THE MODERN CLASSROOMS PROJECT
WASHINGTON, DC

---------------------------------------------
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

KENDALL, PREBOLA AND JONES
Certified Public Accountants
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(814) 623-1880
FAX (814) 623-7548
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Board of Directors
The Modern Classrooms Project
15 14th Street, SE
Washington, DC  20003

INDEPENDENT AUDITOR’S REPORT

Opinion

We have audited the accompanying financial statements of The Modern Classrooms Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 The Modern Classrooms Project as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Modern Classrooms Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 The Modern Classrooms Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.
Auditor’s 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 auditor’s 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 The Modern Classrooms Project’s 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 The Modern Classrooms Project’s 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.

Kendall, Prebola and Jones
Certified Public Accountants
Bedford, Pennsylvania
June 14, 2022
THE MODERN CLASSROOMS PROJECT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

### ASSETS

**Current Assets:**
- Cash and Cash Equivalents $2,156,008
- Accounts Receivable 43,071
- Promises Receivable 31,100
- Prepaid Expenses 11,488

Total Current Assets $2,241,667

**Fixed Assets:**
- Computer Equipment $26,771
- Less: Accumulated Depreciation (3,472)

Total Fixed Assets $23,299

**Other Assets:**
- Intangible Assets, Net of Amortization $1,167

Total Other Assets $1,167

**TOTAL ASSETS** $2,266,133

### LIABILITIES AND NET ASSETS

**Current Liabilities:**
- Accounts Payable and Accrued Expenses $37,985
- Accrued Vacation 30,807
- Accrued Payroll Liabilities and Related 72,947
- Deferred Contract Fees 243,145

Total Current Liabilities $384,884

Total Liabilities $384,884

**Net Assets:**
- Without Donor Restrictions $1,376,049
- With Donor Restrictions 505,200

Total Net Assets $1,881,249

**TOTAL LIABILITIES AND NET ASSETS** $2,266,133

(See Accompanying Notes and Auditor’s Report)
## THE MODERN CLASSROOMS PROJECT
### STATEMENT OF ACTIVITIES
### FOR THE YEAR ENDED DECEMBER 31, 2021

<table>
<thead>
<tr>
<th>Revenues, Gains and Other Support:</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Contributions</td>
<td>$1,255,904</td>
<td>$717,990</td>
<td>$1,973,894</td>
</tr>
<tr>
<td>Virtual Mentoring Partnerships</td>
<td>887,306</td>
<td>-</td>
<td>887,306</td>
</tr>
<tr>
<td>Online Course Subscriptions</td>
<td>103,644</td>
<td>-</td>
<td>103,644</td>
</tr>
<tr>
<td>Ongoing Support</td>
<td>95,800</td>
<td>-</td>
<td>95,800</td>
</tr>
<tr>
<td>Donated Services</td>
<td>65,691</td>
<td>-</td>
<td>65,691</td>
</tr>
<tr>
<td>Product Sales, net of Cost of Goods Sold</td>
<td>289</td>
<td>-</td>
<td>289</td>
</tr>
<tr>
<td>Interest Income</td>
<td>636</td>
<td>-</td>
<td>636</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions, Satisfaction of Program Restrictions</td>
<td>215,290</td>
<td>(215,290)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues, Gains and Other Support</strong></td>
<td><strong>$2,624,560</strong></td>
<td><strong>$502,700</strong></td>
<td><strong>$3,127,260</strong></td>
</tr>
</tbody>
</table>

### Expenses:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virtual Mentorship Program</td>
<td>$1,596,862</td>
<td>$-</td>
<td>$1,596,862</td>
</tr>
<tr>
<td>Research</td>
<td>182,060</td>
<td>-</td>
<td>182,060</td>
</tr>
<tr>
<td>Ongoing Support Services</td>
<td>20,034</td>
<td>-</td>
<td>20,034</td>
</tr>
<tr>
<td>Fundraising</td>
<td>111,388</td>
<td>-</td>
<td>111,388</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>298,673</td>
<td>-</td>
<td>298,673</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$2,209,017</strong></td>
<td><strong>-</strong></td>
<td><strong>$2,209,017</strong></td>
</tr>
</tbody>
</table>

Changes in Net Assets: $415,543 $502,700 $918,243

Net Assets, Beginning of Year: 960,506 2,500 963,006

Net Assets, End of Year: $1,376,049 $505,200 $1,881,249

(See Accompanying Notes and Auditor’s Report)
## THE MODERN CLASSROOMS PROJECT
### STATEMENT OF FUNCTIONAL EXPENSES
#### FOR THE YEAR ENDED DECEMBER 31, 2021

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Virtual Mentorship Program</td>
<td>Ongoing Support Program Research</td>
<td>Total General and Administrative Services</td>
</tr>
<tr>
<td>Salaries and Related Expenses</td>
<td>$936,382</td>
<td>$114,797</td>
<td>$1,051,179</td>
</tr>
<tr>
<td>Contract Services and Stipends</td>
<td>410,279</td>
<td>27,654</td>
<td>4,177</td>
</tr>
<tr>
<td>Consultants and Professional Fees</td>
<td>145,399</td>
<td>31,649</td>
<td>-</td>
</tr>
<tr>
<td>Subscriptions and Small Equipment</td>
<td>58,996</td>
<td>2,292</td>
<td>265</td>
</tr>
<tr>
<td>Travel and Meals</td>
<td>5,819</td>
<td>1,093</td>
<td>13,903</td>
</tr>
<tr>
<td>Professional Development</td>
<td>14,940</td>
<td>2,805</td>
<td>-</td>
</tr>
<tr>
<td>Registration, Bank, and Other Fees</td>
<td>453</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>3,624</td>
<td>496</td>
<td>1,689</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>4,162</td>
<td>781</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>11,674</td>
<td>-</td>
<td>11,674</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>5,134</td>
<td>468</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,596,862</td>
<td>$182,060</td>
<td>$20,034</td>
</tr>
</tbody>
</table>

(See Accompanying Notes and Auditor's Report)
THE MODERN CLASSROOMS PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:

Changes in Net Assets $ 918,243

Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:

Depreciation and Amortization 5,880
Loss on Disposal of Fixed Assets 11,674
Accounts Receivable - (Increase)/Decrease (39,624)
Promises Receivable - (Increase)/Decrease 76,750
Prepaid Expenses - (Increase)/Decrease (8,575)
Accounts Payable - Increase/(Decrease) 9,435
Accrued Vacation - Increase/(Decrease) 30,807
Accrued Payroll Liabilities and Related - Increase/(Decrease) 58,065
Deferred Contract Fees - Increase/(Decrease) 198,919

Net Cash Flows from Operating Activities $ 1,261,574

Cash Flows from Investing Activities:

Purchase of Fixed Assets $ (25,463)

Net Cash Flows from Investing Activities $ (25,463)

Net Increase in Cash and Cash Equivalents $ 1,236,111

Cash and Cash Equivalents, Beginning of Year 919,897

Cash and Cash Equivalents, End of Year $ 2,156,008

Supplemental Disclosures

a) No interest was paid during the year ended December 31, 2021.
b) No income taxes were paid during the year ended December 31, 2021.

(See Accompanying Notes and Auditor’s Report)
ORGANIZATION:

The Modern Classrooms Project (the Organization) was incorporated on May 9, 2018, pursuant to the provisions of Title 29 of the District of Columbia Business Organizations Code. The Modern Classrooms Project empowers educators to meet every student’s needs through blended, self-paced, mastery-based instruction.

Basic Programs

MCP offers a variety of services to empower educators - in any school, grade level, or content area, anywhere in the world - to meet every student’s needs through an innovative, research-backed instructional model. We offer:

Virtual Mentorship Program

This is our flagship program. Educators from around the world enroll in an online course, through which they work hand-in-hand with one of our expert educators to design blended, self-paced, mastery-based instructional materials of their own. Each educator receives one-on-one coaching, feedback on lesson materials, certified credentials, and other ongoing support.

Ongoing Support

We work with partner schools and districts to provide:

- **Site Visits (in person):** Upon request, we will travel to schools/districts to conduct classroom observations, lead in-person implementer discussions, and meet with educators.

- **Implementer Discussions (virtual):** We run one-hour webinars to discuss trends in implementation and methods to build more equitable and differentiated classrooms.

- **Expert Consultation:** Educators may sign up for on-demand coaching calls with our teacher mentors. Educators may pay for this service individually, or partners may provide this for their educators.

Teacher Leadership Pathways

We offer educators two pathways for leadership:

- **Distinguished Modern Classroom Educator:** A certification program for educators who implement our instructional model effectively.

- **Expert Mentor:** Distinguished Educators who complete our mentor training can work for us as paid mentors, who train educators through our Virtual Mentorship Program.

Program-Impact Research

We conduct ongoing data collection and evaluation of our teacher-training efforts.
(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The significant accounting policies of The Modern Classrooms Project are summarized below:

(a) **Basis of Accounting and Presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) **Revenue Recognition:**

**Contributions**

The Modern Classrooms Project has implemented the accounting and reporting standards surrounding contributions. These standards affect financial statement reporting and disclosures included within the body of the financial statements. The standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

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. When a restriction expires (that is, 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 statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.
(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(b) **Revenue Recognition:** (Continued)

**Contributions** (Continued)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their 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. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management’s judgement, including such factors as prior collection history and type of contribution.

**Exchange Transactions**

The Modern Classroom Project has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue for Contracts with Customers,” and a series of amendments which together hereinafter are referred to as “ASC Topic 606.” This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers (donors).

Central to the revenue recognition framework is a five-step revenue recognition model that requires reporting entities to:

1. Identify the contract;
2. Identify the performance obligations of the contract;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to the performance obligations, and;
5. Recognize revenue.

**Fees for Service**

Fees for service consist of exchange transactions such as workshops, consulting, and virtual mentoring partnerships. Consistent with the implementation of ASC 606, such fees are recognized at the time the services are provided. Payment for such services in advance is recognized as a deferred revenue until such time as the revenue is earned.
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Taxes:

**Income Tax**

The Modern Classrooms Project is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Organization effective May 3, 2018. Accordingly, no income taxes have been provided for in the accompanying financial statements. The Organization is currently operating within its first five-year public support determination period.

The Modern Classrooms Project has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly, contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(vi). The Modern Classrooms Project did not have any net unrelated business income during the year ended December 31, 2021.

**Sales Tax**

District of Columbia law provides for an exemption from sales and use tax for qualifying organizations. The Modern Classrooms Project is exempt from District sales and use taxes provided the purchases are made by the organization; the purchases are exclusively for the purposes for which the organization was established and are paid for with organization funds.

(d) **Net Assets:**

The Modern Classrooms Project reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of The Modern Classrooms Project and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from The Modern Classrooms Project’s purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.
(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(d) **Net Assets:** (Continued)

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby The Modern Classrooms Project must continue to use the resources in accordance with the donor’s instructions.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following programs or purpose:

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentorship Programing - Chicago</td>
<td>$135,000</td>
</tr>
<tr>
<td>Mentorship Programing - Connecticut</td>
<td>105,000</td>
</tr>
<tr>
<td>Mentorship Programing - New York</td>
<td>100,000</td>
</tr>
<tr>
<td>Mentorship Programing - District of Columbia</td>
<td>75,000</td>
</tr>
<tr>
<td>Mentorship Programing - Washington</td>
<td>45,000</td>
</tr>
<tr>
<td>Mentorship Programing - Other</td>
<td>45,200</td>
</tr>
</tbody>
</table>

**Total Net Assets with Donor Restrictions** $505,200

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following programs:

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentorship Programing - Oklahoma</td>
<td>$115,000</td>
</tr>
<tr>
<td>Mentorship Programing - Minnesota</td>
<td>43,000</td>
</tr>
<tr>
<td>Mentorship Programing - Other</td>
<td>39,790</td>
</tr>
<tr>
<td>Mentorship Programing - District of Columbia</td>
<td>12,500</td>
</tr>
<tr>
<td>Building Capacity</td>
<td>5,000</td>
</tr>
</tbody>
</table>

**Total Net Assets Released from Restrictions** $215,290
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. Members of the Board of Directors donated significant amounts of their time in the Organization's supporting services for which no value has been recorded. In addition, many individuals performed a variety of tasks to assist The Modern Classrooms Project with its programs. These donated services are not reflected in the financial statements because they do not meet the criteria for inclusion.

In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense in the period they are received, except for donated fixed assets, which are recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

The estimated value of donated services has been recorded in the financial statements as follows:

<table>
<thead>
<tr>
<th>Services</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Services</td>
<td>$49,972</td>
</tr>
<tr>
<td>Accounting</td>
<td>15,719</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65,691</strong></td>
</tr>
</tbody>
</table>

(f) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Organization's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. These costs include stipends, instructional software, mentor payouts, research data analysis and other professional services.
(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(f) **Functional Expense Allocation Policies and Procedures:** (Continued)

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefits are allocated based on activity reports of time spent on particular activities.

- Costs of travel, meeting expenses, video conferencing, website, development and other expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.

- Shared costs (internet, payroll processing, design services, IT technical support, general office expenses) are pooled and allocated based on the overall distribution of salaries that are linked to an individual’s respective activity reports.

(g) **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 the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) **Fair Value of Certain Financial Instruments:**

Some of The Modern Classrooms Project’s financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts and promises receivable, prepaid expenses, accounts payable, accrued expenses, and payroll liabilities.

3) **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

The following reflects The Modern Classrooms Project’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial statement date.

The Modern Classrooms Project has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.
3) **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:** (Continued)

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Financial Assets at Year End:
- Cash and Cash Equivalents $2,156,008
- Accounts Receivable 43,071
- Promises Receivable 31,100

Total Financial Assets $2,230,179

Less Amounts Not Available for General Expenditure Within One Year: $-

Financial Assets Available to Meet General Expenditures Over the Next Twelve Months $2,230,179

As part of The Modern Classrooms Project’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The Modern Classrooms Project deposits are with a financial institution in the form of a checking and savings accounts.

4) **ACCOUNTING FOR UNCERTAIN TAX POSITIONS:**

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in The Modern Classrooms Project’s financial statements and prescribe a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. The Modern Classrooms Project performed an evaluation of uncertain tax positions for the year ended December 31, 2021, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2021, the statute of limitations for tax years 2019 and 2020 remain open with the U.S. federal jurisdiction or the various states and local jurisdictions in which The Modern Classrooms Project files tax returns. It is The Modern Classrooms Project’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2021, The Modern Classrooms Project had no accruals for interest and/or penalties.

5) **CASH AND CASH EQUIVALENTS:**

The carrying amount of cash and cash equivalents at year end consisted of the following:

- Non-Interest Bearing Checking Accounts $1,655,372
- Savings Account 500,636

Total $2,156,008
(5) **CASH AND CASH EQUIVALENTS:** (Continued)

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturity of three months or less.

The Modern Classrooms Project maintains its deposits in two financial institutions in the form of non-interest business checking accounts and a savings account. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) program. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total is insured up to $250,000.

As of December 31, 2021, $1,655,059 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Modern Classrooms Project was at risk for the funds held in excess of the insured amounts. The Organization has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

(6) **ACCOUNTS AND PROMISES RECEIVABLE:**

**Accounts Receivable**

Accounts receivable as presented are current and are considered fully collectible by management. Balances at year end consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting Contracts</td>
<td>$ 24,844</td>
</tr>
<tr>
<td>Ongoing Support</td>
<td>17,250</td>
</tr>
<tr>
<td>On-line Course Registration</td>
<td>977</td>
</tr>
<tr>
<td><strong>Total Accounts Receivable</strong></td>
<td><strong>$ 43,071</strong></td>
</tr>
</tbody>
</table>

The Modern Classrooms Project’s accounts receivable consist of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Organization does not require collateral, it is at credit risk for the balance of the accounts receivable as of December 31, 2021.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees (i.e., consulting fees, registration fees, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectable when payment has not been received after reasonable collection efforts have been made.
Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by The Modern Classrooms Project. The Modern Classrooms Project uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of the following:

<table>
<thead>
<tr>
<th>Mentorship Programming</th>
<th>$ 25,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Support</td>
<td>$ 6,100</td>
</tr>
</tbody>
</table>

Total Promises Receivable $ 31,100

The above promises receivable are due to be received in less than one year.

As of December 31, 2021, approximately seventy-two percent (72%) of The Modern Classrooms Project’s promises receivable ($22,500) was due to be received from two foundations. The Modern Classrooms Project does not believe they are at credit risk for these amounts based on its ongoing relationship with these donors.

The Modern Classrooms Project received the following conditional promise to give that is not recognized as an asset in the financial statements:

<table>
<thead>
<tr>
<th>Emerging Leaders</th>
<th>$ 150,000</th>
</tr>
</thead>
</table>

Total Conditional Promise $ 150,000

(7) FIXED ASSETS:

Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of $1,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2021, was $5,780. Maintenance and repairs are charged to expenses as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Classification of fixed assets and their estimated useful lives are as summarized below:

<table>
<thead>
<tr>
<th>Computer Equipment</th>
<th>$ 26,771</th>
<th>3-4 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(3,472)</td>
<td></td>
</tr>
</tbody>
</table>

Total Net Book Value $ 23,299
INTANGIBLE ASSETS:

Certain intangible assets have been capitalized and amortized on a straight-line basis over the life of the asset. Amortization expense related to this asset for the year ended December 31, 2021, was $100.

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Amortization</th>
<th>Book Value</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Logo</td>
<td>$1,500</td>
<td>$333</td>
<td>$1,167</td>
<td>15 Years</td>
</tr>
<tr>
<td>Totals</td>
<td>$1,500</td>
<td>$333</td>
<td>$1,167</td>
<td></td>
</tr>
</tbody>
</table>

PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

The Modern Classrooms Project received a total amount of loan proceeds in the amount of $7,859 on May 4, 2020. As of December 31, 2020, $7,859 had been recognized as contribution income since the conditions upon which the loan proceeds were provided had been substantially met. This loan was forgiven by the Bank of America on February 5, 2021.

RELATED PARTY TRANSACTIONS:

Contributions Made

Various board members of The Modern Classrooms Project and organizations with which they are affiliated, made monetary payments to The Modern Classrooms Project. Such payments in the amount of $179,755 were made during the year ended December 31, 2021.

In addition to monetary contributions, a law firm for which a member of the board was a partner provided pro-bono legal services with an estimated fair value of $49,972 to The Modern Classrooms Project.

Transactions with Board Member Organization

The Modern Classrooms Project contracted with a school for which a board member is the principal of the school. The value of the contracts entered into during the year ended December 31, 2021, was $35,750, of which $16,880 was recognized as revenue. The remaining balance of $18,870 has been recognized as a deferred revenue as of December 31, 2021.
(11) **CONTINGENCIES:**

**Program Support**

The Modern Classrooms Project depends on contributions and grants for a significant portion of its revenue. The ability of The Modern Classrooms Project’s contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to The Modern Classrooms Project. While The Modern Classrooms Project’s Board of Directors and management believe The Modern Classrooms Project has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

**Pandemic**

The Modern Classrooms Project has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization’s financial position is not known.

**District of Columbia Unemployment**

At the time of organization, the Modern Classrooms Project elected to utilize the reimbursement method of unemployment. Under the reimbursement method, quarterly contributions are due to the Department of Employment Services based solely on unemployment claims for the quarter. Once an organization is enrolled in the reimbursement method, a change to the contribution may not occur for a two-year period. The Modern Classrooms Project is currently outside of the two-year waiting period and is permitted to change the unemployment method, however in the meantime the Organization could be liable for the payment of unemployment compensation in the event of employee separation.

(12) **COMMITMENTS:**

**Guarantee of Indebtedness**

The Modern Classrooms Project utilizes a credit card issued by Divvy, through Cross River Bank for purchases related to business activity. The credit card is issued in the name of The Modern Classrooms Project with an unsecured credit limit of $33,800.

(13) **CONCENTRATIONS:**

Based on the nature and purpose of The Modern Classrooms Project, significant revenues are received through individuals interested in a blended, self-paced, mastery-based approach to transform student learning in the classroom. In addition, approximately twenty-five percent (25%) of current year revenues ($750,000), excluding donated services were derived from two grantors. If a significant reduction in revenues from these organizations should occur, it may have a significant effect on the Organization’s programs.
(14) **SUBSEQUENT EVENTS:**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 14, 2022, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

(15) **FUNDRAISING:**

Expenses for the purpose of fundraising in the amount of $111,388 were incurred during the year ended December 31, 2021.

(16) **RETIREMENT PLAN:**

**403(b) Retirement Plan**

The Modern Classrooms Project provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by The Newport Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow pre-tax elective deferrals as well as Roth deferrals by employees up to the statutory limits set by the Internal Revenue Code. On the plan effective date, which was January 1, 2020, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions and contribution requirements are established and may be amended by the board members of The Modern Classrooms Project. Effective May 15, 2021, The Modern Classroom Project began discretionary matching at a rate of three percent (3%). For the year ended December 31, 2021, employer contributions were $44,866. Contributions to the retirement plan are fully vested. There is no unfunded past service liability.

(17) **EMPLOYEE BENEFITS:**

The cost of fringe benefits incurred for the year ended December 31, 2021, consisted of the following:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security/Medicare</td>
<td>$79,244</td>
</tr>
<tr>
<td>Retirement</td>
<td>44,866</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>43,146</td>
</tr>
<tr>
<td>Retirement Fees</td>
<td>2,253</td>
</tr>
<tr>
<td>QSEHRA Fees</td>
<td>889</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6,345</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>2,459</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>206</td>
</tr>
<tr>
<td>De Minimus</td>
<td>800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$180,208</strong></td>
</tr>
</tbody>
</table>
Health Reimbursement Account

The Modern Classrooms Project adopted a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) as enacted under the 21st Century Cures Act. Under this plan, employees are permitted to use employer provided tax-free dollars to pay for qualified health insurance premiums. This plan was discontinued on June 30, 2021. Employer expense under this plan for the year ended December 31, 2021, was $19,217.

Flexible Benefits Plan

The Modern Classrooms Project adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax-benefit dollars through payroll deduction to pay for health and dental insurance premiums, and un-reimbursed medical expenses.