

EQUAL OPPORTUNITY SCHOOLS

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JULY 31, 2021 AND 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Equal Opportunity Schools
Seattle, Washington

We have audited the accompanying financial statements of Equal Opportunity Schools (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equal Opportunity Schools as of July 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates PLLC, CPAs
March 9, 2022

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**EQUAL OPPORTUNITY SCHOOLS
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,045,611	\$ 1,828,208
Investments	6,106,670	5,385,851
Accounts receivable	2,781,884	1,581,433
Contributions receivable, current	3,142,234	2,520,566
Prepaid licenses, net current	133,246	232,602
Prepaid expenses and other assets	57,096	65,452
Total current assets	15,266,741	11,614,112
Contributions receivable, net of current	505,285	2,267,934
Prepaid licenses, net of current	29,217	1,100
Property and equipment, net	290,177	285,827
	\$ 16,091,420	\$ 14,168,973
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 304,008	\$ 55,643
Accrued payroll and related	567,950	268,852
Deferred revenue	88,950	83,083
Deferred rent, current portion	19,809	-
Forgivable note payable, current portion	1,216,100	447,256
Total current liabilities	2,196,817	854,834
Deferred rent, net current portion	135,379	-
Forgivable note payable, net of current	-	768,844
	2,332,196	1,623,678
 NET ASSETS		
Without donor restrictions	9,179,473	6,777,648
With donor restrictions	4,579,751	5,767,647
	13,759,224	12,545,295
	\$ 16,091,420	\$ 14,168,973

**EQUAL OPPORTUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 3,327,230	\$ 2,014,000	\$ 5,341,230
Program service fees	6,382,908	-	6,382,908
Investment return	750,136	-	750,136
Other	3,163	-	3,163
	<u>10,463,437</u>	<u>2,014,000</u>	<u>12,477,437</u>
Net asset releases:			
Satisfaction of program restrictions	2,402,700	(2,402,700)	-
Satisfaction of time requirements	799,196	(799,196)	-
	<u>3,201,896</u>	<u>(3,201,896)</u>	<u>-</u>
 Total support and revenue	 <u>13,665,333</u>	 <u>(1,187,896)</u>	 <u>12,477,437</u>
EXPENSES			
Program services	8,093,460	-	8,093,460
Management and general	3,131,321	-	3,131,321
Fundraising and development	38,727	-	38,727
Total expenses	<u>11,263,508</u>	<u>-</u>	<u>11,263,508</u>
 CHANGE IN NET ASSETS	 2,401,825	 (1,187,896)	 1,213,929
NET ASSETS			
Beginning of the year	<u>6,777,648</u>	<u>5,767,647</u>	<u>12,545,295</u>
End of the year	<u>\$ 9,179,473</u>	<u>\$ 4,579,751</u>	<u>\$ 13,759,224</u>

**EQUAL OPPORTUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 931,648	\$ 5,455,928	\$ 6,387,576
Program service fees	7,313,970	-	7,313,970
In-kind contributions	156,288.00	-	156,288
Investment return	370,061	-	370,061
	<u>8,771,967</u>	<u>5,455,928</u>	<u>14,227,895</u>
Net asset releases:			
Satisfaction of program restrictions	2,555,886	(2,555,886)	-
Satisfaction of time requirements	180,592	(180,592)	-
	<u>2,736,478</u>	<u>(2,736,478)</u>	<u>-</u>
 Total support and revenue	 <u>11,508,445</u>	 <u>2,719,450</u>	 <u>14,227,895</u>
EXPENSES			
Program services	8,963,357	-	8,963,357
Management and general	1,758,262	-	1,758,262
Fundraising and development	25,827	-	25,827
Total expenses	<u>10,747,446</u>	<u>-</u>	<u>10,747,446</u>
 CHANGE IN NET ASSETS	 760,999	 2,719,450	 3,480,449
NET ASSETS			
Beginning of the year	<u>6,016,649</u>	<u>3,048,197</u>	<u>9,064,846</u>
End of the year	<u>\$ 6,777,648</u>	<u>\$ 5,767,647</u>	<u>\$ 12,545,295</u>

**EQUAL OPPORTUNITY SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2021**

	Program Services	Support Services		Total
		Management and General	Fundraising & Development	
Payroll and related	\$ 6,462,161	\$ 1,379,939	\$ 38,557	\$ 7,880,657
Professional fees	842,842	671,817	-	1,514,659
Information technology	366,288	438,110	-	804,398
Occupancy	8,170	309,601	-	317,771
Office expenses	78,481	80,934	-	159,415
Advertising and promotion	124,599	20,176	-	144,775
Telephone	62,714	33,329	170	96,213
Depreciation	-	68,985	-	68,985
Minor equipment	39,797	23,877	-	63,674
Travel	25,624	28,301	-	53,925
Conferences and meetings	24,809	21,500	-	46,309
Professional development	15,646	28,013	-	43,659
Insurance	17,759	6,966	-	24,725
Grants	22,197	-	-	22,197
Taxes	38	17,634	-	17,672
Postage and shipping	2,159	1,891	-	4,050
Printing and publication	176	247	-	423
	<u>\$ 8,093,460</u>	<u>\$ 3,131,321</u>	<u>\$ 38,727</u>	<u>\$ 11,263,507</u>

**EQUAL OPPORTUNITY SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020**

	Program Services	Support Services		Total
		Management and General	Fundraising & Development	
Payroll and related	\$ 6,244,875	\$ 1,046,494	\$ 25,827	\$ 7,317,196
Professional fees	733,701	132,020	-	865,721
Information technology	703,736	133,981	-	837,717
Occupancy	120,315	50,171	-	170,486
Office expenses	20,992	20,917	-	41,909
Advertising and promotion	73,519	-	-	73,519
Telephone	61,617	11,387	-	73,004
Depreciation	-	25,880	-	25,880
Minor equipment	9,735	21,585	-	31,320
Travel	643,709	57,558	-	701,267
Conferences and meetings	10,830	-	-	10,830
Professional development	24,915	1,863	-	26,778
Insurance	24,099	25,943	-	50,042
Grants	204,832	-	-	204,832
Taxes	12,092	12,280	-	24,372
Postage and shipping	9,363	1,203	-	10,566
Printing and publication	65,027	1,427	-	66,454
Return of unused grant funds	-	215,553	-	215,553
	<u>\$ 8,963,357</u>	<u>\$ 1,758,262</u>	<u>\$ 25,827</u>	<u>\$ 10,747,446</u>

**EQUAL OPPORTUNITY SCHOOLS
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and program service fees	\$ 11,164,595	\$ 9,716,369
Cash received from investment income and other	224,252	109,448
Cash paid to employees and suppliers	(10,412,277)	(10,459,589)
	976,570	(633,772)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	544,473	-
Purchase of investments	(230,305)	(98,977)
Purchase of property and equipment	(73,335)	(229,939)
	240,833	(328,916)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from forgivable note payable	-	1,216,100
 NET CHANGE IN CASH AND CASH EQUIVALENTS	1,217,403	253,412
CASH AND CASH EQUIVALENTS		
Beginning of the year	1,828,208	1,574,796
End of the year	\$ 3,045,611	\$ 1,828,208

**EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020**

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Equal Opportunity Schools (the Organization) is a not-for-profit corporation organized to ensure that all students have the opportunity to succeed in challenging high school courses. The Organization partners with school, district, county, state, and national leaders to close race, income enrollment, and success gaps in their advanced placement and international baccalaureate programs, dramatically improving student engagement, achievement, college readiness, and success. Support and revenue are primarily composed of contributions and program service fees.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and 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 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 had no perpetually restricted net assets at July 31, 2021 and 2020.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Organization maintains certain cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Accounts Receivable – Accounts receivable consist of program service fees due from school districts. Accounts receivable are stated at the amount management expects to collect from outstanding balances and are due within one year. All accounts receivable are unsecured. No allowance for uncollectible balances has been established by management based on the Organization’s historical experience in the collection of balances due.

Contributions Receivable – Contributions receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year have been discounted to the present value of estimated cash flows. The Organization uses a discount rate of 2.0% to calculate the net present value of contributions receivable due in more than one year. Management has not established an allowance for uncollectible balances based upon the Organization’s historical experience in the collection of balances due.

**EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020**

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Prepaid Licenses – Prepaid licenses consist of software licenses that are carried at cost if purchased, or at fair value if donated. The licenses are shown net of amortization and are being amortized over the life of the license, generally over a period of one to three years.

Investments – The Organization carries investments with readily determinable fair values at their fair values in the statements of financial position. Investment return is included in net assets without donor restrictions in the accompanying statement of activities.

Fair Value Measurements – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.

- Level 3 Inputs that are not observable that reflect management’s assumptions and estimates.

Fair value measurements apply to the Organization’s investment in stocks, ETFs, bonds and mutual funds which are classified within Level 1 of the fair value hierarchy.

Property and Equipment – Property and equipment is carried at cost if purchased, or at fair value if donated. Depreciation is computed using the straight-line method, currently over a period of four to seven years. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a value in excess of \$2,500.

Revenue Recognition – Contributions are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, 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 restriction.

EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued) – Program services fees may give rise to performance obligations for the Organization. Revenue from program services fees with performance obligations is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer at a point in time. For the Organization, these revenues consist of program service fees for consulting services. The fee does not have a significant financing component, and the consideration amount is not variable. For the related performance obligations, control of the promised good or service transfers to the customer at a point in time. Payment is typically due when the customer completes registration and revenue is recognized in the period in which the related consulting service is performed. The Organization records revenue in the period in which the related consulting service is performed. Accordingly, fees received for future consulting are deferred until the service commences.

In-kind Contributions – Contributed services are recognized as revenues and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed goods are recorded as revenue at the estimated fair value at the date of donation.

The Organization did not receive in-kind contributions during year ended July 31, 2021. The Organization received \$156,288 of in-kind goods and recognized use of \$51,802 of in-kind services during the year ended July 31, 2020.

Allocation of Functional Expenses – The financial statements report certain categories of expenses that are attributable to program or supporting functions of the Organization. Those expenses include salaries and benefits allocated based on estimates of time and effort, professional fees based on estimates of time and effort, occupancy based on square footage, and the information technology department is allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Subsequent Events – Subsequent events were evaluated through March 9, 2022, which is the date the financial statements were available to be issued.

**EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020**

Note 2 – Liquidity and Availability

Financial assets available for general expenditures within one year of the statement of financial position date are as follows at July 31:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 3,045,611	\$ 1,828,208
Investments	6,106,670	5,385,851
Accounts receivable	2,781,884	1,581,433
Pledges receivable	3,647,519	4,788,500
Total financial assets	15,581,684	13,583,992
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in future years	505,285	2,267,934
Restricted by donors for purpose	-	41,000
	505,285	2,308,934
Financial assets available within one year	\$ 15,076,399	\$ 11,275,058

The Organization's financial assets have seasonal variations during the year attributed to the timing of receipt of service revenue in August and January. The Organization has an informal operating reserve that the governing board suggested with the objective of setting funds aside to be drawn upon in the event of financial distress or immediate liquidity need. Distress or a liquidity need could result from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization could also draw upon a line of credit against the assets in the investment account.

Note 3 – Contributions Receivable

Contributions receivable consist of the following at July 31:

	2021	2020
Receivable in less than one year	\$ 3,142,234	\$ 2,568,976
Receivable in one to five years	506,473	2,314,949
	3,648,707	4,883,925
Less discount on pledges	(1,188)	(95,425)
	\$ 3,647,519	\$ 4,788,500

EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020

Note 4 – Prepaid Licenses

Prepaid licenses consist of the following at July 31:

	2021	2020
Cost	\$ 291,670	\$ 687,862
Less accumulated amortization	(129,207)	(454,160)
	<u>\$ 162,463</u>	<u>\$ 233,702</u>

Note 5 – Investments

Investments consist of the following at July 31:

	2021	2020
Cash and cash equivalents	\$ 104,992	\$ 2,031,861
Mutual funds	2,175,701	582,935
ETFs	2,277,251	1,765,101
Stocks	433,415	323,321
Bonds		
Corporate	378,964	351,646
Government	697,457	287,877
Foreign	38,890	43,110
	<u>\$ 6,106,670</u>	<u>\$ 5,385,851</u>

Note 6 – Property and Equipment

Property and equipment consists of the following at July 31:

	2021	2020
Equipment	196,613	169,841
Leasehold improvements	245,322	137,853
Less accumulated depreciation	(151,758)	(146,489)
	<u>290,177</u>	<u>161,205</u>
Construction in progress	-	124,622
	<u>\$ 290,177</u>	<u>\$ 285,827</u>

EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020

Note 7 – Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Increase student access and success	\$ 2,881,751	\$ 4,677,451
Time restricted contributions	1,698,000	1,049,196
Staff development	-	41,000
	<u>\$ 4,579,751</u>	<u>\$ 5,767,647</u>

Note 8 – Retirement Plan

The Organization provides a defined contribution retirement plan (the Plan) under 403(b) of the Internal Revenue Code for eligible employees. Contributions to the Plan are made at the discretion of the Board of Directors and are 100% vested at the time of contribution. The Organization contributed \$243,599 and \$149,352 to the Plan during the years ended July 31, 2021 and 2020, respectively.

Note 9 – Priority Credit Line

During the year ended July 31, 2019, the Organization entered into a line of credit that is a percentage of the total assets held in a designated investment account. As of July 31, 2021, available credit is \$700,266. Drawn funds would incur an interest rate of 5% annually. There was no borrowing on the priority credit line during the years ended July 31, 2021 and 2020 and no balance outstanding at July 31, 2021 and 2020. The line of credit is secured by the Organizations assets held in a designated investment account.

Note 10 – Forgivable Note Payable

The Organization entered into a Small Business Administration Paycheck Protection Program Promissory Note with a bank on April 29, 2020 for \$1,216,100 with a maturity date of April 30, 2022, if conditions are not met. The note is unsecured with an interest rate of 1%. The note can be forgiven if the Organization meets certain criteria and applies for forgiveness with the Small Business Administration. The Organization expects to meet these criteria in order to have the full loan amount forgiven in the year ending July 31, 2022.

EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020

Note 11 – Lease Commitment

The Organization had a noncancelable operating lease for its office space through July 31, 2020. Rent expense under this lease was \$143,724 for the year ended July 31, 2020.

The Organization signed a new noncancelable operating lease for its office space through January 31, 2031. Rent expense under this lease was \$317,771 for the year ended July 31, 2021, of which \$155,188 was recorded as deferred rent as of July 31, 2021. Future minimum rental payments under this new lease are as follows for the years ending July 31:

2022	\$ 195,908
2023	204,395
2024	212,882
2025	221,369
2026	229,856
Thereafter	<u>1,140,087</u>
	<u>\$ 2,204,497</u>

Note 12 – Concentrations

At July 31, 2021, two donors represented 40% of total contributions receivable. At July 31, 2020, two donors represented 50% of total contributions receivable. One donor represents 23% of total contributions for the year ended July 31, 2020.

One government department represented 68% and 60% of total accounts receivable at July 31, 2021 and 2020, respectively.

Note 13 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was first reported. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. Management is actively monitoring the situation but given the daily evolution of the COVID-19 outbreak, the Organization is not able to estimate the effects of the COVID-19 outbreak on its operations or financial condition in the next twelve months. While significant uncertainty remains, the Organization does not believe the COVID-19 outbreak will have a negative impact on its ability to raise operating dollars or continue to support its community partners. Any further impacts of the pandemic will depend on numerous evolving factors that cannot be reasonably predicted, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability.

EQUAL OPPORTUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021 AND 2020

Note 13 – Risks and Uncertainties (Continued)

As discussed in Note 10, the Organization received a \$1,216,100 forgivable note payable under the Small Business Administration Payroll Protection Program and expects to meet qualifications to have the full loan amount forgiven. Overall, the Organization remains in strong financial position and does not project a cash shortfall in the next fiscal year.