

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Financial Statements
December 31, 2021 and 2020, and
Independent Auditor's Report**

COOPERATIVE FOR EDUCATION AND AFFILIATES
December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Cooperative for Education (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cooperative for Education and Affiliates as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Asociacion COED, an affiliate, which statements reflect total assets of \$3,393,709 and \$3,184,927 as of December 31, 2021 and 2020, respectively, and total revenues of \$93,075 and \$164,174, respectively, for the years then ended. Those statements, which were prepared in accordance with Income Tax Law of Guatemala as issued by the International Standards on Auditing, were audited by other auditors, 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.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of Cooperative for Education and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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 Cooperative for Education and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditor's Responsibilities 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 judgement 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 judgement 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 Cooperative for Education and Affiliates' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cooperative for Education and Affiliates' 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.

Barnes, Dennig & Co., Ltd.

May 12, 2022
Cincinnati, Ohio

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 2,666,607	\$ 2,042,135
Pledges and grants receivable, net	136,040	139,045
Inventories	39,111	33,097
Investments	322,480	208,840
Revolving fund asset	1,880,422	1,826,182
Other assets	195,780	147,898
Property and equipment, net	1,250,859	1,294,468
Total assets	<u>\$ 6,491,299</u>	<u>\$ 5,691,665</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 551,459	\$ 529,818
Deferred tour revenue	21,534	12,172
Rotary global grant agency funds	103,597	113,821
Revolving fund liability	1,911,874	1,673,206
Total liabilities	<u>2,588,464</u>	<u>2,329,017</u>
Net Assets		
Without donor restrictions	3,745,042	3,189,290
With donor restrictions	157,793	173,358
Total net assets	<u>3,902,835</u>	<u>3,362,648</u>
Total liabilities and net assets	<u>\$ 6,491,299</u>	<u>\$ 5,691,665</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Statement of Activities
Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions and grants:			
Contributions and grants	\$ 1,416,647	\$ 118,593	\$ 1,535,240
Sponsorships	633,062	-	633,062
Rotary International	614,259	-	614,259
Special events	147,012	-	147,012
Paycheck Protection Program (PPP) grant	174,009	-	174,009
Released from restrictions	134,158	(134,158)	-
	<u>3,119,147</u>	<u>(15,565)</u>	<u>3,103,582</u>
Total contributions and grants			
Income from revolving school fund	26,525	-	26,525
Investment return and other	76,787	-	76,787
	<u>76,787</u>	<u>-</u>	<u>76,787</u>
Total revenues and support	<u>3,222,459</u>	<u>(15,565)</u>	<u>3,206,894</u>
Expenses			
Program services	2,156,160	-	2,156,160
General and administrative	214,799	-	214,799
Fundraising	295,748	-	295,748
	<u>2,666,707</u>	<u>-</u>	<u>2,666,707</u>
Total expenses			
Change in net assets	555,752	(15,565)	540,187
Net assets, beginning of year	<u>3,189,290</u>	<u>173,358</u>	<u>3,362,648</u>
Net assets, end of year	<u>\$ 3,745,042</u>	<u>\$ 157,793</u>	<u>\$ 3,902,835</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions and grants:			
Contributions and grants	\$ 1,415,639	\$ 117,458	\$ 1,533,097
Sponsorships	543,223	-	543,223
Rotary International	484,464	-	484,464
Special events	194,045	-	194,045
Paycheck Protection Program (PPP) grant	188,200	-	188,200
Released from restrictions	251,700	(251,700)	-
Total contributions and grants	3,077,271	(134,242)	2,943,029
Delivery tours income	82,254	-	82,254
Income from revolving school fund	55,946	-	55,946
Investment return and other	49,256	-	49,256
Total revenues and support	3,264,727	(134,242)	3,130,485
Expenses			
Program services	2,223,839	-	2,223,839
General and administrative	202,354	-	202,354
Fundraising	292,393	-	292,393
Total expenses	2,718,586	-	2,718,586
Change in net assets	546,141	(134,242)	411,899
Net assets, beginning of year, as originally stated	2,686,098	264,651	2,950,749
Reclassifications	(42,949)	42,949	-
Net assets, beginning of year	2,643,149	307,600	2,950,749
Net assets, end of year	\$ 3,189,290	\$ 173,358	\$ 3,362,648

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Textbooks	Technology	Spark	Rise	Bridges	Total Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 163,971	\$ 157,812	\$ 170,130	\$ 336,080	\$ 271,353	\$ 1,099,346	\$ 59,500	\$ 200,813	\$ 1,359,659
Program materials	43,951	36,748	190,313	4,955	-	275,967	-	-	275,967
Scholarships and grants	-	-	-	242,593	-	242,593	-	-	242,593
Employee benefits	23,235	22,127	26,754	52,282	26,173	150,571	3,916	15,365	169,852
Professional fees	5,814	4,523	6,094	14,688	11,912	43,031	104,664	4,368	152,063
Payroll taxes	15,386	14,789	15,983	28,833	20,510	95,501	4,404	14,865	114,770
Office supplies and other	10,351	10,138	13,646	29,694	10,210	74,039	26,904	9,524	110,467
Occupancy	2,768	2,676	3,229	17,089	24,310	50,072	3,605	15,622	69,299
Information technology	1,092	1,092	1,092	12,012	22,735	38,023	3,276	14,196	55,495
Depreciation	10,849	9,122	7,395	14,002	3,714	45,082	169	731	45,982
Travel	9,247	7,786	10,044	11,748	1,465	40,290	94	986	41,370
Special events	-	-	-	-	-	-	-	17,034	17,034
Insurance	-	-	-	-	-	-	8,147	-	8,147
Conferences and meetings	280	263	362	691	49	1,645	120	2,244	4,009
	<u>\$ 286,944</u>	<u>\$ 267,076</u>	<u>\$ 445,042</u>	<u>\$ 764,667</u>	<u>\$ 392,431</u>	<u>\$ 2,156,160</u>	<u>\$ 214,799</u>	<u>\$ 295,748</u>	<u>\$ 2,666,707</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Textbooks	Technology	Spark	Rise	Bridges	Total Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 175,852	\$ 169,170	\$ 182,534	\$ 300,077	\$ 320,941	\$ 1,148,574	\$ 59,126	\$ 199,552	\$ 1,407,252
Program materials	49,005	2,678	155,684	168	5,718	213,253	-	-	213,253
Scholarships and grants	-	-	-	242,593	5,290	247,883	-	-	247,883
Employee benefits	25,050	23,844	28,942	50,079	32,654	160,569	3,861	15,386	179,816
Professional fees	4,118	3,902	19,521	12,840	15,060	55,441	94,544	5,802	155,787
Payroll taxes	16,584	15,935	17,233	26,160	24,866	100,778	4,415	14,901	120,094
Office supplies and other	10,866	9,685	11,915	28,043	12,008	72,517	28,653	13,973	115,143
Occupancy	2,753	2,659	3,221	14,097	26,093	48,823	3,481	15,086	67,390
Information technology	565	565	565	5,089	12,440	19,224	1,696	7,351	28,271
Depreciation	11,951	10,046	8,141	15,177	3,871	49,186	991	599	50,776
Travel	5,579	6,010	10,358	11,263	70,517	103,727	53	462	104,242
Special events	-	-	-	-	-	-	-	18,254	18,254
Insurance	534	-	-	-	-	534	5,534	-	6,068
Conferences and meetings	370	349	479	850	1,282	3,330	-	1,027	4,357
	<u>\$ 303,227</u>	<u>\$ 244,843</u>	<u>\$ 438,593</u>	<u>\$ 706,436</u>	<u>\$ 530,740</u>	<u>\$ 2,223,839</u>	<u>\$ 202,354</u>	<u>\$ 292,393</u>	<u>\$ 2,718,586</u>

See accompanying notes to consolidated financial statements

COOPERATIVE FOR EDUCATION AND AFFILIATES

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 540,187	\$ 411,899
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	45,982	50,776
Net realized and unrealized gains on investments	(14,362)	(4,821)
Changes in:		
Pledges and grants receivable, net	3,005	100,982
Inventories	(6,014)	153,765
Other assets	(47,882)	49,629
Accounts payable and accrued expenses	21,641	8,149
Deferred tour revenue	184,428	5,035
Rotary global grant agency funds	9,362	(30,618)
Revolving fund asset (liability)	(10,224)	23,281
	<u>726,123</u>	<u>768,077</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(99,278)	(13,292)
	<u>(99,278)</u>	<u>(13,292)</u>
Net change in cash	624,472	754,785
Cash and cash equivalents, beginning of year	<u>2,042,135</u>	<u>1,287,350</u>
Cash and cash equivalents, end of year	<u>\$ 2,666,607</u>	<u>\$ 2,042,135</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, 2021 and 2020, 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, 2021 and 2020.

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. CoEd 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 May 12, 2022, which is the date the financial statements were available to be issued.

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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques, and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. 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 these ASUs on the consolidated financial statements.

COOPERATIVE FOR EDUCATION AND AFFILIATES

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

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 2,666,607	\$ 2,042,135
Pledges and grants receivable	136,040	139,045
Investments	322,480	208,840
Revolving fund asset	1,880,422	1,826,182
Total financial assets	5,005,549	4,216,202
Less amounts not available to be used within one year:		
Pledges and grants receivable due in one to five years	(15,000)	(14,200)
Revolving fund liability	(1,911,874)	(1,673,206)
Rotary global grant agency funds	(103,597)	(113,821)
Financial assets available to meet general expenditures within one year	\$ 2,975,078	\$ 2,414,975

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.

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

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

	2021	2020
Due within one year	\$ 121,040	\$ 124,845
Due in one to five years	15,000	14,200
	\$ 136,040	\$ 139,045

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, 2021 and 2020, as the amounts would be considered immaterial.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 4 FAIR VALUE MEASUREMENTS

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

	2021	2020
Level 1		
Fixed income mutual funds	\$ 182,690	\$ 180,219
Equity exchange traded funds	135,490	24,472
Level 2		
Money market funds and depository accounts	4,300	4,149
	\$ 322,480	\$ 208,840

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

	2021	2020
Level 2		
Money market funds and depository accounts	\$ 1,880,422	\$ 1,826,182

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.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2021	2020
Buildings	\$ 560,000	\$ 560,000
Building improvements	554,085	554,085
Motor vehicles	382,377	382,377
Land and land improvements	302,584	302,584
Office furniture and equipment	115,752	113,380
Less accumulated depreciation	(663,939)	(617,958)
	\$ 1,250,859	\$ 1,294,468

Depreciation expense for the years ended December 31, 2021 and 2020 was \$45,982 and \$50,776, respectively.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

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, 2021 and 2020 no amounts were borrowed against this line. Interest accrues at the prime rate, plus .52% (3.77% at December 31, 2021) and is payable monthly. The line of credit expires in August 2022.

NOTE 7 ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits of \$517,854 and \$500,388 as of December 31, 2021 and 2020, respectively, 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, 2021 and 2020 was \$103,597 and \$113,821, respectively.

NOTE 9 REVOLVING FUND ASSET AND LIABILITY

The revolving fund asset 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, 2021 and 2020, the balance of the revolving fund liability was \$1,911,874 and \$1,673,206, respectively, which was off-set by the revolving fund asset balance of \$1,880,422 and \$1,826,182, respectively.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 51,866	\$ 77,273
Other programs	50,000	25,000
The Thousand Girls Initiative	39,200	28,400
Spark program	16,727	36,046
Rise program	-	4,139
Guatemala Education Center - capital	-	2,500
	<u>\$ 157,793</u>	<u>\$ 173,358</u>

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Expiration of time restricted	\$ 81,412	\$ 180,660
Technology program	36,046	12,686
The Thousand Girls Initiative	14,200	43,354
Guatemala Education Center - capital	2,500	7,500
Guatemala Education Center - other	-	7,500
	<u>\$ 134,158</u>	<u>\$ 251,700</u>

NOTE 12 PAYROLL PROTECTION PROGRAM (PPP) GRANT

On April 16, 2020, CoEd qualified for and received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security's Act from a qualified lender for an aggregate principal amount of \$188,200 (First Draw PPP loan). The note had a term of two years and was unsecured and guaranteed by the SBA. On February 4, 2021, CoEd entered into a second term note pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act as part of the Program for \$174,009 (Second Draw PPP loan). The note had a term of five years and was unsecured and guaranteed by the SBA. All or a portion of both notes may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balances will accrue based on the terms of each note at a fixed rate of 1.00%, but neither principal or interest were due and payable during the covered periods. After the covered periods expire, loan payments will be deferred for borrowers who apply for loan forgiveness until the SBA remits CoEd's forgiveness amounts to the lender.

CoEd elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the First Draw PPP loan and Second Draw PPP loan. In accordance with this guidance, the derecognition threshold for the liabilities is when the conditions of the Program are "substantially met" and occur on or before the statement of financial position date. On November 18, 2020 and October 29, 2021, respectively, CoEd received notification from the SBA that the First Draw PPP loan and Second Draw PPP loan were fully forgiven, and the SBA remitted payment to the lender for the full outstanding principal and accrued interest amounts. As such, \$174,009 and \$188,200 is recognized as grant revenue in 2021 and 2020, respectively.

NOTE 13 OPERATING LEASES

CoEd has a lease agreement for its office space in the United States that expires on December 31, 2024. Additionally, CoEd leases minor office equipment under a noncancellable operating lease through January 2025. Rent expense for these leases included in the statement of activities for the years ended December 31, 2021 and 2020 was \$55,350 and \$53,818, respectively.

COOPERATIVE FOR EDUCATION AND AFFILIATES

Notes to Consolidated Financial Statements (Continued)

NOTE 13 OPERATING LEASES (CONTINUED)

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

2022	\$	58,995
2023		59,546
2024		60,103
2025		<u>326</u>
	\$	<u>178,970</u>

NOTE 14 RELATED PARTY TRANSACTIONS

During 2021 and 2020, CoEd received professional services from a relative of a corporate officer, as well as a business where a board member is a shareholder. Total amounts paid to these related parties in 2021 and 2020 was \$103,293 and \$79,752, respectively. As of both December 31, 2021 and 2020, CoEd owed these related parties \$5,500. CoEd believes the services received and amounts paid are comparable to what could be purchased from an unrelated party.

NOTE 15 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 \$11,915 and \$9,603 in 2021 and 2020, respectively.

NOTE 16 RISKS AND UNCERTAINTIES

CoEd's investments consist of fixed income mutual funds and equity exchange traded funds that invest in common stocks. 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 2021 and 2020. 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 17 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in CoEd's programs and negative impacts to its contributions and other revenues in 2021 and 2020.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on CoEd's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which CoEd operates and the related impact on consumer confidence and spending, all of which are highly uncertain.