BREAKTHROUGH ATLANTA, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

BREAKTHROUGH ATLANTA, INC.

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Report of Independent Auditor

To the Board of Trustees
Breakthrough Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Breakthrough Atlanta, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 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 Breakthrough Atlanta, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Atlanta, Georgia
December 15, 2021

BREAKTHROUGH ATLANTA, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS		
Cash and cash equivalents	$	1,091,301
Contributions receivable, net		26,706
Due from The Lovett School		120,604
Investment held by The Lovett School		3,676,194
Prepaid expenses		24,100
Property and equipment, net		102,124
Total Assets	$	5,041,029
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$	85,896
Accrued salaries, benefits, and payroll taxes		64,292
Total Liabilities		150,188
Net Assets:		
Without donor restriction		1,168,479
With donor restriction		3,722,362
Total Net Assets		4,890,841
Total Liabilities and Net Assets	$	5,041,029

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

BREAKTHROUGH ATLANTA, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2021
Operating Revenue:			
Contributions	$ 680,890	$ 460,000	$ 1,140,890
In-kind contributions	344,272	-	344,272
Other income	1,220	-	1,220
Investment returns, net	692	-	692
Appropriation of endowment earnings for operations	105,442	-	105,442
Net assets released from restrictions	379,445	(379,445)	-
Total Operating Revenues	1,511,961	80,555	1,592,516
Expenses:			
Program	995,893	-	995,893
General and administrative	130,851	-	130,851
Fundraising	264,875	-	264,875
Total Program Expenses	1,391,619	-	1,391,619
Change in Net Assets from Operating Activities	120,342	80,555	200,897
Nonoperating Activities:			
Capital campaign, net	1,235	5,407	6,642
Investment returns, net of appropriation of endowment earnings for operations	68,654	698,914	767,568
Net nonoperating assets released from restrictions	79,601	(79,601)	-
Change in Net Assets from Nonoperating Activities	149,490	624,720	774,210
Change in net assets	269,832	705,275	975,107
Net assets, beginning of year	898,647	3,017,087	3,915,734
Net assets, end of year	$ 1,168,479	$ 3,722,362	$ 4,890,841

BREAKTHROUGHT ATLANTA, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Change in net assets	$ 975,107
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	79,522
Change in reserve for uncollectible campaign pledges	(6,098)
Amortization of contributions receivable discount	(6,642)
Net realized and unrealized gains on investments held by The Lovett School	(837,907)
Contributions restricted for long-term purposes	(1,525)
Change in operating assets and liabilities:	
Contributions receivable, net	399,714
Due from The Lovett School	(18,922)
Prepaid expenses	(24,100)
Accounts payable and accrued expenses	(7,268)
Accrued salaries, benefits, and payroll taxes	(18,360)
Net cash flows from operating activities	533,521
Cash flows from investing activities:	
Net additions to investments held by The Lovett School	293,428
Net cash flows from investing activity	293,428
Cash flows from financing activity:	
Proceeds from contributions restricted for long-term purposes	1,525
Net cash flows from financing activity	1,525
Change in cash and cash equivalents	828,474
Cash and cash equivalents, beginning of year	262,827
Cash and cash equivalents, end of year	$ 1,091,301
Supplemental information and noncash transactions:	
Property and equipment acquisition included in accounts payable	$ 56,480

Note 1—Nature of business

Breakthrough Atlanta, Inc. (“the Organization”) was founded in 1996 as a program hosted by The Lovett School, Inc. The Organization operates a 6-year college preparatory program for underserved, middle and high public school students from the metro area, as well as a teaching fellowship program for undergraduate students. On February 11, 2020, the Organization was incorporated as a separate entity under the state laws of Georgia. The Organization is a controlled entity of The Lovett School, Inc. (the “School”) and, therefore, the financial statements of the Organization are included in the consolidated financial statements of the School.

Breakthrough Atlanta, Inc. pursues a dual mission to place highly motivated, underserved students on a path to post-secondary enrollment and success, and to inspire the next generation of teachers and education leaders. Our vision is to create an empowering educational experience that results in equitable access to higher education for our students and prepares our teaching fellows for education sector roles, enabling all of our students, teaching fellows, and instructional coaches to achieve their full potential as learners, teachers, leaders, and agents of change in their communities. Breakthrough Atlanta, Inc. is one of 24 Breakthrough Collaborative affiliates across the United States. The Organization has supported more than 2,000 students in their college pursuits, many of whom are the first in their families to earn bachelor’s degrees. In addition, the Organization has inspired more than 500 college students to become educators.

Note 2—Summary of significant accounting policies

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and disclosure of contingent assets and liabilities on the date of the financial statements. Actual realizable values could differ from these estimates.

Basis of Presentation – The financial statements have been prepared using the accrual basis of accounting in accordance with U.S. GAAP. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets without donor restrictions are currently available for use in operations, invested in property and equipment, or available for use as designated by the Board of Trustees (the “Board”).
>
> *Net Assets With Donor Restrictions* – Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose, or law, as well as to account for contributions whereby the donor has permitted the Organization to use the income for specified or unspecified purposes but has restricted the spending of principal.

Operating and Nonoperating Activities – Operating results on the statement of activities includes revenue from programs and endowment return appropriated for spending based on application of the Organization’s endowment spending policy, annual fund contributions, and other operating revenues. Operating expenses are reported on the statement of activities by functional classifications.

Nonoperating activities on the statement of activities include: a) endowment return in excess of amounts utilized for operations as defined by the Organization’s spending policy; b) capital, endowed, and planned gifts; c) release from restriction of contributions given for acquisition of property and equipment; d) fundraising contributions in connection with capital campaigns; and e) activities considered to be of an unusual or non-recurring nature.

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – Contributions and contributions receivable are recognized as revenue at the date of donation. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with the risk of the contribution at the date of donation. Amortization of the discounts is included in capital campaign revenue in the accompanying statement of activities. Management evaluates the collectability of the Organization's contributions receivable and provides an allowance for uncollectable contributions receivable when necessary. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return or right of release are not recognized until the conditions on which they depend have been substantially met.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose or time restriction is satisfied, the net assets are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities as net assets released from restrictions.

Cash and Cash Equivalents – Cash and cash equivalents are short-term, highly-liquid investments with original maturities of three months or less. At times, cash and cash equivalents may exceed federally insured amounts. The Federal Deposit Insurance Company insures up to $250,000 per financial institution. Uninsured balances aggregated approximately $313,000 at June 30, 2021. The Organization believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Investments Held by The Lovett School – The Organization has placed financial assets with the School for investment management. These financial assets are pooled with the School's investments and are held by the School in its name. The School's investment consists primarily of money market accounts, equity funds, fixed income funds, commingled investment funds, limited partnership interests, and real estate. The School is not registered with the Securities and Exchange Commission as an investment company and, therefore, there is no readily determinable market value for investments held by the pool. These amounts are managed and maintained by the School on a pooled "mutual fund" accounting basis with investment returns, including interest and dividends, and realized and unrealized gains and losses on investments in the pool being allocated to the Organization based upon its weighted average percentage of the pooled investment funds in which it is participating. Participation in the School's investment pool is voluntary. The School is governed by its Board of Trustees. Investment expenses allocated to the Organization by the School totaled $8,008 for the year ended June 30, 2021.

Property and Equipment – Purchases of property and equipment are recorded at cost net of accumulated depreciation. All additions equal to or greater than $5,000 are capitalized. Donated property and equipment are reflected as contributions at their estimated value on the date the property and equipment is received or becomes an unconditional promise to give. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, principally 5 to 10 years for vehicles.

Impairment of Long-Lived Assets and Real Estate Investments – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance, market value, and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the year ended June 30, 2021, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets or real estate investments may not be recoverable.

Note 2—Summary of significant accounting policies (continued)

Fair Value Measurements – Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs to measure their fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

Level inputs as defined by Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Pricing inputs other than Level 1 which are either directly or indirectly observable.

Level 3 – Unobservable pricing inputs developed using the Organization's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be the market data that is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Organization evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will be rare.

Fair Value Measurements of Financial Instruments – In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The estimates are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. These estimates may differ substantially from amounts that could be realized in an immediate sale or settlement of the instrument.

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, accounts payable, and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amount of contributions receivable approximate fair value since contributions to be received after one year are discounted at a rate commensurate with the risk involved.

In-Kind Contributions – The Organization received services from the School for which the School does not charge the Organization. The value of these services is reported as in-kind contributions revenue and expense on the statement of activities. See Note 11.

Future Accounting Standards – In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases, (Topic 842),* increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. This standard is effective for the fiscal year ending June 30, 2023. FASB ASU 2016-02 is not expected to have a material impact on the Organization's financial statements.

Note 2—Summary of significant accounting policies (continued)

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance in this ASU will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, the following will have to be disclosed: (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit will disclose a description of the programs or other activities in which those assets were used; (2) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; and (4) a description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition. This standard is effective for the fiscal year ending June 30, 2022. Management is currently evaluating the impact of this standard on the Organization's financial statements.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30, 2021:

Financial assets, at year-end:	
Cash and cash equivalents	$ 1,091,301
Contributions receivable, net - due within one year	17,125
Due from The Lovett School	120,604
Investments	3,676,194
Total financial assets as of June 30	4,905,224
Resources appropriated by the Board and available for the next year:	
Appropriation from Board-designated endowments	26,039
Appropriation from donor-restricted endowments	91,463
Total financial assets and Board appropriations	5,022,726
Less net assets unavailable to meet cash needs for general expenditures within one year:	
Subject to purposes and time restrictions	1,763,539
Board-designated endowment	725,358
Donor-restricted endowments, adjusted for contributions receivable	1,938,992
Financial assets not available to be used within one year	4,427,889
Financial assets available to meet cash needs for general expenditures within one year	$ 594,837

The Organization obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the Organization must maintain sufficient resources to meet those responsibilities of its donors. Investment returns from donor-restricted endowments that are restricted for specific purposes or for time are not available for general expenditure. Due to the donor restrictions above, certain financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4—Investments and fair value

The Organization's investments balances under management by the School as of June 30, 2021 are as follows:

Investments held by the School	$	3,676,194

Investment returns, net of investment management fees, earned on funds pooled with the investments of the School for the year ended June 30, 2021 consisted of the following:

Operating:		
Interest income, net	$	692
Total operating investment returns, net	$	692
Nonoperating:		
Interest and dividend income, net	$	35,103
Net realized and unrealized gains		837,907
Total nonoperating investment returns, net		873,010
Endowment returns appropriated for operations		(105,442)
Nonoperating investment returns after endowment returns appropriated for operations	$	767,568

Investment returns are reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use. Investment returns related to operating activities include the earnings from the cash management accounts and operating bank accounts of the Organization. Investment returns related to nonoperating activities include earnings from the endowment accounts and long-term investments.

Note 4—Investments and fair value (continued)

The following table summarizes information about the fair value of the pooled investments of the School, of which the Organization's financial assets are pooled and invested at June 30, 2021, according to the asset category and the valuation techniques used to determine their fair values:

	(Level 1)	(Level 2)	(Level 3)	Total
Investments at fair value:				
Money market accounts	0.4%	0.0%	0.0%	0.4%
Equity funds:				
U.S. equities	47.0%	0.0%	0.0%	47.0%
International developed markets	5.1%	0.0%	0.0%	5.1%
Emerging markets	4.7%	0.0%	0.0%	4.7%
Fixed income funds	23.4%	0.0%	0.0%	23.4%
Other	0.4%	0.0%	0.0%	0.4%
Subtotal investments carried at fair value	81.0%	0.0%	0.0%	81.0%
Investments carried at other than fair value:				
Investments measured at NAV (*)				15.9%
Real estate - rental properties				0.7%
Limited partnership interests (*)				2.0%
Cash surrender value of life insurance policies				0.4%
CD's and time deposits				0.1%
Total investments				100%

(*) In accordance with FASB ASC *Subtopic 820-10 Fair Value Measurements*, commingled investment funds and limited partnership interests that were measured at net asset value ("NAV") per unit (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

Note 5—Contributions receivable, net

Contributions receivable represent unconditional promises to give from donors which are collectible in future years. These amounts are recorded as contributions based upon the net present value of the amounts expected to be collected using discount rates commensurate with the associated risk at the date of donation. Discount rates range from 4.37% to 8.39%. Amortization of the contributions receivable discount is included in capital campaign revenue in the accompanying statement of activities. An allowance for uncollectible contributions receivable is provided based upon management's judgment of the collectability of outstanding contributions.

Contributions receivable at June 30, 2021 are expected to be realized and have been recorded as follows:

Less than one year	$	18,250
One to five years		10,000
		28,250
Less allowance for uncollectible contributions receivable		(1,125)
Present value discount		(419)
Contributions receivable, net	$	26,706

Note 6—Property and equipment, net

The components of property and equipment, net recorded in the financial statements at June 30, 2021 are as follows:

Furniture, fixtures and equipment	$	698,174
Less accumulated depreciation		(596,050)
Property and equipment, net	$	102,124

Depreciation expense for property and equipment totaled $79,522 for the year ended June 30, 2021.

Note 7—Retirement plan

The employees of the Organization participated in the School's defined contribution retirement plan, which allows the Organization's employees to participate in the Teacher's Insurance and Annuity Association – College Retirement Equities Fund ("TIAA-CREF") retirement program. Individual employees contract directly with TIAA-CREF in accordance with Section 403(b) of the Internal Revenue Code. The Organization withholds employees' bi-weekly contributions and remits them to TIAA-CREF. The Plan provides for automatic enrollment for elective deferrals, as well as employer-matching contributions up to 6% of compensation and discretionary-employer contributions of 2% to 6% of compensation. Employer contributions totaled $8,125 for the year ended June 30, 2021. Employer contributions made on behalf of the Organization by the School totaled $35,353 for the year ended June 30, 2021 and are recorded as in-kind contributions and employee benefits expense. See Note 11.

Note 8—Net assets

Net assets without donor restrictions at June 30, 2021 consisted of the following:

Investment in property and equipment	$	102,124
Board-designated endowment		725,358
Undesignated		340,997
Total net assets without donor restrictions	$	1,168,479

Net assets with donor restrictions at June 30, 2021 consisted of the following:

Subject to expenditure for specified purpose:		
Educational programs	$	751,695
Total subject to expenditure for specified purpose		751,695
Subject to passage of time:		
Accumulated endowment gains subject to spending policy and appropriation		1,011,844
Total subject to passage of time		1,011,844
Total restricted for specified purpose and time		1,763,539
Restricted in perpetuity:		
Contributions receivable – endowment		19,831
Endowment funds subject to spending policy and appropriation as follows:		
Programs		1,938,992
Total restricted in perpetuity		1,958,823
Total net assets with donor restrictions	$	3,722,362

Net assets with donor restrictions for the year ended June 30, 2021 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Specified purpose - educational	$	72,445
Passage of time		307,000
Appropriated endowment return		79,601
Total releases from restriction	$	459,046
Released for operating activities	$	379,445
Released for nonoperating activities		79,601
Total releases from restriction	$	459,046

Note 9—Endowment funds

Interpretation of Relevant Law Related to Endowment Funds – The Organization's endowment assets consist of approximately seven individual endowment funds established for educational purposes. Endowment assets include those donor-restricted funds the Organization must hold in perpetuity (donor-restricted endowments). The School's Board, who manages the Organization's endowments, has interpreted Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act (GPMIFA) as requiring the preservation of the fair value of the original donor-restricted endowment gift as of the date of the gift, absent explicit donor stipulations to the contrary. The School, therefore, classifies the original value of the donor-restricted endowment gift (initial or subsequent), under net assets with donor restrictions. Investment return accumulates in net assets with donor restrictions until such time as it is appropriated for expenditure by the School's Board using the School's spending policy. Even though appropriated by the School's Board for expenditure, if a donor stipulates a purpose restriction, then it must be met before the assets can be released from restriction.

Investment and Spending Policies of Endowment Funds – The School has established prudent investment and spending polices related to the management and expenditure from its endowment funds. These policies have been established and are reviewed periodically by the School's management and the Finance and Endowment Committees of the School's Board. The School takes into account the need to preserve the fair value of the original gift, the purposes for which the fund was established, overall economic conditions (to include the effects of inflation and deflation), the expected total investment return, and other resources of the Organization in determining the expenditure of endowment funds.

The School's spending policy for the years ended June 30, 2021 was calculated based on 4.5% of the 12-quarter moving average of the market value as of September 30 of the previous year. Endowment assets are transferred to the operating budget each July.

The investment objective of the endowment is to attain an average annual real total return (net of investment management fees) in excess of the spending rate over the long term. It is recognized that the real return objective will be difficult to attain in every three-year period but should be attainable over a series of three-year periods.

The endowment net asset composition by type of fund is as follows at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments:			
Restricted in perpetuity	$ -	$ 1,938,992	$ 1,938,992
Accumulated investment gains	-	1,011,844	1,011,844
Board-designated endowment	725,358	-	725,358
Total endowment funds	$ 725,358	$ 2,950,836	$ 3,676,194

Note 9—Endowment funds (continued)

The changes in endowment net assets for the years ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	$ 577,103	$ 2,232,044	$ 2,809,147
Additions	-	-	-
Contributions	-	99,479	99,479
Investment returns, net	174,096	698,914	873,010
Amounts appropriated for expenditure	(25,841)	(79,601)	(105,442)
End of the year	$ 725,358	$ 2,950,836	$ 3,676,194

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as reductions in net assets with donor restrictions. There were no such deficiencies at June 30, 2021.

The School's Board has determined it remains prudent, for the uses, benefits, purposes, and duration for which the endowments were established, for the Organization to continue to utilize its existing spending policy for endowments, including those that are underwater.

Note 10—Expenses by nature and function

Expenses have been classified on a functional basis on the statements of activities. Expenses related to the salaries and wages, employee benefits, supplies and other services and occupancy and maintenance, are allocated to operating programs, general and administrative and fundraising expenses based on employee headcount.

Operating expenses by natural classification are as follows as of June 30, 2021:

	Program Activities	General and Administrative	Fundrasing	Total June 30, 2021
Salaries and wages	$ 468,894	$ 62,984	$ 199,928	$ 731,806
Employee benefits	122,815	19,133	42,973	184,921
Supplies and other services	222,562	41,574	17,322	281,458
Occupancy and maintenance	102,100	7,160	7,740	117,000
Depreciation	79,522	-	-	79,522
Bad debt recoveries	-	-	(3,088)	(3,088)
	$ 995,893	$ 130,851	$ 264,875	$ 1,391,619

Note 11—In-kind contributions

The Organization receives contributed goods and services from the School. The Organization's in-kind contributions consisted of the following as of June 30, 2021:

Salaries and wages	$	72,690
Employee benefits		105,720
Classroom rental		53,200
Office rent		28,800
Bus maintenance and fuel		30,000
Supplies and other services		53,862
Total in-kind contributions	$	344,272

The Organization values in-kind contributions of goods and services using estimated average prices of identical or similar products or services using pricing data of similar products or services under a "like-kind" methodology, considering the utility of the services and goods at the date of the contribution. Contributed facilities were valued using like-kind methodology for similar size facilities in the surrounding area. No in-kind contributions were restricted. The Organization does not sell donated gifts in-kind and only uses services, goods, and facilities for its own program or supporting service activities.

Note 12—Contingencies

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Note 13—Subsequent events

Management of the Organization has evaluated subsequent events through December 15, 2021, the date the financial statements were available for issuance and has determined that there are no subsequent events requiring disclosure.