

# **STEPPINGSTONE FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

## **Vision Statement**

Steppingstone envisions a more just and equitable world where all students can actualize the life-transforming benefits of a college degree.

## **Mission Statement**

Steppingstone prepares students from historically marginalized communities to access, navigate, and graduate from college.

- In Boston, we provide academic, social-emotional, and college readiness programming from as early as fifth grade and continuing through college graduation.
- Nationally, we connect the people, practices, and innovations essential for eliminating barriers to college and career success.

**STEPPINGSTONE FOUNDATION, INC.**

Contents  
June 30, 2020 and 2019

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## Independent Auditor's Report

To the Board of Directors of  
Steppingstone Foundation, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Steppingstone Foundation, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Steppingstone Foundation, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*AAFCPAs, Inc.*

Boston, Massachusetts  
November 17, 2020

**STEPPINGSTONE FOUNDATION, INC.**

Statements of Financial Position  
June 30, 2020 and 2019

Assets	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash and cash equivalents	\$ 1,138,853	\$ 370,432	\$ 1,509,285	\$ 554,588	\$ 697,100	\$ 1,251,688
Investments	559,000	-	559,000	165,000	-	165,000
Current portion of pledges receivable, net	246,572	493,812	740,384	411,990	548,717	960,707
Accounts receivable	51,692	-	51,692	2,344	-	2,344
Prepaid expenses and other	47,699	-	47,699	114,106	-	114,106
Total current assets	<u>2,043,816</u>	<u>864,244</u>	<u>2,908,060</u>	<u>1,248,028</u>	<u>1,245,817</u>	<u>2,493,845</u>
Investments	1,333,232	1,666,296	2,999,528	1,169,022	1,546,079	2,715,101
Pledges Receivable, net	-	1,248,810	1,248,810	-	933,616	933,616
Property and Equipment, net	96,769	-	96,769	77,782	-	77,782
Deposits	<u>107,854</u>	<u>-</u>	<u>107,854</u>	<u>101,178</u>	<u>-</u>	<u>101,178</u>
Total assets	<u>\$ 3,581,671</u>	<u>\$ 3,779,350</u>	<u>\$ 7,361,021</u>	<u>\$ 2,596,010</u>	<u>\$ 3,725,512</u>	<u>\$ 6,321,522</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable, accrued expenses and other	\$ 195,619	\$ -	\$ 195,619	\$ 137,379	\$ -	\$ 137,379
Refundable advances	182,000	-	182,000	-	-	-
Deferred revenue	<u>88,323</u>	<u>-</u>	<u>88,323</u>	<u>147,553</u>	<u>-</u>	<u>147,553</u>
Total current liabilities	<u>465,942</u>	<u>-</u>	<u>465,942</u>	<u>284,932</u>	<u>-</u>	<u>284,932</u>
Note Payable	547,200	-	547,200	-	-	-
Deferred Rent	<u>196,036</u>	<u>-</u>	<u>196,036</u>	<u>222,881</u>	<u>-</u>	<u>222,881</u>
Total liabilities	<u>1,209,178</u>	<u>-</u>	<u>1,209,178</u>	<u>507,813</u>	<u>-</u>	<u>507,813</u>
Net Assets:						
Without donor restrictions:						
Operating	361,203	-	361,203	522,351	-	522,351
Board designated - BJC Fund for Scholars	1,914,521	-	1,914,521	1,488,064	-	1,488,064
Property and equipment	<u>96,769</u>	<u>-</u>	<u>96,769</u>	<u>77,782</u>	<u>-</u>	<u>77,782</u>
Total without donor restrictions	<u>2,372,493</u>	<u>-</u>	<u>2,372,493</u>	<u>2,088,197</u>	<u>-</u>	<u>2,088,197</u>
With donor restrictions	-	3,779,350	3,779,350	-	3,725,512	3,725,512
Total net assets	<u>2,372,493</u>	<u>3,779,350</u>	<u>6,151,843</u>	<u>2,088,197</u>	<u>3,725,512</u>	<u>5,813,709</u>
Total liabilities and net assets	<u>\$ 3,581,671</u>	<u>\$ 3,779,350</u>	<u>\$ 7,361,021</u>	<u>\$ 2,596,010</u>	<u>\$ 3,725,512</u>	<u>\$ 6,321,522</u>

The accompanying notes are an integral part of these statements.

**STEPPINGSTONE FOUNDATION, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Fundraising events	\$ 1,039,822	\$ -	\$ 1,039,822	\$ 1,053,247	\$ 579,227	\$ 1,632,474
Less - cost of direct benefit to donors	(114,761)	-	(114,761)	(97,634)	-	(97,634)
Net fundraising event revenue	925,061	-	925,061	955,613	579,227	1,534,840
Contributions and grants	2,648,822	975,761	3,624,583	2,445,503	719,385	3,164,888
Membership income	141,222	-	141,222	146,831	-	146,831
Conference and related	114,401	-	114,401	310,150	-	310,150
Other income	86,914	-	86,914	73,319	-	73,319
Interest and dividend income	50,991	-	50,991	90,244	-	90,244
Investment return designated for current operations	37,836	-	37,836	36,647	-	36,647
In-kind revenue	36,900	-	36,900	4,028	-	4,028
Satisfaction of time restrictions-fundraising events	531,727	(531,727)	-	546,802	(546,802)	-
Satisfaction of time restrictions-other	226,634	(226,634)	-	230,020	(230,020)	-
Satisfaction of purpose restrictions	307,934	(307,934)	-	470,490	(470,490)	-
Total operating revenue and support	5,108,442	(90,534)	5,017,908	5,309,647	51,300	5,360,947
<b>Operating Expenses:</b>						
Program services						
The Steppingstone Academy	2,184,703	-	2,184,703	2,184,097	-	2,184,097
College Success Academy	918,042	-	918,042	954,140	-	954,140
National Partnership for Educational Access	381,018	-	381,018	490,789	-	490,789
Replication	-	-	-	14,519	-	14,519
Total program services	3,483,763	-	3,483,763	3,643,545	-	3,643,545
Supporting services:						
General and administrative	634,392	-	634,392	645,628	-	645,628
Development	796,515	-	796,515	719,462	-	719,462
Total supporting services	1,430,907	-	1,430,907	1,365,090	-	1,365,090
Total operating expenses	4,914,670	-	4,914,670	5,008,635	-	5,008,635
Changes in net assets from operations	193,772	(90,534)	103,238	301,012	51,300	352,312
<b>Other Revenue (Expenses):</b>						
Investment returns	54,764	158,188	212,952	(30,319)	77,013	46,694
Capital contributions and grants	35,760	33,000	68,760	-	-	-
Cancellation of pledges	-	-	-	-	(500)	(500)
Endowment contributions	-	(8,980)	(8,980)	-	545,567	545,567
Investment return designated for current operations	-	(37,836)	(37,836)	-	(36,647)	(36,647)
Total other revenue (expenses)	90,524	144,372	234,896	(30,319)	585,433	555,114
Changes in net assets	284,296	53,838	338,134	270,693	636,733	907,426
<b>Net Assets:</b>						
Beginning of year	2,088,197	3,725,512	5,813,709	1,817,504	3,088,779	4,906,283
End of year	\$ 2,372,493	\$ 3,779,350	\$ 6,151,843	\$ 2,088,197	\$ 3,725,512	\$ 5,813,709

The accompanying notes are an integral part of these statements.

**STEPPINGSTONE FOUNDATION, INC.**

Statements of Cash Flows  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 338,134	\$ 907,426
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,916	31,557
Endowment contributions	8,980	(545,567)
Net unrealized and realized (gains) losses on investments	(144,388)	88,219
Capital contributions and grants	(68,760)	-
Cancellation of pledge	-	500
Bad debt	613	12,054
Changes in operating assets and liabilities:		
Pledges receivable	(115,077)	(572,208)
Accounts receivable	(49,348)	1,366
Prepaid expenses and other	66,407	(14,716)
Deposits	(6,676)	(11,128)
Accounts payable, accrued expenses and other	45,048	9,976
Refundable advances	182,000	-
Deferred revenue	(59,230)	(5,392)
Deferred rent	(13,653)	(14,114)
Net cash provided by (used in) operating activities	<u>204,966</u>	<u>(112,027)</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(39,903)	-
Sale of investments	849,024	2,200,524
Purchase of investments	(1,383,063)	(2,167,791)
Net cash provided by (used in) investing activities	<u>(573,942)</u>	<u>32,733</u>
<b>Cash Flows from Financing Activities:</b>		
Endowment contributions collected	10,613	-
Capital grant	68,760	-
Proceeds from note payable	547,200	-
Net cash provided by financing activities	<u>626,573</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	257,597	(79,294)
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,251,688</u>	<u>1,330,982</u>
End of year	<u>\$ 1,509,285</u>	<u>\$ 1,251,688</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 4,659</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 10,113</u>

**STEPPINGSTONE FOUNDATION, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2020

	Program Services			Supporting Services			
	The Steppingstone Academy	College Success Academy	National Partnership for Educational Access	Total Program Services	General and Administrative	Development	Total
<b>Payroll and Related:</b>							
Staff and faculty salaries	\$ 1,270,680	\$ 549,667	\$ 223,575	\$ 2,043,922	\$ 380,075	\$ 470,063	\$ 2,894,060
Benefits and taxes	230,692	93,874	51,738	376,304	62,318	74,616	513,238
Total payroll and related	<u>1,501,372</u>	<u>643,541</u>	<u>275,313</u>	<u>2,420,226</u>	<u>442,393</u>	<u>544,679</u>	<u>3,407,298</u>
<b>Other:</b>							
Occupancy	263,480	105,415	38,256	407,151	54,651	84,709	546,511
Scholar and family services	186,074	33,344	-	219,418	-	-	219,418
Professional fees	7,071	2,337	7,296	16,704	71,912	88,773	177,389
Scholar transportation	61,327	60,524	-	121,851	-	-	121,851
Event expense	-	-	-	-	-	114,761	114,761
Classroom facility	82,391	22,212	-	104,603	-	-	104,603
Meetings and travel	6,685	2,916	7,346	16,947	10,940	59,310	87,197
Information technology	16,480	4,229	14,483	35,192	1,868	6,187	43,247
Office equipment and supplies	20,394	7,146	2,348	29,888	3,611	6,779	40,278
Insurance	12,402	5,068	1,438	18,908	8,634	3,184	30,726
Conference	-	-	22,283	22,283	-	-	22,283
Depreciation	10,419	6,937	708	18,064	1,012	1,840	20,916
Program evaluation	671	17,105	-	17,776	-	-	17,776
Books and classroom materials	10,296	6,671	-	16,967	-	-	16,967
Miscellaneous	1,390	210	10,934	12,534	521	1,054	14,109
Contributions	2,000	-	-	2,000	1,950	-	3,950
Recruitment and admission	2,251	387	-	2,638	-	-	2,638
Bad debt	-	-	613	613	-	-	613
Total other	<u>683,331</u>	<u>274,501</u>	<u>105,705</u>	<u>1,063,537</u>	<u>155,099</u>	<u>366,597</u>	<u>1,585,233</u>
In-Kind	-	-	-	-	36,900	-	36,900
Total expenses	<u>2,184,703</u>	<u>918,042</u>	<u>381,018</u>	<u>3,483,763</u>	<u>634,392</u>	<u>911,276</u>	<u>5,029,431</u>
Less - cost of direct benefit to donors	-	-	-	-	-	(114,761)	(114,761)
Total expenses per statements of activities and changes in net assets	<u>\$ 2,184,703</u>	<u>\$ 918,042</u>	<u>\$ 381,018</u>	<u>\$ 3,483,763</u>	<u>\$ 634,392</u>	<u>\$ 796,515</u>	<u>\$ 4,914,670</u>

The accompanying notes are an integral part of these statements.

STEPPINGSTONE FOUNDATION, INC.

Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Program Services				Supporting Services			
	The Steppingstone Academy	College Success Academy	National Partnership for Educational Access	Replication	Total Program Services	General and Administrative	Development	Total
<b>Payroll and Related:</b>								
Staff and faculty salaries	\$ 1,174,181	\$ 538,911	\$ 205,613	\$ 10,244	\$ 1,928,949	\$ 308,958	\$ 405,562	\$ 2,643,469
Benefits and taxes	226,382	108,371	50,360	1,587	386,700	55,630	67,941	510,271
Total payroll and related	1,400,563	647,282	255,973	11,831	2,315,649	364,588	473,503	3,153,740
<b>Other:</b>								
Occupancy	310,445	113,219	45,770	587	470,021	48,117	68,655	586,793
Scholar and family services	203,821	32,700	-	-	236,521	-	-	236,521
Professional fees	9,223	2,185	12,964	11	24,383	182,992	56,616	263,991
Scholar transportation	63,813	63,399	-	-	127,212	-	-	127,212
Event expense	-	-	-	-	-	-	97,634	97,634
Classroom facility	99,861	24,239	-	-	124,100	-	-	124,100
Meetings and travel	12,598	9,011	2,846	8	24,463	20,412	93,271	138,146
Information technology	16,721	4,680	7,688	20	29,109	2,039	5,170	36,318
Office equipment and supplies	23,234	7,299	2,558	32	33,123	3,204	5,636	41,963
Insurance	13,378	5,166	1,591	20	20,155	8,254	2,387	30,796
Conference	-	-	143,962	-	143,962	-	-	143,962
Depreciation	17,781	7,702	789	10	26,282	830	4,445	31,557
Program evaluation	1,221	34,123	-	-	35,344	-	-	35,344
Books and classroom materials	9,787	2,502	-	-	12,289	-	-	12,289
Miscellaneous	467	107	10,925	-	11,499	420	120	12,039
Contributions	-	-	-	2,000	2,000	-	-	2,000
Recruitment and admission	1,010	-	-	-	1,010	-	-	1,010
Bad debt	-	-	3,198	-	3,198	-	8,856	12,054
Taxes	-	-	-	-	-	10,113	-	10,113
Interest expense	-	-	-	-	-	4,659	-	4,659
Total other	783,360	306,332	232,291	2,688	1,324,671	281,040	342,790	1,948,501
In-Kind	174	526	2,525	-	3,225	-	803	4,028
Total expenses	2,184,097	954,140	490,789	14,519	3,643,545	645,628	817,096	5,106,269
Less - cost of direct benefit to donors	-	-	-	-	-	-	(97,634)	(97,634)
Total expenses per statements of activities and changes in net assets	\$ 2,184,097	\$ 954,140	\$ 490,789	\$ 14,519	\$ 3,643,545	\$ 645,628	\$ 719,462	\$ 5,008,635

The accompanying notes are an integral part of these statements.



## **STEPPINGSTONE FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2020 and 2019

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### **1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

#### **NATURE OF ACTIVITIES**

The Steppingstone Foundation, Inc. (the Foundation) is a nonprofit organization that was established and incorporated on May 11, 1990. Its primary purpose is to prepare students from historically marginalized communities to access, navigate, and graduate from college. The Steppingstone Academy (TSA) in Boston targets motivated, underserved fourth- and fifth-grade students and provides these students with an intensive fourteen-month after-school and summer academic program designed to assist these students in gaining admission to independent and public exam schools in the sixth- and seventh-grades, respectively. After completing the fourteen-month academic component, support services such as mentoring, counseling, and college guidance are provided to ensure that the students graduate from high school and complete college.

The Scholars Program in Philadelphia was initiated in 1998 and was modeled after The Steppingstone Academy. In 2004, the Scholars Program became a separate corporate entity, Steppingstone Scholars, Inc., with the Foundation as the sole member of the corporation. Effective January 1, 2011, the Foundation resigned as sole member, and Steppingstone Scholars, Inc. continued as an affiliate of the Foundation. In 2006, Hartford Youth Scholars Foundation became an affiliate member. Both affiliate members have licensed The Steppingstone Academy, which is based on the Boston Program model. Through its Replication program, the Foundation provided management and program support to both Steppingstone Scholars, Inc. and Hartford Youth Scholars Foundation as outlined in its Affiliate Memorandum of Understanding until June 30, 2019.

In 2007, the Foundation launched the National Partnership for Educational Access (NPEA), a membership association for programs working in collaboration with college preparatory schools to increase educational opportunities for motivated underserved students. NPEA members include education nonprofits, schools, and colleges and universities located throughout the country. NPEA members share best practices, network, receive professional development, and can access educational services for their students as a benefit of participating in NPEA.

In 2010, the Foundation launched the College Success Academy (CSA), a program that admits hardworking fourth graders in Boston public K-8 schools. The program includes academic, socioemotional, and college readiness services during the summer and after-school during the academic year starting the summer before fifth grade and continuing until eighth grade. When Scholars reach ninth grade, support services such as mentoring, counseling, and college guidance are provided to ensure that the students graduate from high school and complete college.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Adoption of New Accounting Standards

On July 1, 2019, the Foundation adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Foundation adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

On July 1, 2019, the Foundation adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606). The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Due to the Foundation's revenue recognition policies and nature of contractual revenue, there was not a material impact to revenue recognition as a result of adopting this standard.

The Foundation has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Foundation's net asset classes, results of operations, or cash flows for the year ended June 30, 2019. This ASU has been applied retrospectively to all periods presented.

##### Classification and Reporting of Net Assets

The Foundation has the following net asset classes:

- **Net assets without donor restrictions** represent the portion of net assets of the Foundation that are not restricted by donor-imposed stipulations and are generally available for use by the Foundation. The Foundation has grouped its net assets without donor restrictions into the following categories:

**Operating** represents funds available to carry on the operations of the Foundation.

**Board designated - Brian J. Conway Fund (BJC Fund) for Scholars** represents funds set aside by the Board of Directors to be used for working capital with Board approval.

**Property and equipment** reflect and account for the activities relating to the Foundation's property and equipment.

**STEPPINGSTONE FOUNDATION, INC.**Notes to Financial Statements  
June 30, 2020 and 2019**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Classification and Reporting of Net Assets (Continued)**

- **Net assets with donor restrictions** represent contributions and grants received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for without donor restrictions in future years (time restricted). Net assets with donor restrictions also include endowment funds accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are net assets with donor restrictions subject to expenditure for a specified purpose until appropriated by the Board of Directors, and are released to net assets without donor restrictions based on the Foundation's investment spending policy (see Note 4).

**Net assets with donor restrictions** are restricted for the following at June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or time:		
Brian J. Conway Fund for Scholars - Time	\$ 914,875	\$ 95,260
Time - other	161,048	304,701
Scholarship Fund	101,734	51,484
Compensation/Staffing	99,274	154,609
College Services	92,130	172,794
Time - Fundraising Events	48,111	601,579
Campaign Consulting	45,000	70,000
Scholar Chromebooks	33,000	-
Visual Thinking Strategies	27,669	40,819
Kelly D. Glew Fund	24,263	24,263
Michael P. Danziger Teaching Fellowship	22,088	42,835
First Gen Ahead	9,683	-
Fundraising database funding	9,058	-
College Success Academy	8,372	41,222
NPEA	4,915	-
Uniforms/Dresses	266	266
Program Evaluation and Strategic Plan	-	43,853
Steppingstone Academy	-	25,335
	<u>1,601,486</u>	<u>1,669,020</u>
Subject to the Foundation's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of \$2,011,068 and \$2,010,048 as of June 30, 2020 and 2019, respectively)	<u>2,177,864</u>	<u>2,056,492</u>
	<u>\$ 3,779,350</u>	<u>\$ 3,725,512</u>

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Classification and Reporting of Net Assets (Continued)

Investment in perpetuity - original gift amounts are restricted for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
General endowment	\$ 1,650,974	\$ 1,670,567
Michael P. Danziger Teaching Fellowship endowment	<u>360,094</u>	<u>339,481</u>
	<u>\$ 2,011,068</u>	<u>\$ 2,010,048</u>

There were \$10,000 and \$339,481 of net assets with donor restrictions subject to expenditure for the Michael P. Danziger Teaching Fellowship that were re-designated by donors to Michael P. Danziger Teaching Fellowship Endowment Fund during fiscal years 2020 and 2019, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts.

##### Accounts and Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable consist of contributions and grants with and without donor restrictions intended for the current fiscal year and received after year-end, and pledges for contributions expected to be received in future periods. An allowance for doubtful accounts and pledges is provided based upon management's judgment of potential defaults, if any. Management determines the allowance by identifying doubtful accounts and by using historical experience applied to an aging of pledges. If a pledge is deemed uncollectible, it is written off. Recoveries of pledges previously written off are recorded as contributions when received. No allowance for doubtful accounts or pledges receivable was recorded at June 30, 2020. An allowance for doubtful pledges of \$6,400 was recorded at June 30, 2019. No allowance for doubtful accounts receivable was recorded at June 30, 2019.

##### Investments

The Foundation values its investments at estimated fair value (see Note 4).

Investment income from the investments without donor restrictions is reported as operating revenue and support. Investment income, net of fees, realized gains (losses), and unrealized gains (losses) from the endowment and Board-designated investments is reported as investment return in other revenue.

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

##### Property and Equipment

Property and equipment consist of office equipment, furniture and capitalized software and are recorded at cost or fair value at the date of donation. Property and equipment are depreciated over the estimated useful lives of the respective assets (three to ten years) using the straight-line method (see Note 5).

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Foundation should not consider probability of compliance with the barrier when determining if such awards are conditional and they should be reported as conditional grant advance liabilities until such conditions are met. See Note 13 for conditional grants at June 30, 2020. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period the promise is received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at 1.5%, which is commensurate with the risk involved (see Note 3). Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions and grants received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

The Foundation reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Gifts of items other than cash or investments represent in-kind contributions, which are recorded as received or, if related to a fundraising event, at the time of the event.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the net asset with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Revenue earned from sponsorship or attendance at fundraising events is recognized at the time of the event. Expenses incurred in connection with an event that provides direct benefit to the donors are charged against the revenue earned from the event.

Conference revenue is recognized in the period in which the event takes place. Membership income is recognized over each member's membership year. Interest income is recognized as it is earned and dividend income is recorded at the ex-dividend date. All other income is recognized as it is earned.

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### In-Kind Contributions

The Foundation receives in-kind goods and professional services in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by management and the donors. During the fiscal years ended June 30, 2020 and 2019, respectively, the Foundation received \$36,900 and \$10,970 of in-kind contributions, including \$6,942 which is included in fundraising events revenue and cost of direct benefit to donors on the accompanying statement of activities and changes in net assets as of June 30, 2019 (see page 12).

In-kind contributions include the following for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
Strategic planning consultation	\$ 36,000	\$ -
Donated IT equipment	900	-
Food and beverage	-	7,142
Fundraising expenses	-	3,328
Program materials & services	-	500
	<u>\$ 36,900</u>	<u>\$ 10,970</u>

The Foundation receives services of many volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since it does not meet the recognition criteria in accordance with U.S. GAAP.

##### Deferred Revenue and Refundable Advances

Amounts representing the ticket value received in advance of a fundraising event are recorded as deferred revenue until the event is held. Beginning on July 1, 2019, under ASU 958, sponsorship amounts received in advance of a fundraising event are also recorded as refundable advances until the event is held.

Conference, membership, and other income not yet earned as of June 30, 2020 and 2019, is also included in deferred revenue on the accompanying statements of financial position.

##### Income Tax Status and Tax Positions

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The Foundation's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Subsequent Events

The Foundation has evaluated subsequent events through November 17, 2020, when the financial statements were available to be issued. See Note 7 for an event that met the criteria for recognition or disclosure in the financial statements.

##### Expense Allocation

Expenses related directly to a function are distributed to that function. The financial statements contain certain categories of expenses that are not directly attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, occupancy, insurance, office equipment and supplies, information technology, and depreciation, which are allocated based on estimates of time and effort.

##### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Other revenue (expenses) includes endowment, investment, and capital activity.

### 2. CONCENTRATIONS

The Foundation maintains its cash balances in two banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to specified amounts. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents.

One funder represents 75% and 56% of pledges receivable as of June 30, 2020 and 2019, respectively.

One funder represents 24% and 19% of operating revenue and support for the years ended June 30, 2020 and 2019, respectively.

Pledges from Board members represent approximately 76% and 66% of the outstanding pledges receivable as of June 30, 2020 and 2019, respectively (see Note 3).

### 3. PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are expected to be collected as follows at June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 741,384	\$ 1,218,107
One to five years	<u>1,293,000</u>	<u>694,434</u>
	2,034,384	1,912,541
Less - reserve for doubtful pledges	-	6,400
Less - unamortized discount	<u>45,190</u>	<u>11,818</u>
	<u>\$ 1,989,194</u>	<u>\$ 1,894,323</u>



## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 3. PLEDGES RECEIVABLE (Continued)

Long-term pledges receivable in the accompanying statements of financial position as of June 30, 2020 and 2019, include \$1,000 and \$251,000, respectively, of endowment restricted pledges which are due in the following fiscal year. These have been reflected as long-term pledges receivable based on the permanent restriction of the gifts. Long-term pledges receivable in the accompanying statements of financial position as of June 30, 2020 and 2019, also include approximately \$533,000 and \$307,000, respectively, on endowment restricted long-term pledges, net of discount.

During fiscal year 2019, the Foundation determined that one prior year pledge commitment of \$500 was not collectible. The reduction in pledges receivable is reflected as cancellation of pledges in the accompanying statement of activities and changes in net assets for the year ended June 30, 2019.

### 4. INVESTMENTS AND SPENDING POLICY

The Foundation adheres to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of a restricted endowment fund to be held in perpetuity as the institution determines is prudent for the uses, benefits, purposes, and duration for which the restricted endowment fund is established. The assets in a restricted endowment fund to be held in perpetuity are donor-restricted assets until appropriated for expenditure by the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that aim to provide a level of support for the Foundation and its programs, while maintaining or enhancing the purchasing power of the endowment in accordance with UPMIFA. Under the investment policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced accordingly, if necessary. The Foundation relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

The Foundation has a policy of appropriating for operations each year a percentage of the rolling average of the prior twelve quarter-end fair values ending June of the fiscal year prior to which the distribution is planned. Commencing in fiscal year 2019, the spending policy allows for an appropriation percentage of 3.5%. There was an appropriation in the amount of \$37,836 and \$36,647 during the years ending June 30, 2020 and 2019, respectively.

In addition to its permanently restricted net assets, the Foundation applies its investment strategy and spending policy to both the Board designated BJC Fund and the Michael P. Danziger Teaching Fellowship net assets with donor restrictions.

The following is a summary of investments at fair value (see Note 1) as of June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
Equity Mutual Fund	\$ 2,913,720	\$ 2,429,361
Money Market Mutual Fund	624,808	450,740
Government Money Market	20,000	-
Publicly Traded Stocks	-	-
	<u>                    </u>	<u>                    </u>
Total investments	<u>\$ 3,558,528</u>	<u>\$ 2,880,101</u>

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 4. INVESTMENTS AND SPENDING POLICY (Continued)

Investments are classified as long-term due to management's intent to hold these investments for long-term purposes, except for Board-designated investments that management expects will be liquidated and used for operations in the following fiscal year. Investments are not insured and are subject to ongoing market fluctuations.

Investment returns consist of the following for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Net unrealized gains (losses)	\$ 144,530	\$ (88,219)
Interest and dividends	68,564	134,913
Net realized losses	<u>(142)</u>	<u>-</u>
	<u>\$ 212,952</u>	<u>\$ 46,694</u>

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 215,807	\$ 218,161
Website and database	81,836	46,076
Office equipment	<u>79,559</u>	<u>75,958</u>
	377,202	340,195
Less - accumulated depreciation	<u>280,433</u>	<u>262,413</u>
	<u>\$ 96,769</u>	<u>\$ 77,782</u>

Depreciation expense was \$20,916 and \$31,557 for the fiscal years ended June 30, 2020 and 2019, respectively.

### 6. OPERATING LEASES

In June 2014, the Foundation entered into a lease agreement for new office space, which commenced in December 2014. This lease called for free rent through April 2015, at which time monthly rent payments commenced. This lease expires in April 2025. There is an option to extend the term of the lease for an additional ten years. In accordance with ASC Topic, *Leases*, the Foundation records the related rent expense on a straight-line basis over the life of the lease. As of June 30, 2020 and 2019, the Foundation recorded \$222,881 and \$236,534, respectively, of deferred rent in the accompanying statements of financial position. At June 30, 2020 and 2019, the current portion of deferred rent of \$26,845 and \$13,653, respectively, is included in accounts payable, accrued expenses, and other in the accompanying statements of financial position. The Foundation also leases parking spaces from the landlord.

Total rent expense under the lease, including parking and other occupancy costs, was \$504,069 and \$529,008 for the years ended June 30, 2020 and 2019, respectively, and is included in occupancy in the accompanying statements of functional expenses.

In addition, the Foundation has operating leases for various office equipment with monthly lease payments totaling \$3,212, expiring through March 2022. Total rent expense for office equipment under these leases was \$36,624 and \$34,889 for the years ended June 30, 2020 and 2019, respectively, and is included in office equipment and supplies in the accompanying statements of functional expenses.

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 6. OPERATING LEASES (Continued)

Following is a schedule of future minimum lease payments for the years ending June 30:

	<u>Facility</u>	<u>Equipment</u>
2021	\$ 498,815	\$ 31,122
2022	\$ 512,007	\$ 18,650
2023	\$ 525,199	\$ -
2024	\$ 530,696	\$ -
2025	\$ 398,022	\$ -

### 7. LINE OF CREDIT AGREEMENT

In July 2018, the Foundation entered into a line of credit agreement which allows for borrowings of 95% of available cash collateral, up to \$750,000. Borrowings bear interest at the U.S. prime rate minus one percent (3.75% and 4.5% at June 30, 2020 and 2019, respectively) and are secured by all assets of the Foundation. This line of credit was renewed in August, 2020. All borrowings are due and payable on June 16, 2021. This line of credit is secured by a \$500,000 certificate of deposit in the name of a member of the Board of Directors (see Note 8), which is held at the same bank.

There were no outstanding balances on the above line of credit agreement at June 30, 2020 and 2019.

In connection with the above line of credit agreement, the Foundation is required to comply with certain covenants. As of June 30, 2020 and 2019, the Foundation was in compliance with these covenants.

### 8. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is Head of School at a school where the Foundation leases program space. The lease is negotiated annually with the facilities department of the school. The total cost of the lease was \$67,064 and \$73,170 for the years ended June 30, 2020 and 2019, respectively.

The Foundation's line of credit (see Note 7) is partially secured by a certificate of deposit in the name of a member of the Board of Directors.

### 9. RETIREMENT PLAN

The Foundation has a defined contribution retirement plan under Section 403(b) (the Plan). The Foundation's contribution to the Plan is equal to the employee's contribution with a limit based on length of service for eligible employees. The Foundation's contributions to the Plan for the years ended June 30, 2020 and 2019, totaled \$68,576 and \$74,829, respectively, and are included in benefits and taxes in the accompanying statements of functional expenses. The plan allows employees to make supplementary voluntary contributions subject to IRC limits.

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 10. ENDOWMENT

The Foundation's endowment was established in October 2017, and consists of donor-restricted funds established to generate income to be used for general operating purposes and for the Michael P. Danziger Teaching Fellowship (see Note 1).

A reconciliation of endowment activity for the years ended June 30, 2020 and 2019, is as follows:

Total Endowment net assets, June 30, 2018	\$ 1,139,513
Endowment contributions	545,567
Re-designation of net assets (see Note 1)	339,481
Investment return designated for current operations	<u>(36,647)</u>
Investment return:	
Interest and dividends	126,478
Net unrealized losses	<u>(57,900)</u>
Total investment returns	<u>68,578</u>
Total Endowment net assets, June 30, 2019	<u>2,056,492</u>
New endowment contributions	10,613
Adjustment to endowment pledge discount	<u>(19,593)</u>
Net endowment contributions	(8,980)
Re-designation of net assets (see Note 1)	10,000
Investment return designated for current operations	<u>(37,836)</u>
Investment return:	
Interest and dividends	68,564
Net unrealized gains	90,537
Net realized losses	<u>(913)</u>
Total investment returns	<u>158,188</u>
Total Endowment net assets, June 30, 2020	<u>\$ 2,177,864</u>

## STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2020 and 2019

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### 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,509,285	\$ 1,251,688
Investments	559,000	165,000
Current portion of pledges receivable	740,384	960,707
Accounts receivable	<u>51,692</u>	<u>2,344</u>
Total financial assets	2,860,361	2,379,739
Less - current portion of pledges receivable with donor restrictions	(358,312)	(270,717)
Less - cash and cash equivalents and investments with donor restrictions	<u>(312,421)</u>	<u>(282,373)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,189,628</u>	<u>\$ 1,826,649</u>

The Foundation has a policy to structure its financial assets to be available as its obligations become due. As of June 30, 2020, the Foundation has financial assets equal to approximately five months of operating expenses. The Foundation also has up to \$475,000 available to draw on its line of credit.

### 12. NOTE PAYABLE

In fiscal year 2020, the Foundation applied for and was awarded a forgivable loan of \$547,200 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2020. There was no accrued interest on the note payable as of June 30, 2020, as it would be immaterial to the overall financial statements. As of June 30, 2020, the Foundation has not submitted the application for forgiveness. However, the Foundation anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term in the accompanying statement of financial position as of June 30, 2020.

### 13. CONDITIONAL CONTRIBUTIONS

During fiscal year 2020, the Foundation was awarded a \$100,000 grant from a foundation that is conditional based on various criteria, as defined in the agreement. The second year of this grant, totaling \$50,000 as of June 30, 2020, is conditional upon the Foundation overcoming certain barriers. This amount not been recorded in the accompanying financial statements as the barriers have not yet been overcome. Management expects to recognize the second year of this award during fiscal year 2021.

**STEPPINGSTONE FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2020 and 2019

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**14. CONTINGENCY**

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Foundation's operations and financial position. Any financial impact to the Foundation, if any, cannot be reasonably estimated at this time.