Lafayette Partners in Education

Financial Statements

For the years ended
June 30, 2020 and 2019
With Independent Auditors’ Report Thereon

(A California Not-for-Profit Corporation)

Contents

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lafayette Partners in Education

We have audited the accompanying financial statements of Lafayette Partners in Education (a California nonprofit organization) 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 Lafayette Partners in Education 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.

Regalia & Associates

December 16, 2020
Danville, California

Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets:		
Cash and cash equivalents	**$ 453,990**	$ 982,493
Investments	**2,091,317**	2,037,626
Interest and dividends receivable	**3,749**	3,444
Accounts and contributions receivable	**28,540**	73,282
Prepaid expenses and other assets	**43,931**	9,272
Total current assets	**2,621,527**	3,106,117
Noncurrent Assets:		
Right of use asset - premises	**49,184**	49,348
Deposits	**1,800**	1,800
Total assets	**$ 2,672,511**	$ 3,157,265

Liabilities and Net Assets

	2020	2019
Liabilities:		
Accounts payable and accrued liabilities	**$ 20,267**	$ 76,670
Accrued payroll liabilities	**6,153**	682
Loan payable to SBA under Payroll Protection Program	**36,197**	-
Lease payable - current	**25,191**	25,355
Total current liabilities	**87,808**	102,707
Lease payable - noncurrent portion	**23,993**	23,993
Total liabilities	**111,801**	126,700
Net Assets:		
Without donor restrictions	**2,547,095**	3,019,185
With donor restrictions	**13,615**	11,380
Total net assets	**2,560,710**	3,030,565
Total liabilities and net assets	**$ 2,672,511**	$ 3,157,265

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

	2020	2019
Changes in net assets without donor restrictions:		
Revenue and support:		
Donations	**$ 3,869,325**	$ 4,053,729
Events	**360,316**	471,955
Endowment fund contributions	**-**	125,829
Miscellaneous income	**-**	2,447
Net assets released from restrictions	**11,380**	3,388
Total revenue and support	**4,241,021**	4,657,348
Expenses:		
Programs	**4,336,525**	4,162,348
Fundraising	**289,786**	347,355
General and administrative	**85,824**	75,412
Total expenses	**4,712,135**	4,585,115
Increase (decrease) in net assets without donor restrictions	**(471,114)**	72,233
Changes in net assets with donor restrictions:		
Donations	**13,615**	9,380
Net assets released from restrictions	**(11,380)**	(3,388)
Increase in net assets with donor restrictions	**2,235**	5,992
Increase (decrease) in net assets before investment earnings, net	**(468,879)**	78,225
Investment earnings (losses), net	**(976)**	92,501
Net assets at beginning of year	**3,030,565**	2,859,839
Net assets at end of year	**$ 2,560,710**	$ 3,030,565

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

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ (469,855)**	$ 170,726
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Realized and unrealized (gains) losses on investments	**49,177**	(46,468)
Changes in:		
Interest and dividends receivable	**(305)**	150
Accounts and contributions receivable	**44,742**	(73,282)
Prepaid expenses and other assets	**(34,659)**	(654)
Right of use asset - premises	**164**	-
Accounts payable and accrued liabilities	**(56,403)**	(208,690)
Accrued payroll liabilities	**5,471**	(5,617)
Net cash used for operating activities	**(461,668)**	(163,835)
Cash flows from investing activities:		
Acquisition of investments and income reinvested	**(415,976)**	(248,154)
Proceeds from sale/redemption of investments	**313,108**	86,068
Capitalization of right of use asset	**-**	(49,348)
Net cash used for investing activities	**(102,868)**	(211,434)
Cash flows from financing activities:		
Increase in lease payable	**24,286**	49,348
Principal payments applied to lease payable	**(24,450)**	-
Proceeds from SBA payroll protection loan	**36,197**	-
Net cash provided by financing activities	**36,033**	49,348
Decrease in cash and cash equivalents	**(528,503)**	(325,921)
Cash and cash equivalents at beginning of year	**982,493**	1,308,414
Cash and cash equivalents at end of year	**$ 453,990**	$ 982,493
Supplemental Disclosures:		
Interest expense	**$ -**	$ -
State Registration Fees	**$ 150**	$ 150

Statement of Functional Expenses
For the Year Ended June 30, 2020
(with Summarized Financial Information for the Year Ended June 30, 2019

	Programs	Fund-raising	General and Adminis-trative	**2020 Total Expenses**	**2019 Total Expenses**
Art	$ 135,820	$ -	$ -	**$ 135,820**	$ 140,656
Instructional aides	489,999	-	-	**489,999**	445,000
Math	38,563	-	-	**38,563**	137,000
Music	451,755	-	-	**451,755**	492,345
Professional development and teacher support	371,045	-	-	**371,045**	515,394
Science	435,221	-	-	**435,221**	536,171
Social studies	80,590	-	-	**80,590**	104,473
Student support and services	181,471	-	-	**181,471**	88,628
Technology	537,083	-	-	**537,083**	527,937
Other electives	693,290	-	-	**693,290**	631,863
Other program support	768,892	-	-	**768,892**	471,956
Occupancy	16,313	17,662	6,821	**40,796**	38,550
Office and administrative	42,273	136,981	17,650	**196,904**	165,684
Professional services	-	-	21,962	**21,962**	19,938
Events	-	33,146	-	**33,146**	127,878
Salaries and related costs	94,210	101,997	39,391	**235,598**	141,642
Total expenses	$ 4,336,525	$ 289,786	$ 85,824	**$ 4,712,135**	$ 4,585,115

Statement of Functional Expenses
For the Year Ended June 30, 2019
(with Summarized Financial Information for the Year Ended June 30, 2018

	Programs	Fund-raising	General and Adminis-trative	**2019 Total Expenses**	**2018 Total Expenses**
Art	$ 140,656	$ -	$ -	**$ 140,656**	$ 131,267
Instructional aides	445,000	-	-	**445,000**	390,000
Math	137,000	-	-	**137,000**	20,781
Music	492,345	-	-	**492,345**	356,059
Professional development and teacher support	515,394	-	-	**515,394**	195,000
Science	536,171	-	-	**536,171**	356,156
Social studies	104,473	-	-	**104,473**	37,999
Student support and services	88,628	-	-	**88,628**	-
Technology	527,937	-	-	**527,937**	483,454
Other electives	631,863	-	-	**631,863**	577,807
Other program support	471,956	-	-	**471,956**	193,012
Occupancy	15,420	11,565	11,565	**38,550**	37,808
Office and administrative	4,026	140,552	21,106	**165,684**	152,278
Professional services	-	-	19,938	**19,938**	18,729
Events	-	127,878	-	**127,878**	89,699
Salaries and related costs	51,479	67,360	22,803	**141,642**	145,527
Total expenses	$ 4,162,348	$ 347,355	$ 75,412	**$ 4,585,115**	$ 3,185,576

1. Organization

Lafayette Partners in Education (LPIE) was organized and incorporated in 1980 as a nonprofit public benefit corporation under the laws of the State of California. LPIE is a community-based education foundation created to enhance and expand the educational opportunities for students in Lafayette's six public schools: Burton Valley, Happy Valley, Lafayette and Springhill Elementary schools, Stanley Middle School and Acalanes High School. LPIE helps maintain the hallmarks of an education rich in science, math, music, art, technology, foreign language, electives and humanities by contributing a large majority of their income to these programs.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of LPIE have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to LPIE's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – LPIE's cash consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Accounts and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Concentrations of Credit Risk – Financial instruments that potentially subject LPIE to concentrations of credit risk consist principally of cash and cash equivalents and deposits. LPIE maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. LPIE manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, LPIE has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations supportive of LPIE's mission.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Investments – LPIE follows the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that LPIE could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments are comprised principally of equities, fixed income securities, money market funds, mutual funds and other exchange traded funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). LPIE groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements *(continued)* – In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

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

Net Assets without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and has opted to do so as described in Note 6.

Net Assets with Donor Restrictions
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2020, LPIE recognized $35,473 of in-kind donations. Such amounts, which are based upon information from the providers, are recorded at their estimated fair value determined on the date of contribution and are reported as donations on the accompanying statement of activities and in the natural expense category on the accompanying statements of functional expenses. LPIE recognized no in-kind donations during the year ended June 30, 2019.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Donated Services and In-Kind Contributions *(continued)* – Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Certain expenses (such as salaries and related costs, occupancy, and office and administrative) have been allocated based on time and effort using LPIE's payroll allocations. Other expenses (such as professional services and other specific direct costs) have been allocated in accordance with the specific services received.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes – LPIE is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. LPIE is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. When applicable, LPIE files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

LPIE has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that LPIE continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements –In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LPIE has adopted ASU 2016-14.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Recent and Relevant Accounting Pronouncements *(continued)* – In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but LPIE has elected early implementation. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, LPIE has incorporated these clarifying standards within the audited financial statements.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

3. Cash and Cash Equivalents

Cash and cash equivalents includes all funds deposited in banks with a maturity of three months or less at date of purchase as follows at June 30:

	2020	2019
Bank of America checking	**$ 61,756**	$ 232,239
Mechanics Bank interest checking	**286,085**	52,658
Mechanics Bank repurchase sweep account	**-**	678,126
Mechanics Bank insured cash sweep account	**79,925**	-
Westamerica checking	**26,224**	19,470
Total cash and cash equivalents	**$ 453,990**	$ 982,493

The interest checking and sweep accounts earn interest at annualized rates ranging from 0.01% to 0.25% per annum as of June 30, 2020. LPIE maintains its cash balances in highly capitalized financial institutions, which at times may exceed federally insured limits. LPIE attempts to minimize its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. To date, LPIE has not experienced any losses in such accounts.

4. Accounts and Contributions Receivable

Accounts and contributions receivable of $28,540 and $73,282 at June 30, 2020 and 2019, respectively, are comprised of commitments from partner schools and are all due within one year. Management has evaluated the receivables as of June 30, 2020 and determined that such amounts are fully collectible based on the financial strength of the contributors.

5. Investments

Investments consist of the following at June 30:

	2020		2019	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and money market funds	**$ 59,170**	**$ 59,170**	$ 193,368	$ 193,368
Equities	**531,420**	**714,435**	422,969	615,840
Fixed income securities	**510,172**	**534,666**	470,542	484,509
Mutual funds	**570,515**	**558,200**	513,092	520,392
Exchange traded funds	**141,715**	**146,618**	119,010	140,562
Other	**69,291**	**78,228**	59,248	82,955
Total investments	**$ 1,882,283**	**$ 2,091,317**	$ 1,778,229	$ 2,037,626

Investment income is summarized as follows for the years ended June 30:

	2020	**2019**
Interest and dividends	$ 61,899	$ 58,284
Net realized gains and losses	15,665	1,343
Net change in unrealized gains and losses	(64,842)	45,125
Investment expenses	(13,698)	(12,251)
Total investment income (loss), net	$ (976)	$ 92,501

Composition of investments utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	**Level 1**	**Level 2**	**Level 3**
Cash and money market funds	$ 59,170	$ 59,170	$ -	$ -
Equities	714,435	714,435	-	-
Fixed income securities	534,666	-	534,666	-
Mutual funds	558,200	558,200	-	-
Exchange traded funds	146,618	146,618	-	-
Other	78,228	78,228	-	-
Total investments	$ 2,091,317	$ 1,556,651	$ 534,666	$ -

(continued)

5. Investments *(continued)*

Composition of investments utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Cash and money market funds	$ 193,368	$ 193,368	$ -	$ -
Equities	615,840	615,840	-	-
Fixed income securities	484,509	-	484,509	-
Mutual funds	520,392	520,392	-	-
Exchange traded funds	140,562	140,562	-	-
Other	82,955	82,955	-	-
	$ 2,037,626	$ 1,553,117	$ 484,509	$ -

LPIE has a Finance Committee which has the responsibility for establishing LPIE's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain LPIE's operating activities.

6. Endowment

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor- imposed restrictions. LPIE has an endowment fund that consists of certain net assets without donor restrictions that have been designated for endowment by the Board of Directors to provide future funding for specific activities and general operations.

Investment Return Objectives, Risk Parameters, and Strategies
LPIE has adopted investment and spending policies for endowment assets, established by the Financial Strategy Committee and approved by the Board of Directors, that attempt to maintain the corpus and the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return that includes investment income as well as capital appreciation with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that maintains and grows the corpus of the funds.

Actual returns in any given year may vary. Investment of assets is managed with the goal of not exposing the assets to unacceptable levels of risk.

(continued)

6. Endowment *(continued)*

Composition and changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	Without Donor Restrictions
Balance at June 30, 2018	$ 428,473
Contributions	126,750
Net investment income	19,040
Appropriation of funds	(10,000)
Balance at June 30, 2019	564,263
Contributions	-
Net investment income	(9,433)
Appropriation of funds	(25,000)
Balance at June 30, 2020	$ 529,830

7. Liquidity

LPIE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. LPIE has various sources of liquidity at its disposal, including cash and cash equivalents, investments and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, LPIE considers all expenditures related to its work to enhance and expand the educational opportunities for students in Lafayette's public schools to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, LPIE operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by LPIE and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	**$ 453,990**	$ 982,493
Investments	**2,091,317**	2,037,626
Interest and dividends receivable	**3,749**	3,444
Accounts and contributions receivable	**28,540**	73,282
Less: Board designated endowment funds	**(529,830)**	(564,263)
Financial assets available to meet general expenditures over the next twelve months	**$ 2,047,766**	$ 2,532,582

(continued)

7. Liquidity *(continued)*

A portion of the support that LPIE receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, LPIE must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of LPIE's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. Net Assets

LPIE recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Available for future periods	$ 13,615	$ 11,380

Contributions to net assets with donor restrictions amounted to $13,615 and $9,380 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019 net assets with donor restrictions totaling $11,380 and $3,388, respectively, were released from restriction and transferred to net assets without donor restrictions. Earnings (including realized and unrealized gains) from investments may be used for general operating purposes and are annually transferred to unrestricted net assets

9. Loan Payable to SBA Under Payroll Protection Program

During May 2020, LPIE received $36,197 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying entities can spend to cover payroll, interest, rent, and utilities.

LPIE expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in FASB *ASC 405-20-40-1, Liabilities*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and LPIE has been "legally released" or (2) LPIE pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, LPIE will reduce the liability by the amount forgiven and record the forgiven loan as income.

10. Right of Use Asset – Premises and Lease Commitments

LPIE leases office space in Lafayette under a multi-year operating lease expiring May 31, 2021. LPIE is committed to making fixed monthly rent payments of $2,225 as of June 30, 2020. In July 2020, LPIE extended the lease for one year, with a new expiration date of May 31, 2022 requiring fixed monthly rent payments of $2,225, unmodified from the original agreement. Total rent expense amounted to $26,700 for each of the years ended June 30, 2020 and 2019, and is included with occupancy expense on the statements of functional expenses. LPIE also leases office equipment under a multi-year agreement which requires a monthly payment of $450.

In accordance with *ASU 2016-02, Leases*, LPIE is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, LPIE has recorded a total lease liability in the amount of $49,184 and $49,348 at June 30, 2020 and 2019, respectively, for its office space (split between the current amount of $25,191 and noncurrent amount of $23,993 at June 30, 2020) and a corresponding right of use asset for the premises in the amount of $49,184 and $49,348 at June 30, 2020 and 2019, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%, which represents an estimate of LPIE's incremental borrowing rate.

Future minimum lease payments under all operating agreements with terms of one year or more are as follows at June 30, 2020:

Year ending June 30, 2021	$ 32,100
Year ending June 30, 2022	27,175

11. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future projects, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate LPIE to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond LPIE's control, such as generosity of donors and general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit at in accounts at financial and brokerage institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.

12. COVID-19

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020.

The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which LPIE conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by LPIE as a result of these events.

13. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, LPIE has evaluated subsequent events through December 16, 2020, the date the financial statements were available to be issued. As disclosed in Note 10, LPIE extended its office lease to May 31, 2022. In the opinion of management, there are no other subsequent events which need to be disclosed.