

**CLASSROOM CHAMPIONS, INC.**

**FINANCIAL REPORT**

**JULY 31, 2020**

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**FINANCIAL REPORT  
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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors  
Classroom Champions, Inc.  
Jacksonville, Florida**

We have audited the accompanying financial statements of **Classroom Champions, Inc.** (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Classroom Champions, Inc. as of July 31, 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
March 10, 2021

# CLASSROOM CHAMPIONS, INC.

## STATEMENTS OF FINANCIAL POSITION JULY 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 98,292	\$ 333,013
Promises to give - current	166,203	294,034
Related party receivable	91,763	-
Prepaid expenses	14,775	1,359
Total current assets	<b>371,033</b>	628,406
Noncurrent assets:		
Promises to give - long term	-	100,000
Total noncurrent assets	-	100,000
Total assets	<b>\$ 371,033</b>	<b>\$ 728,406</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 18,250	\$ 35,944
Accrued expenses	6,655	8,204
Current maturities on note payable	32,960	-
Deferred revenue	11,298	-
Related party payable	-	78,527
Total current liabilities	<b>69,163</b>	122,675
Long-term liabilities:		
Long-term note payable	32,440	-
Total long-term liabilities	<b>32,440</b>	-
Total liabilities	<b>101,603</b>	122,675
Net assets:		
Without donor restriction	269,430	211,697
With donor restriction	-	394,034
Total net assets	<b>269,430</b>	605,731
Total liabilities and net assets	<b>\$ 371,033</b>	<b>\$ 728,406</b>

**See Notes to Financial Statements.**

# CLASSROOM CHAMPIONS, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED JULY 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 511,217	\$ -	\$ 511,217
In-kind contributions	1,115,537	-	1,115,537
Program revenue	25,495	-	25,495
Miscellaneous income	10,254	-	10,254
Net assets released from restrictions	394,034	(394,034)	-
Total support and revenue	<u>2,056,537</u>	<u>(394,034)</u>	<u>1,662,503</u>
Expenses			
Program	1,797,385	-	1,797,385
Support services			
Management and general	85,886	-	85,886
Fundraising	115,533	-	115,533
Total expenses	<u>1,998,804</u>	<u>-</u>	<u>1,998,804</u>
Change in net assets	57,733	(394,034)	(336,301)
Net assets, beginning of year	<u>211,697</u>	<u>394,034</u>	<u>605,731</u>
Net assets, end of year	<u>\$ 269,430</u>	<u>\$ -</u>	<u>\$ 269,430</u>

See Notes to Financial Statements.

# CLASSROOM CHAMPIONS, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED JULY 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 343,543	\$ 244,856	\$ 588,399
In-kind contributions	1,377,514	-	1,377,514
Program revenue	250,207	-	250,207
Miscellaneous income	22,651	-	22,651
Net assets released from restrictions	205,922	(205,922)	-
Total support and revenue	<u>2,199,837</u>	<u>38,934</u>	<u>2,238,771</u>
Expenses			
Program	1,893,821	-	1,893,821
Support services			
Management and general	109,171	-	109,171
Fundraising	91,204	-	91,204
Total expenses	<u>2,094,196</u>	<u>-</u>	<u>2,094,196</u>
Change in net assets	105,641	38,934	144,575
Net assets, beginning of year	<u>106,056</u>	<u>355,100</u>	<u>461,156</u>
Net assets, end of year	<u>\$ 211,697</u>	<u>\$ 394,034</u>	<u>\$ 605,731</u>

See Notes to Financial Statements.

# CLASSROOM CHAMPIONS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JULY 31, 2020

	Program	Support services		Total
		Management and general	Fundraising	
Payroll expense	\$ 176,761	\$ -	\$ -	\$ 176,761
Payroll taxes and other benefits	27,458	-	-	27,458
Management services	39,200	-	16,800	56,000
Legal	10,526	-	-	10,526
Accounting	-	13,500	-	13,500
Contractor costs	144,574	34,992	30,654	210,220
Professional fundraising fees	-	-	43,399	43,399
Advertising and promotion	1,628	-	493	2,121
Office expenses	-	7,491	9,419	16,910
Information technology	132,411	28,138	8,974	169,523
Travel	28,157	1,110	2,131	31,398
Conference and meetings	500	-	3,090	3,590
Insurance	6,957	655	573	8,185
Mentor services - in-kind	1,072,250	-	-	1,072,250
Program supplies	61,157	-	-	61,157
Program activities	5,897	-	-	5,897
Transformation project	89,909	-	-	89,909
	<u>\$ 1,797,385</u>	<u>\$ 85,886</u>	<u>\$ 115,533</u>	<u>\$ 1,998,804</u>
Total expenses	<u>\$ 1,797,385</u>	<u>\$ 85,886</u>	<u>\$ 115,533</u>	<u>\$ 1,998,804</u>

See Notes to Financial Statements.

# CLASSROOM CHAMPIONS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JULY 31, 2019

	Support services			Total
	Program	Management and general	Fundraising	
Payroll expense	\$ 144,302	\$ -	\$ -	\$ 144,302
Payroll taxes and other benefits	25,556	-	-	25,556
Management services	7,840	-	48,160	56,000
Accounting	-	13,300	-	13,300
Professional fundraising	-	-	481	481
Contractor costs	194,531	41,970	32,601	269,102
Advertising and promotion	15,114	-	2,154	17,268
Office expenses	-	21,846	774	22,620
Information technology	21,519	30,772	-	52,291
Travel	25,136	-	6,214	31,350
Conference and meetings	682	-	-	682
Insurance	9,959	937	820	11,716
Mentor services - in-kind	1,374,000	-	-	1,374,000
Program supplies	52,408	-	-	52,408
Program activities	21,952	346	-	22,298
Bad debt expense	822	-	-	822
	<u>\$ 1,893,821</u>	<u>\$ 109,171</u>	<u>\$ 91,204</u>	<u>\$ 2,094,196</u>
Total expenses	<u>\$ 1,893,821</u>	<u>\$ 109,171</u>	<u>\$ 91,204</u>	<u>\$ 2,094,196</u>

**See Notes to Financial Statements.**



# CLASSROOM CHAMPIONS, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (336,301)	\$ 144,575
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in promises to give	227,831	(38,934)
(Increase) decrease in prepaid expenses	(13,416)	1,521
(Decrease) increase in accounts payable	(17,694)	27,689
(Decrease) in bank overdraft	-	(1,098)
(Decrease) in accrued expenses	(1,549)	(7,624)
Increase in deferred revenue	11,298	-
Decrease in related party payable	(170,290)	(3,414)
	<u>(300,121)</u>	<u>122,715</u>
Net cash (used in) provided by operating activities		
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	65,400	-
Net cash provided by financing activities	65,400	-
	<u>(234,721)</u>	<u>122,715</u>
Net (decrease) increase in cash		
Cash, beginning of year	333,013	210,298
Cash, end of year	<u>\$ 98,292</u>	<u>\$ 333,013</u>

See Notes to Financial Statements.

# **CLASSROOM CHAMPIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 1. ORGANIZATION**

Classroom Champions, Inc. (the “Organization”) was founded for the purpose of providing: leadership training programs and workshops to educate youth; network and development opportunities for educators; community building activities to enrich the lives of youth and families; and programming opportunities to develop quality role models in society. The Organization was incorporated as a Florida not-for-profit corporation on March 28, 2011.

Classroom Champions, Inc. has an unincorporated association with Classroom Champions NPO based in Canada.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.

#### **Cash and cash equivalents**

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

#### **Contributions and promises to give**

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions are substantially met. Promises to give over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful promises to give is based on specifically identified amounts that the Organization believes to be uncollectible. An additional allowance is recorded based on certain percentages of aged promises to give, which are determined based on historical experience and management’s assessment of the general financial conditions affecting the Organization's donor base. If actual collections experience changes, revisions to the allowance may be required. As of July 31, 2020 and 2019, the Organization had no recorded allowance for doubtful promises to give.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net assets

Net assets, support and revenue are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, 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. It is the policy of the board of directors to review their financial standing from time to time and to designate sums of net assets without donor restriction for specific efforts.

#### Net Assets With Donor Restriction:

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 are 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.

#### Donor restricted – time or purpose accounting

Endowment and other income along with private gifts which have donor stipulations that limit their use are recorded as revenue under net assets with donor restriction and released from restrictions when a stipulated time restriction ends or purpose restriction expires. The related expenses are presented as changes in net assets without donor restriction.

#### Estimates

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Management's estimate of the functional allocation of expenses is based on management discretion and experience.

#### Income taxes

Classroom Champions, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not required to pay federal taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income taxes (Continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Management is not aware of any circumstances or transactions that would jeopardize its tax exempt status.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress.

#### Functional expenses

Directly identifiable expenses are charged to programs and supporting services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses that are allocated on the basis of time and effort include management services, contractor costs, promotion, information technology, travel, insurance and other activities.

#### Recent accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides clarity in distinguishing grants or similar contracts between exchange transactions or contributions and guidance on classifying whether or not a transaction is conditional. For the year ending July 31, 2020, the Organization adopted ASU 2018-08 and has adjusted the presentation in financial statements accordingly. The adoption of ASU 2018-08 did not have an impact on the timing of the revenue recognition related to contribution revenue.

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The adoption of the new standard did not have an impact on the recognition of revenues for any period prior to adoption and has been adopted effective August 1, 2019 using the full retrospective approach.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. IN-KIND CONTRIBUTIONS

The Organization receives contributed services from individuals relating to its programs and administration. Donated goods and services are reflected as contribution revenue in the accompanying statement of activities at their fair market value at the date of receipt. Donated goods and services are recognized as contributions in accordance with Financial Statements for Not-For-Profit Organizations, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

### NOTE 4. CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts that at times exceed federally insured limits. A policy of depositing all such funds in banks of significant financial strength is maintained. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

For the year ended July 31, 2020, 42% of contribution revenue was from one donor and 90% of promises to give was from one donor. For the year ended July 31, 2019, 51% of contribution revenue was from two donors and 99% of promises to give was from three donors.

### NOTE 5. PROMISES TO GIVE

Promises to give consisted of the following at July 31:

	<u>2020</u>	<u>2019</u>
Current	\$ 166,203	\$ 294,034
Due in one to five years	-	100,000
Net promises to give	<u>\$ 166,203</u>	<u>\$ 394,034</u>

### NOTE 6. SBA LOAN PAYABLE

During the year ended July 31, 2020, the Organization applied for a loan under the U.S. Small Business Administration (SBA)'s Paycheck Protection Program and was approved for the loan in the amount of \$65,400. The loan has a fixed interest rate of 1.00%, with payment deferred for the first six months, and then monthly (interest and principal) payments due thereafter throughout maturity in April 2022. The loan is eligible for forgiveness after the Organization applies and is based on certain criteria.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

At July 31, 2020 and 2019, net assets with donor restrictions were available for the following donor-imposed time or purpose restrictions:

	2020	2019
Time restricted	\$ -	\$ 394,034

As of July 31, 2019, the net assets with donor restrictions were held in promises to give.

### NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by the time restriction of outstanding promises to give expiring as follows during the years ended July 31, 2020 and 2019:

	2020	2019
Time restricted	\$ 394,034	\$ 205,922

### NOTE 9. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of July 31:

	2020	2019
Cash	\$ 98,292	\$ 333,013
Promises to give	166,203	294,034
Related party receivable	91,763	-
	356,258	627,047
Less: donor restriction on assets	-	(294,034)
	\$ 356,258	\$ 333,013

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### NOTE 10. AGENCY RELATIONS

In August 2015 the Organization entered into a cost-sharing arrangement with Classroom Champions NPO based in Canada. The entities exchange services under an agency relationship. As of July 31, 2020, amounts receivable from Classroom champions Canada was \$91,763, and as of July 31, 2019, amounts payable to Classroom Champions Canada were \$(78,527), which are included in current assets and current liabilities on the accompanying statement of financial position.

## NOTES TO FINANCIAL STATEMENTS

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**NOTE 11. EFFECTS OF COVID-19 CORONAVIRUS**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the changes in net assets. Other financial impacts could occur though the extent of the potential impact is unknown at this time.

**NOTE 12. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 10, 2021, the date that the financial statements were available to be issued.