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FINANCIAL STATEMENTS
Year ended July 31, 2021

EDUCATION IS FREEDOM FOUNDATION
FINANCIAL STATEMENTS
Year ended July 31, 2021

	<u>Contents</u>
Independent Auditor's Report	2
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 14

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Education is Freedom Foundation

We have audited the accompanying financial statements of Education is Freedom Foundation (a non-profit corporation), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, cash flows and functional expenses 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

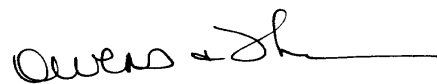
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education is Freedom Foundation as of July 31, 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.



OWENS & THURMAN, P.C.
Certified Public Accountants

December 28, 2021

EDUCATION IS FREEDOM FOUNDATION

STATEMENT OF FINANCIAL POSITION

July 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,608,383
Investments	37,876
Contributions and program service fees receivable	116,717
Other receivables	1,702
Prepaid expenses	<u>8,690</u>
Total Current Assets	<u>1,773,368</u>

PROPERTY AND EQUIPMENT

Equipment and software	55,848
Furniture and fixtures	91,519
Vehicles	<u>38,000</u>
Total property and equipment	185,367
Less accumulated depreciation	<u>(157,965)</u>
Net Property and Equipment	<u>27,402</u>

TOTAL ASSETS \$ 1,800,770

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 43,825
Accrued payroll and related expenses	100,613
Paycheck protection program forgivable loan	<u>351,045</u>
Total Current Liabilities	<u>495,483</u>

Total Liabilities 495,483

NET ASSETS

Net assets without donor restrictions	1,162,254
Net assets with donor restrictions	<u>143,033</u>
Total Net Assets	<u>1,305,287</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,800,770

The accompanying notes are an integral part of this statement.

EDUCATION IS FREEDOM FOUNDATION

STATEMENT OF ACTIVITIES
for the year ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	TOTAL 2021
SUPPORT AND REVENUE			
Contributions and nongovernment grants	\$ 581,680	\$ 175,000	\$ 756,680
Program service fees	2,261,251	-	2,261,251
Federal financial assistance	-	360,100	360,100
Special events	21,170	-	21,170
In-kind contributions	160,529	-	160,529
Interest and investment income	4,304	-	4,304
Net assets released from restrictions:			
Satisfaction of grant and debt restrictions	710,517	(710,517)	-
Total Support and Revenue	<u>3,739,451</u>	<u>(175,417)</u>	<u>3,564,034</u>
EXPENSES			
Program Services			
High Schools and Middle Schools	2,273,920		2,273,920
Intern Programs	389,686	-	389,686
Total program services	<u>2,663,606</u>	<u>-</u>	<u>2,663,606</u>
Supporting Services			
Management and general	421,204	-	421,204
Fund raising	125,565	-	125,565
Total Expenses	<u>3,210,375</u>	<u>-</u>	<u>3,210,375</u>
CHANGE IN NET ASSETS	529,076	(175,417)	353,659
NET ASSETS			
Beginning of year	<u>633,178</u>	<u>318,450</u>	<u>951,628</u>
End of year	<u>\$ 1,162,254</u>	<u>\$ 143,033</u>	<u>\$ 1,305,287</u>

The accompanying notes are an integral part of this statement.

EDUCATION IS FREEDOM FOUNDATION

STATEMENT OF CASH FLOWS
for the year ended July 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 353,659
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	13,126
Federal financial assistance (paycheck protection program loan forgiveness)	(360,100)
(Increase) decrease in prepaid expenses	(3,888)
(Increase) decrease in contributions and program service fees receivable	258,603
(Increase) decrease in other receivables	3,277
Increase (decrease) in accounts payable and accrued expenses	(29,345)
Increase (decrease) in accrued payroll and related expenses	10,500
Increase (decrease) in scholarships payable	(3,250)
Total Adjustments	<u>(111,077)</u>
Net Cash Provided By (Used in) Operating Activities	<u>242,582</u>
Cash flows from investing activities:	
Reinvestment of investment income	<u>(4,232)</u>
Net cash provided (used) by investing activities	<u>(4,232)</u>
Cash flows from financing activities:	
Proceeds from paycheck protection program loan	<u>351,045</u>
Net cash provided (used) by financing activities	<u>351,045</u>
Net increase (decrease) in cash and cash equivalents	589,395
Cash and cash equivalents, beginning	<u>1,018,988</u>
Cash and cash equivalents, ending	<u>\$ 1,608,383</u>

The accompanying notes are an integral part of this statement.

EDUCATION IS FREEDOM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
for the year ended July 31, 2021

	High Schools & Middle Schools	Intern Programs	Total Program Services	Management and General	Fund Raising	TOTAL 2021
Salaries and wages	\$ 1,604,162	\$ 308,690	\$ 1,912,852	\$ 152,685	\$ 97,913	\$ 2,163,450
Employee taxes and benefits	<u>285,247</u>	<u>25,381</u>	<u>310,628</u>	<u>81,997</u>	<u>16,558</u>	<u>409,183</u>
Total compensation	<u>1,889,409</u>	<u>334,071</u>	<u>2,223,480</u>	<u>234,682</u>	<u>114,471</u>	<u>2,572,633</u>
Professional and contract services	59,239	6,599	65,838	87,794	1,315	154,947
Office expenses	7,071	4,823	11,894	40,447	427	52,768
Occupancy	180,835	9,532	190,367	10,649	7,083	208,099
Insurance	12,508	378	12,886	14,226	751	27,863
Information technology	18,933	14,023	32,956	11,932	300	45,188
Program activities	34,061	17,370	51,431	-	-	51,431
Scholarships	38,400	-	38,400	-	-	38,400
Travel and entertainment	15,425	2,726	18,151	7,349	-	25,500
Other	<u>6,047</u>	<u>164</u>	<u>6,211</u>	<u>13,295</u>	<u>914</u>	<u>20,420</u>
Total expenses before depreciation	<u>2,261,928</u>	<u>389,686</u>	<u>2,651,614</u>	<u>420,374</u>	<u>125,261</u>	<u>3,197,249</u>
Depreciation	<u>11,992</u>	<u>-</u>	<u>11,992</u>	<u>830</u>	<u>304</u>	<u>13,126</u>
Total Expenses	<u>\$ 2,273,920</u>	<u>\$ 389,686</u>	<u>\$ 2,663,606</u>	<u>\$ 421,204</u>	<u>\$ 125,565</u>	<u>\$ 3,210,375</u>

The accompanying notes are an integral part of this statement.

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Education is Freedom Foundation ("Foundation") is a nonprofit organization incorporated in the state of Texas in April 2002. Its mission is to transform lives through education. The Foundation focuses on reducing the high school dropout rates and increasing college readiness among disadvantaged middle and high school students. Founded on the principle that every young person deserves the opportunity to pursue a higher education, the Foundation strives to have a positive impact on the success of urban youth and their pursuit of higher education.

Program services include:

High Schools and Middle Schools - comprehensive, local, school-based programs and activities designed to improve the college going orientation of students by providing full-time campus based Higher Education Advisors (HEAs) available throughout the school day to assist students with activities related to their future education. In addition to daily interaction with and guidance to students, HEAs facilitate student and parent activities throughout the year, including the annual financial aid workshops, manage the Foundation's Scholars program, and commemorate the students' hard work and success at the end of each school year by supporting National Decision Day where students share their college plans with classmates and family and celebrate their decision to continue their education. The Middle School curriculum helps students explore options leading to high school graduation.

Intern Programs – to further the Foundation's vision of developing a skilled and educated workforce intern programs offer high school students summer jobs and the opportunity to intern at some of the largest and most respected corporations and non-profit organizations. Before beginning the intern program students go through workforce readiness training to prepare them with the skills necessary to be successful in their jobs and internships.

The primary sources of revenue and support are program service fees and contributions. A significant source of program service fees is annually renewable local school districts contracts which provided approximately 61% of total support and revenue for the year ended July 31, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities, in accordance with current recommendations of the American Institute of Certified Public Accountants for Not-for-Profit Organizations and the Financial

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

Accounting Standards Board (FASB) in the FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Net Assets

The Foundation is required to report information regarding its net assets and the changes therein according to two classes of net assets based on the existence or absence of donor-imposed restrictions:

- net assets without donor restrictions – net assets that are not subject to donor (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Foundation’s board may designate assets without restrictions for specific operational purposes from time to time, and
- 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Support and Revenue

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions, including long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied by incurring expenses for the restricted purpose, expiration of time, or occurrence of other events specified by the donor, net assets with donor restrictions are reclassified to net assets without donor restrictions.

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

Program service fees, consisting mainly of advising activities for students of local school districts, are recognized as income under Accounting Standards Update (ASC) 2014-09 Revenue from Contracts with Customers Topic 606 when the contracted service are performed by the Foundation. Program service fees are due and normally paid shortly after the services are performed. Grant and other funds received from third parties in exchange for services or activities not yet performed, as well as refunds due third parties for amounts previously received under such agreements, are recorded as refundable advances in the statement of financial position.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, which is allocated on the basis of estimated time and effort, and professional services, office expenses, occupancy, insurance, information technology, travel and entertainment, depreciation, and other expenses, which are allocated on the basis of estimates of usage by functional category.

Federal Income Tax

The Internal Revenue Service has determined that the Education is Freedom Foundation qualifies for exemption from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation.

Cash and Cash Equivalents

For purposes of the statement of cash flows the Foundation considers all checking and savings accounts, certificates of deposit, and money market mutual funds without donor restrictions that are available for operations to be cash and cash equivalents.

Contributions/Promises to Give and Program Service Fees Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions expected to be received over more than one year are discounted to present value using a discount rate equivalent to treasury yields of similar maturity. Allowances are provided for pledges estimated to be uncollectible.

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

Program service fees receivable are stated at the amount management expects to collect from outstanding balances. Balances that are delinquent according to contractual terms that are still outstanding after reasonable collection efforts are written off through a charge to bad debt expense. Bad debt expenses have not been material to the financial statements.

Forgivable notes payable are considered to be conditional promises to give and are not discounted. Revenue and support from these agreements will not be recognized until the notes are forgiven in accordance with the lender's terms.

Property and Equipment

Property and equipment additions of \$1,000 or greater are capitalized at cost if purchased, and at estimated fair value at the date of gift, if donated.

Major additions and expenditures that substantially increase useful lives of property are capitalized. Maintenance and repairs which do not substantially increase the life of the property are expensed as incurred.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Equipment and software	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years

Recent Accounting Pronouncements

In February 2016 the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. Currently, leases are classified as either capital or operating, with only capital leases recognized in the statement of financial position. Under the new standard leases will be classified as either finance or operating and lessees will be required to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. This new lease standard is effective for private entities annual periods beginning after December 15, 2021.

Accordingly, the Foundation has not yet adopted the new lease standard. While the expected impact on its financial statements has not yet been determined, it is not expected to have a material net effect.

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

NOTE 3 – INVESTMENTS AND CONCENTRATION OF CREDIT RISK ARISING FROM DEPOSITS

Investments and Investment Return

The Foundation's investments are reported on the basis of quoted market prices and consist of the following at July 31:

	<u>2021</u>
Mutual funds	\$ <u>37,876</u>
Total investments	\$ <u>37,876</u>

Interest and investment return is summarized as follows for the year ended July 31:

	<u>2021</u>
Dividends and interest income	\$ 3,168
Net change in value of investments carried at fair value	<u>1,136</u>
Total investment income (loss)	\$ <u>4,304</u>

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains cash balances in financial institutions where its accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At July 31, 2021 the Foundation's cash in financial institutions exceeded FDIC insurance by approximately \$1,351,896.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

- Inputs other than quoted prices that are observable for the asset or liability, and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management’s estimates of market participant assumptions.

The fair values of assets measured on a recurring basis at July 31, 2021 are as follows:

	Fair Value	Fair Value Measurement Using Inputs Considered as		
		Level 1	Level 2	Level 3
Investments	\$33,876	\$33,876	-	-

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases office space and equipment under noncancelable operating leases expiring through 2022. Rental payments under noncancelable operating leases were \$52,290 for the year ended July 31, 2021.

Future minimum lease payments under noncancellable operating leases are \$20,874 for the year ending July 31, 2022.

Retirement Plan

The Foundation has a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA) covering substantially all employees that provides for employer matching contributions of 100% of the employee’s elective deferrals, which may be up to 3% of the employee’s compensation. Employee benefits expense includes retirement plan expense of \$18,118 for the year ended July 31, 2021.

Federal financial assistance

The organization has received funding from federal grant and other programs which require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote.

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

NOTE 6 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOANS

During the year ended July 31, 2020 the Foundation received \$360,100 first loan proceeds under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) that provides for loans to qualifying businesses, including nonprofit organizations, for amounts up to 2.5 times of certain average monthly payroll expenses. PPP loans are forgivable if the borrower uses the proceeds for qualifying expenses and maintains required payroll levels. The amount of loan forgiveness may be reduced if the borrower does not meet the requirements as described in the CARES Act.

During the year ended July 31, 2021 the Foundation submitted application for forgiveness of the first PPP loan in accordance with the requirements of the CARES Act, and was notified subsequent to July 31, 2021 that the Small Business Administration authorized full forgiveness. Accordingly, the \$360,100 first PPP loan proceeds, initially recorded as a liability, was recognized as federal financial assistance income during the year ended July 31, 2021, which is the period during which the Foundation completed satisfaction of substantially all forgiveness requirements, including submission of the application for forgiveness and related representations and certifications.

In addition, during the year ended July 31, 2021 the Foundation received \$351,045 PPP second loan proceeds which is recorded as a liability at July 31, 2021. Subsequent to July 31, 2021 the Foundation submitted application for forgiveness of the second PPP loan in accordance with the requirements of the CARES Act. The \$351,045 PPP second loan proceeds may be recognized as federal financial assistance income once the Foundation completes satisfaction of substantially all forgiveness requirements, including submission of the application for forgiveness and related representations and certifications, and compliance with the requirements as described in the CARES Act and related regulations.

NOTE 7 – RESTRICTIONS ON NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purpose at July 31, 2021:

College, career, and life counseling	\$ 97,200
Next fiscal year	<u>45,833</u>
Total net assets with donor restrictions	<u>\$ 143,033</u>

EDUCATION IS FREEDOM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

July 31, 2021

NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation’s financial assets reduced by amounts not available to meet cash needs for general expenditures within one year of the statement of financial position date because of donor-imposed restrictions as of July 31, 2021:

Financial assets at year-end (cash and cash equivalents, investments, and receivables)	\$1,764,678
Less financial assets unavailable for general expenditures within one year due to: Restricted by donor for college, career, and life counseling	<u>(97,200)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,667,478</u>

NOTE 9 - DONATED GOODS, SERVICES AND FACILITIES

The Foundation records the estimated fair market value of donated goods or facilities at the time of receipt when there is an objective basis available to measure their value. Donated services are recognized as contributions at the estimated fair market value at the time of receipt when there is an objective basis available to measure their value, and the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by persons with those skills, and would otherwise need to be purchased by the organization.

The amount of in-kind contributions recognized for the year ended July 31, 2021 consists of \$160,529 donated office space for program services.

A number of unpaid volunteers have made significant contributions of their time to develop the organization's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 28, 2021, which is the date the financial statements were available to be issued.