

Let's Get Ready, Inc.

Financial Statements

August 31, 2019 and 2018

Independent Auditors' Report

Board of Directors Let's Get Ready, Inc.

We have audited the accompanying financial statements of Lets Get Ready, Inc., ("LGR") which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Let's Get Ready, Inc. as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended August 31, 2019, LGR adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Let's Get Ready, Inc. as of and for the year ended August 31, 2018, were audited by other auditors whose report dated June 20, 2019, expressed an unmodified opinion of those statements. As part of our audit of the August 31, 2019 financial statements, we also audited the adjustment described in Note 12 that was applied to restate the August 31, 2018 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the August 31, 2018 financial statements of LGR other than with respect to the adjustment and, accordingly, we do not express any opinion or any other form of assurance on the August 31, 2018 financial statements as a whole.

PKF O'Connor Davies, LLP

September 21, 2020

Let's Get Ready, Inc.

Statements of Financial Position

| | August 31 | |
|---|--------------|--------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash | \$ 44,414 | \$ 14,674 |
| Pledges receivable, net | 620,409 | 688,389 |
| Investments | 614,328 | 990,620 |
| Prepaid expenses | 21,617 | 19,741 |
| Furniture and equipment, net | 47,555 | 61,510 |
| Software, net of amortization of \$93,443 and \$78,501 for 2019 and 2018 | 6,869 | 21,811 |
| Security deposits (CD) | 45,776 | 45,776 |
| Security deposits | 2,500 | 2,500 |
| Total Assets | \$ 1,403,468 | \$ 1,845,021 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 65,142 | \$ 20,169 |
| Deferred rent liability | 21,377 | - |
| Unearned revenue | 4,000 | - |
| Total Liabilities | 90,519 | 20,169 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Board-designated | - | 700,000 |
| Available for Operations | 638,690 | 310,919 |
| | 638,690 | 1,010,919 |
| With donor restrictions | 674,259 | 813,933 |
| Total Net Assets | 1,312,949 | 1,824,852 |
| Total Liabilities and Net Assets | \$ 1,403,468 | \$ 1,845,021 |

See notes to financial statements

Let's Get Ready, Inc.

Statement of Activities
Year Ended August 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 1,054,567 | \$ 932,109 | \$ 1,986,676 |
| Program service income | 286,150 | - | 286,150 |
| In-kind contributions | 483,762 | - | 483,762 |
| Special events | 1,269,603 | - | 1,269,603 |
| Less: direct special events expenses | (180,193) | - | (180,193) |
| Net investment income | 25,298 | - | 25,298 |
| Total | <u>2,939,187</u> | <u>932,109</u> | <u>3,871,296</u> |
| Net assets released from restrictions | <u>1,071,783</u> | <u>(1,071,783)</u> | <u>-</u> |
| Total Support and Revenue | 4,010,970 | (139,674) | 3,871,296 |
| EXPENSES | | | |
| Program services | <u>3,101,914</u> | <u>-</u> | <u>3,101,914</u> |
| Supporting Services | | | |
| Management and general | 444,719 | - | 444,719 |
| Fundraising | <u>836,566</u> | <u>-</u> | <u>836,566</u> |
| Total Supporting Services | <u>1,281,285</u> | <u>-</u> | <u>1,281,285</u> |
| Total Expenses | <u>4,383,199</u> | <u>-</u> | <u>4,383,199</u> |
| Change in Net Assets | (372,229) | (139,674) | (511,903) |
| NET ASSETS | | | |
| Beginning of year, restated | <u>1,010,919</u> | <u>813,933</u> | <u>1,824,852</u> |
| End of year | <u>\$ 638,690</u> | <u>\$ 674,259</u> | <u>\$ 1,312,949</u> |

See notes to financial statements

Let's Get Ready, Inc.

Statement of Activities
Year Ended August 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 803,259 | \$ 1,694,933 | \$ 2,498,192 |
| Program service income | 298,282 | - | 298,282 |
| In-kind contributions | 414,400 | - | 414,400 |
| Special events | 1,063,132 | - | 1,063,132 |
| Less: direct special events expenses | (285,202) | - | (285,202) |
| Net investment income | <u>19,933</u> | <u>-</u> | <u>19,933</u> |
| Total | 2,313,804 | 1,694,933 | 4,008,737 |
| Net assets released from restrictions | <u>1,035,529</u> | <u>(1,035,529)</u> | <u>-</u> |
| Total Support and Revenue | <u>3,349,333</u> | <u>659,404</u> | <u>4,008,737</u> |
| EXPENSES | | | |
| Program services | <u>3,578,669</u> | <u>-</u> | <u>3,578,669</u> |
| Supporting Services | | | |
| Management and general | 369,434 | - | 369,434 |
| Fundraising | <u>436,194</u> | <u>-</u> | <u>436,194</u> |
| Total Supporting Services | <u>805,628</u> | <u>-</u> | <u>805,628</u> |
| Total Expenses | <u>4,384,297</u> | <u>-</u> | <u>4,384,297</u> |
| Change in Net Assets | <u>(1,034,964)</u> | <u>659,404</u> | <u>(375,560)</u> |
| NET ASSETS | | | |
| Beginning of the year, as originally reported | 1,946,883 | 154,529 | 2,101,412 |
| Prior period adjustment | <u>99,000</u> | <u>-</u> | <u>99,000</u> |
| Beginning of the year, restated | <u>2,045,883</u> | <u>154,529</u> | <u>2,200,412</u> |
| End of year | <u>\$ 1,010,919</u> | <u>\$ 813,933</u> | <u>\$ 1,824,852</u> |

See notes to financial statements

Let's Get Ready, Inc.

Statement of Functional Expenses Year Ended August 31, 2019

| | Program Services | Supporting Services | | | Total |
|--------------------------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|
| | | Management and General | Fundraising | Sub-Total | |
| Salaries | \$ 1,696,476 | \$ 274,310 | \$ 509,846 | \$ 784,156 | \$ 2,480,632 |
| Tutoring in-kind | 453,762 | - | - | - | 453,762 |
| Fringe benefits | 270,940 | 55,909 | 103,548 | 159,457 | 430,397 |
| Total Personnel Cost | <u>2,421,178</u> | <u>330,219</u> | <u>613,394</u> | <u>943,613</u> | <u>3,364,791</u> |
| Educational materials and expense | 62,215 | - | - | - | 62,215 |
| Rent and utilities - premises | 198,130 | 13,073 | 13,073 | 26,146 | 224,276 |
| Printing and reproduction | 8,841 | 1,105 | 1,483 | 2,588 | 11,429 |
| Professional fees | 99,384 | 15,238 | 98,757 | 113,995 | 213,379 |
| Public relations in-kind | - | - | 30,000 | 30,000 | 30,000 |
| Postage and delivery | 9,621 | 1,082 | 3,833 | 4,915 | 14,536 |
| Telephone | 18,646 | 1,059 | 1,483 | 2,542 | 21,188 |
| Travel, meals and lodging | 66,001 | 38,501 | 5,500 | 44,001 | 110,002 |
| Insurance | 5,551 | 3,238 | 463 | 3,701 | 9,252 |
| Office and other | 164,281 | 24,038 | 65,146 | 89,184 | 253,465 |
| Professional development | 27,838 | 9,942 | 1,989 | 11,931 | 39,769 |
| Special events | - | - | 180,193 | 180,193 | 180,193 |
| Depreciation and amortization | 20,228 | 7,224 | 1,445 | 8,669 | 28,897 |
| | <u>3,101,914</u> | <u>444,719</u> | <u>1,016,759</u> | <u>1,461,478</u> | <u>4,563,392</u> |
| Less: direct special events expenses | - | - | (180,193) | (180,193) | (180,193) |
| Total Expenses | <u>\$ 3,101,914</u> | <u>\$ 444,719</u> | <u>\$ 836,566</u> | <u>\$ 1,281,285</u> | <u>\$ 4,383,199</u> |

See notes to financial statements

Let's Get Ready, Inc.

Statement of Functional Expenses
Year Ended August 31, 2018

| | Program Services | Supporting Services | | | Total |
|--------------------------------------|---------------------|------------------------------|-------------------|-------------------|---------------------|
| | | Management and General | Fundraising | Sub-Total | |
| Salaries | \$ 2,000,008 | \$ 203,151 | \$ 184,702 | \$ 786,853 | \$ 2,387,941 |
| Tutoring in-kind | 414,400 | - | - | - | 414,400 |
| Fringe benefits | <u>307,788</u> | <u>49,419</u> | <u>58,150</u> | <u>107,569</u> | <u>415,357</u> |
| Total Personnel Cost | 2,722,276 | 252,570 | 242,852 | 495,422 | 3,217,698 |
| Educational materials and expense | 286,133 | - | - | - | 286,133 |
| Rent and utilities - premises | 190,907 | 14,565 | 14,397 | 28,962 | 219,869 |
| Printing and reproduction | 3,408 | 426 | 426 | 852 | 4,260 |
| Professional fees | 183,049 | 46,471 | 50,970 | 97,441 | 280,490 |
| Postage and delivery | 8,086 | 910 | 1,112 | 2,022 | 10,108 |
| Telephone | 17,966 | 962 | 1,487 | 2,449 | 20,415 |
| Travel, meals and lodging | 27,154 | 12,343 | 1,646 | 13,989 | 41,143 |
| Insurance | 7,181 | 4,189 | 598 | 4,787 | 11,968 |
| Office and other | 108,059 | 28,302 | 120,923 | 149,225 | 257,284 |
| Professional development | 2,543 | 872 | 218 | 1,090 | 3,633 |
| Special events | - | - | 285,202 | 285,202 | 285,202 |
| Depreciation and amortization | <u>21,907</u> | <u>7,824</u> | <u>1,565</u> | <u>9,389</u> | <u>31,296</u> |
| | 3,578,669 | 369,434 | 721,396 | 1,090,830 | 4,669,499 |
| Less: direct special events expenses | - | - | (285,202) | (285,202) | (285,202) |
| Total Expenses | <u>\$ 3,578,669</u> | <u>\$ 369,434</u> | <u>\$ 436,194</u> | <u>\$ 805,628</u> | <u>\$ 4,384,297</u> |

See notes to financial statement

Let's Get Ready, Inc.

Statements of Cash Flows

| | Year Ended August 31 | |
|--|----------------------|--------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (511,903) | \$ (375,560) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and Amortization | | |
| Furniture and equipment | 13,955 | 16,354 |
| Software | 14,942 | 14,942 |
| Deferred rent liability | 21,377 | - |
| Unrealized loss on investments | 45,560 | 49,169 |
| Realized gain on investments | (52,501) | (44,769) |
| Donated stock | (66,140) | - |
| Loss on disposal of assets | - | 1,711 |
| Changes in operating assets and liabilities | | |
| Pledges receivable | 67,980 | (614,290) |
| Prepaid expenses | (1,876) | 33,239 |
| Security deposits | - | (107) |
| Accounts payable and accrued expenses | 44,973 | (74,019) |
| Unearned revenue | 4,000 | 87,260 |
| Net Cash from Operating Activities | (419,633) | (906,070) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of furniture and equipment | - | (57,444) |
| Proceeds from sale and maturity of investments | 699,491 | 962,710 |
| Purchase of investments | (18,288) | (28,777) |
| Change in money fund | (231,830) | - |
| Net Cash from Investing Activities | 449,373 | 876,489 |
| Net Change in Cash | 29,740 | (29,581) |
| CASH | | |
| Beginning of year | 14,674 | 44,255 |
| End of year | \$ 44,414 | \$ 14,674 |

See notes to financial statement

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

1. Organization and Tax Status

Let's Get Ready, Inc. ("LGR") provides low-income high school students with SAT preparation, admissions counseling and other support services needed to gain admission to and graduate from college. Trained college student volunteers deliver these services while providing the inspiration and encouragement students need to succeed.

Tax Status

LGR is a not-for-profit organization which was incorporated in the State of New York in 1999. LGR is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Change in Accounting Principle

On September 1, 2018, LGR adopted new guidance regarding the *Presentation of Financial Statements for Non-for-Profit Entities*. This guidance requires LGR to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires LGR to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior period amounts for temporarily restricted and unrestricted net assets are now presented as net assets with and without donor restrictions.

Net Asset Presentation

Net assets, support and revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, LGR's net assets are classified as with or without donor restrictions.

Net assets without donor restrictions include funds having no restrictions as to time or purpose imposed by donors.

Net assets with donor restrictions are those that will be met either by actions of LGR or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Basis of Presentation

The financial statements of LGR has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

Unconditional and conditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included a support until the conditions are substantially met.

Gifts of goods and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, LGR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated services rendered by certain volunteers that do not meet the criteria for recognition are not recorded in the financial statements.

Program service income is recognized when earned.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their present value using a risk adjusted rate. Conditional promises to give are not included as support until conditions are substantially met. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections and in consideration of business and economic conditions. Management has determined that no allowance is necessary as of August 31, 2019 and 2018.

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Investments

Investments are stated at fair value based on quoted prices in active markets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fair Value Measurements

LGR follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. All of LGR's investments are categorized as Level 1 investments as of August 31, 2019 and 2018.

Concentration of Credit Risk and Other

Financial instruments that potentially subject to LGR to concentrations of credit risk consist principally of pledges receivables, which are expected to be collected in the normal course of business, cash and investments. LGR's cash account may exceed the federally insured limit during the year. LGR maintains its cash in bank deposits in one financial institution and its investments in two brokerage accounts. At times, these accounts may have exceeded the federally and securities protection insurance limits during fiscal 2019 and 2018, and subjected LGR to a concentration of credit risk.

Furniture and Equipment

Furniture and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives of 3 to 7 years.

Accounting for Website and Software Development Costs

All costs incurred in the planning stage of developing a website are expensed as incurred as are internal and external training costs and maintenance costs. Fees incurred to internet service providers in return for hosting a website on their servers are expensed over the period of benefit. Fees paid to consultants that develop computer systems and software used for LGR's internal reporting and management functions are deferred and amortized on the straight-line method over a 3 to 5 year period from the time the system becomes operational.

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Accounting for Website and Software Development Costs (continued)

External and internal costs incurred during the application development stage of internal use website software are capitalized. Upgrades and enhancements that result in additional functionality to the website software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal use website development costs are amortized using the straight-line method over its estimated useful life of three years and begins when all substantial testing of the website is completed and the website is ready for its intended use.

Deferred Rent Liability

Deferred rent liability is the difference between the cumulative amount recorded for occupancy expense on a straight line basis over the term of the operating lease as compared to the cumulative amounts required under the lease.

Functional Expense Allocations

The costs of providing the various program services and supporting services of LGR have been summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification; these expenses include tutorial in kind and educational material and expenses. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records, and estimates made by LGR's management; these include salaries, fringe benefits, rent and utilities, premises, fees and office and other.

Accounting for Uncertainty in Income Taxes

LGR recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that LGR had no uncertain tax positions that would require financial statement recognition or disclosure. LGR is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to August 31, 2016.

Reclassifications

Certain items in the 2018 statement of cash flows were reclassified to conform to the 2019 presentation of the statement of cash flows.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 21, 2020.

Let's Get Ready, Inc.

Notes to Financial Statements August 31, 2019 and 2018

3. Pledges Receivable

LGR received pledges from donors to support its fiscal operations and related programs. These pledges obligate the donors to make payments against their pledges, which are due as follows at August 31:

| | 2019 | 2018 |
|---------------------------|------------|------------|
| Greater than one year | \$ 246,109 | \$ - |
| Discount to present value | (11,700) | - |
| Greater than one year | 234,409 | - |
| Less than one year | 386,000 | 688,389 |
| | \$ 620,409 | \$ 688,389 |

Approximately 22% and 21% of LGR's total public support and revenue was received from one donor during the years ended August 31, 2019 and 2018. The amount due from this donor was \$361,000 and \$150,000 as of August 31, 2019 and 2018.

4. Investments

Investments are summarized as follows at August 31:

| | 2019 | 2018 |
|---------------------|------------|------------|
| Money market fund | \$ 447,232 | \$ 215,402 |
| Fixed income fund | 106,683 | - |
| Equity fund | 60,413 | 156,130 |
| U.S. Treasury bills | - | 619,088 |
| | \$ 614,328 | \$ 990,620 |

The following table summarizes the investment income for the years ended August 31, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| Interest and dividends | \$ 18,399 | \$ 24,377 |
| Unrealized loss on investments | (45,560) | (49,169) |
| Realized gain on investments | 52,501 | 44,769 |
| Investment fees | (42) | (44) |
| | \$ 25,298 | \$ 19,933 |

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

5. Furniture and Equipment

Furniture and equipment consist of the following as of August 31:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|------------------|------------------|
| Furniture | \$ 85,201 | \$ 85,201 |
| Equipment | <u>59,989</u> | <u>59,989</u> |
| | 145,190 | 145,190 |
| Accumulated depreciation | <u>(97,635)</u> | <u>(83,680)</u> |
| | <u>\$ 47,555</u> | <u>\$ 61,510</u> |

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2019 and 2018 were comprised of the following:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------|-------------------|
| College access program | \$ 436,109 | \$ 739,720 |
| Maine statewide expansion project | - | 55,656 |
| Time restriction | <u>238,150</u> | <u>18,557</u> |
| | <u>\$ 674,259</u> | <u>\$ 813,933</u> |

Net assets released from restrictions during 2019 and 2018 for various purposes are as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|--------------------|--------------------|
| College access program | \$ 939,720 | \$1,002,529 |
| Maine statewide expansion project | 55,656 | 33,000 |
| Time restriction | <u>76,407</u> | <u>-</u> |
| | <u>\$1,071,783</u> | <u>\$1,035,529</u> |

7. In-kind Contributions

In-kind contributions consist of tutoring services in the amount of \$453,762 and \$414,400, and public relations services of \$30,000 and \$-0- for the years ended August 31, 2019 and 2018

Volunteer college coaches function as tutors providing intensive SAT preparation and assistance with the college application process to LGR's high school students. For the fiscal year ended August 31, 2019 and 2018, LGR had a total of 469 and 592 coaches. In-kind contributions for tutoring are recorded at estimated fair valued based on average hours per coach and estimated hourly rates.

Let's Get Ready, Inc.

Notes to Financial Statements
August 31, 2019 and 2018

8. Board Designated Net Assets

The Board of Directors (the "Board") had designated \$700,000 as a board designated reserve as of August 31, 2018. The purpose of the reserve was to cover an operating shortfall as needed. As of and for the year ended August 31, 2019, the Board decided to no longer reflect a Board designated reserve.

9. Commitments and Contingencies

Lease Commitments

LGR leases office space for its New York and Boston offices under operating leases which expire on July 31, 2023 and December 31, 2020. The deposit for the lease of the New York office was secured by a both a certificate of deposit and a letter of credit. Future minimum annual lease obligations are:

| | | |
|------|----|----------------|
| 2020 | \$ | 209,573 |
| 2021 | | 196,765 |
| 2022 | | 183,550 |
| 2023 | | 188,718 |
| | \$ | <u>778,606</u> |

Rental expenses for the years ended August 31, 2019 and 2018 was \$178,176 and \$206,065.

Litigation

From time to time, LGR is a defendant in actions arising in the ordinary course of business. In the opinion of management, such litigation will not have a material adverse effect on LGR financial condition or change in net assets.

10. Board Contributions

LGR received contributions of \$472,930 and \$542,869 from the Board of Directors for the years ended August 31, 2019 and 2018.

11. Employee Benefit Plan

LGR has a simple IRA plan covering eligible employees. LGR makes a matching contribution up to 3% of the employee's compensation. Employer contribution amounted to \$34,703 and \$34,106 for the years ended August 31, 2019 and 2018.

Let's Get Ready, Inc.

Notes to Financial Statements August 31, 2019 and 2018

12. Prior-Period Adjustment

During 2019, LGR re-evaluated certain liability account balances and identified unearned revenue which had not been recognized as support and revenue during 2018 and 2017. The necessary corrective adjustment resulted in an increase in contributions without donor restrictions of \$52,713 for the year ended August 31, 2018, a prior period adjustment to increase net assets without donor restrictions of \$99,000 as of September 1, 2017, and a decrease in unearned revenue by \$151,713 as of August 31, 2018.

13. Liquidity and Availability of Financial Assets

LGR's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

| | |
|--|---------------------|
| Financial Assets: | |
| Cash | \$ 44,414 |
| Pledges receivable, net | 620,409 |
| Investments | <u>614,328</u> |
| Total Financial Assets | <u>1,279,151</u> |
| Less: | |
| Contractual or donor imposed restriction amounts | |
| Purpose restricted | (436,109) |
| Time restricted | <u>(238,150)</u> |
| | <u>(674,259)</u> |
| Purpose or time restrictions expected to be released in the next twelve months | |
| | <u>428,150</u> |
| Financial Assets Available to Meet General Operating Expenditures over the Next Twelve Months | <u>\$ 1,033,042</u> |

LGR monitors its cash needs regularly and has special events and contributions appeals throughout the year.

14. Contingencies

Subsequent to year end, the Coronavirus ("COVID-19") pandemic has resulted in substantial volatility in the global financial markets. Because the value of LGR's individual investments has and may fluctuate in response to changing market conditions, the amount of losses, if any, that may be recognized in subsequent periods, cannot be determined.

COVID-19 may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

Let's Get Ready, Inc.

Notes to Financial Statements
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14. Contingencies (continued)

Subsequent to year end, LGR received a \$554,300 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration ("SBA"). The PPP Loan matures on May 15, 2025, has an interest rate of 1.0% per annum and no payments are due until March 15, 2021. If certain defined conditions are met, the PPP Loan may be forgiven by the SBA, otherwise LGR will be required to repay the loan in full.

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