

National Summer Learning Association, Inc.

Financial Statements
and
Independent Auditor's Report

Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
National Summer Learning Association, Inc.
Baltimore, Maryland

We have audited the accompanying financial statements of National Summer Learning Association, Inc. (NSLA) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 NSLA'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 NSLA'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 National Summer Learning Association, Inc. as of June 30, 2020 and 2019, 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.



SNYDER COHN, PC
North Bethesda, Maryland
February 11, 2021



National Summer Learning Association, Inc.

Statements of Financial Position

June 30	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,220,546	\$ 577,742
Contributions, grant and accounts receivable	19,311	568,335
Inventory	2,110	5,454
Prepaid expenses	43,805	6,741
Total current assets	<u>1,285,772</u>	<u>1,158,272</u>
Property and equipment, net	<u>4,104</u>	<u>12,493</u>
Other assets:		
Security deposits	<u>13,984</u>	<u>13,984</u>
Total assets	<u><u>\$ 1,303,860</u></u>	<u><u>\$ 1,184,749</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 124,277	\$ 122,586
Deferred revenue	475	47,082
Promissory note payable - related party, current portion	28,593	31,146
Deferred rent, current portion	4,981	11,101
Total current liabilities	<u>158,326</u>	<u>211,915</u>
Other liabilities:		
Promissory note payable - related party, net of current portion	-	11,718
Payroll Protection Program loan	159,700	-
Deferred rent, net of current portion	-	5,833
Total other liabilities	<u>159,700</u>	<u>17,551</u>
Total liabilities	<u>318,026</u>	<u>229,466</u>
Commitments		
Net assets:		
Without donor restrictions		
Undesignated	489,652	(188,415)
Board designated	90,000	90,000
Total without donor restrictions	<u>579,652</u>	<u>(98,415)</u>
With donor restrictions	406,182	1,053,698
Total net assets	<u>985,834</u>	<u>955,283</u>
Total liabilities and net assets	<u><u>\$ 1,303,860</u></u>	<u><u>\$ 1,184,749</u></u>

See Accompanying Notes

National Summer Learning Association, Inc.

Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 982,003	\$ 550,000	\$ 1,532,003
Program fees	112,883	-	112,883
Conference revenue	238,804	-	238,804
Sponsorships and partnerships	27,000	-	27,000
Other income	2,031	-	2,031
Net assets released from restrictions	1,197,516	(1,197,516)	-
Total support and revenues	<u>2,560,237</u>	<u>(647,516)</u>	<u>1,912,721</u>
Expenses:			
Program	1,484,769	-	1,484,769
Management and general	226,297	-	226,297
Fundraising	171,104	-	171,104
Total expenses	<u>1,882,170</u>	<u>-</u>	<u>1,882,170</u>
Change in net assets	678,067	(647,516)	30,551
Net assets - beginning	<u>(98,415)</u>	<u>1,053,698</u>	<u>955,283</u>
Net assets - ending	<u>\$ 579,652</u>	<u>\$ 406,182</u>	<u>\$ 985,834</u>

See Accompanying Notes

National Summer Learning Association, Inc.

Statement of Activities

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 245,683	\$ 1,070,000	\$ 1,315,683
Program fees	187,913	-	187,913
Conference revenue	287,586	-	287,586
Sponsorships and partnerships	27,000	-	27,000
Other income	222	-	222
Net assets released from restrictions	1,162,327	(1,162,327)	-
Total support and revenues	<u>1,910,731</u>	<u>(92,327)</u>	<u>1,818,404</u>
Expenses:			
Program	1,348,206	-	1,348,206
Management and general	358,573	-	358,573
Fundraising	164,488	-	164,488
Total expenses	<u>1,871,267</u>	<u>-</u>	<u>1,871,267</u>
Change in net assets	39,464	(92,327)	(52,863)
Net assets - beginning	<u>(137,879)</u>	<u>1,146,025</u>	<u>1,008,146</u>
Net assets - ending	<u>\$ (98,415)</u>	<u>\$ 1,053,698</u>	<u>\$ 955,283</u>

See Accompanying Notes

National Summer Learning Association, Inc.

Statement of Functional Expenses

For the year ended June 30, 2020

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 611,115	\$ 89,472	\$ 87,803	\$ 788,390
Employee benefits and taxes	116,534	17,062	16,743	150,339
Total payroll and related expenditures	<u>727,649</u>	<u>106,534</u>	<u>104,546</u>	<u>938,729</u>
Subgrants	40,000	-	-	40,000
Professional fees	56,589	67,651	5,257	129,497
Office expense	63,138	4,664	4,270	72,072
Program activities	475,625	30,265	29,467	535,357
Community and partnership	4,153	9	9	4,171
Fundraising event	877	-	11,821	12,698
Travel	18,194	1,049	1,091	20,334
Telephone and information technology	35,926	5,260	5,162	46,348
Occupancy costs	36,052	7,028	6,897	49,977
Equipment rental and maintenance	14,545	1,222	1,199	16,966
Interest	-	1,206	-	1,206
Other expenses	5,518	457	451	6,426
Total expenses before depreciation	<u>1,478,266</u>	<u>225,345</u>	<u>170,170</u>	<u>1,873,781</u>
Depreciation and amortization	<u>6,503</u>	<u>952</u>	<u>934</u>	<u>8,389</u>
Total functional expenses	<u><u>\$ 1,484,769</u></u>	<u><u>\$ 226,297</u></u>	<u><u>\$ 171,104</u></u>	<u><u>\$ 1,882,170</u></u>

See Accompanying Notes

National Summer Learning Association, Inc.

Statement of Functional Expenses

For the year ended June 30, 2019

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 599,805	\$ 115,528	\$ 112,184	\$ 827,517
Employee benefits and taxes	89,970	17,329	16,827	124,126
Total payroll and related expenditures	<u>689,775</u>	<u>132,857</u>	<u>129,011</u>	<u>951,643</u>
Subgrants	30,250	-	-	30,250
Professional fees	31,486	193,274	81	224,841
Office expense	38,160	9,258	7,345	54,763
Program activities	415,008	1,475	1,985	418,468
Community and partnership	1,784	-	-	1,784
Fundraising event	-	-	2,904	2,904
Travel	29,323	1,028	2,998	33,349
Telephone and information technology	35,629	5,476	5,318	46,423
Occupancy costs	52,361	10,086	9,793	72,240
Equipment rental and maintenance	10,286	1,567	1,522	13,375
Interest	-	938	-	938
Other expenses	8,063	1,443	2,394	11,900
Total expenses before depreciation	<u>1,342,125</u>	<u>357,402</u>	<u>163,351</u>	<u>1,862,878</u>
Depreciation and amortization	<u>6,081</u>	<u>1,171</u>	<u>1,137</u>	<u>8,389</u>
Total functional expenses	<u><u>\$ 1,348,206</u></u>	<u><u>\$ 358,573</u></u>	<u><u>\$ 164,488</u></u>	<u><u>\$ 1,871,267</u></u>

See Accompanying Notes

National Summer Learning Association, Inc.

Statements of Cash Flows

For the years ended June 30	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 30,551	\$ (52,863)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,389	8,389
(Increase) decrease in:		
Contributions, grant and accounts receivable	549,024	33,989
Inventory	3,344	-
Prepaid expenses	(37,064)	(4,320)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,691	9,847
Deferred revenue	(46,607)	(20,432)
Deferred rent	(11,953)	(9,447)
Net cash provided by (used in) operating activities	497,375	(34,837)
Cash flows from investing activities:		
Purchase of property and equipment	-	(1,389)
Cash flows from financing activities:		
Payments made on notes payable	(14,271)	(7,136)
Proceeds from Payroll Protection Program loan	159,700	-
Net cash provided by (used in) financing activities	145,429	(7,136)
Net increase (decrease) in cash and cash equivalents	642,804	(43,362)
Cash and cash equivalents - beginning	577,742	621,104
Cash and cash equivalents - ending	\$ 1,220,546	\$ 577,742
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ 938

See Accompanying Notes

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies:

National Summer Learning Association, Inc. (NSLA) is a 501(c)(3) tax exempt, nonprofit organization based in Baltimore, MD. NSLA is dedicated to connecting and equipping schools, providers, communities, and families to deliver high quality summer learning opportunities to our nation's youth to help close the achievement gap and support healthy development.

NSLA serves as a network hub for thousands of summer learning program providers and stakeholders across the country providing tools, resources, and expertise to improve program quality, generate support, and increase youth access and participation. NSLA offers professional development, quality assessment and evaluation, best practices dissemination and collaboration, and strategic consulting to states, school districts, community organizations, and funders.

The mission of NSLA is to convince, connect, and equip providers, education leaders, families, and communities to deliver high quality summer learning opportunities to our nation's children and youth. NSLA is the only national nonprofit exclusively focused on closing the achievement gap by increasing access to high quality summer learning opportunities. NSLA recognizes and disseminates what works, offers expertise and support for programs and communities, and advocates for summer learning as a solution for equity and excellence in education. NSLA's work is driven by the belief that all children and youth deserve high quality summer learning experiences that will help them succeed in college, career, and life.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue is recognized when earned and expenses when the obligation is incurred.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, 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.

Net assets - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NSLA and changes therein are classified and reported as follows:

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies: (continued)

Net assets - (continued)

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. As reflected in the accompanying statements of financial position, NSLA's Boards of Directors have designated a portion of the net assets without donor restrictions for specific uses.

Net assets with donor restrictions - Amounts that are specifically restricted by donors for various purposes or future time periods. NSLA reports grants and contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents - Cash and cash equivalents consist of short-term, highly liquid investments with maturities of three months or less at the date of their acquisition.

Accounts receivable - Accounts receivable are stated at their net realizable value. NSLA records receivables net of an allowance for doubtful accounts when necessary. The allowance is determined based on review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless. As of June 30, 2020 and 2019, management considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Contributions receivable - Contributions receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Management considers all promises to give to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Grant receivable - Grant receivable consists of an amount due from a not-for-profit organization resulting from allowable expenditures incurred that have not been recovered from the not-for-profit organization as of the end of the fiscal year.

Inventory - Inventories are stated at average cost and consist primarily of instructional materials used in the programs of NSLA.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies: (continued)

Property and equipment - Property and equipment are capitalized at cost, if purchased, or at estimated fair value on the date of a gift, if donated. Acquisitions of property and equipment with a cost of \$1,000 or more are capitalized as incurred. Property and equipment are depreciated using the straight-line method based on their respective estimated useful lives ranging from three to seven years. Repairs and maintenance to existing facilities are expensed as incurred. Website development costs included in property and equipment are capitalized in accordance with *FASB ASC 350-50 (Website Development Costs)*. Under FASB ASC 350-50, costs incurred during the planning stage are expensed, while costs related to software used to operate a website or for developing initial graphics are capitalized. Website development costs are amortized using the straight line method over an estimates life of three years.

Deferred revenue - Deferred revenue represents amounts received, but unearned, for future periods. Revenue is recognized as each event is held or when program service work is performed.

Risks and uncertainties - In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact NSLA's operating results, but the related financial impact is unknown at this time.

Fair value measurements - The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies: (continued)

Fair value measurements - (continued)

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Concentration of credit risk - NSLA maintains its cash balances at one financial institution. The accounts at this institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At various times throughout the year, cash balances at this institution exceeded the federally insured limits. NSLA has not experienced any losses with respect to its cash balances.

Revenue recognition - NSLA's revenue recognition policies are as follows:

Promises to give - Unconditional promises to give are recognized as revenue in the period received as assets or as 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 - Contributions are recognized as support without donor restrictions unless their use is specifically restricted by the donor. When a donor restriction expires, that is when the stipulated time restriction ends or the purpose of the restriction is accomplished.

Program fees - Revenue is recognized when programs are performed. The portion of revenues relating to future periods is reported as deferred revenue.

Conference revenue - Revenues associated with these events are recognized when the event occurs. Any amounts received in advance are recorded as deferred revenue.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies: (continued)

Revenue recognition - (continued)

Sponsorship and partnerships - Revenue is recognized when services are performed. The portion of revenues relating to future periods is reported as deferred revenue.

Program Fees - Program and other fees are recognized in the period services are performed in accordance with the terms of the contract or agreement.

Non-cash contributions - A significant number of volunteers donate their time in the furtherance of NSLA's programs and activities. Volunteers perform various administrative, programming, and fundraising functions. However, the value of these services is not recognized in the financial statements unless the donated services received creates or enhances non-financial assets or requires specialized skills that would typically need to be purchased if not provided by contribution. In addition, in-kind contributions are measured at the fair value of the assets transferred to NSLA to the extent NSLA would have purchased the merchandise.

Payroll Protection Program (PPP) loan - In May 2020, NSLA received loan proceeds under the Payroll Protection Program. The proceeds from the PPP were classified as debt on the balance sheet under the *FASB guidance ASC 470-10-45, Simplifying the Classification of Debt in a Classified Balance Sheet*. See Note 9 for more information about the PPP loan.

Change in accounting principle - In 2020, NSLA adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in the ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, NSLA applied the requirements on a modified prospective basis to agreements that either are not completed as of July 1, 2019 or entered into after July 1, 2019. The adoption of ASU 2018-08 did not have a material impact on NSLA's accounting for contributions or grants, and previously reported net assets were unchanged as a result of adoption.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Summary of significant accounting policies: (continued)

Recent accounting pronouncements not yet adopted - In June 2020, FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which amends the effective dates of the FASB's standards on revenue and leasing to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the COVID-19 pandemic. Specifically, FASB deferred the effective dates of ASC 606 for private companies and private non-for-profit (NFP) entities and ASC 842 for private companies, private NFP entities, and public NFP entities. The deferrals apply only if those entities have not yet issued their financial statements as of June 3, 2020. NSLA decided not to adopt the ASC 606 for 2020 and deferred the adoption until next year.

Accounting for uncertainty in income taxes - NSLA accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for uncertain tax positions. Interest and penalties, if any, are accrued as a component of general and administrative expenses when assessed. NSLA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Similar to other tax-exempt organizations, NSLA is subject to tax on unrelated business income. Tax years ended prior to June 30, 2017 are no longer subject to examination by taxing authorities.

During the years ended June 30, 2020 and 2019, NSLA did not have net taxable income from unrelated business activities; therefore, there is no provision in these financial statements for income taxes or interest and penalties related to unrecognized tax benefits.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 2: Liquidity and availability:

The following reflects NSLA's financial assets on June 30, 2020, reduced by amounts that are not available for general use because of donor imposed, board or time restrictions within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,220,546	\$ 577,742
Grant receivable	-	535,000
Accounts receivable	19,311	33,335
	<u>1,239,857</u>	<u>1,146,077</u>
Less those unavailable for general expenditure within one year, due to:		
Board designations	(90,000)	(90,000)
Amounts designated for future purpose restrictions	<u>(406,182)</u>	<u>(1,053,698)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 743,675</u>	<u>\$ 2,379</u>

As part of its liquidity management plan, NSLA manages its operations within a balanced budget. NSLA receive revenues from pledges and contributions, sponsorship and partnership, and grants and contracts from their donors that provide the resources to support a portion of the operating activity. Excess funds are transferred into the money market account.

Liquidity excludes board designated amounts held per board policy, but these resources could be deployed to support operating activities with board approval. Also, a substantial portion of NSLA's support is donor restricted contributions that require resources to be spent in accordance with donor restrictions. NSLA must maintain sufficient resources to meet these requirements, making these assets unavailable for use to meet general expenditures.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 3: Property and equipment:

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 78,113	\$ 78,113
Furniture and fixtures	26,354	26,354
Leasehold improvements	11,143	11,143
Website development	21,000	21,000
	<u>136,610</u>	<u>136,610</u>
Less: accumulated depreciation and amortization	<u>(132,506)</u>	<u>(124,117)</u>
Property and equipment, net	<u>\$ 4,104</u>	<u>\$ 12,493</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$8,389.

Note 4: Net assets:

Net assets of \$1,197,516 and \$1,162,327 were released from restrictions during the years ended June 30, 2020 and 2019, respectively, by satisfying purpose restrictions specified by donors on various awards.

Net assets of \$406,182 and \$1,053,698 were subject to support of specific programs as of June 30, 2020 and 2019, respectively.

Note 5: Employee retirement plan:

NSLA maintains a 401(k) defined contribution benefit plan covering substantially all employees. Participating employees may contribute amounts of their annual salary subject to the maximum contributions allowed under the Internal Revenue Code. Additionally, NSLA may also contribute employer provided discretionary amounts on an annual basis. There were \$14,934 and \$-0- employer contributions made to the plan for the years ended June 30, 2020 and 2019, respectively.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 6: Commitments:

In December 2012, NSLA entered into an agreement to lease office space. The lease agreement is for 96 months and allows for five months' occupancy with no payments and monthly payments thereafter of \$6,742 with annual escalations beginning December 2013. The lease, in addition to paying rent, required NSLA to pay utilities and other occupancy costs.

In July 2019, NSLA amended their office lease agreement for reduced office space. The amended lease agreement allows for monthly payments of \$4,275 for the month of November 2019 and \$4,402 from December 2019 to November 2020. Prior to year end, NSLA determined they would not renew their lease and closed their office subsequent to year end.

NSLA has several operating lease agreements for office equipment. The rental expenses related to those leases were \$10,513 and \$9,446 for the years ended June 30, 2020 and 2019, respectively.

Total lease expense for the years ended June 30, 2020 and 2019 was \$60,490 and \$87,496, respectively.

Future minimum annual rental commitments under operating leases and non-cancelable lease agreements are as follows for the years ended June 30:

	Office Space	Office Equipment	Total
2021	\$ 22,013	\$ 5,684	\$ 27,697
2022	-	3,667	3,667
2023	-	3,667	3,667
2024	-	1,834	1,834
	<u>\$ 22,013</u>	<u>\$ 14,852</u>	<u>\$ 36,865</u>

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 7: Related party transactions:

In 2015, NSLA obtained a \$50,000 promissory note from a board member. The note is interest only for the first three years with principal payments commencing January 1, 2019, with a final maturity date of January 1, 2021.

The promissory note is unsecured and bears interest at a yearly rate of 2.50%. The outstanding balance on the promissory note at June 30, 2020 and 2019 was \$28,593 and \$42,864, respectively. NSLA's future scheduled principal payment on the promissory note payable for the year ended June 30, 2021 is \$28,593. Subsequent to year end, the promissory note was paid in full.

Interest expense accrued to the related party totaled \$1,831 and \$625 for the years ended June 30, 2020 and 2019 of which NSLA paid \$-0- and \$938 for the years ending June 30, 2020 and 2019, respectively.

Note 8: Concentrations:

At June 30, 2020, there was no single contributor that made up more than 10% of the total contributions, grant and accounts receivable balance. Five contributors made up 73% of total revenue for the year ended June 30, 2020. At June 30, 2019, there was one contributor that made up 46% of the total contributions, grant and accounts receivable balance. Three contributors made up 59% of total revenue for the year ended June 30, 2019.

Note 9: Debt:

On May 2020, NSLA received loan proceeds in the amount of \$159,700 under the Payroll Protection Program. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. 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 payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. NSLA intends to use the proceeds for purposes consistent with the PPP.

National Summer Learning Association, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 10: Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited using various cost allocation techniques. Programmatic expenses, salaries, taxes and related benefits are allocated based on the estimated percentage of time each employee spends on each program activity. Administrative expenses are applied at the end of the year based on the same management approved allocations as salaries. Occupancy related costs are allocated based on the usage of the space. All other expenses are allocated based on the invoices received for the expense and the specific program/activity that the invoice relates to.

Note 11: Subsequent events:

In January 2021, NSLA was granted a loan in the amount of \$115,600 pursuant to the Paycheck Protection Program (the "PPP") under the Consolidated Appropriations Act, 2021. The loan will mature five years from the date on which SBA assigned the loan number for the loan and bears interest at a rate of 1.00% per annum. Funds from the loan may be used only for payroll and employee benefit costs, interest on mortgage obligations incurred before July 20, 2021, and rent and utility expenses covered under agreements entered into before July 20, 2021. Under the terms of the PPP, the loan will be forgiven if the funds are used only for such qualifying expenses and if the Company maintains its current level of staff and payroll.

Subsequent events have been evaluated through February 11, 2021, which is the date the financial statements were available to be issued.

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