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The Clubhouse Network

WHERE TECHNOLOGY MEETS IMAGINATION

Financial Statements

For the Year Ended
December 31, 2019

Bring Financial Focus to Your Business

The Clubhouse Network, Inc.

Financial Statements

For the Year Ended December 31, 2019

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Independent Auditors' Report

To the Board of Directors of
The Clubhouse Network, Inc.
Roxbury, Massachusetts

We have audited the accompanying financial statements of The Clubhouse Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. 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 The Clubhouse Network, Inc. as of December 31, 2019 , 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.

Correction of Error

As described in Note 15 to the financial statements, the opening balances of net assets with donor restrictions and grants payable have been restated due to an error discovered in recording the transfer of net assets from the Museum of Science during 2018. Additionally, the opening balance of net assets without donor restrictions and net assets with donor restrictions have been restated due to an error discovered in the classification of grants during 2018. Our opinion is not modified with respect to that matter.

Litman Gerson Associates, LLP

Woburn, Massachusetts
September 3, 2020

The Clubhouse Network, Inc.
Statement of Financial Position
December 31, 2019

Assets		
Current assets:		
Cash and cash equivalents	$	4,541,796
Grants and contributions receivable, net		583,065
Investments		36,973
Prepaid expenses and other current assets		57,487
Total current assets		5,219,321
Property and equipment, net		412,145
Other asset:		
Restricted cash		303,924
Total assets	$	5,935,390
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	43,524
Grants payable		3,550,419
Accrued expenses		62,871
Deferred rent		13,236
Total current liabilities		3,670,050
Net assets:		
Without donor restrictions		1,287,735
With donor restrictions		977,605
Total net assets		2,265,340
Total liabilities and net assets	$	5,935,390

The Clubhouse Network, Inc.

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Grants and contributions	$ 1,633,650	$ 716,769	$ 2,350,419
In-kind contributions	21,145	-	21,145
Net assets released from restriction	280,145	(280,145)	-
Total support	1,934,940	436,624	2,371,564
Revenue:			
Program participant fees	23,212	-	23,212
Interest income	13,624	-	13,624
Investment income, net	5,063	-	5,063
Other income	3,413	-	3,413
Total revenue	45,312	-	45,312
Total operating revenue and support	1,980,252	436,624	2,416,876
Operating Expenses			
Program services	1,752,197	-	1,752,197
Management and general	177,153	-	177,153
Fundraising	68,095	-	68,095
Total expenses before depreciation	1,997,445	-	1,997,445
Change in net assets from operating activities before depreciation	(17,193)	436,624	419,431
Depreciation	71,308	-	71,308
Change in net assets from operating activities	(88,501)	436,624	348,123
Non-Operating Activity			
Capital grants and contributions	25,000	175,000	200,000
Change in net assets from non-operating activities	25,000	175,000	200,000
Total change in net assets	(63,501)	611,624	548,123
Net assets at beginning of year (as originally stated)	1,354,236	795,300	2,149,536
Prior period adjustment	(3,000)	(429,319)	(432,319)
Net assets at beginning of year (as restated)	1,351,236	365,981	1,717,217
Net assets at end of year	$ 1,287,735	$ 977,605	$ 2,265,340

The Clubhouse Network, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program Services				Supporting Services		
	Network Support	Program Events	Flagship	Total Program	Management and General	Fundraising	Total Expenses
Salaries and related expenses:							
Salaries and wages	$ 660,729	$ 60,506	$ 171,298	$ 892,533	$ 15,556	$ 48,325	$ 956,414
Employee benefits	73,558	7,119	18,386	99,063	6,668	5,601	111,332
Payroll taxes	53,490	4,958	14,127	72,575	976	3,981	77,532
Total salaries and related expenses	787,777	72,583	203,811	1,064,171	23,200	57,907	1,145,278
Other expenses:							
Event venue	-	189,137	-	189,137	275	-	189,412
Participant support	15,571	119,742	2,453	137,766	440	49	138,255
Legal and accounting	-	-	-	-	112,076	-	112,076
Occupancy	41,728	-	52,160	93,888	5,217	5,216	104,321
Conferences and travel	51,600	16,504	378	68,482	2,824	97	71,403
Depreciation	28,523	-	35,655	64,178	3,565	3,565	71,308
Program evaluation	56,973	-	-	56,973	-	-	56,973
Consulting	32,437	4,493	149	37,079	12,046	2,486	51,611
Supplies and materials	2,735	5,098	15,516	23,349	5,353	66	28,768
Dues and subscriptions	20,001	-	1,086	21,087	2,021	429	23,537
Meals and entertainment	18,319	-	220	18,539	1,271	29	19,839
Telephone and internet	5,481	-	6,852	12,333	687	685	13,705
Insurance	5,193	-	6,492	11,685	649	649	12,983
Computer rental	849	6,775	1,752	9,376	429	-	9,805
Printing and graphics	-	4,656	628	5,284	2,410	482	8,176
Service fees	-	-	-	-	7,853	-	7,853
Postage and shipping	-	3,010	38	3,048	402	-	3,450
Total other expenses	279,410	349,415	123,379	752,204	157,518	13,753	923,475
Total expenses by function	1,067,187	421,998	327,190	1,816,375	180,718	71,660	2,068,753
Less items separately stated on Statement of Activities:							
Depreciation	(28,523)	-	(35,655)	(64,178)	(3,565)	(3,565)	(71,308)
Total	(28,523)	-	(35,655)	(64,178)	(3,565)	(3,565)	(71,308)
Total expenses included in the functional categories on the Statement of Activities	$ 1,038,664	$ 421,998	$ 291,535	$ 1,752,197	$ 177,153	$ 68,095	$ 1,997,445

The accompanying notes are an integral part of these financial statements.

The Clubhouse Network, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities:		
Change in net assets	$	548,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		71,308
Non-cash contribution of investments		(17,785)
Net realized and unrealized gains on investments		(3,761)
Reinvested dividends and capital gains distributions		(1,302)
Changes in operating assets and liabilities:		
Decrease in:		
Grants and contributions receivable		478,360
Prepaid expenses and other current assets		21,645
Increase in:		
Accounts payable		11,533
Grants payable		1,523,050
Accrued expenses		12,017
Deferred rent		10,475
Net cash provided by operating activities		2,653,663
Net increase in cash, cash equivalents and restricted cash		2,653,663
Cash, cash equivalents and restricted cash at beginning of year		2,192,057
Cash, cash equivalents and restricted cash at end of year	$	4,845,720
Supplemental disclosure of non-cash investing activities		
Investments received and recognized as contribution revenue	$	17,785
Reinvested investment income	$	1,302

1. Nature of Operations

The Clubhouse Network, Inc. (the Organization), was incorporated on March 30, 2017 and received tax exempt status on September 7, 2017 under the laws of the Commonwealth of Massachusetts as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was previously a business unit of the Museum of Science, Boston (the Museum), before the Organization legally separated from the Museum and began independent operations on February 1, 2018 (see Note 14).

The Organization provides opportunities for youth in underserved communities to work with mentors to explore their own ideas, develop new skills, and build confidence through the use of technology. The Organization has direct control over the operations of the Flagship Clubhouse (the Flagship) located in Roxbury, Massachusetts. In addition to the Flagship location, the Organization serves as the headquarters for and licenses "The Clubhouse Network" trademark to approximately 107 independently operated Clubhouses (collectively the "Clubhouses" or "Network") in 20 countries. Licensed Clubhouses are not under the direct control of the Organization and are independent non-profit organizations. The Organization provides these locations with start-up support, development, evaluation and assessment, partnership opportunities, and access to an online community for youth, mentors, and staff. The Organization is funded primarily through corporate and government grants and contributions.

Approximately 30 of the licensed locations, including the Flagship, are Best Buy Teen Tech Centers (BBTTCs), which are sponsored and funded by Best Buy Foundation (Best Buy) (see Note 11).

The Organization operates the following programs:

<u>Network Support</u>
General
Support provided by the Organization to Clubhouses and BBTTCs in the Network. Support is provided largely through liaisons who oversee Clubhouses spread over 8 geographic regions. Liaisons work closely with Clubhouses in the Network to ensure Clubhouses remain compliant with requirements in the license agreements and are following best practices to ensure each Clubhouse meets their potential. Liaisons help with outreach to organizations, review and evaluate proposals, take part in site visits and help select new locations. Once selected, liaisons work closely with each organization to ensure they have the necessary staff, program, and technology in place to run an effective Clubhouse.

C2C (Clubhouse-to-Career) Pathways to Success
Draws on Clubhouse expertise to support the global need for a trained and ready workforce in the Science, Technology, Engineering and Mathematics (STEM) field. This program develops the member's workforce readiness skills and helps them gain real-world work experience through an internship placement.

Catalyst Initiative
A way for The Clubhouse Network to bring "Clubhouse" practices to non-Clubhouse settings such as schools, libraries, and other out-of-school time programs. Projects take a variety of forms, including grant-funded projects, consulting arrangement, and workshops facilitated by the Organization.

1. Nature of Operations…continued

Program Events

Teen Summit

A biennial week-long Youth Leadership event bringing together youth from each Clubhouse. Youth leaders explore issues relevant to them and propose solutions through the creative use of innovative, high-end technologies. The event features a college and career fair, collaborative cross-cultural activities, and other opportunities for educational, career, and personal growth. The summit was not held during the year ended December 31, 2019.

Annual Conference

The Organization organizes an annual conference for the Clubhouse community to come together, build skills, share ideas, reflect on experiences, and plan for the future. Clubhouse staff, directors, and partners from academia, research, government, and the corporate sector typically attend.

Alumni Summit

An event bringing together alumni from across the world to participate in professional development and networking opportunities.

Flagship

Represents the Clubhouse and BBTTC operated at the Organization's Roxbury, MA headquarters, and provides a space for underserved youth to explore their ideas and build confidence through the use of technology and mentoring.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure the statement of financial position, and the related statements of activities, functional expenses, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows FASB ASC Topic No. 958, *Not-for-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets without restrictions include amounts available for use in general operations and not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time.

2. Summary of Significant Accounting Policies…continued

*Financial Statement Presentation…*continued

With Donor Restrictions

Net assets with restrictions include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some stipulations are temporary in nature that expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. If the stipulation is fulfilled in the same time period in which the contribution is received, the contribution is reported as having no restrictions in the year received. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid financial instruments with original maturities of three months or less, when purchased, to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at cost, net of an allowance for doubtful accounts, which is the amount management expects to collect from outstanding balances. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution in accordance with donor-imposed stipulations, if any, on the contribution. Contributions receivable outstanding at December 31, 2019 are expected to be collected over the next year. An allowance for doubtful accounts is provided for those grants and contributions receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts and contributions receivable at the end of the year. The Organization considers a receivable past due if payment is not received based on contractual terms. At December 31, 2019, the Organization has determined grants and contributions receivable to be fully collectable. Accordingly, an allowance for doubtful accounts was not required at December 31, 2019.

Investments

The Organization has adopted FASB ASC Topic No. 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (ASC 958-320). Under ASC 958-320, investments held in marketable equity securities are reported at fair value based upon quoted market prices. Investment income or loss, which consists of interest and dividend income, realized gains and losses, and unrealized gains and losses on those investments, less external and direct internal investment expenses is included in revenue and support in the statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

Description	Useful Life
Leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computers and software	3 – 4 years
Equipment	5 years

2. Summary of Significant Accounting Policies…continued

Property and Equipment…continued
Expenditures for maintenance and repairs are charged to expense as incurred, while expenditures which significantly increase values or extend useful lives are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss thereon is reflected in the statement of activities. The Organization capitalizes all expenditures in excess of $2,500 for property and equipment with a useful life greater than 12 months.

Deferred Rent
Lease agreements may require future increases in the minimum base rent. Rent expense under these arrangements is recognized on the straight-line basis over the term of the related leases. The difference between rent expense recognized on the straight-line basis and cash paid is classified as deferred rent on the accompanying statement of financial position.

Fair Value Measurements
The Organization discloses the fair value of investments (see Note 6) in accordance with FASB ASC Topic No. 820, *Fair Value Measurements* (ASC 820). The framework under ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's 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
Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There were no changes in the methodologies used at December 31, 2019.

Marketable Equity Securities
Marketable equity securities, which include mutual funds and common stock, are valued based on quoted prices from an active market. These investments are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition

Network Support, Grants and Contributions

Network support, grants and contributions, including unconditional promises to give, are recognized as revenue in the period received, pledged, or notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

At December 31, 2019, contributions of approximately $63,800 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met. Of the total conditional contributions, $60,000 depend on the Organization meeting various milestones and $3,800 depend on meeting matching requirements by the donor.

A portion of the Organization's revenue is derived from cost-reimbursable state and federal government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization recognized $243,641 in support and revenues related to cost-reimbursable state and federal government grants during the year ended December 31, 2019. The remaining maximum cost-reimbursable state and federal government grant amounts to be recognized, subject to periodic adjustments, totaled approximately $292,000 at December 31, 2019. There were no refundable advances during the year ended December 31, 2019. The cost-reimbursable state and federal government grants expire in September 2020 (see Note 14).

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions depending upon the condition(s) stipulated by the donor. 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 are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions in the year received.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the estimated fair value of contributed services if such services meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not contributed.

During the year ended December 31, 2019, the Organization received donated legal services with an estimated fair value of $21,145, which have been recognized as in-kind contributions and management and general expenses on the accompanying statement of activities.

Many individuals volunteered their time and performed a variety of tasks to assist the Organization in carrying out its mission during the year ended December 31, 2019. These services do not meet the recognition criteria for contributed services. Accordingly, a value for these services has not been reflected in the accompanying financial statements.

Program Participant Fees, and Other Income

Program participant fees and other income are recognized as revenue in the period the services are rendered. Amounts received prior to the period services are rendered or are intended for future periods are reported as deferred revenue.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification, while other expenses are allocated based on management's systematic and rational policy as follows:

Expense	Method of Allocation
Employee benefits	Time and effort
Depreciation	Square footage
Occupancy	Square footage
Insurance	Square footage
Telephone and internet	Square footage/usage

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is a public charity according to Section 509(a)(1) of the IRC. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for the uncertainty in income taxes in accordance with the provisions of FASB ASC Topic No. 740, *Income Taxes*, which prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The Organization does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next 12 months.

2. Summary of Significant Accounting Policies…continued

Recently Adopted Accounting Principles
On January 1, 2019, the Organization implemented Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU now requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the ASU requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome. The Organization has adopted the ASU on a modified prospective basis. The adoption of the ASU did not have a significant impact on the financial statements for the year ended December 31, 2019.

New Accounting Standards Issued, but Not Yet Effective
In June 2020, the FASB issued Accounting Standards Update 2020-05 (ASU 2020-05), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, which amends the required effective date of FASB ASC Topic No. 606, *Revenue from Contracts with Customers* (ASC 606), for certain entities to periods beginning after December 15, 2019 due to the Coronavirus (COVID-19) pandemic (see Note 16). Accordingly, the Organization has elected to delay the implementation of ASC 606.

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure at December 31, 2019 consisted of the following:

Financial assets at year end:	
Cash and cash equivalents	$ 4,541,796
Grants and contributions receivable	583,065
Restricted cash	303,924
Investments	36,973
Total financial assets	5,465,758
Less amounts not available to be used within one year:	
Restricted cash	(303,924)
Grants payable	(3,550,419)
Donor restricted net assets	(977,605)
Financial assets not available to be used within one year	(4,831,948)
Financial available to meet general expenditures within one year	$ 633,810

3. Liquidity and Availability…continued

The Organization is substantially supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, the Organization ensures that fundraising is directed towards its programs and that its programs are centralized around the funding received. The Organization also invests cash in excess of six months of operating expenses in short-term investments, primarily certificates of deposit and money market funds to maximize investment return. The financial assets listed above are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Donor restricted assets of $977,605 at December 31, 2019 have been excluded from the balances above. Additionally, the Organization has a letter of credit account, which is restricted, and is therefore excluded from the above presentation (see Note 4). However, in February 2020, the letter of credit was released and the cash became unrestricted and available for general expenditure (see Note 4 and Note 16).

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. The Organization's 2020 operating budget, including restricted activity, consists of approximately $2,643,143 in expenditures. This operating budget is subject to change given the impact of the COVID-19 pandemic that occurred subsequent to year end and the uncertainty of the effects of the pandemic on operations (see Note 16).

4. Restricted Cash

In accordance with its facility lease agreement (see Note 12), the Organization is required to maintain an irrevocable standby letter of credit with a bank with a principal amount of $300,000, which was reported as restricted cash on the accompanying statement of financial position. The letter of credit automatically extended without amendment upon each anniversary date beginning on June 30, 2018, unless otherwise noted by the bank. In February 2020, the bank notified the Organization of a non-renewal of the standby letter of credit in accordance with a request from the landlord of the facility stating the having a letter of credit is no longer necessary (see Note 16). Accordingly, the cash was released from restriction in February 2020. No other deposits or letter of credits are required to maintain the facility lease.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the totals of the respective amounts in the statement of cash flows.

Cash and cash equivalents	$ 4,541,796
Restricted cash	303,924
Total cash, cash equivalents and restricted cash presented in the statement of cash flows	$ 4,845,720

5. Investments

The comparison of the actual costs and fair values of investments at December 31, 2019 was as follows:

	Cost	Fair Value	Unrealized Gains
Investments held at fair value:			
Marketable equity securities:			
Mutual funds	$ 34,449	$ 35,007	$ 558
Common stock—domestic	1,934	1,966	32
Total investments	$ 36,383	$ 36,973	$ 590

The following schedule summarizes net investment income, including realized and unrealized gains and losses, for the year ended December 31, 2019:

Interest, dividends, and capital gains distributions	$ 1,302
Net realized and unrealized gains on investments	3,761
Investment income, net	$ 5,063

6. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Mutual funds	$ 35,007	$ -	$ -	$ 35,007
Common stock—domestic	1,966	-	-	1,966
Total investments at fair value	$ 36,973	$ -	$ -	$ 36,973

7. Property and Equipment

Property and equipment at December 31, 2019 consisted of the following:

Leasehold improvements	$ 364,953
Furniture and fixtures	60,976
Computers and software	53,702
Equipment	27,746
	507,377
Less: accumulated depreciation	95,232
	$ 412,145

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 have been restricted by donors for the purposes or periods as follows:

Subject to expenditure for specified purpose:		
Program services:		
Flagship program and network support	$	409,131
C2C Pathways to Success		142,195
Clubhouse Village Website		175,000
Property and equipment		36,279
Subject to the passage of time and purpose:		
Engineer for the Week (EFTW)		90,000
Annual Conference		75,000
Teen Summit		50,000
	$	977,605

For the year ended December 31, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

Satisfaction of purpose restrictions:		
Flagship BBTTC and network support	$	123,139
Flagship Clubhouse activities and other programs		98,591
C2C Pathways to Success		58,415
	$	280,145

9. Retirement Plan

The Organization has established a retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Employees may elect to contribute to the plan on a salary reduction basis and the Organization may elect to provide a contribution to the plan. The Organization contributed $42,370 to the plan for the year ended December 31, 2019.

10. Self-Funded Unemployment Insurance

The Organization maintains a self-insurance program for its unemployment insurance for the Commonwealth of Massachusetts. Self-insurance cost is accrued based on claims reported as of December 31, 2019, as well as an estimated liability for claims incurred but not reported. During the year ended December 31, 2019, there were no unemployment claims paid. Future estimated liability for claims, which was included with accrued expenses on the accompanying statement of financial position, totaled $13,000 at December 31, 2019. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional loss that is at least reasonably possible.

11. Agency Transactions

Best Buy Foundation
The Organization has an arrangement with Best Buy under which it receives grants to fund start-up expenses and provide ongoing support for BBTTCs. The Organization does not retain variance power over the assets transferred, and thus the transactions are treated as agency transactions. The funds received are recorded as a grants payable liability, which is reduced as funds are disbursed upon the BBTTCs meeting various milestones. Best Buy also relies on the Organization's knowledge and experience surrounding the implementation of the BBTTC curriculum and technology. This aspect of the arrangement is considered "Network Support" and is one of the Organization's primary programs (see Note 1). Additionally, the Flagship location is a BBTTC and thus receives funding to support that program. Funding received for Network Support and for the Flagship BBTTC is recognized as grants and contributions on the statement of activities.

Other Agency Transactions
During the year ended December 31, 2019, the Organization has entered a grant agreement with an unrelated organization in which the Organization does not retain variance power over the assets transferred. Accordingly, the transactions under this grant agreement are treated as agency transactions. Pass-through funding granted to other unrelated organizations are recorded as a grants payable liability, which is reduced when funds are paid to the organization. Funding received for administrative costs to run the program are recognized as grants and contributions on the statement of activities.

Following is a summary of the pass-through funding received under the agreements, and its composition on the statement of financial position at December 31, 2019:

	Total	Best Buy	Other
Grants payable at January 1, 2019 (as originally stated)	$1,595,050	$1,595,050	$ -
Effect of prior period adjustment (see Note 15)	432,319	432,319	-
Grants payable at January 1, 2019 (as restated)	2,027,369	2,027,369	-
Current year activity:			
Additions	4,179,660	4,112,160	67,500
Disbursements	(2,656,610)	(2,646,610)	(10,000)
Grants payable at December 31, 2019	$3,550,419	$3,492,919	$ 57,500

The unexpended grants funds of $3,550,419 at December 31, 2019 are included in cash and cash equivalents and accounts receivable.

Following is a summary of the support recognized in the statement of activities under the agreements during the year ended December 31, 2019:

Network support	$ 1,272,840
Flagship BBTTC	65,000
Agency administrative fees	42,500
	$ 1,380,340

12. Commitments

Facility Lease
Effective September 2018, the Organization entered into a noncancellable operating lease for a facility with a ten-year term expiring in September 2028. The lease contains a five-year renewal option. In lieu of a security deposit for the facility lease, the Organization was required to provide the landlord with a standby letter of credit issued by a bank in the amount of $300,000. In February 2020, the letter of credit was released by the bank (see Note 4 and Note 16). The lease provides for periodically escalating minimum monthly rental payments between $6,282 and $8,198.

Rent expense is recognized on a straight-line basis over the life of the leases with the differences between the cash paid and the straight-line expense being recorded as deferred rent on the accompanying statement of financial position. Rent expense under this lease totaled $86,431 for the year ended December 31, 2019.

Future minimum lease payments for the noncancellable operating lease are as follows for the years ending December 31st:

2020	$ 78,238
2021	80,585
2022	83,003
2023	85,493
2024	88,058
Thereafter	354,122
	$ 769,499

Software License
In December 2018, the Organization entered into a four-year license agreement for an online community management platform. The platform requires a one-time implementation service fee as well as annual subscription fees which include software licenses, ongoing maintenance and upgrades, support, and hosting. Additional fees are billed as incurred for any services not included in the license agreement. Costs incurred under this license totaled $18,600 for the year ended December 31, 2019.

Future minimum payments for the subscription fees for the years ending December 31st are as follows:

2020	$ 15,000
2021	15,000
	$ 30,000

13. Concentrations of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of risk consist principally of cash and cash equivalents, and grants and contributions receivables.

The Organization maintains their cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

13. Concentrations of Credit Risk…continued

Grants and contributions receivable consisted of balances due from two funding sources representing 88% of the total balance outstanding at December 31, 2019.

Grants and contributions from one funding source represented 64% of total support and revenue for the year ended December 31, 2019.

14. Separation Agreement

The Organization was a business unit of the Museum of Science, Boston, before legally separating from the Museum effective February 1, 2018. Substantially all financial assets of the Organization were transferred from the Museum to the Organization during 2018. Under the terms of the agreement, the Museum continues to act as fiscal agent on certain federal awards and conditional grants (see Note 1 and Note 2) until these specific awards and grants expire in September 2020.

15. Prior Period Adjustment

During the year ended December 31, 2019, it was discovered that the transfer of net assets from the separation from the Museum (see note 14) had been incorrectly recorded. Of the $1,740,116 cash transfer from the Museum, $432,319 was recorded as a transfer of net assets when it should have been recorded as a grant payable to other BBTTCs (see Note 11). Accordingly, at December 31, 2018, grants payable was understated by $432,319, and donor restricted assets was overstated by $432,319. To correct the error, the opening balance of net assets with donor restrictions was decreased by $432,319, and grants payable was increased by $432,319. There was no effect of the restatement on the change in net assets for the year ended December 31, 2018.

Additionally, during the year ended December 31, 2019, it was discovered that a grant was improperly classified as a grant without donor restriction when it should have been recorded as a grant with donor restrictions. Accordingly, at December 31, 2018, net assets with donor restrictions was understated by $3,000 and net assets without donor restrictions was overstated by $3,000. To correct the error, the opening balance of net assets with donor restrictions was increased by $3,000, and net assets without donor restrictions was decreased by $3,000.

16. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through September 3, 2020, the date the financial statements were available to be issued.

On February 20, 2020, the Organization and landlord of the Organization's facility lease determined that a standby letter of credit was no longer necessary to be held (see Note 4). Accordingly, the letter of credit was released, and the funds of approximately $304,000 were released from restriction. The landlord did not require any other deposits or restricted cash to be maintained by the Organization as security for the lease.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak in the United States and the world has resulted in economic uncertainties that are likely to negatively impact the future financial results of operations, realization of assets, and cash flows. This situation could have a significant adverse effect on the future financial statements and Management is unable to quantify the potential impact at this time.

16. Subsequent Events…continued

On April 21, 2020, the Organization applied for and was approved for a $212,700 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1% per annum. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.