The Child and Family Network Centers

Financial Statements
and
Independent Auditor's Report

June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees
The Child and Family Network Centers
Alexandria, Virginia

We have audited the accompanying financial statements of The Child and Family Network Centers (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Revenue Recognition

As discussed in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The adoption of this ASU did not result in a change to the accounting for any of the Organization's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2019, were audited by Halt, Buzas & Powell, Ltd., who merged with Sikich LLP as of January 1, 2020, and whose report dated October November 4, 2019, expressed an unmodified opinion on those statements.

Sikich LLP

Alexandria, Virginia
January 13, 2021

The Child and Family Network Centers

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash	$ 1,001,060	$ 616,776
Grants receivable	39,825	40,697
Prepaid expenses	7,265	6,753
Investments	220,760	203,900
Property and equipment, net	2,161,772	2,050,347
Construction in process	-	6,778
Other assets	2,000	2,000
Total assets	$ 3,432,682	$ 2,927,251
Liabilities and Net Assets		
Accounts payable	$ 10,125	$ 26,189
Accrued payroll and related compensation	42,016	45,591
Deferred revenue	-	7,222
Notes payable	851,365	1,042,201
Total liabilities	903,506	1,121,203
Net assets:		
Without donor restrictions	2,506,248	1,777,820
With donor restrictions	22,928	28,228
Total net assets	2,529,176	1,806,048
Total liabilities and net assets	$ 3,432,682	$ 2,927,251

The Child and Family Network Centers

Statement of Activities

For the Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Foundation grants	$ 651,078	$ -	$ 651,078
Government grants - Local	630,918	-	630,918
Government grants - Commonwealth of Virginia	623,134	-	623,134
Individual and community group contributions	322,790	-	322,790
Conditional contribution	254,135	-	254,135
Corporate contributions	120,598	-	120,598
In-kind contributions	62,569	-	62,569
Program fees	44,840	-	44,840
Government grants - Federal	10,000	-	10,000
Interest income	5,457	-	5,457
Other income	2,647	-	2,647
Investment income, net	845	-	845
Net assets released from restrictions:			
Satisfaction of donor restrictions	5,300	(5,300)	-
Total revenues	2,734,311	(5,300)	2,729,011
Expenses:			
Program services	1,704,500	-	1,704,500
Support services:			
Management and general	179,070	-	179,070
Development and fundraising	122,313	-	122,313
Total support services	301,383	-	301,383
Total expenses	2,005,883	-	2,005,883
Change in net assets	728,428	(5,300)	723,128
Net assets, beginning of year	1,777,820	28,228	1,806,048
Net assets, end of year	$ 2,506,248	$ 22,928	$ 2,529,176

The Child and Family Network Centers

Statement of Activities

For the Year Ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Foundation grants	$ 389,793	$ 14,930	$ 404,723
Government grants - Local	612,376	-	612,376
Government grants - Commonwealth of Virginia	642,605	-	642,605
Individual and community group contributions	348,325	6,100	354,425
Corporate contributions	115,554	7,000	122,554
In-kind contributions	85,780	-	85,780
Program fees	38,295	-	38,295
Special events, net of direct benefits	21,330	-	21,330
Interest income	6,847	-	6,847
Other income	4,648	-	4,648
Investment income, net	250	-	250
Net assets released from restrictions:			
Satisfaction of donor restrictions	44,682	(44,682)	-
Total revenues	2,310,485	(16,652)	2,293,833
Expenses:			
Program services	1,595,501	-	1,595,501
Support services:			
Management and general	171,186	-	171,186
Development and fundraising	149,067	-	149,067
Total support services	320,253	-	320,253
Total expenses	1,915,754	-	1,915,754
Change in net assets	394,731	(16,652)	378,079
Net assets, beginning of year	1,383,089	44,880	1,427,969
Net assets, end of year	$ 1,777,820	$ 28,228	$ 1,806,048

The Child and Family Network Centers

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program services	Management and general	Development and fundraising	Total support services	Total expenses
Bank fees and charges	$ 5,392	$ 1,866	$ -	$ 1,866	$ 7,258
Classroom meals	87,515	-	-	-	87,515
Computer and IT expenses	6,455	2,000	-	2,000	8,455
Consultants and professional fees	37,621	116,443	-	116,443	154,064
Depreciation and amortization	98,698	2,169	7,592	9,761	108,459
Event communications and supplies	3,425	992	19,485	20,477	23,902
Facilities and equipment	44,139	13,132	-	13,132	57,271
Fringe benefits	94,213	2,071	7,247	9,318	103,531
Gifts	85	168	-	168	253
In-kind supplies and assistance	17,084	-	-	-	17,084
Insurance	19,929	467	1,434	1,901	21,830
Interest	44,340	975	3,411	4,386	48,726
Licenses and fees	463	451	-	451	914
Miscellaneous	203	22	-	22	225
Moving expenses	462	-	-	-	462
Other operating expenses	26,163	6,602	1,022	7,624	33,787
Payroll expenses	1,114,018	28,640	82,101	110,741	1,224,759
Rent, including in-kind rent	79,908	-	-	-	79,908
Taxes and licenses	2,108	599	-	599	2,707
Training and development	21,137	2,473	21	2,494	23,631
Travel	1,142	-	-	-	1,142
Direct benefit to donors, goods	-	-	14,380	14,380	14,380
Subtotal expenses	1,704,500	179,070	136,693	315,763	2,020,263
Less direct benefit to donors	-	-	(14,380)	(14,380)	(14,380)
Total expenses	$ 1,704,500	$ 179,070	$ 122,313	$ 301,383	$ 2,005,883

See accompanying notes to the financial statements.

The Child and Family Network Centers

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program services	Management and general	Development and fundraising	Total support services	Total expenses
Bank fees and charges	$ 1,739	$ 6,621	$ 55	$ 6,676	$ 8,415
Classroom meals	121,521	-	-	-	121,521
Computer and IT expenses	14,703	4,652	-	4,652	19,355
Consultants and professional fees	18,285	69,810	23,400	93,210	111,495
Depreciation and amortization	42,838	10,657	3,292	13,949	56,787
Direct benefit to donors, goods	-	-	19,300	19,300	19,300
Event communications and supplies	21,614	5,946	20,294	26,240	47,854
Facilities and equipment	42,189	12,390	-	12,390	54,579
Fringe benefits	102,204	2,992	7,812	10,804	113,008
Gifts	289	-	-	-	289
In-kind supplies and assistance	42,643	-	-	-	42,643
Insurance	23,333	683	1,783	2,466	25,799
Interest	32,778	18,772	10,841	29,613	62,391
Licenses and fees	979	-	-	-	979
Moving expenses	669	-	-	-	669
Other operating expenses	31,098	5,474	1,306	6,780	37,878
Payroll expenses	1,015,993	29,746	77,655	107,401	1,123,394
Rent, including in-kind rent	67,813	-	-	-	67,813
Taxes and licenses	2,036	2,243	-	2,243	4,279
Training and development	10,981	1,082	2,629	3,711	14,692
Travel	1,796	118	-	118	1,914
Subtotal expenses	1,595,501	171,186	168,367	339,553	1,935,054
Less direct benefit to donors	-	-	(19,300)	(19,300)	(19,300)
Total expenses	$ 1,595,501	$ 171,186	$ 149,067	$ 320,253	$ 1,915,754

See accompanying notes to the financial statements.

The Child and Family Network Centers

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 723,128	$ 378,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	108,459	56,787
Donated equipment	-	(1,911)
Unrealized gain on investments	(2,092)	(250)
Realized loss on investment	1,247	-
Decrease (increase) in assets:		
Grants receivable	872	(2,500)
Capital Campaign contributions receivable	-	(24,234)
Prepaid expenses	(512)	19,081
Other assets	-	(2,000)
Increase (decrease) in liabilities:		
Accounts payable	(16,064)	(2,670)
Accrued payroll and related compensation	(3,575)	(32,056)
Deferred revenue	(7,222)	7,222
Total adjustments	81,113	17,469
Net cash provided by operating activities	804,241	395,548
Cash flows from investing activities:		
Purchases of property and equipment	(213,106)	(4,867)
Purchases of investments	(35,115)	(27,079)
Proceeds from sales of investments	19,100	23,416
Net cash used in investing activities	(229,121)	(8,530)
Cash flows from financing activities:		
Principal payments on notes payable	(190,836)	(31,143)
Principal payments on line of credit	-	(156,021)
Net cash used in financing activities	(190,836)	(187,164)
Net increase in cash	384,284	199,854
Cash, beginning of year	616,776	416,922
Cash, end of year	$ 1,001,060	$ 616,776
Supplemental disclosures of cash flow information:		
Interest paid	$ 48,726	$ 61,715

See accompanying notes to the financial statements.

1. Organization

Based in Alexandria, Virginia, The Child and Family Network Centers (the Organization) provides bilingual, high-quality, free education and intensive social services to at-risk children and families, the working poor with no benefits, to prepare and empower them for success in school and life. The Organization changes the trajectory of poverty by decreasing key risk factors. For the years ended June 30, 2020 and 2019, the Organization offered comprehensive early education services at five sites - seven classrooms.

The Organization was started in 1984 by a group of mothers living in a public housing community after they learned that 17 of their children failed kindergarten. From that modest beginning, the Organization has continuously expanded both the reach and depth of its services to address community needs. The Organization's program is designed to support its mission to provide caring, high-quality, free education and related services to at-risk children and their families in their own neighborhoods in order to prepare them for success in school and life.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

d. Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. U.S. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques

Following is a description of the valuation technique used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the technique used at June 30, 2020 and 2019.

- Fixed Income Mutual Funds: Valued at the daily closing price as reported by the fund.
- Common Stock: Valued at the daily closing price in an active market.

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This Organization is not classified as a private foundation.

f. Grants receivable

Grants receivable principally represent amounts due from foundation and government awards and are stated at their net realizable value. All grants receivable are unconditional. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. For the years ended June 30, 2020 and 2019, no allowance for doubtful accounts has been recognized.

g. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. If a restrictions expire within the same year that the income is earned, the income is included in net assets without donor restrictions. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements. Investment returns are reported net of external and direct internal investment expenses.

h. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	39 years
Computer equipment and software	5 years
Furniture and fixtures	5 - 12 years
Building improvements	39 years
Playground	10 years
Leasehold Improvements	3 years

The Organization's policy is to capitalize major additions and improvements over $1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred. Leasehold improvements are amortized over the shorter of the asset's useful life or the life of the lease.

i. Construction in process

Construction in process as of June 30, 2019 consisted of equipment purchased and donated for the construction of a playground. During the year ended June 30, 2020, the playground was placed in service and depreciation began on a straight line basis over the estimated useful life of 10 years.

j. Revenue recognition

Grants: A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position. As of June 30, 2020 and 2019, there were no unspent funds on the grants.

Contributions: The Organization recognizes contributions and certain grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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. The Organization reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as net assets without donor restrictions if the restriction expires in the same reporting period in which the contribution is recognized.

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Program fees: Program fees are recognized as revenue in the period in which services are provided or when an event takes place.

Special events: Special events are recognized as revenue, net of any direct benefits to donors, in the period in which the events take place.

k. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, payroll expenses, fringe benefits, depreciation and amortization, insurance and interest have been allocated among programs and supporting services based on level of effort. All other expenses including classroom supplies, in-kind supplies and assistance, rent and other operating expenses, are charged directly to the program or supporting service to which they relate.

l. Adoption of new accounting standard

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). This standard is intended to address questions stemming from ASU 2014-09, Revenue from Contracts with Customers (Topic 606), regarding its implications on grants and contracts of not-for-profit organizations. The Organization has adopted ASU 2018-08 on a modified prospective basis as of July 1, 2019. There was no material difference between revenue recognition under the new standard and revenue recognition under legacy U.S. GAAP.

m. New Pronouncements

FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer.

On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) *Effective Dates for Certain Entities*, to defer the effective date of FASB ASC 606 to fiscal years beginning after December 15, 2019 for nonprofit entities that have not yet issued financial statements due to the COVID-19 pandemic. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU No. 2016-02, as amended by 2020-05, is effective for nonprofit entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements.

In July 2018, FASB issued ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the transition methods. The Organization plans to adopt the new ASUs at the respective required implementation dates.

3. Liquidity and Availability

The following represents the Organization's financial assets at June 30:

Financial assets at year end:	2020	2019
Cash	$ 1,001,060	$ 616,766
Grants receivable	39,825	40,697
Investments	220,760	203,900
Total financial assets	1,261,645	861,363
Less amounts not available within one year:		
Net assets with donor restrictions	(22,928)	(26,228)
Financial assets available to meet general expenditures within one year	$ 1,238,717	$ 835,136

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $479,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2020 and 2019, the Organization had bank deposits in excess of FDIC limits of $751,053 and $152,656, respectively.

5. Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis at June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income mutual funds	$ 106,402	$ -	$ -	$ 106,402
Common stock	12,510	-	-	12,510
Total assets at fair value	$ 118,912	$ -	$ -	118,912
Money market funds*				50,876
Certificates of deposit*				50,972
Total investments				$ 220,760

There were no assets measured at fair value on a recurring basis at June 30, 2019. Total investments are as follows:

	Total
Money market funds*	$ 52,673
Certificates of deposit*	151,227
Total investments	$ 203,900

*Measured at amortized cost

6. Property and Equipment, Net

The following is a summary of property and equipment held at June 30:

	2020	2019
Building	$ 998,243	$ 998,243
Computer equipment and software	17,449	17,449
Furniture and fixtures	65,263	14,049
Building improvements	1,090,102	1,090,102
Playground	25,163	25,163
Leasehold improvements	168,670	-
Leasehold improvements	240,000	240,000
Property and equipment	2,604,890	2,385,006
Accumulated depreciation and amortization	(443,118)	(334,659)
Total property and equipment, net	$ 2,161,772	$ 2,050,347

7. Notes Payable

The Organization entered into a $1,200,000 note payable in connection with the acquisition and construction of a new facility during the year ended June 30, 2013. The note is secured by the facility and matures on September 30, 2038. The note has a call option, whereby the lender has the right to accelerate the maturity date of the note and all outstanding and unpaid principal, together with all accrued and unpaid interest, fees and expenses, shall be due and payable 120 months from the commencement date, or, if not exercised, again at 240 months from the commencement date, provided the lender give 60 days notice.

The note carries an interest rate of 5.05%, which has been determined by the Bank. The note allows for adjustments to the interest rate at various times within the note term, with the rate to be determined and agreed upon by the Bank and the Organization. Absent such a written agreement, the interest rate shall be the greater of 7% or 3 percentage points above the Prime Rate.

Monthly interest only payments for the note began on July 1, 2013, which changed to monthly payments of principal and interest on November 1, 2013 in the amount of $7,102. Periodic installments of principal must be at least $25,000 in each calendar year and the aggregate amount of all such periodic installments of principal had to equal $300,000 at December 31, 2018. On December 7, 2018, the Organization received permission from the bank to pay off their line of credit in full in lieu of the additional payment to bring the total principal paid to $300,000. On December 27, 2019, the Organization made a lump sum payment in the amount of $154,342. At June 30, 2020 and 2019, the note payable had a balance due of $851,365 and $1,042,201, respectively.

The Paycheck Protection Program (PPP) is a low-interest Small Business Administration (SBA) loan and generally covers eight weeks of payroll costs and may be forgiven entirely if the borrower meets certain conditions, such as staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The Organization was approved for a loan under this program on April 15, 2020 in the amount of $254,135, with an interest rate of 1% and a maturity date of April 15, 2022. As of January 13, 2021, which is the date the financial statements were available to be issued, management determined that the conditions for loan forgiveness had been met and the full amount of the loan is included as a conditional contribution in the accompanying statements of activities.

Aggregate future maturities of the notes payable are as follows for the years ending June 30:

2021	$ 53,217
2022	45,451
2023	47,800
2024	50,270
2025	52,869
2026 and thereafter	611,758
Total	$ 861,365

8. Commitments

Operating leases

During the year ended June 30, 2014, the Organization entered into a lease for classroom space in Alexandria, Virginia. The lease term ended in August 2017 and the Organization renewed the lease for a term of three years. The lease called for monthly rental payments of $1,459 and expired in August 2020. The Organization is continuing the lease on a month-to-month basis at the same rate until a new agreement is signed.

During the year ended June 30, 2016, the Organization entered into two single year agreements for classroom space in Alexandria, Virginia. The lease terms were extended, for two classrooms, until June 30, 2019. Lease terms for one of the classrooms was extended until June 30, 2020, at which time it expired. For the years ended June 30, 2020 and 2019, the annual rent payments were $10,000 and $20,000, respectively.

During the year ended June 30, 2019, the Organization entered into a three-year lease agreement for preschool/daycare space in Alexandria, Virginia commencing on September 1, 2019. The base rent is $33,800 with an annual escalation rate of 5%.

Rent expense, including in-kind rent (see Note 10), for the years ended June 30, 2020 and 2019 was $79,908 and $67,814, respectively.

Aggregate future minimum lease payments are as follows for the years ending June 30:

2021	$ 37,396
2022	36,969
2023	6,211
Total	$ 80,576

9. Net Assets With Donor Restrictions

For the years ended June 30, 2020 and 2019, net assets were released from donor restrictions in the amount of $5,300 and $44,682, respectively.

At June 30, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

	2020	2019
New Playground	$ 11,100	$ 11,100
Creative curriculum	11,828	15,128
Time restriction	-	2,000
Total net assets with donor restrictions	$ 22,928	$ 28,228

10. In-kind Contributions

The Organization has entered into lease agreements with the City of Alexandria for classroom space. The classrooms used at the Cora Kelly Elementary School and the Arlandria - Chirilagua Housing Cooperative are provided to the Organization at no cost. The fair value of the donated spaces is estimated at $11,000 for each location for each of the years ended June 30, 2020 and 2019.

Total fair value of donated space, which is recognized as in-kind contributions in the accompanying statements of activities, was $22,000 for each of the years ended June 30, 2020 and 2019. Also included as in-kind contributions are playground equipment, school supplies, student assistance and construction and legal services totaling $26,189 and $44,480, for the years ended June 30, 2020 and 2019, respectively. Donations of auction items totaling $14,380 and $19,300, for the years ended June 30, 2020 and 2019, respectively, were recorded as in-kind income with the value of these items netted out of the sales proceeds from the auction in the accompanying statements of activities.

11. Retirement Plan

The Organization established a 401(k) plan for all employees with contributions to the plan becoming fully vested for all participants upon enrollment. The Organization has the ability to make annual discretionary matching contributions. No contribution to the plan was made for the years ended June 30, 2020 and 2019.

12. Advertising Expense

The Organization expenses the cost of advertising as incurred. Advertising expense was $305 and $3,354 for the years ended June 30, 2020 and 2019, respectively.

13. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 13, 2021, which is the date the financial statements were available to be issued. Except as noted below, there were no subsequent events that require recognition of, or disclosure in, these financial statements.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Organization activities and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.