

STUDENT U

Financial Statements

December 31, 2021

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Independent Auditor's Report

To the Board of Directors
Student U
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of Student U (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Student U and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Student U's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Student U

Auditor's Responsibilities for the Audit of the Financial Statements

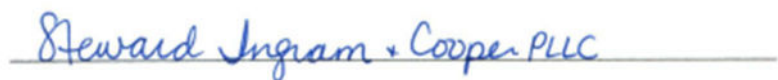
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Student U's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Student U's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Raleigh, North Carolina
November 1, 2022


Steward Ingram + Cooper PLLC

STUDENT U
Statement of Financial Position
December 31, 2021

Assets

Current assets:	
Cash and cash equivalents	\$ 2,242,126
Grants receivable, net	205,193
Promises to give, net	491,636
Accounts receivable, net	10,750
Interest receivable - Self-Help Ventures Fund	23,779
Deposits	8,500
Prepaid expenses	14,392
Total current assets	2,996,376
Properties and equipment:	
Computer equipment	23,369
Leasehold improvements	65,056
Construction in progress	7,000
Total properties and equipment	95,425
Less: accumulated depreciation	(5,591)
Properties and equipment, net	89,834
Other assets:	
Promises to give, net	559,548
Notes receivable - Self-Help Ventures Fund	5,463,290
Total other assets	6,022,838
Total assets	\$ 9,109,048

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 18,947
Accrued salaries and wages	11,687
Total current liabilities	30,634
Long-term liabilities:	
Accrued rent liability	66,521
Total liabilities	97,155
Net assets:	
Without donor restrictions	7,873,404
With donor restrictions	1,138,489
Total net assets	9,011,893
Total liabilities and net assets	\$ 9,109,048

STUDENT U
Statement of Activities
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 411,316	\$ 15,528	\$ 426,844
In-kind contributions	80,000	-	80,000
Foundation and other grants	2,340,132	1,087,500	3,427,632
Government grants	787,521	-	787,521
Rental income	171,278	-	171,278
Other income	22,749	-	22,749
Net investment return	75,695	-	75,695
Loss on disposition of equipment	(433)	-	(433)
Total support and revenue	<u>3,888,258</u>	<u>1,103,028</u>	<u>4,991,286</u>
Net assets released from restrictions	263,917	(263,917)	-
Total support, revenue, and reclassifications	<u>4,152,175</u>	<u>839,111</u>	<u>4,991,286</u>
Expenses:			
Program services:			
Middle School	834,527	-	834,527
High School	813,765	-	813,765
College Success	216,596	-	216,596
The W.G. Pearson Center	301,718	-	301,718
Learning Center	208,120	-	208,120
Other programs	35,060	-	35,060
Supporting services:			
Management and general	268,677	-	268,677
Fundraising	266,320	-	266,320
Total expenses	<u>2,944,783</u>	<u>-</u>	<u>2,944,783</u>
Change in net assets	<u>1,207,392</u>	<u>839,111</u>	<u>2,046,503</u>
Net assets at beginning of year	6,666,012	299,378	6,965,390
Net assets at end of year	<u>\$ 7,873,404</u>	<u>\$ 1,138,489</u>	<u>\$ 9,011,893</u>

STUDENT U
Statement of Functional Expenses
For the year ended December 31, 2021

	Program Services						Supporting Services		Total Expenses	
	Middle School	High School	College Success	The W.G. Pearson Center	Learning Center	Other Programs	Total	Management and General		Fundraising
Personnel expenses	\$ 611,814	\$ 641,415	\$ 164,068	\$ 170,154	\$ 138,026	\$ -	\$ 1,725,477	\$ 150,267	\$ 230,936	\$ 2,106,680
Contracted personal services	20,354	8,066	88	4,393	-	3,320	36,221	50,335	3,100	89,656
Office expenses	4,675	4,175	1,871	1,806	-	-	12,527	1,716	2,686	16,929
Technology expenses	7,698	7,089	4,099	1,900	-	-	20,786	16,654	1,948	39,388
Occupancy expenses	50,685	50,685	16,895	118,264	50,685	23,653	310,867	16,893	10,137	337,897
Travel expenses	22,925	4,764	44	-	-	-	27,733	1	174	27,908
Venue expenses	40,000	43,162	1,482	-	-	-	84,644	-	-	84,644
Support to others	9,407	6,646	19,163	-	1,100	8,007	44,323	-	-	44,323
Materials and maintenance expenses	39,117	29,885	4,992	4,293	1,296	-	79,583	7,519	11,487	98,589
Other business expenses	6,288	7,377	2,610	761	-	-	17,036	14,448	3,798	35,282
Other operating expenses	17,665	10,447	1,267	128	17,013	-	46,520	7,894	2,006	56,420
Other expenses	3,899	54	17	19	-	80	4,069	2,950	48	7,067
	<u>\$ 834,527</u>	<u>\$ 813,765</u>	<u>\$ 216,596</u>	<u>\$ 301,718</u>	<u>\$ 208,120</u>	<u>\$ 35,060</u>	<u>\$ 2,409,786</u>	<u>\$ 268,677</u>	<u>\$ 266,320</u>	<u>\$ 2,944,783</u>

STUDENT U
Statement of Cash Flows
For the year ended December 31, 2021

Cash flows from operating activities:	
Support from contributions and foundation grants	\$ 3,104,634
Support from government grants	414,094
Rental income collected	166,528
Other income received	17,749
Salaries and wages paid	(2,139,213)
Operating expenses paid	(721,642)
Interest paid	-
Income taxes paid	-
Proceeds from sales of contributed investments	24,428
Interest income received	57,460
Net cash provided by operating activities	<u>924,038</u>
Cash flows from investing activities:	
Purchases of properties and equipment	(75,066)
Deposit paid	(8,500)
Notes receivable - Self-Help Ventures Fund payments received	139,310
Net cash provided by investing activities	<u>55,744</u>
Increase in cash and cash equivalents	979,782
Cash and cash equivalents, beginning of year	<u>1,262,344</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,242,126</u></u>
<u>Noncash Financing Activities:</u>	
Loan principal forgiven - Payroll Protection Program	<u><u>\$ 336,840</u></u>

STUDENT U
Notes to Financial Statements
December 31, 2021

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.

STUDENT U
Notes to Financial Statements
December 31, 2021

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.

Learning Center – Student U’s learning center is a safe, welcoming, and supportive community for young people, 6th grade through college, to access while completing their online learning. The goals of the learning center are to 1) provide a safe and supportive space to complete DPS online learning during school hours, 2) two meals a day and snacks throughout the day to sustain learning, and 3) activities and experiences which increase the social and emotional capacity of our young people during this challenging time.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

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.

The Organization elected early adoption of this standard as of January 1, 2021, as management believes this standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures related to contributed nonfinancial assets have been enhanced according to the standard.

STUDENT U
Notes to Financial Statements
December 31, 2021

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 statement of financial position and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU's 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, 2020-05, and 2021-05. Together these new standards establish 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.

In November 2021, the FASB issued ASU No. 2021-09, *Discount Rate for Lessees that are not Public Business Entities (Topic 842)*. This standard allows lessees that are not public business entities to elect to use a risk-free rate as the discount rate when measuring and classifying leases by class of underlying asset, rather than on an entity-wide basis. The risk-free rate may be elected when the rate implicit in the lease is not readily determinable.

The effective date for these standards is annual reporting periods beginning after December 15, 2021, with early adoption permitted. Management is in the process of evaluating these standards 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, 2021, the Organization had account balances in excess of the federally insured limit in the amount of \$1,742,033.

Promises to Give

The Organization records unconditional promises to give and earned grant funds that are expected to be collected within one year at net realizable value. Unconditional promises to give and earned grant funds 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, 2021.

STUDENT U
Notes to Financial Statements
December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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 receivables are written off when they are deemed uncollectible. As of December 31, 2021, 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 \$1,000 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:

Computer equipment	5 years
Leasehold improvements	7 years

Depreciation expense amounted to \$4,072 for the year ended December 31, 2021.

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.

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, 2021, the Organization has determined that no allowance for uncollectible notes receivable is necessary.

STUDENT U
Notes to Financial Statements
December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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 is recognized at the time the services are performed. Rental income is recognized evenly over the life of the lease agreement.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$2,461 for the year ended December 31, 2021.

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.

STUDENT U
Notes to Financial Statements
December 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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, 2021.

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, 2018.

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.

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.

STUDENT U
Notes to Financial Statements
December 31, 2021

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	\$ 2,242,126
Grants receivable, net	205,193
Promises to give, net	1,051,184
Accounts receivable, net	10,750
Accrued interest on notes receivable	23,779
Notes receivable – Self-Help Ventures Fund	<u>5,463,290</u>
Total financial assets	<u>8,996,322</u>
Net assets with donor restrictions	(1,138,489)
Notes receivable payable in greater than one year	(5,463,290)
Promises to give estimated collection greater than a year	<u>(559,548)</u>
Financial assets available for general expenditure	<u>\$ 1,834,995</u>

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, 2021

Within one year	\$ 491,636
Within one to five years	<u>560,000</u>
	1,051,636
Less discount to net present value at a rate of 0.8%	<u>(452)</u>
	<u>\$ 1,051,184</u>

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.

STUDENT U
Notes to Financial Statements
December 31, 2021

Note 4 – Notes Receivable – Self-Help Ventures Fund (continued)

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, 2021, Note A has a principal balance due of \$2,901,416. Interest on this note is paid quarterly at a rate of 1.4971%.

As of December 31, 2021, Note B has a principal balance due of \$2,561,874. Interest on this note is paid quarterly at a rate of 1.1418%.

As of December 31, 2021, the Organization has accrued interest receivable totaling \$23,779 related to these notes receivable. During the year ended December 31, 2021, the Organization has reported interest income totaling \$73,264 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%.

In February 2021, the Organization was notified by Self-Help Federal Credit Union that the SBA approved their PPP loan forgiveness application. The entire amount has been reported as government grant revenue in the Statement of Activities.

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 expired on 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 %, with a minimum interest rate of 4.50%. The Organization did not receive any advances under this agreement during 2021 and the line of credit had a zero balance as of December 31, 2021.

STUDENT U
Notes to Financial Statements
December 31, 2021

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.

Rent expense under this lease amounted to \$209,609 for the year ended December 31, 2021.

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

2022	\$ 141,862
2023	144,699
2024	147,593
2025	150,545
2026	153,556
Thereafter	<u>275,917</u>
	<u>\$ 1,014,172</u>

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 \$9,720 for the year ended December 31, 2021.

During the year ending December 31, 2022, the Organization is required to make minimum payments totaling \$4,162 under these leases.

STUDENT U
Notes to Financial Statements
December 31, 2021

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, 2021:

Subject to expenditure for specified purpose:

NC Public Education Task Force	\$ 6,680
Curriculum planning & development	45,145
Construction of an outdoor learning space	43,636
	<u>95,461</u>

Subject to the passage of time and expenditure for specified purpose:

High School programs	<u>120,000</u>
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Subject to the passage of time:

General operations	<u>923,028</u>
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Total net assets with donor restrictions	<u>\$ 1,138,489</u>
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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, 2021:

Subject to expenditure for specified purpose:

NC Public Education Task Force	\$ 3,320
Curriculum planning & development	143,723
Construction of an outdoor learning space	60,874
High School programs	6,000
	<u>213,917</u>

Subject to the passage of time:

General operations	<u>50,000</u>
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Net assets released from restrictions	<u>\$ 263,917</u>
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Note 9 – Rental Income

The Organization subleases a portion of its leased facilities to several other nonprofits and religious organizations under short-term leases. These organizations have exempt purposes similar to Student U. These leases typically last 12-36 months and provide for the Organization to receive rent of approximately \$13,250 per month. Rental income under these agreements is recognized monthly as the rental payments are due. Rental income from these subleases amounted to \$146,928 for the year ended December 31, 2021.

The total amount of minimum rentals to be received based on the leases in place as of December 31, 2021 are as follows:

December 31, 2022	\$ 155,250
December 31, 2023	62,000
December 31, 2024	14,000
	<u>\$ 231,250</u>

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 \$24,350 for the year ended December 31, 2021.

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, 2021, the Organization's revenue from consulting services amounted to \$20,877. Accounts receivable from consulting services consisted of the following:

December 31, 2020	\$ -
December 31, 2021	<u>\$ 5,000</u>

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Note 11 – Contributed Nonfinancial Assets

During the year ended December 31, 2021, the Organization received support in the form of donated facilities from a local school for their 10-week summer program. The school determined the fair value based on their assessment of local rental rates and the amount of space being used by the Organization. The fair value of the donated facilities was determined to be \$8,000 per week for a total of \$80,000 for the entire summer program.

The donated facilities were recorded as in-kind contribution revenue in the statement of activities and venue expenses in the statement of functional expenses. The venue expenses were allocated \$40,000 to the Middle School program and \$40,000 to the High School program.

All in-kind contributions received by the Organization during the year ended December 31, 2021 were considered without donor restrictions and were used in full during the year.

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, 2021, government grant consisted of approximately 16% of the Organization's total support and revenue.

Financial Support

The Organization also receives significant support from several private foundations and other grantmaking agencies that varies from year-to-year. Their support is in the form of cash contributions. For the year ended December 31, 2021, the Organization received approximately 51% of all foundation and other grant revenue from two foundations. As of December 31, 2021 approximately 83% of the Organization's promises to give were from two foundations.

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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 403(b) retirement plan to all eligible employees. All regular full-time employees become eligible upon their hire date.

The Organization matches up to 3% of the participating employees' gross wages for employees who complete 1,000 of service during the plan year. The Organization made contributions to the plan in the amount of \$23,540 for the year ended December 31, 2021.

Note 15 – Subsequent Events

The Organization has evaluated all subsequent events through November 1, 2022, the date the financial statements were available to be issued.

Subsequent to year end, in April 2022, the Organization renewed the line of credit described in Note 6 with substantially the same terms. The line of credit is now payable on demand.