

**CRAYONS TO CLASSROOMS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**CRAYONS TO CLASSROOMS**

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**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
**Crayons to Classrooms**  
Dayton, Ohio

### Opinion

We have audited the accompanying financial statements of **Crayons to Classrooms** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Crayons to Classrooms** as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Crayons to Classrooms** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Crayons to Classrooms** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT

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### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Crayons to Classrooms** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Crayons to Classrooms** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Dayton, Ohio  
July 12, 2022

**CRAYONS TO CLASSROOMS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 104,273	\$ 77,541
Current portion of pledges receivable	9,345	36,600
Employee retention credit receivable	99,595	-
Inventory	2,849,283	3,998,327
Prepaid expenses	<u>12,684</u>	<u>8,704</u>
	<b>3,075,180</b>	4,121,172
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>141,969</b>	176,859
<b>OTHER ASSETS</b>		
Long-term pledges receivable, less current portion	5,364	11,835
Beneficial interest in funds held by others	<u>195,251</u>	<u>250,121</u>
	<u>200,615</u>	<u>261,956</u>
	<b>\$ 3,417,764</b>	<b>\$ 4,559,987</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 47,988	\$ 51,807
<b>NET ASSETS</b>		
Without donor restrictions	3,327,558	4,449,626
With donor restrictions	<u>42,218</u>	<u>58,554</u>
	<u>3,369,776</u>	<u>4,508,180</u>
	<b>\$ 3,417,764</b>	<b>\$ 4,559,987</b>

**CRAYONS TO CLASSROOMS****STATEMENTS OF ACTIVITIES****YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Public Support		
Contributions	\$ 415,390	\$ 463,849
In-kind contributions	3,539,302	2,825,987
Net assets released from restrictions	43,035	232,492
Change in beneficial interest in funds held by others - net	54,870	(11,026)
Other government grants	<u>181,599</u>	<u>181,598</u>
Total Public Support	4,234,196	3,692,900
Revenue		
Interest income	261	46
Change in beneficial interest in funds held by others - net	<u>203</u>	<u>1,450</u>
Total Revenue	<u>464</u>	<u>1,496</u>
Total Public Support and Revenue Without Donor Restrictions	<u>4,234,660</u>	<u>3,694,396</u>
<b>EXPENSES</b>		
Program services	5,134,231	3,462,494
Management and general	126,997	125,078
Fundraising	<u>137,573</u>	<u>120,419</u>
Total Expenses	<u>5,398,801</u>	<u>3,707,991</u>
Change in Net Assets Without Donor Restrictions	(1,164,141)	(13,595)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	68,626	32,816
Pledges NPV adjustment	146	910
Change in beneficial interest in funds held by others - net	-	6
Net assets released from restrictions	<u>(43,035)</u>	<u>(232,492)</u>
Total Change in Net Assets With Donor Restrictions	<u>25,737</u>	<u>(198,760)</u>
<b>CHANGE IN NET ASSETS</b>	(1,138,404)	(212,355)
<b>NET ASSETS</b>		
Beginning of year	<u>4,508,180</u>	<u>4,720,535</u>
End of year	<u>\$ 3,369,776</u>	<u>\$ 4,508,180</u>

See notes to financial statements.

**CRAYONS TO CLASSROOMS****STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED DECEMBER 31, 2021**

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	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Payroll and benefits	\$ 313,451	\$ 50,692	\$ 122,638	\$ 486,781
In-kind school supplies distributed	4,605,296	-	-	4,605,296
Occupancy	124,651	9,088	-	133,739
Repairs and maintenance	5,151	-	-	5,151
Supplies	10,758	-	56	10,814
Postage and shipping	3,302	-	1,299	4,601
Transportation	110	-	131	241
Telephone and communication	1,367	-	-	1,367
Printing and publication	2,040	-	4,005	6,045
Meetings and conferences	1,183	-	48	1,231
Taxes, licenses, and permits	-	200	-	200
Dues and subscriptions	940	2,750	-	3,690
Professional fees	31,092	63,960	9,396	104,448
Depreciation	34,890	-	-	34,890
Miscellaneous	-	307	-	307
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 5,134,231</u>	<u>\$ 126,997</u>	<u>\$ 137,573</u>	<u>\$ 5,398,801</u>

**CRAYONS TO CLASSROOMS****STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED DECEMBER 31, 2020**

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	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Payroll and benefits	\$ 282,938	\$ 49,809	\$ 94,364	\$ 427,111
In-kind school supplies distributed	2,962,168	-	-	2,962,168
Occupancy	137,116	8,440	-	145,556
Repairs and maintenance	6,475	-	-	6,475
Supplies	10,283	-	-	10,283
Postage and shipping	7,781	(1,948)	883	6,716
Transportation	33	-	-	33
Telephone and communication	1,428	-	-	1,428
Printing and publication	4,490	562	6,849	11,901
Meetings and conferences	1,200	-	2,000	3,200
Taxes, licenses, and permits	-	605	-	605
Dues and subscriptions	-	2,414	-	2,414
Professional fees	12,799	65,196	16,323	94,318
Depreciation	<u>35,783</u>	<u>-</u>	<u>-</u>	<u>35,783</u>
Total Functional Expenses	<u>\$ 3,462,494</u>	<u>\$ 125,078</u>	<u>\$ 120,419</u>	<u>\$ 3,707,991</u>



**CRAYONS TO CLASSROOMS****STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,138,404)	\$ (212,355)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	34,890	35,783
Net present value adjustments	(146)	(910)
Change in beneficial interest in funds held by others	54,870	(9,556)
Donated inventory	(3,425,142)	(2,695,907)
Donated inventory distributed	4,605,296	2,962,168
Forgiveness of paycheck protection program loan	(81,698)	-
	<u>49,666</u>	79,223
Changes in operating assets and liabilities:		
Employee retention credit receivable	(99,595)	-
Pledges receivable	33,872	49,735
Inventory	(31,110)	(155,858)
Prepaid expenses	(3,986)	3
Accounts payable	(3,813)	12,757
Accrued expenses	-	(2,056)
Net Cash Used by Operating Activities	<u>(54,966)</u>	(16,196)
<b>FINANCING ACTIVITIES</b>		
Proceeds from paycheck protection program loan	<u>81,698</u>	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>26,732</b>	<b>(16,196)</b>
<b>CASH</b>		
Beginning of year	<u>77,541</u>	<u>93,737</u>
End of year	<u>\$ 104,273</u>	<u>\$ 77,541</u>

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business** - Crayons to Classrooms is a nonprofit Organization. The Organization is a free store for teachers of low-income children in Dayton, Ohio. It provides donated school supplies at no charge to under-funded kindergarten through 12th grade classrooms. The Organization was incorporated in October 2007, and received their 501(c)(3) determination in March 2008. The Organization began distributing school supplies in 2009.

**Basis of Presentation** - The Organization's financial statement presentation follows the recommendation of generally accepted accounting principles, which requires the Organization to record unconditional promises to give (pledges) as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. The Organization is also required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor 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. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization currently does not have net assets that are required to be maintained in perpetuity.

**Financial 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 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.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon direct allocation or indirect allocation based upon usage by each function.

**Contributions** - Gifts of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as net assets without restrictions and increase net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind donations of product totaling \$3,425,142 and \$2,695,907 were recorded for the years 2021 and 2020. For the years 2021 and 2020, one donor contributed 76% and 58% of the in-kind donations of product. This donor receives in-kind donations from numerous donors, which are distributed to various resource centers throughout the United States. The Organization pays an annual membership fee to participate in this distribution program. The Organization has also recorded an in-kind donation and expense in the amounts of \$114,160 and \$130,080 to recognize the fair market value of rent for years 2021 and 2020. See Note 7 for additional information related to Service and Rental Agreements.

**Pledges 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 discounted to present value.

**Property and Equipment** - Property and equipment is recorded at cost or, if donated, it is recorded at its fair market value at the date the donation is received. The Organization's policy is to capitalize all major expenditures in excess of \$1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from three to seven years. At retirement or sale, the costs of the assets, less related accumulated depreciation, are removed from the accounts and the resulting gains and losses are included in income. Routine maintenance and repairs are expensed when incurred.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at December 31, 2021 and 2020.

Depreciation expense was \$34,890 and \$35,783 for the years 2021 and 2020.

**Inventories** - Inventories are stated at fair market value and cost is allocated using the first-in, first-out (FIFO) method. Inventory consists of purchased and donated school supplies contributed to the Organization for its free store.

**Tax-Exempt Status** - The Organization is operated as a nonprofit organization and is tax exempt under IRS Code Section 501(c)(3). Accordingly, no provision for income tax is presented in these financial statements.

**Accounting for Uncertainty in Income Taxes** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. No significant uncertain tax positions exist as of December 31, 2021.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Recently Issued Accounting Standards not Yet Adopted** - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the calendar year ending December 31, 2022. Early application will be permitted. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

**Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 12, 2022, the date the financial statements were available to be issued.

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash	\$ 104,273	\$ 77,541
Current portion of pledges receivable	9,345	36,600
Employee retention credit receivable	99,595	-
Beneficial interest	<u>195,251</u>	<u>250,121</u>
Total financial assets	408,464	364,262
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	<u>(39,542)</u>	<u>(25,952)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 368,922</u>	<u>\$ 338,310</u>

As part of their liquidity management plan, the Organization utilizes a budget and compares the actual financial results to the budget on a monthly basis. The board has not designated any funds for any specific purposes, so any funds other than those with donor restrictions can be used where most beneficial.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 9,345	\$ 36,600
One to five years	<u>5,833</u>	<u>12,450</u>
	15,178	49,050
Less discount to net present value	<u>469</u>	<u>615</u>
Net pledges receivable	<u>\$ 14,709</u>	<u>\$ 48,435</u>

At December 31, 2021 and 2020, the present value of pledges receivable was determined using a discount rate of 2.9% and 2.3%. The discount rate is based on the long-term applicable federal rate plus a one percent risk premium.

#### NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Leasehold Improvements	\$ 283,844	\$ 283,844
Equipment	<u>65,109</u>	<u>65,109</u>
Total property and equipment	348,953	348,953
Less accumulated depreciation	<u>206,984</u>	<u>172,094</u>
	<u>\$ 141,969</u>	<u>\$ 176,859</u>

#### NOTE 5 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The Organization has a beneficial interest in funds whose underlying investments are held and managed by the Dayton Foundation, a community foundation that invests and manages donors' charitable funds. The funds are subject to the investment and spending policies of the Dayton Foundation and are held exclusively for the benefit of the Organization. Requests for funding, including disbursements of fund principal, are initiated by the Organization, and approved by the Dayton Foundation's granting committee. Distributions from the funds are unrestricted.

The following funds have been created at The Dayton Foundation from which the Organization is entitled to receive certain income and benefits:

	<u>2021</u>	<u>2020</u>
Crayons to Classrooms Fund	\$ 194,846	\$ 249,716
Dayton Crayons to Classrooms Relocation Fund	<u>405</u>	<u>405</u>
	<u>\$ 195,251</u>	<u>\$ 250,121</u>

**CRAYONS TO CLASSROOMS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - FAIR VALUE**

Accounting standards define fair value, outline a framework for measuring fair value and detail the required disclosures about fair value measurements. The Organization has adopted these accounting standards. The standards require that certain non-financial assets and liabilities be recognized or disclosed at fair value. At the present time, the Organization does not have any non-financial assets or liabilities that would require fair value recognition or disclosures under these standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Organization uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data. The Organization uses valuation techniques in a consistent manner from year-to-year.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at December 31, 2021 and 2020.

**Beneficial interest in funds held by others:** Valued and held by The Dayton Foundation. Purchases of level 3 assets during the years 2021 and 2020 totaled \$- and \$78,337. There were no transfers in to level 3 assets during the years 2021 and 2020. Transfers out of level 3 assets during the years 2021 and 2020 totaled \$54,955 and \$68,222.

Fair values of the Organization's financial assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	<b>2021</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets</b>				
Beneficial interest in funds held by others	<b>\$ 195,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 195,251</b>
	<b>2020</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets</b>				
Beneficial interest in funds held by others	<b>\$ 250,121</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,121</b>

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 7 - SERVICE AND RENTAL AGREEMENTS

The Organization entered into three separate agreements with Goodwill Easter Seals Miami Valley (Goodwill) in July 2008. These agreements state that Goodwill will provide information technology equipment and services, financial services, and building space to the Organization, for a monthly fee. The total amount of expense for the information technology and financial services for the years 2021 and 2020 was \$49,225 and \$48,900. Rent is being charged at \$10 monthly. The Organization is also recording an in-kind donation and expense in the amount of \$114,160 and \$130,080 to represent the fair market value of the rental space for the years 2021 and 2020. These agreements renew automatically for successive one-year periods, unless terminated by either party.

#### NOTE 8 - PAYCHECK PROTECTION PROGRAM LOAN

The Organization was granted an \$81,698 loan under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower meets certain criteria. The Organization received notification of full forgiveness of the PPP loan obligation in October 2020, and the Organization recognized \$81,698 as grant income for the year ended December 31, 2020.

As part of the Consolidated Appropriations Act, 2021 signed into law on December 27, 2020, Congress approved a second round of funding under the Paycheck Protection Program. In January 2021, the Organization applied for and received a loan totaling \$81,698 under this program. This second round of funding under the PPP has terms similar to those described above. In June 2021, the Organization received notification that the second round PPP loan obligation had been fully forgiven, and the Organization recognized \$81,698 as grant income for the year ended December 31, 2021.

#### NOTE 9 - EMPLOYEE RETENTION CREDIT

The Organization experienced a significant decrease in gross receipts in certain 2021 and 2020 quarters as compared to 2019 resulting from the COVID 19 pandemic. Due to this decline in gross receipts, the Organization qualified for the Employee Retention Credit ("ERC"). The ERC was provided for under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), including subsequent amendments. For both 2021 and 2020, the ERC was equal to 70% of qualified wages paid to employees during a qualifying quarter, capped at \$10,000 of qualified wages per employee. This payroll tax credit was available to offset certain employment taxes with any excess being refunded. The ERC for 2021 and 2020 was estimated to be \$70,782 and \$28,812, and are reported as a receivable on the statement of financial position and as Grant revenue on the statement of activities in the 2021 financial statements.

#### NOTE 10 - OPERATING LEASES

The Organization leases office equipment under an operating lease agreement for a total monthly payment of \$290, which expires in September 2024.

The Organization entered into an open-ended lease to rent warehouse space at no cost. During 2021, the Organization was notified by the landlord that they would need to vacate the warehouse. The Organization moved the inventory held at this site to its main facility by July 2021, when the space was vacated. The Organization recorded an in-kind donation and expense in the amount of \$15,280 and \$31,200 to represent the fair market value of the rental space for the years 2021 and 2020. The Organization also leases space from a related party for a total monthly payment of \$10, which expires in October 2022. The Organization recorded an in-kind donation and expense in the amount of \$98,880 to represent the fair market value of the rental space for both years 2021 and 2020.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 10 - OPERATING LEASES - CONTINUED

Rent expense on these leases were \$3,528 and \$4,052 for the years 2021 and 2020, excluding the in-kind rent.

The future minimum lease payments over the next three years are as follows:

2022	\$	3,577
2023		3,477
2024		2,608

#### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions class includes assets of the Organization related to gifts with specific donor-imposed restrictions that have not been met as to specific purpose, or to later periods of time or after specific dates.

	<u>2021</u>	<u>2020</u>
Donor restricted funds:		
Programs	\$ 39,137	\$ 25,547
Relocation	405	405
Time	<u>2,676</u>	<u>32,602</u>
	<u>\$ 42,218</u>	<u>\$ 58,554</u>

#### NOTE 12 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions are released by incurring expenses that satisfy the intended purpose or the occurrence of events specified by donors.

	<u>2021</u>	<u>2020</u>
Purpose and time restrictions:		
Programs	\$ 16,218	\$ 159,048
Relocation	-	1,476
Passage of time	<u>26,817</u>	<u>71,968</u>
	<u>\$ 43,035</u>	<u>\$ 232,492</u>