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The Clubhouse Network

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Financial Statements

For the Year Ended
December 31, 2020

Bring Financial Focus to Your Business

The Clubhouse Network, Inc.

Financial Statements
For the Year Ended December 31, 2020

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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, 2020, 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, 2020, 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.

Litman Gerson Associates, LLP

Woburn, Massachusetts
June 24, 2021

The Clubhouse Network, Inc.

Statement of Financial Position

December 31, 2020

Assets		
Current assets:		
Cash and cash equivalents	$	5,003,454
Grants and contributions receivable, net		618,848
Investments, at fair value		1,408,430
Prepaid expenses and other current assets		66,113
Total current assets		7,096,845
Property and equipment, net		486,725
Total assets	$	7,583,570
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	34,614
Grants payable		4,513,210
Accrued expenses		84,207
Total current liabilities		4,632,031
Long-term liabilities:		
Deferred rent		24,387
Net assets:		
Without donor restrictions		1,620,923
With donor restrictions		1,306,229
Total net assets		2,927,152
Total liabilities and net assets	$	7,583,570

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

The Clubhouse Network, Inc.

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Grants and contributions	$ 1,293,115	$ 867,626	$ 2,160,741
Conditional grant - PPP loan	212,700	-	212,700
In-kind contributions	7,735	-	7,735
Net assets released from restriction	391,318	(391,318)	-
Total support	1,904,868	476,308	2,381,176
Revenue:			
Investment income, net	29,876	-	29,876
Interest income	29,128	-	29,128
Other income	3,800	-	3,800
Total revenue	62,804	-	62,804
Total operating revenue and support	1,967,672	476,308	2,443,980
Operating Expenses			
Program services	1,394,790	-	1,394,790
Management and general	258,274	-	258,274
Fundraising	67,197	-	67,197
Total expenses before depreciation	1,720,261	-	1,720,261
Change in net assets from operating activities before depreciation	247,411	476,308	723,719
Depreciation	71,307	-	71,307
Change in net assets from operating activities	176,104	476,308	652,412
Non-Operating Activity			
Capital grants and contributions	1,700	7,700	9,400
Net assets released from restriction for capital expenditures	155,384	(155,384)	-
Change in net assets from non-operating activities	157,084	(147,684)	9,400
Total change in net assets	333,188	328,624	661,812
Net assets at beginning of year	1,287,735	977,605	2,265,340
Net assets at end of year	$ 1,620,923	$ 1,306,229	$ 2,927,152

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

The Clubhouse Network, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Supporting Services		
	Network Support	Flagship	Program Events	Total Program	Management and General	Fundraising	Total Expenses
Salaries and related expenses:							
Salaries and wages	$ 699,282	$ 152,286	$ 14,097	$ 865,665	$ 121,634	$ 46,724	$ 1,034,023
Employee benefits	83,893	21,741	1,924	107,558	21,211	5,093	133,862
Payroll taxes	55,505	14,004	1,271	70,780	9,507	3,920	84,207
Total salaries and related expenses	838,680	188,031	17,292	1,044,003	152,352	55,737	1,252,092
Other expenses:							
Participant support	154,754	1,218	3,745	159,717	-	-	159,717
Occupancy	39,038	48,797	-	87,835	4,881	4,878	97,594
Legal and accounting	-	-	-	-	72,028	-	72,028
Depreciation	28,523	35,654	-	64,177	3,565	3,565	71,307
Consulting	22,602	868	5,600	29,070	7,015	4,650	40,735
Dues and subscriptions	22,999	387	-	23,386	11,862	468	35,716
Supplies and materials	8,742	1,431	1,171	11,344	2,791	281	14,416
Conferences and travel	10,210	141	3,871	14,222	26	22	14,270
Insurance	4,834	6,042	-	10,876	604	604	12,084
Telephone and internet	4,439	5,549	-	9,988	555	557	11,100
Printing and graphics	-	580	158	738	4,067	-	4,805
Computer rental	2,399	-	-	2,399	246	-	2,645
Service fees	-	-	-	-	1,847	-	1,847
Postage and shipping	1,188	-	24	1,212	-	-	1,212
Total other expenses	299,728	100,667	14,569	414,964	109,487	15,025	539,476
Total expenses by function	1,138,408	288,698	31,861	1,458,967	261,839	70,762	1,791,568
Less items separately stated on the Statement of Activities:							
Depreciation	(28,523)	(35,654)	-	(64,177)	(3,565)	(3,565)	(71,307)
Total	(28,523)	(35,654)	-	(64,177)	(3,565)	(3,565)	(71,307)
Total expenses included in the functional categories on the Statement of Activities	$ 1,109,885	$ 253,044	$ 31,861	$ 1,394,790	$ 258,274	$ 67,197	$ 1,720,261

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, 2020

Cash flows from operating activities:		
Change in net assets	$	661,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		71,307
Non-cash contribution of investments		(15,849)
Net realized and unrealized gains on investments		(30,121)
Reinvested investment income		(2,379)
Deferred rent		11,151
Capital grants and contributions		(9,400)
Changes in operating assets and liabilities:		
Increase in:		
Grants and contributions receivable		(35,783)
Prepaid expenses and other current assets		(8,626)
Increase (decrease) in:		
Accounts payable		(8,910)
Grants payable		962,791
Accrued expenses		21,336
Net cash provided by operating activities		1,617,329
Cash flows from investing activities:		
Proceeds from sales and maturities of investments		49,142
Purchases of investments		(1,372,250)
Purchases of property and equipment		(145,887)
Net cash used in investing activities		(1,468,995)
Cash flows from financing activities:		
Receipts of capital grants and contributions		9,400
Net cash provided by financing activities		9,400
Net increase in cash, cash equivalents and restricted cash		157,734
Cash, cash equivalents and restricted cash at beginning of year		4,845,720
Cash, cash equivalents and restricted cash at end of year	$	5,003,454
Supplemental disclosure of non-cash investing activities		
Investments received and recognized as contribution revenue	$	15,849
Reinvested investment income	$	2,379

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

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 15).

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 110 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 35 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 12).

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 highest 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

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

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 Teen Summit was not held during the year ended December 31, 2020 due to the COVID-19 pandemic (see Note 16).

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.

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.

2. Summary of Significant Accounting Policies…continued

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.

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. The Organization has elected to report the PPP loan forgiveness within the operating section of the statement of cash flows.

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, 2020 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, 2020, the Organization has determined grants and contributions receivable to be fully collectable. Accordingly, an allowance for doubtful accounts was not required at December 31, 2020.

2. Summary of Significant Accounting Policies…continued

Investments
The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position.

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 – 5 years
Equipment	5 years

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.

Contract Assets and Contract Liabilities
Contract assets arise when the Organization recognizes revenues, but is not yet entitled to bill the customer under the terms of the contract. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer for which the Organization has been paid by the customer or for which the Organization has billed the customer under the terms of the contract. Revenue for future services reflected in this account is recognized, and the liability is reduced, as the Organization subsequently satisfies the performance obligation under the contract.

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 in the accompanying statement of financial position.

2. Summary of Significant Accounting Policies…continued

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, 2020.

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

Marketable Debt Securities
Marketable debt securities are valued at amortized cost, which approximates fair value. The Organization's investments in US Treasury bills are classified as Level 1 as they are actively traded, and no valuation adjustments have been applied. The Organization's investments in corporate bonds are classified as level 2 as they are traded in markets that are not considered to be active, but are valued based on quoted market prices, or alternative pricing sources supported by observable inputs.

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.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued

Network Support, Grants and Contributions…continued

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.

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 $237,368 in support related to cost-reimbursable government grants during the year ended December 31, 2020. The remaining maximum cost-reimbursable government grant amounts to be recognized, subject to periodic adjustments, totaled approximately $18,201 at December 31, 2020. There were no refundable advances under these grant agreements during the year ended December 31, 2020.

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.

Conditional Grant – PPP Loan

The Organization follows FASB ASC Topic No. 958-605, Revenue Recognition (ASC 958-605) for the PPP Loan. Under ASC 958-605, the PPP Loan is recognized as a conditional contribution as the Organization expects to meet the PPP Loan's eligibility criteria for forgiveness and that the PPP Loan represents, in substance, a grant that is expected to be forgiven. Accordingly, the PPP Loan proceeds received are recorded as a refundable advance. The refundable advance will be reduced and recognized as a contribution once the conditions of the release have been substantially met or explicitly waived (forgiven).

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.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued
In-Kind Contributions…continued
During the year ended December 31, 2020, the Organization received donated legal services with an estimated fair value of $7,735, which have been recognized as in-kind contributions and management and general expenses in 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, 2020. 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
The Organization applies the provisions of FASB ASC Topic No. 606-10, *Revenue from Contracts with Customers*, and all related appropriate guidance. The Organization recognizes revenue under the core principle of this guidance to depict the transfer of promised goods or services to the Organization's customers in an amount reflecting the consideration the Organization expects to be entitled in exchange for those products or services. In order to achieve this principal, revenues are recognized based upon a five-step model, which involves: (1) identifying contracts with customers, (2) identifying performance obligations within those contracts, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue upon satisfaction of those performance obligations.

Program participant fees and other income are recognized upon satisfaction of performance obligations, which occurs at a point in time, when services are rendered. Amounts received prior to the period services are rendered or are intended for future periods are reported as deferred revenue, which is a contract liability. There were no revenues from contracts with customers during the year ended December 31, 2020. Additionally, there were no trade receivables, contract assets, or contract liabilities at December 31, 2020.

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
Salaries and wages	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Occupancy	Square footage
Depreciation	Square footage
Insurance	Square footage
Telephone and internet	Square footage/usage

2. Summary of Significant Accounting Policies…continued

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.

Recently Adopted Accounting Policies
On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 revises and consolidates prior guidance, eliminates industry specific revenue recognition guidance and establishes a comprehensive principle-based approach for determining revenue recognition. The core principle of the guidance is that an entity must 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 providing those goods or services. ASC 606 sets forth a five-step revenue recognition model to be applied consistently to all contracts with customers: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The update also provides guidance regarding the recognition of costs related to obtaining and fulfilling customer contracts. This update also requires quantitative and qualitative disclosures sufficient to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance.

The Organization adopted ASC 606 using a modified retrospective approach. Under this approach, the Organization's financial statements are prepared under the revised guidance for the year of adoption, but not for prior years, and the Organization recognizes a cumulative adjustment to the opening balance of net assets for contracts that still require performance by the Organization at the date of adoption. The application of ASC 606 did not have a significant impact on the financial statements for the year ended December 31, 2020 as the majority of revenues and support are derived from grants and contributions and revenue recognition at a point in time is consistent with the Organization's historical revenue recognition practices. Certain enhanced disclosures regarding revenue have been included in the financial statements.

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure at December 31, 2020 consisted of the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 5,003,454
Grants and contributions receivable	618,848
Investments	1,408,430
Total financial assets	7,030,732
Less amounts not available within one year or to be used for general expenditures:	
Investments	(25,000)
Grants payable	(4,513,210)
Donor restricted net assets	(1,306,229)
Financial assets not available to be used within one year	(5,844,439)
Financial available to meet general expenditures within one year	$ 1,186,293

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 marketable debt and equity investments 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 $1,306,229 at December 31, 2020 have been excluded from the balances above.

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 2021 operating budget, including restricted activity, consists of approximately $2,727,000 in expenditures. The operating budget may be subject to change given the uncertainty of the timing of the removal or reduction of COVID-19 related restrictions (see Note 16).

4. Restricted Cash

In accordance with its facility lease agreement (See Note 13) the Organization was 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. 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 was no longer necessary. Accordingly, the cash was released from restriction in February 2020. No other deposits or letter of credits are required to maintain the facility lease. There were no restricted cash at December 31, 2020.

5. Investments

The comparison of the actual costs and fair values of investments at December 31, 2020 was as follows:

	Cost	Fair Value	Unrealized Gains
Marketable equity securities:			
Common stock – domestic	$ 420,131	$ 447,681	$ 27,550
Common stock – international	177,265	185,873	8,608
Marketable debt securities:			
US Treasury bills	749,810	749,876	66
Corporate bonds	25,000	25,000	-
Total investments	$ 1,372,206	$ 1,408,430	$ 36,224

The following schedule summarizes net investment income, including realized and unrealized gains and losses, for the year ended December 31, 2020:

Interest, dividends, and capital gains distributions	$ 2,436
Net realized and unrealized gains on investments	27,440
Investment income, net	$ 29,876

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, 2020:

	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock – domestic	$ 447,681	$ -	$ -	$ 447,681
Common stock – international	185,873	-	-	185,873
Marketable debt securities:				
US Treasury bills	749,876	-	-	749,876
Corporate bonds	-	25,000	-	25,000
Total investments at fair value	$ 1,383,430	$ 25,000	$ -	$1,408,430

7. Property and Equipment

Property and equipment at December 31, 2020 consisted of the following:

Leasehold improvements	$ 364,953
Construction in progress	145,887
Furniture and fixtures	60,976
Computers and software	53,702
Equipment	27,746
	653,264
Less: accumulated depreciation	166,539
	$ 486,725

Construction in progress consists of costs associated with expansion of the Organization's facility (see Note 13) and for the development of an internal website, Clubhouse Village, which have not been placed in service as of December 31, 2020

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 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	$ 954,159
C2C Pathways to Success	68,202
Clubhouse Village Website	42,550
Property and equipment	21,045
Subject to the passage of time and purpose:	
Engineer for the Week (EFTW)	95,273
Annual Conference	75,000
Teen Summit	50,000
	$ 1,306,229

For the year ended December 31, 2020, 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:	
Program services:	
Flagship program and network support	$ 197,982
C2C Pathways to Success	158,609
Clubhouse Village Website	132,450
Property and equipment	22,934
Satisfactions of time and purpose restrictions:	
Engineer for the Week (EFTW)	34,727
	$ 546,702

9. Conditional Grant – PPP Loan

The Organization entered into a promissory note, dated April 21, 2020, with East Boston Savings Bank, evidencing an unsecured loan with a principal amount of $212,700 made to the Organization pursuant to the Paycheck Protection Program (PPP Term Note) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP Term Note is guaranteed by the United States Small Business Administration. The proceeds may be used to maintain payroll or make certain covered interest payments, lease payments and utility payments. Under the terms of the CARES Act, the Organization can be granted forgiveness for all or a portion of loan granted under the PPP Term Note, with such forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of certain covered interest, lease and utility payments.

The Organization spent the full amount of the loan funds on expenses eligible for forgiveness during the year ended December 31, 2020. The Organization has determined the PPP Loan represents, in substance, a conditional grant for which all required conditions have substantially been met during the year ended December 31, 2020. Accordingly, the Organization has recognized the PPP Loan as support in the accompanying statements of activities for the year ended December 31, 2020. The Organization's PPP Loan was fully forgiven subsequent to year end (see Note 17).

10. 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 $46,029 to the plan for the year ended December 31, 2020.

11. 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, 2020, as well as an estimated liability for claims incurred but not reported. During the year ended December 31, 2020, there were no unemployment claims paid. Future estimated liability for claims, which was included with accrued expenses in the accompanying statement of financial position, totaled $15,000 at December 31, 2020. 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.

12. Agency Transactions

Best Buy Foundation
The Organization has an arrangement with Best Buy Foundation (Best Buy) under which it receives grants to fund start-up expenses and provide ongoing support for BBTTCs. The Organization may also receive other grants from Best Buy with similar arrangements, but for different purposes. 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 in the statement of activities.

Other Agency Transactions
During the year ended December 31, 2020, the Organization has entered into various agreements with unrelated organizations in which the Organization does not retain variance power over the assets transferred. Accordingly, the transactions under these grant agreements 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 granted to the organizations. Funding received for administrative costs to run the program are recognized as grants and contributions in the statement of activities.

Following is a summary of the pass-through funding received under the agreements, and its composition in the statement of financial position at December 31, 2020:

	Total	Best Buy	Other
Grants payable at January 1, 2020	$ 3,550,419	$ 3,492,919	$ 57,500
Current year activity:			
Additions	5,763,286	5,650,556	112,730
Disbursements	(4,800,495)	(4,770,495)	(30,000)
Grants payable at December 31, 2020	$ 4,513,210	$ 4,372,980	$ 140,230

12. Agency Transactions…continued

The unexpended grants funds of $4,513,210 at December 31, 2020 are included in cash and cash equivalents and investments.

Following is a summary of the support recognized in the statement of activities under the agreements during the year ended December 31, 2020:

Network support	$ 1,507,969
Flagship BBTTC and other	247,695
	$ 1,755,664

13. Commitments

Facility Lease
In September 2018, the Organization entered into a noncancellable operating lease for a facility with a ten-year term expiring in September 2028. In November 2020, the lease was amended to increase the square footage of the facility and to extend the expiration date of the lease to January 2031. The terms of the amended lease are effective February 2021. The lease contains a five-year renewal option. The lease provides for periodically escalating minimum monthly rental payments between $6,698 and $8,365.

In accordance with its facility lease agreement, the Organization was required to maintain an irrevocable standby letter of credit with a bank with a principal amount of $300,000. 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 that having a letter of credit was no longer necessary. Accordingly, the cash was released from restriction in February 2020. No other deposits or letter of credits are required to maintain the facility lease (see Note 4).

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 in the accompanying statement of financial position. Rent expense under this lease totaled $86,781 for the year ended December 31, 2020.

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

2021	$ 79,647
2022	82,222
2023	84,278
2024	86,385
2025	88,544
Thereafter	485,622
	$ 906,698

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 $16,932 for the year ended December 31, 2020. Future minimum payments for the subscription fees for the year ending December 31, 2021 total $13,068.

14. Concentrations of Credit Risk

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

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.

The Organization's investments are exposed to market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the Organization's financial position. The Organization mitigates this risk by diversifying their investments amongst a wide variety of industries, countries, and types of investments.

Grants and contributions receivable due from two funding sources represented 100% of the total balance outstanding at December 31, 2020.

Grants and contributions from one funding source represented 73% of total support for the year ended December 31, 2020.

15. 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 Notes 1 and 2) until these specific grants expire in January 2021.

16. Coronavirus Pandemic

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.

17. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through June 24, 2021, the date the financial statements were available to be issued.

In April 2021, the Organization's PPP Loan was fully forgiven by the SBA (see Note 9).