

## **Mission Graduates**

Financial Statements

June 30, 2020  
(With Comparative Totals for 2019)



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mission Graduates  
San Francisco, California

We have audited the accompanying financial statements of Mission Graduates (a California nonprofit corporation) (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 Mission Graduates 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.



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Global Network Limited

### **Emphasis of Matter**

As described in Note 12, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

### **Correction of Error**

As discussed in Note 3 to the financial statements, certain errors related to accounting for contribution revenue were discovered during the current year's audit. Accordingly, amounts reported for the statement of financial position and the statement of activities have been restated as of June 30, 2019 in the financial statements now presented to correct the error. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Mission Graduates's 2019 financial statements, and our report dated July 22, 2020 expressed an unmodified opinion on those audited financial statements. As discussed in Note 3 to the financial statements, Mission Graduates has adjusted its 2019 summarized comparative information to correct errors related to the accounting for contribution revenue. As part of our audit of the 2020 financial statements, we also audited the adjustments to the 2019 summarized comparative information to apply the restatement discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, adjusted for the restatement discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino<sup>LLP</sup>  
San Francisco, California

April 6, 2021

Mission Graduates  
Statement of Financial Position  
June 30, 2020  
(With Comparative Totals for 2019)

	2020	(Restated) 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 208,896	\$ 126,038
Contributions and grants receivable	903,694	457,967
Other accounts receivable	6,281	6,200
Prepaid expenses	119,827	88,920
Total current assets	1,238,698	679,125
Noncurrent assets		
Contributions receivable, net of current portion	528,740	349,494
Property and equipment, net	16,234	30,870
Deposits	19,349	10,905
Total noncurrent assets	564,323	391,269
Total assets	\$ 1,803,021	\$ 1,070,394
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 151,984	\$ 155,371
Accrued expenses	19,841	63,218
Accrued payroll and vacation	84,923	95,095
EIDL loan	10,000	-
Paycheck Protection Program loan	909,627	-
Total current liabilities	1,176,375	313,684
Net assets		
Without donor restrictions	(68,071)	601,487
With donor restrictions	694,717	155,223
Total net assets	626,646	756,710
Total liabilities and net assets	\$ 1,803,021	\$ 1,070,394

The accompanying notes are an integral part of these financial statements.

Mission Graduates  
Statement of Activities  
For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	(Restated) 2019 Total
Revenues, gains and other support				
Government grants	\$ 3,902,571	\$ -	\$ 3,902,571	\$ 3,068,685
Foundation, corporate and nonprofit grants	348,020	1,220,494	1,568,514	578,270
Individual contributions	689,532	-	689,532	502,217
Program fees	645,087	-	645,087	937,821
Special events	74,734	-	74,734	58,735
In-kind contributions	78,720	-	78,720	5,027
Investment earnings and other income	2	-	2	1,129
Net assets released from restriction	<u>681,000</u>	<u>(681,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,419,666</u>	<u>539,494</u>	<u>6,959,160</u>	<u>5,151,884</u>
Functional expenses				
Program services				
Extended Day Program	2,124,710	-	2,124,710	1,740,254
Mission Community Beacon	2,321,334	-	2,321,334	2,069,012
College Access	1,030,752	-	1,030,752	636,748
Parent Partner	<u>412,859</u>	<u>-</u>	<u>412,859</u>	<u>278,026</u>
Total program services	<u>5,889,655</u>	<u>-</u>	<u>5,889,655</u>	<u>4,724,040</u>
Support services				
Management and general	598,839	-	598,839	359,225
Fundraising	<u>600,730</u>	<u>-</u>	<u>600,730</u>	<u>381,781</u>
Total support services	<u>1,199,569</u>	<u>-</u>	<u>1,199,569</u>	<u>741,006</u>
Total functional expenses	<u>7,089,224</u>	<u>-</u>	<u>7,089,224</u>	<u>5,465,046</u>
Change in net assets	(669,558)	539,494	(130,064)	(313,162)
Net assets, beginning of year	<u>601,487</u>	<u>155,223</u>	<u>756,710</u>	<u>1,069,872</u>
Net assets (deficit), end of year	<u>\$ (68,071)</u>	<u>\$ 694,717</u>	<u>\$ 626,646</u>	<u>\$ 756,710</u>

The accompanying notes are an integral part of these financial statements.

Mission Graduates  
Statement of Functional Expenses  
For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	Extended Day Program	Mission Community Beacon	College Access	Parent Partner	Management and General	Fundraising	2020 Total	2019 Total
Personnel expenses								
Salaries and wages	\$ 1,365,549	\$ 1,417,892	\$ 553,474	\$ 207,021	\$ 403,855	\$ 342,896	\$ 4,290,687	\$ 3,291,700
Payroll taxes	289,898	308,024	117,268	46,182	85,241	76,345	922,958	699,476
Total personnel expenses	<u>1,655,447</u>	<u>1,725,916</u>	<u>670,742</u>	<u>253,203</u>	<u>489,096</u>	<u>419,241</u>	<u>5,213,645</u>	<u>3,991,176</u>
Legal fees	91,681	84,412	37,177	18,968	35,853	60,995	329,086	154,682
Professional services	128,792	219,998	25,022	330	536	471	375,149	348,535
Management fees	4,810	7,638	-	-	-	-	12,448	27,655
Program operating expenses	62,102	117,447	221,430	103,847	20,290	3,819	528,935	437,451
Office supplies	13,298	10,690	4,897	2,155	5,168	3,130	39,338	44,940
Occupancy	44,988	37,987	16,020	8,563	6,123	12,184	125,865	98,198
Technology and communications	37,911	35,697	15,056	8,156	9,228	10,332	116,380	120,095
Equipment rental	9,180	13,531	10,265	1,941	2,226	2,773	39,916	63,010
Staff training	12,001	12,564	6,389	3,010	8,436	12,008	54,408	56,108
Marketing expenses	407	372	151	87	7,079	39,853	47,949	21,333
Business expenses	24,497	18,220	8,377	4,054	4,844	23,806	83,798	61,914
Insurance	8,934	8,856	3,877	2,011	2,490	2,783	28,951	27,639
Depreciation and amortization	4,684	4,390	1,903	1,024	1,172	1,463	14,636	7,283
Contributions	25,978	23,616	9,446	5,510	6,298	7,872	78,720	5,027
	<u>\$ 2,124,710</u>	<u>\$ 2,321,334</u>	<u>\$ 1,030,752</u>	<u>\$ 412,859</u>	<u>\$ 598,839</u>	<u>\$ 600,730</u>	<u>\$ 7,089,224</u>	<u>\$ 5,465,046</u>

The accompanying notes are an integral part of these financial statements.

Mission Graduates  
Statement of Cash Flows  
For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	2020	(Restated) 2019
Cash flows from operating activities		
Change in net assets	\$ (130,064)	\$ (313,162)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	14,636	7,283
Changes in operating assets and liabilities		
Contributions and grants receivable	(624,973)	78,518
Other accounts receivable	(81)	(75,334)
Prepaid expenses	(30,907)	(16,676)
Deposits	(8,444)	(5,228)
Accounts payable	(3,387)	77,896
Accrued expenses	(43,377)	40,122
Accrued payroll and vacation	(10,172)	34,007
Net cash used in operating activities	(836,769)	(172,574)
Cash flows from investing activities		
Purchase of property and equipment	-	(35,277)
Net cash provided by (used in) investing activities	-	(35,277)
Cash flows from financing activities		
Proceeds from PPP loan	909,627	-
Proceeds from EIDL loan	10,000	-
Net cash provided by financing activities	919,627	-
Net increase (decrease) in cash and cash equivalents	82,858	(207,851)
Cash and cash equivalents, beginning of year	126,038	333,889
Cash and cash equivalents, end of year	\$ 208,896	\$ 126,038

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 1,052	\$ -
Tax	\$ 896	\$ 1,706

The accompanying notes are an integral part of these financial statements.



Mission Graduates  
Notes to Financial Statements  
June 30, 2020

1. NATURE OF OPERATIONS

Mission Graduates (the "Organization") is a California nonprofit benefit organization that increases the number of K-12 students in San Francisco's Mission District who are prepared for and complete a college education. Founded in 1972, initially called St. John's Educational Threshold Center, Mission Graduates was founded by members of The Episcopal Church of St. John the Evangelist as a tutoring program for under-performing neighborhood children. Three decades later, Mission Graduates clarified its commitment to getting more youth into college as a means to achieve economic equity for Latino and immigrant families.

The Organization has been a lifeline for San Francisco's Latino and immigrant residents for 47 years. Fulfilling their mission through a continuous pipeline of K-12 after-school, in-school, and summer programs, they provided services to over 3,700 low-income children, youth, and families during the year ended June 30, 2020. College education as an expectation and goal for every child is a theme woven throughout all of the Organization's programs.

Extended Day Program (EDP)

The EDP provides after-school and summer education at Alvarado and Marshall Elementary Schools and Thomas Edison Charter Academy to help over 700 students develop their English language skills and increase literacy levels, as well as shore up academic skills for students who are below grade in certain academic competencies. The EDP extends the learning day to ensure students can transition to middle school with the English language, literacy, and academic skills necessary to excel. The program consists of five core components: academic enrichment and guided reading interventions; project-based electives that incorporate literacy-building opportunities throughout each cycle; sports and recreation; community-building activities that foster group cohesion, build social skills, and model resiliency; and an early college awareness curriculum that prepares and motivates children to plan for college.

Mission Community Beacon (MCB)

Nearly 25 years ago, Mission Graduates partnered with the San Francisco Beacon Initiative and city and county founders to develop an innovative model for programming that meets more than just the academic or social needs of youth at Everett Middle School, it also creates a space for youth to develop into leaders in their community. This year, the MCB expanded to 27 sites in San Francisco, including Mission Graduates' sites at Bryant, Flynn, and Sanchez Elementary Schools and the existing Everett Beacon. Overlaying the programming of the Extended Day Programs, the MCB also provides a comprehensive hub of services during the school day and after school. The MCB serves over 1,700 youth and families, and expands the learning day beyond the school day, not only providing individualized academic interventions with credentialed teachers, but also an environment where future leaders can take ownership of their education, develop skills necessary to be successful, and begin working towards their goals of graduation and higher education.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

1. NATURE OF OPERATIONS (continued)

College Access

- College Connect (CC) - CC is a family-based college access and success program that launched in Spring 2008. CC annually recruits 25 four-year college bound high school juniors living, or attending school, in the Mission and Excelsior Districts of San Francisco and are the first generation to attend college. CC participants and their families receive support with: ACT preparation, Math and English Tutoring, personal statements and scholarship application coaching, obtaining financial assistance, choosing the best college that meets their personnel and academic needs, and making a successful transition to college, with support through graduation.

Currently, CC has 240 participants spread across 12 cohorts; 79 are alumni, 114 are college students, and 47 are high school juniors and seniors. 80% of the college students who have participated in the program are still persisting, or have received, their college degree, which is almost 3.5 times the state average of 23%. Mission Graduates has had great success in ensuring that finances are not a barrier to a college. Mission Graduates' 193 college students and alumni raised over \$5.3 million in college scholarships, as well as applying for all federal, state, and school financial aid.

- John O'Connell College and Career Center (JOCCC) - The JOCCC is an innovative partnership with John O'Connell High School, traditionally considered a vocational school, where the staff are embedded with teachers in the classroom. Being in the classroom during the school day allows staff to work with nearly 520 students, using the context of their relationship to discuss career and higher education aspirations. This model provides for a more integrated and holistic approach in assisting students with their future goals, as opposed to a separate college and career office that few students utilize.

Completing the fourth full year of the program, Mission Graduates has seen consistent program outcomes for O'Connell students. Of the entire graduating senior class, 94% were accepted into college, 55% were eligible for four-year universities, and 91% submitted applications.

Parent Partner Program

The Parent Partner Program increases the academic success and college prospects of Latino and immigrant youth by nurturing a strong culture of parent engagement to 600 parents at 11 school sites. This program complements the Organization's other core programs, ensuring that parents understand the educational system, how they can be partners in supporting their children's academic growth and college dreams, and how to advocate best for their children's needs. The Parent Partner Program provides parents with services that include: technology mentorship, ESL courses, ELAC coaching and advocacy preparation, parent success workshops, general family engagement consulting support, and school-wide meeting and planning preparation.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements and accompanying notes of the Organization have been prepared on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Organization reports its financial position and operating activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. This category of net assets also includes net assets to be held in perpetuity. The Organization had no net assets to be held in perpetuity as of June 30, 2020.

Change in accounting principle

In June 2018, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topics 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019 using the modified retrospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2020, the Organization did not have any cash equivalents. The Organization places its cash with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable

Contributions and grants receivables represent promises to give from donors and billed and uncollected service revenues provided under government and private contracts. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Receivables are stated at the amount management expects to collect from outstanding balances. Management has established an allowance for doubtful receivables based on prior collections experience and aging status of outstanding receivables. At June 30, 2020, there was no allowance for doubtful receivables.

Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that much be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation and amortization of property and equipment is computed using the straight-line method over three years for furniture and fixtures and equipment. Leasehold improvements are amortized over the lesser of the estimated useful lives or the remaining term of the lease.

Contributions

Contributions without donor restrictions are recorded as revenue without donor restrictions when received, or pledged when there is a reasonable expectation of collection. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt.

Contributions with donor restrictions are generally recognized as restricted revenue. Generally, donors place restrictions on contributions for a specific time period and/or a specific use or purpose. Once donor restrictions have been satisfied, revenue with donor restrictions is released and reclassified to revenue without donor restrictions.

Revenue recognition

The Organization recognizes revenue from government grants as the services are provided.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services

The Organization recognizes the value of donated goods at fair value. The Organization recognizes the fair value of donated services if the services enhance a non financial asset or if the services meet the recognition criteria which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. For the year ended June 30, 2020, donated goods and services recognized in the statement of activities amounted to \$78,720.

Income tax status

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax.

U.S. GAAP requires the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examinations for three years from the date of filing.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Advertising costs

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising costs for the year ended June 30, 2020 totaled \$3,844.

Concentration of credit risk

Contribution and grants receivable from three customers comprise 76% of the Organization's total contributions and grants receivable balance as of June 30, 2020.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Subsequent events

Management has evaluated subsequent events through April 6, 2021, the date on which the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

3. CORRECTION OF ERROR

During 2020, the Organization identified an error in the accounting for contribution revenue. A contribution in the amount of \$300,000 was improperly recognized during the year ended June 30, 2019. The statement of financial position and statement of activities have been restated for the year ended June 30, 2019.

The effects of the restatement to the 2019 financial statements are as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Total</u>
Contributions and grants receivable	\$ 1,107,461	\$ (300,000)	\$ 807,461
Foundation, corporate and nonprofit grants	\$ 878,270	\$ (300,000)	\$ 578,270
Change in net assets	\$ (13,162)	\$ (300,000)	\$ (313,162)
Net assets at June 30, 2019	\$ 1,056,710	\$ (300,000)	\$ 756,710

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Future collections of contributions and grants receivable are expected as follows:

Year ending June 30,

2021	\$ 903,694
2022	252,978
2023	231,762
2024	<u>44,000</u>
	<u>\$ 1,432,434</u>

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Furniture and fixtures	\$ 15,773
Leasehold improvements	16,523
Equipment	<u>2,981</u>
	35,277
Accumulated depreciation and amortization	<u>(19,043)</u>
	<u><u>\$ 16,234</u></u>

Depreciation expense amounted to \$14,636 for the year ended June 30, 2020.

6. LINE OF CREDIT

The Organization has a line of credit with a bank, with a borrowing limit of \$250,000. The line of credit bears interest at a rate of 12%. There was no outstanding balance on the line of credit as of June 30, 2020.

7. PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received loan proceeds in the amount of \$909,627 from a promissory note issued by Self-Help Federal Credit Union, under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 29, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recognized the PPP loan as a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The balance of the PPP loan at June 30, 2020 amounted to \$909,627.

Mission Graduates  
Notes to Financial Statements  
June 30, 2020

8. COMMITMENTS AND CONTINGENCIES

The Organization leases its facilities and equipment under various long-term operating lease agreements that expire at various dates through August 2023. The facilities lease calls for escalating rent payments. Rent expense is recognized on a straight-line basis over the term of the lease agreement.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2021	\$ 73,396
2022	31,520
2023	5,524
2024	<u>41</u>
	<u>\$ 110,481</u>

Rent expense amounted to \$116,405 for the year ended June 30, 2020.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

College Access	\$ 20,000
Parent Partner Program	60,000
Promise Scholars	539,717
Time restricted	<u>75,000</u>
	<u>\$ 694,717</u>

Net assets with donor restrictions released from restriction during the year were as follows:

College Access	\$ 278,500
Promise Scholars	175,000
Mission Community Beacon	45,000
Parent Partner Program	60,000
Time restricted	75,000
Other	<u>47,500</u>
	<u>\$ 681,000</u>



Mission Graduates  
Notes to Financial Statements  
June 30, 2020

10. RETIREMENT PLAN

The Organization allows its employees to defer a portion of their salary into a defined contribution plan (the "Plan") under section 403(b) of the Internal Revenue Code. The Plan covers all eligible employees who have attained 21 years of age. The Organization makes matching contributions of up to 3% of the participant's salary or the maximum allowed by the Internal Revenue Code. Matching contributions amounted to \$76,200 for the year ended June 30, 2020.

11. LIQUIDITY AND FUNDS AVAILABLE

The Organization's financial assets are available to meet its general expenditures, liabilities, and other obligations as they come due. Contributions and grants receivable to be collected within one year are available for general expenditure. Other accounts receivable will be collected within one year and are available for general expenditure. Monthly, management reviews the Organization's financial position and ensures that a reasonable cash position is being maintained.

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2020 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 208,896
Contributions and grants receivable	1,432,434
Other accounts receivable	<u>6,281</u>
	<u>1,647,611</u>
Less: amounts unavailable for general expenditures within one year	
Restricted for specified programs	<u>(619,717)</u>
	<u>(619,717)</u>
	<u>\$ 1,027,894</u>

12. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Agency is headquartered. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.