Note 14 – Retirement Plan

The Organization offers a SIMPLE IRA retirement plan to all eligible employees. All regular full-time employees become eligible after completing 30 days of service and all regular part-time employees become eligible after completing 1 year of service. Furthermore, to be eligible, an employee must have earned $5,000 during any preceding 24 months of employment and be reasonably expected to earn at least $5,000 during the calendar year.

The Organization matches up to 3% of the participating employees' gross wages. The Organization made contributions to the plan in the amount of $21,115 for the year ended December 31, 2020.

Note 15 – Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. This pandemic has adversely affected global economic activity and has greatly contributed to the significant volatility in financial markets throughout the world. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Organization including an adverse effect on the ability to continue with its overall operations and the ability of employees to continue working.

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on the Organization's liquidity, financial condition, and results of operations for subsequent years.

Note 16 – Prior Period Adjustment

During the year ended December 31, 2020, the Organization became aware of errors in their previously issued financial statements. As a result, the current year Statement of Activities has been restated to correct the following material misstatements in previously issued financial statements:

- Notes receivable incorrectly reported as leasehold improvements
- Duplicate transactions recorded in the Organization's cash accounts
- Line of credit balance omitted loan advances received
- Unrecorded accrued expenses
- Unrecorded accrued rent liability
- Unrecorded unconditional promises to give

The effect of these restatements is an increase to beginning of year net assets without donor restrictions of $657,988. The restatement consists of the following:

	Without Donor Restrictions
Notes receivable reported as leasehold improvements and depreciated	$ 459,764
Duplicate transactions included in the Organization's cash accounts	96,470
Line of credit advance not reported in the line of credit balance	(50,000)
Unrecorded accrued expenses	(4,048)
Unrecorded accrued rent liability	(14,198)
Unrecorded unconditional promises to give	170,000
Adjustment to beginning of year net assets	$ 657,988

Had these items been properly reported in the Organization's 2019 financial statements the change in net assets would have been a decrease of $142,070, compared to the previously reported decrease of $863,844.