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Financial Statements

For the Year Ended
December 31, 2021

The Clubhouse Network, Inc.
Financial Statements
For the Year Ended December 31, 2021

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Independent Auditors' Report

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Clubhouse Network, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Clubhouse Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Clubhouse Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Litman Gerson Associates, LLP

Woburn, Massachusetts
June 23, 2022

The Clubhouse Network, Inc.

Statement of Financial Position

December 31, 2021

Assets		
Current assets:		
Cash and cash equivalents	$	3,727,380
Grants and contributions receivable, net		359,342
Investments, at fair value		1,375,036
Prepaid expenses and other current assets		144,109
Total current assets		5,605,867
Property and equipment, net		409,980
Other assets:		
Website development costs, net		135,000
Total assets	$	6,150,847
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	93,244
Grants payable		2,572,410
Accrued expenses		121,142
Total current liabilities		2,786,796
Long-term liabilities:		
Deferred rent		41,215
Total liabilities		2,828,011
Net assets:		
Without donor restrictions		
Board designated		1,209,619
Undesignated		677,386
Total net assets without donor restrictions		1,887,005
With donor restrictions		1,435,831
Total net assets		3,322,836
Total liabilities and net assets	$	6,150,847

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

The Clubhouse Network, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Grants and contributions	$ 2,045,908	$ 620,515	$ 2,666,423
In-kind contributions	20,485	-	20,485
Net assets released from restriction	452,018	(452,018)	-
Total support	2,518,411	168,497	2,686,908
Revenue:			
Investment income, net	135,200	-	135,200
Program participant fees	10,000	-	10,000
Interest income	7,199	-	7,199
Other income	2,400	-	2,400
Total revenue	154,799	-	154,799
Total operating revenue and support	2,673,210	168,497	2,841,707
Operating Expenses			
Program services	1,963,415	-	1,963,415
Management and general	310,176	-	310,176
Fundraising	127,858	-	127,858
Total expenses before depreciation and amortization	2,401,449	-	2,401,449
Change in net assets from operating activities before depreciation and amortization	271,761	168,497	440,258
Depreciation and amortization	94,574	-	94,574
Change in net assets from operating activities	177,187	168,497	345,684
Non-Operating Activity			
Capital grants and contributions	50,000	-	50,000
Net assets released from restriction for capital expenditures	38,895	(38,895)	-
Change in net assets from non-operating activities	88,895	(38,895)	50,000
Total change in net assets	266,082	129,602	395,684
Net assets at beginning of year	1,620,923	1,306,229	2,927,152
Net assets at end of year	$ 1,887,005	$ 1,435,831	$ 3,322,836

The Clubhouse Network, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Supporting Services		
	Network Support	Flagship	Program Events	Total Program	Management and General	Fundraising	Total Expenses
Salaries and related expenses:							
Salaries and wages	$ 878,181	$ 145,005	$ 13,316	$ 1,036,502	$ 119,327	$ 102,249	$ 1,258,078
Employee benefits	91,879	14,912	1,941	108,732	38,189	10,594	157,515
Payroll taxes	63,786	11,090	838	75,714	15,156	8,041	98,911
Total salaries and related expenses	1,033,846	171,007	16,095	1,220,948	172,672	120,884	1,514,504
Other expenses:							
Participant support	451,000	6,825	3,220	461,045	-	-	461,045
Occupancy	41,356	54,035	-	95,391	1,859	5,170	102,420
Consulting	45,013	6,358	5,139	56,510	42,368	25	98,903
Depreciation and amortization	38,015	47,519	-	85,534	4,288	4,752	94,574
Legal and accounting	-	-	-	-	67,909	-	67,909
Dues and subscriptions	27,793	1,028	21,505	50,326	4,593	273	55,192
Program evaluation	41,380	-	-	41,380	-	-	41,380
Telephone and internet	2,129	6,341	-	8,470	5,041	634	14,145
Insurance	5,308	6,636	-	11,944	664	663	13,271
Supplies and materials	7,057	4,760	50	11,867	463	209	12,539
Computer rental	-	1,574	-	1,574	4,939	-	6,513
Service fees	-	-	-	-	5,843	-	5,843
Printing and graphics	-	795	-	795	3,432	-	4,227
Conferences and travel	3,090	75	-	3,165	393	-	3,558
Total other expenses	662,141	135,946	29,914	828,001	141,792	11,726	981,519
Total expenses by function	1,695,987	306,953	46,009	2,048,949	314,464	132,610	2,496,023
Less items separately stated on the Statement of Activities:							
Depreciation and amortization	(38,015)	(47,519)	-	(85,534)	(4,288)	(4,752)	(94,574)
Total	(38,015)	(47,519)	-	(85,534)	(4,288)	(4,752)	(94,574)
Total expenses included in the functional categories on the Statement of Activities	$ 1,657,972	$ 259,434	$ 46,009	$ 1,963,415	$ 310,176	$ 127,858	$ 2,401,449

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, 2021

Cash flows from operating activities:	
Change in net assets	$ 395,684
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	94,574
Net realized and unrealized gains on investments	(132,452)
Deferred rent	16,828
Capital grants and contributions	(50,000)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Grants and contributions receivable	259,506
Prepaid expenses and other current assets	(77,996)
Increase (decrease) in:	
Accounts payable	58,630
Grants payable	(1,940,800)
Accrued expenses	36,935
Net cash used in operating activities	(1,339,091)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	901,836
Purchases of investments	(735,990)
Purchases of property and equipment	(141,079)
Purchases of website development costs	(11,750)
Net cash provided by investing activities	13,017
Cash flows from financing activities:	
Receipts of capital grants and contributions	50,000
Net cash provided by financing activities	50,000
Net decrease in cash and cash equivalents	(1,276,074)
Cash and cash equivalents at beginning of year	5,003,454
Cash and cash equivalents at end of year	$ 3,727,380

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 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 125 independently operated Clubhouses (collectively the “Clubhouses” or “Network”) in 21 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, professional 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 45 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 10 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.

<u>Flagship</u>
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.

<u>Program Events</u>
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, 2021 due to the COVID-19 pandemic (see Note 15).

1. Nature of Operations…continued

Program Events…continued

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. The 2021 annual conference was held virtually due to the COVID-19 pandemic (see Note 15).

Alumni Summit

An event bringing together alumni from across the world to participate in professional development and networking opportunities. The Alumni Summit was not held during the year ended December 31, 2021 due to the COVID-19 pandemic (see Note 15).

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.

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.

2. Summary of Significant Accounting Policies…continued

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, 2021 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, 2021, the Organization has determined grants and contributions receivable to be fully collectable. Accordingly, an allowance for doubtful accounts was not required at December 31, 2021.

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.

2. Summary of Significant Accounting Policies…continued

Website Development Costs
The Organization follows FASB ASC Topic No. 350-50 *Website Development Costs* (ASC 350-50). Under ASC 350-50, website development costs incurred in the development phase of a website are capitalized to the extent their estimated useful life exceeds one year. Costs incurred that relate to the planning and post-implementation phases are expensed as incurred. Upgrades or enhancements that increase functionality are capitalized. The Organization amortizes website development costs using the straight-line method over an estimated useful life of five years.

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.

Fair Value Measurements
The Organization discloses the fair value of investments (see Note 5) 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.

2. Summary of Significant Accounting Policies…continued

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, 2021.

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 agency securities and 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.

Compensated Absences
Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification and length of service. The Organization accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. The Organization's obligations are recorded net of estimated forfeiture due to turnover when reasonably predictable.

Revenue Recognition
Grants and Contributions
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.

A portion of the Organization's revenue is derived from cost-reimbursable 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 $446,746 in support related to cost-reimbursable government grants during the year ended December 31, 2021. The remaining maximum cost-reimbursable government grant amounts to be recognized, subject to periodic adjustments, totaled $1,591,736 at December 31, 2021. There were no refundable advances under these grant agreements during the year ended December 31, 2021.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued

Grants and Contributions…continued

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.

During the year ended December 31, 2021, the Organization received donated legal services with an estimated fair value of $20,485, 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, 2021. 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.

2. Summary of Significant Accounting Policies…continued

Revenue Recognition…continued

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 (collectively, ASC 606). 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. Total revenue from contracts with customers for the year ended December 31, 2021 totaled $12,400. There were no trade receivables, contract assets, or contract liabilities at January 1, 2021, or December 31, 2021.

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 and amortization	Square footage/usage
Telephone and internet	Square footage/usage
Insurance	Square footage

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.

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure at December 31, 2021 consisted of the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 3,727,380
Grants and contributions receivable	359,342
Investments	1,375,036
Total financial assets	5,461,758
Less amounts not available within one year or to be used for general expenditures:	
Investments	(688,825)
Grants payable	(2,572,410)
Donor restricted net assets	(1,435,831)
Financial assets not available to be used within one year	(4,697,066)
Financial assets available to meet general expenditures within one year	$ 764,692

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 $1,435,831 at December 31, 2021 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 2022 operating budget, including restricted activity, consists of approximately $3,930,765 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 15).

4. Investments

The comparison of the actual costs and fair values of investments at December 31, 2021 was as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
Marketable equity securities:			
Common stock – domestic	$ 379,649	$ 486,292	$ 106,643
Common stock – international	148,212	199,918	51,706
Marketable debt securities:			
Agency securities	624,138	615,657	(8,481)
Corporate bonds	75,000	73,169	(1,831)
Total investments	$ 1,226,999	$ 1,375,036	$ 148,037

4. Investments…continued

The following schedule summarizes net investment income, including realized and unrealized gains and losses, for the year ended December 31, 2021:

Net realized and unrealized gains on investments	$ 132,452
Interest, dividends, and capital gains distributions	10,755
Management advisory fees	(8,007)
Investment income, net	$ 135,200

Investment income for the year ended December 31, 2021 includes interest earned on certain accounts included with cash and cash equivalents.

5. 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, 2021:

	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock – domestic	$ 486,292	$ -	$ -	$ 486,292
Common stock – international	199,918	-	-	199,918
Marketable debt securities:				
Agency securities	-	615,657	-	615,657
Corporate bonds	-	73,169	-	73,169
Total investments at fair value	$ 686,210	$ 688,826	$ -	$ 1,375,036

6. Property and Equipment

Property and equipment at December 31, 2021 consisted of the following:

Leasehold improvements	$ 518,236
Furniture and fixtures	71,409
Computers and software	53,702
Equipment	27,746
	671,093
Less: accumulated depreciation	(244,575)
	$ 426,518

7. Website Development Costs

Website development costs of $135,000, net of accumulated amortization of $16,538, have been included on the accompanying statement of financial position at December 31, 2021. Amortization expense related to website development costs totaled $16,538 for the year ended December 31, 2021.

7. Website Development Costs…continued

Future estimated amortization expense relating to the website development costs for the years ending December 31st is as follows:

2022	$ 27,000
2023	27,000
2024	27,000
2025	27,000
2026	10,462
	$ 118,462

8. Net Assets

Net Assets without Donor Restrictions
Net assets without donor restrictions at December 31, 2021 consist of the following:

Board designated	$ 1,209,619
Undesignated	677,386
	$ 1,887,005

The Board established a designated fund to be used for purposes specified by the Board. Unless otherwise authorized by the Board, spending of these investments are not to exceed 5% annually of the average value of the fund balances for the preceding two-year period as of the end of the quarter prior to the distribution request. Spending is defined as the release of board designated net assets to undesignated funds in order to fund expenditures.

The activity within the Board designated investment fund, including cash and cash equivalents, during the year ended December 31, 2021 was as follows:

Board designated fund at January 1, 2021	$ 1,054,243
Investments purchases	556,428
Investments sold	(519,215)
Investment income, net	118,163
Transfer to undesignated	-
Board designated fund at December 31, 2021	$ 1,209,619

Net Assets with Donor Restrictions
Net assets with donor restrictions at December 31, 2021 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	$ 1,057,184
C2C Pathways to Success	87,847
Clubhouse Village Website	24,700
Subject to the passage of time and purpose:	
Engineer for the Week (EFTW)	146,523
Annual Conference	69,577
Teen Summit	50,000
	$ 1,435,831

8. Net Assets…continued

Net Assets with Donor Restrictions…continued

For the year ended December 31, 2021, 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	$ 293,604
C2C Pathways to Success	64,241
Property and equipment	21,045
Clubhouse Village Website	17,850
Satisfactions of time and purpose restrictions:	
Engineer for the Week (EFTW)	88,750
Annual Conference	5,423
	$ 490,913

9. Conditional Grant – PPP Loan

The Organization had 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 loan) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP loan was guaranteed by the United States Small Business Administration (SBA). The proceeds were 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 loan, 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 PPP loan was recognized as a conditional grant for which all required conditions were substantially met, during the year ended December 31, 2020. The PPP loan was fully forgiven by the SBA in April 2021.

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 $59,491 to the plan for the year ended December 31, 2021.

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, 2021, as well as an estimated liability for claims incurred but not reported. During the year ended December 31, 2021, 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 $18,000 at December 31, 2021. 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, 2021, 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, 2021:

	Total	Best Buy	Other
Grants payable at January 1, 2021	$ 4,513,210	$ 4,372,980	$ 140,230
Current year activity:			
Additions	3,033,017	2,932,150	100,867
Disbursements	(4,973,817)	(4,823,587)	(150,230)
Grants payable at December 31, 2021	$ 2,572,410	$ 2,481,543	$ 90,867

The unexpended grants funds of $2,572,410 at December 31, 2021 are included in cash and cash equivalents and investments.

Support recognized in the statement of activities under the agreements for the Flagship BBTTC and other purposes for the year ended December 31, 2021 was $118,394.

13. Commitments and Contingencies

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 were 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.

13. Commitments and Contingencies…continued

Facility Lease…continued
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 $86,574 for the year ended December 31, 2021.

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

2022	$ 82,222
2023	84,278
2024	86,385
2025	88,544
2026	90,758
Thereafter	394,864
	$ 827,051

Government Contracts
The Organization receives a portion of its funding from government grants. The grants are subject to audit by the respective funding source and could result in the recapture of previously reported revenue due to disallowed costs or other non-compliance with the grant terms. Management does not believe that any such disallowance, if found, would be material to the Organization's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

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 three funding sources represented 100% of the total balance outstanding at December 31, 2021.

Grants and contributions from two funding sources represented 79% of total support for the year ended December 31, 2021.

15. 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.

16. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through June 23, 2022, the date the financial statements were available to be issued.