

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE

**CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Impact(Ed) International, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Impact(Ed) International, Inc. and Affiliate (“The Organization”), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter

The consolidated financial statements of the Organization, as of and for the year ended December 31, 2020, were audited by other auditors, whose report dated July 28, 2021, expressed an unmodified opinion on these statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

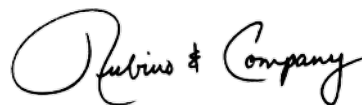
Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Bethesda, MD
August 25, 2022

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 3,172,070	\$ 3,535,699
Accounts receivable	2,386	367
Contribution and grants receivable	35,876	953,469
Advances	-	236
Prepaid expenses	4,344	16,196
Deposits	<u>8,467</u>	<u>118,692</u>
Total current assets	3,223,143	4,624,659
Property and equipment, net	<u>24,251</u>	<u>20,137</u>
Total assets	<u>\$ 3,247,394</u>	<u>\$ 4,644,796</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 57,426	\$ 148,399
Note payable	<u>258,300</u>	<u>258,300</u>
Total current liabilities	315,726	406,699
Deferred rent	<u>22,538</u>	<u>58,230</u>
Total liabilities	<u>338,264</u>	<u>464,929</u>
Net assets		
Without donor restrictions		
Operating	2,369,987	3,609,004
Board-designated operating reserve	425,000	425,000
With donor restrictions	<u>114,143</u>	<u>145,863</u>
Total net assets	<u>2,909,130</u>	<u>4,179,867</u>
Total liabilities and net assets	<u>\$ 3,247,394</u>	<u>\$ 4,644,796</u>

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	\$ 575,383	\$ 6,025	\$ 581,408
Subcontract revenue	30,205	-	30,205
In-kind contributions	64,474	-	64,474
Investment income	376	-	376
Other income (loss)	18,289	-	18,289
Net assets released from restrictions	37,745	(37,745)	-
Total revenue and support	726,472	(31,720)	694,752
Program expenses	309,221	-	309,221
Support expenses			
Fundraising	96,770	-	96,770
General administration	1,559,498	-	1,559,498
Total support expenses	1,656,268	-	1,656,268
Total expenses	1,965,489	-	1,965,489
Change in operating net assets	(1,239,017)	(31,720)	(1,270,737)
Net assets, beginning of year	4,034,004	145,863	4,179,867
Net assets, end of year	\$ 2,794,987	\$ 114,143	\$ 2,909,130

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and grants	\$ 6,525,349	\$ 128,875	\$ 6,654,224
Subcontract revenue	1,227,000	-	1,227,000
In-kind contributions	183,680		183,680
Investment income	3,176		3,176
Other income	29,305		29,305
Net assets released from restrictions	3,654	(3,654)	-
Total revenue and support	7,972,164	125,221	8,097,385
Program expenses	6,380,463	-	6,380,463
Support expenses			
Fundraising	57,579	-	57,579
General administration	1,232,270	-	1,232,270
Total support expenses	1,289,849	-	1,289,849
Total expenses	7,670,312	-	7,670,312
Change in operating net assets	301,852	125,221	427,073
Net assets, beginning of year	3,732,152	20,642	3,752,794
Net assets, end of year	\$ 4,034,004	\$ 145,863	\$ 4,179,867

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	General			Total expenses
	Program services	administration	Fundraising	
Consultants	\$ 150,929	\$ 257,763	\$ 93,750	\$ 502,442
Production of video programs	9,270	-	-	9,270
Travel	8,363	870	54	9,287
Salaries	91,778	841,219	101	933,098
Equipment purchase and maintenance	-	3,348	-	3,348
Conferences, meetings and trainings	4,687	420	-	5,107
Rent	53	77,088	-	77,141
Office supplies and expenses	68	356	-	424
Payroll taxes and benefits	19,611	178,857	20	198,488
Postage and shipping	1,189	26	-	1,215
Legal fees	-	64,813	-	64,813
Accounting fees	15,375	44,340	-	59,715
Telephone and internet	5,253	14,052	-	19,305
Insurance	-	44,142	-	44,142
Bank fees	530	9,370	947	10,847
Printing, publications and website	1,000	2,061	-	3,061
Dues and membership	1,115	13,649	1,898	16,662
Depreciation	-	7,124	-	7,124
Subtotal	<u>\$ 309,221</u>	<u>\$ 1,559,498</u>	<u>\$ 96,770</u>	<u>\$ 1,965,489</u>

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	General			Total expenses
	Program services	administration	Fundraising	
Consultants	\$ 3,782,615	\$ 26,757	\$ 55,500	\$ 3,864,872
Production of video programs	583,811	-	-	583,811
Travel	465,864	1,778	-	467,642
Salaries	693,709	744,636	676	1,439,021
Equipment purchase and maintenance	92,838	566	-	93,404
Conferences, meetings and trainings	317,215	177	-	317,392
Rent	81,877	68,710	-	150,587
Office supplies and expenses	48,013	26,627	-	74,640
Payroll taxes and benefits	149,794	137,169	135	287,098
Postage and shipping	26,436	412	-	26,848
Legal fees	-	60,204	-	60,204
Accounting fees	15,375	40,956	-	56,331
Telephone and internet	98,291	17,212	399	115,902
Insurance	-	75,375	-	75,375
Bank fees	5,064	6,806	869	12,739
Printing, publications and website	16,504	4,137	-	20,641
Dues and membership	3,057	16,122	-	19,179
Depreciation	-	4,626	-	4,626
Subtotal	<u>\$ 6,380,463</u>	<u>\$ 1,232,270</u>	<u>\$ 57,579</u>	<u>\$ 7,670,312</u>

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (1,270,737)	\$ 427,073
Reconciling adjustments:		
Depreciation and amortization	7,124	4,626
Realized loss on investments	-	861
Forgiveness of debt (PPP)	(258,300)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,019)	59,085
Prepaid expenses	11,852	(1,741)
Contributions and grants receivable	917,593	1,268,550
Advances	236	48,168
Deposits	110,225	(51,737)
Deferred revenue	-	(711,577)
Refundable advances	-	(1,084,150)
Deferred rent	(35,692)	972
Accounts payable and accrued expenses	<u>(90,973)</u>	<u>(495,673)</u>
Net cash used by operating activities	<u>(610,691)</u>	<u>(535,543)</u>
Cash flows from investing activities		
Proceeds from redemptions/sales of investments	-	400,000
Purchases of property and equipment	<u>(11,238)</u>	<u>(5,626)</u>
Net cash (used) provided by investing activities	<u>(11,238)</u>	<u>394,374</u>
Cash flows from financing activities		
Proceeds from note payable under Paycheck Protection Program	<u>258,300</u>	<u>258,300</u>
Change in cash and cash equivalents	(363,629)	117,131
Cash and cash equivalents, beginning of year	<u>3,535,699</u>	<u>3,418,568</u>
Cash and cash equivalents, end of year	<u>\$ 3,172,070</u>	<u>\$ 3,535,699</u>

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

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

1. Organization

Impact(Ed) International, Inc. ("Impact(Ed)") is a nonprofit organization organized in the State of Delaware in 1997 to provide technological resources and training to under-resourced schools and community centers in the developing world. Impact(Ed) was formerly known as Discovery Learning Alliance, Inc. The new name went into effect on October 1, 2019 and was approved by the State of Delaware on May 28, 2020. Impact(Ed) establishes learning centers in under-resourced schools and community centers through a comprehensive program that includes teacher professional development, community development as well as production and distribution of media for positive social impact. Impact(Ed) is supported principally by grants, contracts and contributions.

In October 2018, Impact(Ed) became a 49 percent owner of a special purpose entity, Amberaw (PTY) Ltd ("Amberaw"), a for-profit South African company originally organized in July 2018, whose sole purpose is to produce, test and distribute the movie Shaina for Impact(Ed). Impact(Ed) has a controlling financial interest in Amberaw through an agreement to manage Amberaw and the requirement to fund all costs of the Shaina movie production and losses of Amberaw. The 51 percent owner has not made and has no requirement to make any capital contributions and has no obligation to fund any costs associated with Shaina movie production or losses of Amberaw. There is no expectation that the production of Shaina will generate net income and the ownership agreement is silent as to any allocation of net income to the members. The 51 percent owner receives fees for services provided to Amberaw, which are funded by Impact(Ed). As a result, the 51 percent owner has no capital at risk or obligation to fund losses throughout the life of Amberaw. Therefore, 100 percent of all financial activity related to Shaina movie production is consolidated by Impact(Ed) without allocating a share of the losses to the 51 percent owner.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Impact(Ed) and Amberaw (collectively, the "Organization"). All significant intercompany accounts and transactions between the organizations have been eliminated.

Basis of presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For consolidated financial statements purposes, the Organization considers cash in operating bank accounts and cash on hand to be cash and cash equivalents. Money market funds held in investment accounts with investment institutions are classified as cash and cash equivalents on the consolidated statements of financial position.

Investments

Investments are recorded at fair value. The Organization invests in corporate bonds, and government and agency bonds that are considered debt securities and therefore are recorded at fair value. Interest and dividend income and realized and unrealized gains and losses are included in investment income on the consolidated statements of activities and change in net assets. Investment income earned on net assets with donor restrictions is classified as net assets with donor restrictions if specified by the donor. Upon appropriation for expenditure, subject to any purpose restrictions, the amounts for current year expenditures are reclassified from net assets with donor restrictions to net assets without donor restrictions. Any other investment income is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Investments are available to be used to fund Organization operations. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could result in a change in fair value of the investment balances and amounts reported in the accompanying consolidated financial statements, which could be material.

Equipment

Equipment in excess of \$5,000 with estimated useful lives of greater than one year are capitalized. Equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

Website Development Costs

The Organization has capitalized certain website development costs incurred during the application development stage. Subsequent costs to maintain and operate the website are expensed as incurred. Capitalized website development costs are being amortized using the straight-line method over three years, and amortization begins once the website is placed in service. Additionally, the Organization capitalized the purchase of their website domain name, which is being amortized using the straight-line method over 15 years.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Website Development Costs (continued)

At December 31, 2021 and 2020, capitalized website development costs totaled \$63,738 and \$52,500, respectively. Amortization expense was \$3,185 and \$1,000 for the years ended December 31, 2021 and 2020, respectively. Total accumulated amortization at December 31, 2021 and 2020 was \$42,018 and \$38,833, respectively.

Income Taxes

Impact(Ed) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Impact(Ed)'s tax-exempt purpose is subject to taxation as unrelated business income. There has been no unrelated business income or income tax expense reported for the years ended December 31, 2021 and 2020. Amberaw is subject to tax laws of South Africa and had no taxable income to report in accordance with South African tax laws for the years ended December 31, 2021 and 2020.

The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expense on the consolidated statements of activities and change in net assets and in accounts payable and accrued expenses in the consolidated statements of financial position. The Organization reported no penalties or interest on income taxes related to uncertain tax positions for the years ended December 31, 2021 and 2020. Tax years prior to 2018 for the Organization are no longer subject to examination by the IRS or the tax jurisdictions of Maryland and Delaware.

Contributions and Grants

Contributions and grants receivable represent unconditional promises to give and are recorded when the promise is made. Unconditional promises that are expected to be collected within one year are reflected as current contributions and grants receivable and recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reflected as long-term contributions and grants receivable with donor restrictions and recorded at the present value of their estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in revenue and support in the consolidated statements of activities and change in net assets. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines a pledge, or a portion thereof, to be uncollectible.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants (continued)

At December 31, 2021 and 2020, contributions and grants receivable are considered to be fully collectible, and, as such, no allowance for doubtful accounts has been provided for in these consolidated financial statements. At December 31, 2021 and 2020, all contributions and grants receivable are expected to be collected within one year and are reflected as current assets on the consolidated statements of financial position.

Accounts Receivable

The Organization records accounts receivable, net of an allowance for doubtful accounts when necessary. The need for an allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Management considers all receivables to be fully collectible.

Revenue Recognition

The Organization recognizes revenue through the five-step model prescribed by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC"), *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when a performance obligation is met. The Organization applies the practical expedient in ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Revenue from governmental and other grant funding sources is recognized when the related expenses are incurred. Contract/subcontract expenses incurred before the related contract/subcontract revenue is received are reported as accounts receivable. Contract revenue received before the expenses are incurred is recorded as refundable advance. Revenue from fixed-price contracts is recognized by allocating the transaction price to satisfied and unsatisfied performance obligations based on their estimated values.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization records contributions as revenue when they are pledged by the donor or when received in cash if not pledged. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Net assets with donor restrictions represent resources with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period. Unconditional grants and donations received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or the funds are used for their restricted purposes, and are reported in the consolidated statements of activities and change in net assets as net assets released from restriction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates that were used.

Functional Allocation of Expenses

The direct costs of supporting the various programs and other activities have been summarized on a functional basis on the consolidated statements of activities and change in net assets. Certain costs have been allocated among program and supporting service classifications on the basis of an analysis made by the Organization's management. The Organization reports costs specifically incurred on programmatic activities as "program service" expenses on the statement of functional expenses. The Organization's general administration costs represent those costs incurred for common or joint objectives and therefore are not identified readily and specifically with a particular project or cost objective. These joint costs include such charges as executive management salaries, accounting staff salaries, audit fees, general office equipment and supplies, IT services, payroll processing fees, state registration and filing fees, and insurance costs.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

In-kind contributions

Donated goods and services are recorded at their estimated fair value at the time of donation. Donated professional services include services rendered in connection with the Organization's programs and general administration. These services are recorded at their fair value at the time the service is performed.

Concentration of credit risk

The Organization maintains deposits in the United States with federally insured financial institutions. At times, balances exceed federally insured limits. Management, however, does not consider this to be a significant concentration of credit risk.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize right-of-use ("ROU") assets and lease liabilities on the statement of financial position for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standards). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for Impact(Ed) beginning January 1, 2022.

Subsequent Events

Management has evaluated subsequent events through August 25, 2022, the date the financial statements were available for issue.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

3. Availability and Liquidity

The following reflects Impact(Ed)'s consolidated financial assets at December 31, 2021 and 2020, reduced by amounts not available for general use within one year of the consolidated statement financial position date because of donor imposed restrictions. Amounts not available include prepaid expenses, non-current assets, net assets with donor restrictions, and net assets with board designations.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 3,172,070	\$ 3,535,699
Accounts receivable	2,386	367
Contributions and grants receivable	35,876	953,469
Deposits	<u>8,467</u>	<u>118,692</u>
Total financial assets	3,218,799	4,608,227
Less those unavailable for general expenditure within one year due to donor restrictions or board designation		
Net assets with donor restrictions	(114,143)	(145,863)
Board designations	<u>(425,000)</u>	<u>(425,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,679,656</u>	<u>\$ 4,037,364</u>

The Organization's goal is to maintain financial assets (which consist of cash, short-term investments, and short-term receivables) on-hand to meet 150 days of normal operational expenses, which are approximately \$130,000 per month. There is a Board-designated fund of \$425,000 that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

4. Investment Income

Investment income consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 315	\$ 11,286
Realized gain (loss)	61	(861)
Less: investment fees	<u>-</u>	<u>(7,249)</u>
	<u>\$ 376</u>	<u>\$ 3,176</u>

5. Accounts Receivable

Accounts receivable consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-federal contributions	\$ 5,671	\$ 13,634
International grants and subgrants	<u>30,205</u>	<u>939,835</u>
Total	<u>\$ 35,876</u>	<u>\$ 953,469</u>

6. Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 92,823	\$ 81,585
Less: accumulated depreciation and amortization	<u>(68,572)</u>	<u>(61,448)</u>
Furniture and equipment, net	<u>\$ 24,251</u>	<u>\$ 20,137</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$7,124 and \$4,626, respectively.

IMPACT(ED) INTERNATIONAL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020, are available for the following programs:

	<u>2021</u>	<u>2020</u>
Coca-Cola Bottling Company-Ghana PSAs	\$ 10,323	\$ 10,558
Standard Chartered Bank	-	20,430
GECT Bonus	102,851	102,851
Girls Education Fund	-	12,024
My Better World - India	969	-
Total	\$ 114,143	\$ 145,863

8. Retirement Plan

The Organization maintains a 401(k) plan that covers all Organization employees. The Plan provides for a discretionary profit-sharing contribution, as well as an employer match equal to 100 percent of employee contributions, not to exceed 5 percent of the participant's annual compensation. Plan expense for the year ended December 31, 2021 and 2020 was \$6,935 and \$6,146, respectively.

9. Related Party Transactions

Discovery, Inc., which founded Impact(Ed) in 1997, provided office space and office support for Impact(Ed) through March 15, 2019. The office support provided included telecommunications, computer software and hardware, copying services, and other office expenses. In addition, Discovery, Inc. provided production services to the Impact(Ed). At times, contributions from Discovery, Inc. have been a major source of Impact(Ed)'s revenue. There were no transactions between Discovery, Inc. and the Organization during the years ended December 31, 2021 and 2020.

10. In-kind Contributions

The Organization received in-kind contributions for services from a vendor. For the years ended December 31, 2021 and 2020, these contributions totaled \$64,474 and \$183,680, respectively. For the year ended December 31, 2021, these contributions are reflected as part of general administration expenses. For the year ended December 31, 2020, the majority of these contributions are reflected as part of program and general administration expenses.

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11. Commitments and Contingencies

Government Contracts and Grants

A portion of the Organization's revenue is from agencies of the U.S. government, the costs of which are subject to audit by the U.S. government. The disallowance of costs could adversely affect Impact(Ed)'s financial statements by reducing estimated reimbursable costs.

Management believes that any adjustments by government auditors for future audits will not be material to the financial statements.

Operating Leases

In March 2019, Impact(Ed) signed a license agreement for temporary space in Silver Spring, Maryland. The lease provided for free rent on the temporary space, and terminated upon the landlord delivering Impact(Ed)'s new space or upon termination of negotiations for the new lease. On February 18, 2020, Impact(Ed) entered into a lease agreement for permanent office space beginning on February 1, 2020 and terminating July 31, 2022. Monthly rent is \$8,467 plus Impact(Ed)'s share of operating expenses. The lease includes three months of free rent and calls for an increase of 3 percent each year. Rent expense for the Silver Spring office space was \$68,710 for the years ended December 31, 2021 and 2020. The lease is set to expire in July 2022, total minimum lease payment required for the rest of the lease term is \$62,619.

12. Line of Credit

The Organization had a \$500,000 line of credit with a financial institution secured by the Organization's money market funds held in their investment portfolio. The line of credit bears interest at the financial institution's prime rate. The line of credit matured on July 20, 2021 and was not renewed. There is no outstanding balance on the line of credit as of December 31, 2020.

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13. Paycheck Protection Program Loan

On May 1, 2020, Impact(Ed) received funding of \$258,300 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expenses. In September 2021, Impact(Ed) received forgiveness for the full amount of the loan and recognized the amount as grant income for the year ended December 31, 2021.

On April 1, 2021, Impact(Ed) received another \$258,300 pursuant to the second round of the PPP, which was established under the Consolidated Appropriations Act, 2021.

Under the provisions of the CARES Act, the PPP proceeds must be used for eligible expenses, which includes payroll, benefits, rent and utilities. The eligible expenses may be forgiven if such expenses are incurred during the 24-week period after receipt of the PPP funding and if the Organization maintains its pre-pandemic staffing levels. The Organization has used the proceeds for expenses consistent with the PPP provisions. Management believes that the use of the loan proceeds will meet the conditions for forgiveness.

For amounts received, but not forgiven, the excess proceeds will convert to a note payable, with a maturity date in April 2026 and accruing interest at 1.00% per annum. Under the provisions of the CARES Act, payments are deferred for six months and there are no collateral or guarantee requirements.

Impact(Ed) believes it will qualify for full or partial Second PPP Loan forgiveness. However, there is no assurance Impact(Ed)'s Second PPP Loan or any portion thereof will be forgiven. The Second PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against Impact(Ed).

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14. GECT Award Closeout

In January 2021, the DFID award was completed and closed out with additional costs of \$206,508 incurred. Total activity under the GECT program, including overhead for 2020 through closeout is as follows:

	Month Ended January 31, 2021	Year Ended December 31, 2020	Total
Direct Expenses	\$ 185,291	\$ 5,579,679	\$ 5,764,970
Overhead	21,217	638,878	660,095
LP Match	-	125,577	125,577
	\$ 206,508	\$ 6,344,134	\$ 6,550,642