

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Financial Statements
December 31, 2019
Independent Auditor's Report**

COOPERATIVE FOR EDUCATION AND AFFILIATES
December 31, 2019

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Independent Auditor's Report

To the Board of Directors
Cooperative for Education and Affiliates
Cincinnati, Ohio

We have audited the accompanying consolidated financial statements of Cooperative for Education and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Asociacion COED, an affiliate, which statements reflect total assets of \$3,120,839 as of December 31, 2019, and total revenues of \$201,593 for the year then ended. Those statements, which were prepared in accordance with Income Tax Law of Guatemala, were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Asociacion COED, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Asociacion COED, prior to these conversion adjustments, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

**Independent Auditor's Report
(Continued)**

Basis for Qualified Opinion

The opinion of the other auditors on the 2019 financial statements of Asociacion COED was qualified because the organization did not capitalize and subsequently depreciate computer equipment, furniture and software associated with its educational technology center programs. In the opinion of the other auditors, Income Tax Law of Guatemala requires capitalization and depreciation of these assets over their estimated useful life, of which the net book value as of December 31, 2019 could not be reasonably estimated.

Qualified Opinion

In our opinion, based on our audit and the report of the other auditors, except for the effects of not capitalizing and depreciating assets associated with the educational technology center programs as discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cooperative for Education and Affiliates as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Dennig & Co., Ltd.

July 22, 2020
Cincinnati, Ohio

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statement of Financial Position December 31, 2019

Assets

Cash and cash equivalents	\$ 1,287,350
Pledges and grants receivable	240,027
Inventories	186,862
Investments	190,727
Revolving fund assets	1,866,399
Other assets	197,527
Property and equipment, net	<u>1,345,244</u>
Total assets	<u>\$ 5,314,136</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 521,669
Deferred tour revenue	42,790
Rotary global grant agency funds	90,540
Revolving fund liability	<u>1,708,388</u>
Total liabilities	<u>2,363,387</u>

Net Assets

Without donor restrictions:	2,686,098
With donor restrictions	<u>264,651</u>
Total net assets	<u>2,950,749</u>
Total liabilities and net assets	<u>\$ 5,314,136</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Statement of Activities
Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions and grants:			
Contributions and grants	\$ 1,256,087	\$ 259,552	\$1,515,639
Sponsorships	726,051	-	726,051
Rotary International	738,321	-	738,321
Special events	208,110	-	208,110
Released from restrictions	145,632	(145,632)	-
	<u>3,074,201</u>	<u>113,920</u>	<u>3,188,121</u>
Total contributions and grants			
Delivery tours income	204,559	-	204,559
Income from revolving school fund	103,121	-	103,121
Investment return and other	84,524	-	84,524
	<u>3,466,405</u>	<u>113,920</u>	<u>3,580,325</u>
Total revenues and support			
Expenses			
Program services	2,752,426	-	2,752,426
General and administrative	237,747	-	237,747
Fundraising	334,224	-	334,224
	<u>3,324,397</u>	<u>-</u>	<u>3,324,397</u>
Total expenses			
Change in net assets	142,008	113,920	255,928
Net assets, beginning of year	<u>2,544,090</u>	<u>150,731</u>	<u>2,694,821</u>
Net assets, end of year	<u>\$ 2,686,098</u>	<u>\$ 264,651</u>	<u>\$2,950,749</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	<u>Textbooks</u>	<u>Technology</u>	<u>Spark</u>	<u>Rise</u>	<u>Bridges</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$185,256	\$ 185,256	\$182,722	\$290,251	\$416,479	\$1,259,964	\$ 119,234	\$ 201,780	\$1,580,978
Program materials	148,369	56,360	172,586	11,695	23,585	412,595	-	-	412,595
Travel	21,380	18,555	26,876	38,497	194,373	299,681	1,541	2,379	303,601
Employee benefits	26,845	26,202	30,179	48,247	52,827	184,300	6,565	12,225	203,090
Scholarships and grants	-	-	-	227,836	-	227,836	-	-	227,836
Payroll taxes	16,927	16,927	16,890	25,023	32,880	108,647	8,850	14,977	132,474
Occupancy	11,099	10,579	13,007	35,844	32,804	103,333	7,633	15,266	126,232
Depreciation	13,367	11,238	9,094	16,761	3,793	54,253	169	339	54,761
Office supplies and other	4,215	3,246	3,574	13,599	14,396	39,030	31,016	20,303	90,349
Professional fees	3,915	3,966	5,055	16,394	19,476	48,806	2,078	921	51,805
Special events	-	-	-	-	-	-	-	62,211	62,211
Accounting fees	-	-	-	-	-	-	36,172	-	36,172
Insurance	-	-	-	-	-	-	7,626	-	7,626
Conferences and meetings	272	272	272	272	8,575	9,663	216	2,819	12,698
Miscellaneous	81	81	70	232	472	936	11,435	1,004	13,375
Advertising and promotion	-	-	-	-	3,382	3,382	-	-	3,382
Legal fees	-	-	-	-	-	-	5,212	-	5,212
	<u>\$431,726</u>	<u>\$ 332,682</u>	<u>\$460,325</u>	<u>\$724,651</u>	<u>\$803,042</u>	<u>\$2,752,426</u>	<u>\$ 237,747</u>	<u>\$ 334,224</u>	<u>\$3,324,397</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statement of Cash Flows Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 255,928
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	54,761
Net realized and unrealized gains on investments	(2,613)
Changes in:	
Pledges and grants receivable, net	(136,593)
Inventories	(23,440)
Other assets	(8,727)
Accounts payable and accrued expenses	50,118
Revolving fund assets (liability)	(165,382)
Deferred tour revenue	(3,434)
Rotary global grant agency funds	3,905
	<u>24,523</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Purchase of property and equipment	(20,390)
Purchase of investments	(46,651)
Proceed from sale of investments	32,686
	<u>(34,355)</u>
Net cash used in investing activities	
Net change in cash	(9,832)
Cash and cash equivalents, beginning of year	<u>1,297,182</u>
Cash and cash equivalents, end of year	<u>\$ 1,287,350</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cooperative for Education is a nonprofit corporation founded in June 1997 to provide underprivileged children in Guatemala better access to education through implementation of sustainable textbook, technology, reading and scholarship programs. Through these programs, Cooperative for Education strives to address the root causes of poverty in Guatemala. Cooperative for Education receives donations and support from individuals, corporations, foundations and other nonprofit organizations both domestically and internationally.

Asociación COED is a Guatemalan nonprofit association founded in July 2000 to help further the mission of Cooperative for Education by establishing an operating base in-country and working to plan and implement its program strategies. Asociación COED is primarily funded through donations by Cooperative for Education but also receives contributions locally. Cooperative for Education is the sole member of this organization.

Canadian Friends of Cooperative for Education is a Canadian nonprofit corporation founded in May 2015 to advance education by providing publicly available scholarships, bursaries and other forms of financial assistance to students who are impoverished, as well as to provide literacy programs and computer training to elementary and secondary school educators. Cooperative for Education is the sole member of this organization.

Principles of Consolidation

The consolidated financial statements include the accounts of Cooperative for Education, Asociación COED and Canadian Friends of Cooperative for Education and all figures are reported in United States Dollars (USD). All significant intercompany accounts and transactions have been eliminated. Unless otherwise noted, these consolidated entities are hereinafter referred to collectively as "CoEd".

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). CoEd is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

CoEd considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019, cash equivalents consisted primarily of depository money market accounts and certificates of deposit. CoEd maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. CoEd has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventory consists of books to be used for the textbook and reading programs and balances are stated at the lower of cost or market. Valuation is determined by the first-in, first-out (FIFO) method.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments. CoEd's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. The cost of property and equipment greater than \$3,500 is capitalized. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

In accordance with GAAP, CoEd assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, CoEd believes no impairments existed at December 31, 2019.

Foreign Currency Translation

The financial statements of Asociación COED and Canadian Friends of Cooperative for Education are reported in their functional currencies, Guatemalan Quetzales (GTQ) and Canadian Dollars (CAD), respectively. During consolidation, assets and liabilities are translated into United States Dollars (USD) at exchange rates in effect at the end of the year; revenues and expenses are translated at exchange rates in effect at the end of each month during monthly fiscal closing procedures. Translation gains and losses are included in changes in net assets without donor restriction.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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 support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, CoEd reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

Revenue Recognition

COED identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. COED evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, COED evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

Revenue from contracts with customers is primarily recognized from delivery tours income. These contracts consist of a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized by COED over the time its services are provided to the participant. COED generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which COED measures its progress towards the satisfaction of its performance obligations requires judgment.

The transaction price is stated in the contracts and is known at time of contract inception. There is no variable consideration associated with COED's contracts with customers and payment is due in advance of participating in the delivery tour.

Income Taxes

CoEd is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, CoEd is subject to federal income tax on any unrelated business taxable income.

CoEd's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of supporting various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program services, general and administrative and fundraising categories based upon estimates of the time spent by CoEd's personnel.

Use of Estimates

The preparation of financial statements 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Event Evaluation

CoEd has evaluated subsequent events through July 22, 2020, which is the date the financial statements were available to be issued.

Effect of Adopting New Accounting Standards

During 2019, CoEd adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. CoEd adopted the ASU retrospectively to all contracts that were not completed as of January 1, 2019, with the cumulative effect of initially applying the guidance recognized as an adjustment to the opening balance of net assets at the date of initial application. However, there was no impact to beginning net assets as of January 1, 2019 due to the cumulative effect of adopting ASC 606. The most significant impact of the adoption of Topic 606 is expanded disclosures for revenue recognition.

During 2019, CoEd adopted FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also required that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of January 1, 2019.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2022.

CoEd is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following financial assets are available for use within one year as of December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,287,350
Pledges and grants receivable	240,027
Investments	190,727
Revolving fund assets	<u>1,866,399</u>
Total financial assets	3,584,503
Less amounts not available to be used within one year:	
Pledges and grants receivable due in one to five years	(28,400)
Revolving fund liability	(1,708,388)
Rotary global grant agency funds	<u>(90,540)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,757,175</u>

CoEd has a goal to maintain financial assets, consisting of cash and short-term investments, on hand to meet 60 days of normal operating expenses. CoEd's cash management policy structures availability of cash as necessary for general expenditures, liabilities and other obligations as they become due. Additionally, as part of its liquidity management, CoEd invests cash in excess of daily requirements in short-term investments, primarily consisting of short-term fixed income securities. As more fully described in Note 6, CoEd also has a line of credit in the amount of \$100,000, which may be drawn upon in the event of an unanticipated liquidity need.

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable as of December 31, 2019 consisted of the following:

Due within one year	\$ 211,627
Due in one to five years	<u>28,400</u>
	<u><u>\$ 240,027</u></u>

No amounts have been recorded as an allowance for doubtful accounts as CoEd considers all pledges and grants receivable to be fully collectible. Additionally, no discount on pledges and grants receivable has been recognized as of December 31, 2019, as the amount would be considered immaterial.

NOTE 4 FAIR VALUE MEASUREMENTS

Investments at fair value as of December 31, 2019 consisted of the following:

Level 1

Fixed income mutual funds	\$ 175,849
Equity exchange traded funds	10,751

Level 2

Money market funds and depository accounts	<u>4,127</u>
	<u><u>\$ 190,727</u></u>

Revolving fund assets at fair value as of December 31, 2019 consisted of the following:

Level 2

Money market funds and depository accounts	<u><u>\$ 1,866,399</u></u>
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Assets valued using Level 1 inputs have consistent observable prices; therefore, reliable fair market values for these assets are readily available. Exchange traded and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded and these values are categorized as using Level 1 inputs.

Assets valued using Level 2 inputs use valuations of quoted prices for similar assets or liabilities in active markets. Level 2 securities include money market funds.

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 5 PROPERTY AND EQUIPMENT

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

Buildings	\$ 560,000
Building improvements	554,085
Motor vehicles	382,377
Land and land improvements	302,584
Office furniture and equipment	113,380
Less accumulated depreciation	<u>(567,182)</u>
	<u><u>\$ 1,345,244</u></u>

NOTE 6 LINE OF CREDIT

CoEd has a \$100,000 line of credit that is due on demand and is collateralized by revolving fund assets. As of December 31, 2019 no amounts were borrowed against this line. Interest accrues at the prime rate, plus .52% (5.27% at December 31, 2019) and is payable monthly. The line of credit expires in August 2020.

NOTE 7 ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits of \$457,826 as of December 31, 2019, consisted of government mandated employee benefits of Asociación COED employees.

NOTE 8 ROTARY GLOBAL GRANT AGENCY FUNDS

CoEd provides administrative support for Rotary global grant funds by temporarily housing fundraising collections in a separate cash account owned by CoEd. Once fundraising is completed, all funds are remitted to the Rotary Club for further processing. The amount of funds raised and due to be remitted to Rotary Clubs as of December 31, 2019 was \$90,540.

NOTE 9 REVOLVING FUND ASSETS AND LIABILITY

The revolving fund assets and liability consists of deposits received from students and families for the renewal of textbooks and computer lab equipment as old books and equipment become outdated at participating schools. As of December 31, 2019, the balance of the revolving fund liability was \$1,708,388, which was off-set by the revolving fund assets balance of \$1,866,399.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 consisted of the following:

Restrictions as to time and purpose:	
Pledges receivable	\$ 137,711
Restrictions as to purpose:	
The Thousand Girls Initiative	71,754
Other programs	25,000
Technology program	12,686
Guatemala Education Center - capital	10,000
Guatemala Education Center - other	7,500
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	\$ 264,651
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NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the year ended December 31, 2019 consisted of the following:

Expiration of time restriciton	\$ 71,451
Spark	49,981
Bridges program	12,500
Guatemala Education Center - other	7,500
The Thousand Girls Initiative	4,200
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	\$ 145,632
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NOTE 12 OPERATING LEASES

CoEd has a lease agreement for its office space in the United States that expires on December 31, 2024. Rent expense for this lease included in the statements of activities for the year ended December 31, 2019 was \$54,618.

Future minimum lease payments, including lease renewals, are as follows:

2020	\$ 54,000
2021	60,480
2022	66,960
2023	73,440
2024	79,920
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	\$ 334,800
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COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 13 RELATED PARTY TRANSACTIONS

Grant management, human resources, and other professional services were purchased from relatives of corporate officers in the amount of \$27,197 in 2019. No amounts were due to these parties as of December 31, 2019. CoEd believes the services received and amounts paid are comparable to what could be purchased from an unrelated party.

NOTE 14 RETIREMENT PLAN

CoEd sponsors a voluntary defined-contribution 401(k) plan offered to all employees in the United States. Employer contributions to the Plan were \$15,369 in 2019.

NOTE 15 RISKS AND UNCERTAINTIES

CoEd's investments consist of mutual funds and exchange traded funds that invest in common stocks, U.S Government and fixed income securities. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2019. However, the diversification of CoEd's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Directors with advice and assistance from investment professionals.

NOTE 16 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States and Guatemala has caused business disruption through necessary cancellation of some of CoEd's significant income sources with tour cancellations and conversion of its annual fundraiser, Fall Festival, to a virtual event. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the cancellations and modifications. Therefore, CoEd expects this matter to negatively impact its fundraising income and its ability to find sponsors for students in the Rise Youth Development Program. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 16, 2020, CoEd entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Payroll Protection Program (the Program) for \$188,200. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal.