

Per Scholas, Inc.

Financial Statements and Supplementary Information Year Ended December 31, 2019

Per Scholas, Inc.

Financial Statements and Supplementary Information
Year Ended December 31, 2019

Per Scholas, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position as of December 31, 2019	5
Statement of Activities for the Year Ended December 31, 2019	6
Statement of Functional Expenses for the Year Ended December 31, 2019	7
Statement of Cash Flows for the Year Ended December 31, 2019	8
Notes to Financial Statements	9-18
Supplementary Information	
Schedule of Changes in Net Assets by Program for the Year Ended December 31, 2019	20
Schedule of Analysis of Operations for Specific Locations for the Year Ended December 31, 2019	21



Independent Auditor's Report

The Board of Directors
Per Scholas, Inc.
Bronx, New York

We have audited the accompanying financial statements of Per Scholas, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Per Scholas, Inc. 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.

Other Matter

Supplementary Information

Our audit of the financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Per Scholas, Inc.'s financial statements, and our report dated June 25, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

September 21, 2020

Per Scholas, Inc.

Statement of Financial Position (with comparative totals for 2018)

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 5,889,269	\$ 5,470,536
Investments (Notes 2 and 3)	1,613,050	-
Grants and contracts receivable (Notes 2 and 4)	3,986,364	4,455,484
Accounts receivable (Note 2)	144,351	324,838
Prepaid expenses and other assets	356,749	224,928
Total Current Assets	11,989,783	10,475,786
Fixed Assets, Net (Notes 2 and 5)	4,082,391	3,357,128
Total Assets	\$ 16,072,174	\$ 13,832,914
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 535,399	\$ 703,339
Accrued payroll and related expenses	646,159	396,175
Deferred revenue (Notes 2 and 10)	2,895,249	2,582,699
Deferred rent, current portion (Note 2)	57,995	104,685
Total Current Liabilities	4,134,802	3,786,898
Deferred Rent, long-term portion (Note 2)	530,564	425,880
Total Liabilities	4,665,366	4,212,778
Commitments and Contingencies (Notes 6, 7, 9, 10, 11, 12 and 13)		
Net Assets (Notes 2 and 8)		
Without donor restrictions	9,133,058	6,434,511
With donor restrictions	2,273,750	3,185,625
Total Net Assets	11,406,808	9,620,136
Total Liabilities and Net Assets	\$ 16,072,174	\$ 13,832,914

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Activities
(with comparative totals for 2018)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Support and Operating Revenues				
Foundation and other contributions	\$ 12,848,216	\$ 3,058,500	\$ 15,906,716	\$ 11,823,101
Government and contract revenue	3,061,794	-	3,061,794	2,409,375
Social Ventures (Note 2)	4,875,470	-	4,875,470	5,411,488
Other income	164,554	-	164,554	5,067
Net assets released from restrictions (Note 8)	3,970,375	(3,970,375)	-	-
Total Support and Operating Revenues	24,920,409	(911,875)	24,008,534	19,649,031
Operating Expenses				
Program operations:				
New York, New York	5,126,344	-	5,126,344	4,732,699
Newark, New Jersey	1,323,390	-	1,323,390	128,703
Columbus, Ohio	982,244	-	982,244	614,877
Cincinnati, Ohio	605,146	-	605,146	537,594
Silver Spring, Maryland - National Capital Region	1,971,820	-	1,971,820	1,273,444
Dallas, Texas	736,019	-	736,019	671,850
Atlanta, Georgia	936,491	-	936,491	685,822
Boston, Massachusetts	732,858	-	732,858	71,899
Social Ventures	5,431,390	-	5,431,390	4,016,432
Total Program Operations	17,845,702	-	17,845,702	12,733,320
Supporting operations:				
Fundraising	1,248,064	-	1,248,064	864,271
Administration	3,128,096	-	3,128,096	2,256,775
Total Supporting Operations	4,376,160	-	4,376,160	3,121,046
Total Operating Expenses	22,221,862	-	22,221,862	15,854,366
Change in Net Assets	2,698,547	(911,875)	1,786,672	3,794,665
Net Assets, beginning of year	6,434,511	3,185,625	9,620,136	5,825,471
Net Assets, end of year	\$ 9,133,058	\$ 2,273,750	\$ 11,406,808	\$ 9,620,136

See accompanying notes to financial statements.

Per Scholas, Inc.
Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services										Supporting Services			Total	
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland -NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Social Ventures	Total Program Services	Fundraising	Administration	Total Supporting Services	2019	2018
Salaries and Related Expenses															
Salaries and wages	\$ 2,894,524	\$ 690,079	\$ 598,304	\$ 425,459	\$ 1,149,966	\$ 428,904	\$ 621,331	\$ 438,224	\$ 3,317,196	\$ 10,563,987	\$ 791,499	\$ 1,388,226	\$ 2,179,725	\$ 12,743,712	\$ 9,184,370
Fringe benefits	422,891	95,459	66,424	62,767	166,279	63,368	92,202	49,208	418,514	1,437,112	107,320	354,264	461,584	1,898,696	1,227,797
Total Salaries and Related Expenses	3,317,415	785,538	664,728	488,226	1,316,245	492,272	713,533	487,432	3,735,710	12,001,099	898,819	1,742,490	2,641,309	14,642,408	10,412,167
Other Expenses															
Recruitment/advertising	6,116	17,860	14,842	19,774	10,197	8,528	9,966	9,218	84,222	180,723	6,930	13,711	20,641	201,364	181,903
Technology: data, website	89,334	100,847	13,910	10,841	36,659	14,516	30,121	24,281	87,994	408,503	24,047	86,471	110,518	519,021	405,618
Student supplies	98,380	17,244	14,755	3,358	57,880	22,934	20,223	4,405	30,126	269,305	-	-	-	269,305	341,264
Professional service	357,406	73,685	54,707	5,867	163,495	33,888	14,967	38,016	230,648	972,679	216,559	452,755	669,314	1,641,993	1,220,080
Professional service - legal	147	-	-	-	-	-	-	-	1,298	1,445	-	76,694	76,694	78,139	58,326
Professional service - accounting and audit	12,145	-	2,110	1,584	4,225	2,110	2,110	-	12,145	36,429	3,168	22,703	25,871	62,300	56,532
Professional payroll service	9,793	2,981	1,703	1,277	3,406	1,703	1,726	1,680	9,793	34,062	2,555	15,435	17,990	52,052	32,838
Professional faculty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26
Rent	318,700	138,994	81,512	26,281	177,804	79,313	46,728	88,920	365,421	1,323,673	19,548	33,261	52,809	1,376,482	884,719
Utilities	46,649	22,410	-	-	-	-	-	-	29,985	99,044	3,311	5,117	8,428	107,472	118,419
Real-estate tax	31,583	-	-	-	3,173	-	-	-	49,462	84,218	2,318	3,188	5,506	89,724	86,986
Building operating and maintenance	87,197	20,124	9,186	-	14,296	-	125	-	25,921	156,849	57	10,229	10,286	167,135	138,049
Security services	11,556	12,371	15,720	-	-	-	-	-	1,875	41,522	409	1,692	2,101	43,623	23,146
Business insurance	119,520	10,118	8,934	8,934	13,401	8,934	10,692	9,744	56,825	247,102	8,934	15,842	24,776	271,878	164,761
Employee development and training	15,590	1,059	496	-	5,099	733	15,164	1,016	7,352	46,509	1,853	29,623	31,476	77,985	42,510
Job training - interns	-	-	-	-	-	-	-	-	1,800	1,800	-	4,897	4,897	6,697	22,387
Employment and drug verifications	42,317	408	8,550	4,477	13,820	5,304	5,900	3,021	7,108	90,905	746	2,553	3,299	94,204	63,146
Office supplies	53,213	10,094	13,415	2,500	25,031	7,280	3,533	4,703	29,308	149,077	2,832	35,347	38,179	187,256	115,830
Shipping and postage	7,890	3,542	530	558	527	798	640	1,886	3,137	19,508	1,590	11,510	13,100	32,608	19,610
Equipment lease	10,234	10,938	2,608	2,760	2,782	1,261	-	-	9,606	40,189	-	7,509	7,509	47,698	35,644
Graduation expense	1,005	600	2,065	709	5,209	1,007	2,097	411	5,737	18,840	-	-	-	18,840	13,729
Communications, telephone and internet	62,876	4,296	6,534	1,424	16,848	9,241	9,252	1,246	77,025	188,742	7,592	45,596	53,188	241,930	200,461
Finance charges other fees	1,884	-	-	-	-	82	-	-	-	1,966	-	6,673	6,673	8,639	18,303
Filing expenses	39,519	509	161	101	413	-	-	50	4,557	45,310	-	30,735	30,735	76,045	46,033
Membership fees	3,039	3,364	2,057	174	808	2,270	-	1,529	1,203	14,444	2,924	9,237	12,161	26,605	47,889
Conference registration fees	5,988	794	3,250	35	1,482	270	55	823	7,060	19,757	1,010	2,550	3,560	23,317	6,024
Travel and transportation	26,284	14,403	13,279	5,790	34,417	11,310	12,481	20,460	126,800	265,224	28,867	34,581	63,448	328,672	165,164
Hotel and meals	28,750	37,445	18,131	7,492	27,113	19,635	14,187	27,675	170,428	350,856	13,906	179,259	193,165	544,021	282,847
Miscellaneous	2,628	-	557	590	279	903	309	17	5,110	10,393	89	192,413	192,502	202,895	89,044
Depreciation and amortization	319,186	33,766	28,504	12,394	37,211	11,727	22,682	6,325	253,734	725,529	-	56,025	56,025	781,554	560,911
Total Expenses	\$ 5,126,344	\$ 1,323,390	\$ 982,244	\$ 605,146	\$ 1,971,820	\$ 736,019	\$ 936,491	\$ 732,858	\$ 5,431,390	\$ 17,845,702	\$ 1,248,064	\$ 3,128,096	\$ 4,376,160	\$ 22,221,862	\$ 15,854,366

See accompanying notes to financial statements.

Per Scholas, Inc.

Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,786,672	\$ 3,794,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	781,554	560,911
Unrealized gains on investments	(2,950)	-
Realized gains on investments	(6,929)	-
Decrease (increase) in assets:		
Grants and contracts receivable	469,120	(1,782,642)
Accounts receivable	180,487	200,421
Prepaid expenses and other assets	(131,821)	(142,722)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(167,940)	198,394
Accrued payroll and related expenses	249,984	(139,322)
Deferred revenue	312,550	2,432,699
Deferred rent	57,994	104,685
Net Cash Provided by Operating Activities	3,528,721	5,227,089
Cash Flows from Investing Activities		
Purchases of investments	(1,610,261)	-
Proceeds from sale of investments	7,092	-
Purchases of fixed assets, net	(1,506,819)	(1,066,033)
Net Cash Used in Investing Activities	(3,109,988)	(1,066,033)
Cash Flows from Financing Activities		
Loan repayments	-	(130,000)
Net Cash Used in Financing Activities	-	(130,000)
Net Increase in Cash and Cash Equivalents	418,733	4,031,056
Cash and Cash Equivalents, beginning of year	5,470,536	1,439,480
Cash and Cash Equivalents, end of year	\$ 5,889,269	\$ 5,470,536
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ 4,236

See accompanying notes to financial statements.

Per Scholas, Inc.

Notes to Financial Statements

1. Description of the Organization

Per Scholas, Inc. (the Organization) is a national nonprofit organization committed to providing free high-quality technology job training, job placement and career development services to individuals from overlooked communities. The asset recovery program partners with leading asset disposition vendors to offer a complete IT asset disposition solution for retired computer equipment to corporations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Net Assets Classification

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments, should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations. For the year ended December 31, 2019, the Organization has no permanent donor-restricted assets.

Without Donor Restrictions - This class consists of the part of net assets that are not restricted by donor-imposed stipulations.

Per Scholas, Inc.

Notes to Financial Statements

Cash and Cash Equivalents

For purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair market value.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Grants and contracts receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the grants or contracts.

Provision for Allowance for Doubtful Accounts

The Organization reviews receivables as to their uncertainty in regard to collectability and, when needed, maintains an allowance for doubtful accounts.

An allowance for doubtful accounts was not needed in 2019, based on management's assessment of individual receivables from customers.

Fixed Assets and Depreciation

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize expenditures in excess of \$5,000, which represents new purchases, or extend the life of existing fixed assets. The current estimated useful lives are as follows:

	Years
Furniture and fixtures	7
Computers, equipment and software	3-5

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including fixed assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019, there have been no such losses.

Deferred Rent

The Organization records rent expenses for the long-term leases under a straight-line basis over the life of the lease, in accordance with accounting U.S. GAAP. Total deferred rent in the amount of \$588,559, which relates to difference from cash payments for rent to straight-line expenses, is included in liabilities on the statement of financial position as of December 31, 2019.

Per Scholas, Inc.

Notes to Financial Statements

Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment, considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by U.S. GAAP as follows:

Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 2 inputs include: (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical assets or liabilities traded in non-active markets (i.e., dealer or broker markets) and (iii) inputs other than quoted prices that are observable, or inputs derived from or corroborated by market data.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Investment Income

Investment income is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses, less direct external investment expenses. Dividends are recorded at the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Risks and Uncertainties

The Organization's investments consist of a variety of investment securities. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Organization's investments will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Contributions

All contributions are considered to be available without donor restrictions, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—net

Per Scholas, Inc.

Notes to Financial Statements

assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization receives most of its revenues from contributions and government contracts. In addition, the Organization earns revenue from the recycling of end-of-life computer equipment.

Government grants and other contracts designated for use in specific activities are recognized as revenue in net assets without donor restrictions when expenditures have been incurred in compliance with the grantor's restrictions or when deliverable results specified in the grant have been achieved. Advances are received under certain grant agreements to assist the Organization with expenditures incurred in the first several months of the grant period. Cash received in excess of revenue recognized is recorded as deferred revenue.

Contributions are recorded as revenue when either unrestricted cash is received or when donors make a promise to give. Contributions and promises to give are classified as either with donor restrictions or without donor restrictions.

Social ventures revenues represent fees charged to the Organization's clients for asset recovery services and providing customized training.

Functional Allocation of Expenses

Common costs incurred for the administration to support the various functions of the various programs are allocated directly to respective programs as incurred. Depreciation of common shared space is based on predetermined square footage allocation rates established by management. Any expenses that can be specifically identified to a project or program are charged directly to that project and program. Payroll and related expenses are allocated based on time spent among the programs. Rent and utilities are allocated based on square footage of the programs occupied, and any other expenses that cannot be specifically identified are allocated using the ratio value method.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived.

Per Scholas, Inc.

Notes to Financial Statements

Income Taxes

The Organization was incorporated in the Commonwealth of Massachusetts and is a charitable organization that is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2019.

The Organization follows the provisions of U.S. GAAP, which state that an organization must recognize the tax liability associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2019, there were no interest or penalties recorded or included in the statement of activities.

Recently Adopted Accounting Pronouncement

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Organization's fiscal year 2019, and the adoption of this update did not have a material impact on the Organization's financial statements. Refer to Note 13 for the conditional grants at December 31, 2019.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2019. The ASU is required to be applied retrospectively to each prior-reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Per Scholas, Inc.

Notes to Financial Statements

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

Reclassifications

Certain amounts included in the fiscal year 2018 financial statements have been reclassified to conform to the fiscal year 2019 presentation.

3. Investments and Fair Value Measurements

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with U.S. GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy.

A description of the valuation techniques applied to the Organization's major categories of assets measured at fair value are as follows:

Mutual Funds

For the Organization's investments in mutual funds, the Organization has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in fixed-income and equity securities. Mutual funds are valued at the net asset value (NAV) of each share, which are actively traded on national securities exchanges and are classified as Level 1.

Fixed-Income - Bonds

Fixed-income - bonds securities are priced by the Organization's custodian using nationally recognized pricing services. Fixed-income - bonds securities generally do not trade on a daily basis. For these securities, the pricing services prepare estimates of fair value measurements using their proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

The following table shows, by level within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value as of December 31, 2019. The financial assets are classified in

Per Scholas, Inc.

Notes to Financial Statements

their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

December 31, 2019

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Certificates of Deposit	\$ 1,602,564	\$ -	\$ -	\$ 1,602,564
Fixed-income:				
Corporate and other bonds*	-	10,486	-	10,486
Total Investments	\$ 1,602,564	\$ 10,486	\$ -	\$ 1,613,050

* In accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the accompanying statement of financial position.

There were no transfers between levels during the year ended December 31, 2019.

4. Grants and Contracts Receivable

Grants and contracts receivable totaling \$3,986,364 at December 31, 2019 represent commitments to the Organization, to be collected in 2020, for training and general operations.

5. Fixed Assets, Net

Fixed assets, net, consists of the following:

December 31, 2019

Leasehold improvements	\$ 4,721,525
Furniture and fixtures	573,068
Computers, equipment and software	2,021,888
	7,316,481
Less: accumulated depreciation and amortization	3,234,090
Fixed Assets, Net	\$ 4,082,391

Depreciation expense for the year ended December 31, 2019 was \$781,554.

6. Line of Credit

The Organization has a secured line of credit with a financial institution for \$1,500,000 with an interest rate of 3.385% per annum at December 31, 2019. As of December 31, 2019, there was no outstanding balance. The loan is secured by cash deposits.

Per Scholas, Inc.

Notes to Financial Statements

7. 457(b) Plan

The Organization contributes to the qualified individuals account in the 457(b) plan after employees' first year of employment. Vesting contributions will start after the first year with 33%, and the vesting portion will continue to increase in equal monthly increments up to the completion of the third year.

8. Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions in the amount of \$2,273,750 are designated for the time restriction and purposes of training.

During the year ended December 31, 2019, net assets with donor restrictions were released from restrictions in the amount of \$3,970,375 for training purposes.

9. Commitments and Contingencies

Commitments

The Organization leases office space under terms of various leases expiring through December 2028. The leases generally provide for annual base rentals, with certain escalation clauses. Minimum future lease payments are as follows:

Year ending December 31,

2020	\$	1,304,184
2021		1,277,792
2022		1,186,411
2023		922,617
2024		788,976
Thereafter		2,227,691
	\$	7,707,671

Rent expense for the year ended December 31, 2019 was \$1,376,482.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

10. Deferred Revenue

During 2019, the Organization received advances, which primarily consist of cash received on conditional grants that have not been expended at year-end, and thus have not met the revenue recognition criteria.

Per Scholas, Inc.

Notes to Financial Statements

As of December 31, 2019, the total deferred revenue was \$2,895,249.

11. Concentration of Credit Risk

The financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Organization has cash deposits at financial institutions that exceed the Federal Depository Insurance Corporation limit. These financial institutions have strong credit ratings and management believes that the credit risk-related to these accounts is minimal. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

12. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Year ended December 31, 2019

Total Current Assets	\$ 11,989,783
Less: amounts unavailable for general expenditures within one year, due to:	
Prepaid expenses and other assets	356,749
Restricted by donor with time or purpose restrictions	2,273,750
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ 9,359,284

Liquidity Management

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$1.5 million, which it could draw upon.

13. Conditional Grants

The Organization has grant agreements with several donors that consist of providing conditional funding in future years, amounting to approximately \$215,000 at December 31, 2019. A corresponding grant receivable has not been recorded on the statements of financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions on which they depend upon are substantially met. Until that point, any amounts received are recorded as refundable advances.

14. Subsequent Events

The Organization's management has performed subsequent events procedures through September 21, 2020, which is the date the financial statements were available to be issued. Other than the uncertainty regarding the COVID-19 outbreak (described below), there were no subsequent events requiring adjustment to or disclosure in the financial statements, except the following:

Per Scholas, Inc.

Notes to Financial Statements

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

While the full impact of the COVID-19 outbreak continues to evolve as of the date of this report, its future impact may have a continuing material adverse impact on economic and market conditions, thus, triggering a period of global economic slowdown. This has the potential to, but not certainty of, impacting the Organization's operations, which are heavily dependent on contributions and government contracts.

The Organization cannot fully estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, given the great uncertainty as to the full magnitude that the pandemic may have on future economic and market conditions, the Organization is not able, at this moment, to estimate the effects of the COVID-19 outbreak on the fiscal year 2020 results of operations, financial condition or liquidity.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of the date of this report, the Organization received \$2,574,350 from the Paycheck Protection Program and used it as in original intent defined by the CARES Act. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account the current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the Organization. The receipt of these funds, and the forgiveness of the loan related to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. The Organization will continue to examine the impact that the CARES Act may have on its operations, financial conditions or liquidity. Funding received from the Paycheck Protection Program is still subject to potential audit.

The Organization will continue to examine the impact that the CARES Act may have on its business. Currently, the Organization is unable to determine the impact that the CARES Act will have on its financial condition, results of operations or liquidity.

Supplementary Information

Per Scholas, Inc.

Schedule of Changes in Net Assets by Program

Year ended December 31, 2019

	Program Services									Supporting Services			Total	
	New York, New York	Newark, New Jersey	Columbus, Ohio	Cincinnati, Ohio	Silver Spring, Maryland -NCR	Dallas, Texas	Atlanta, Georgia	Boston, Massachusetts	Social Ventures	Total Program Services	Fundraising	Administration		Total Supporting Services
Support and Operating Revenues														
Foundation and other contributions	\$ 4,043,465	\$ 1,334,322	\$ 1,063,615	\$ 461,013	\$ 1,598,391	\$ 828,282	\$ 733,083	\$ 1,034,900	\$ 770,776	\$ 11,867,847	\$ -	\$ 4,038,869	\$ 4,038,869	\$ 15,906,716
Government and contract revenue	1,580,427	-	98,006	143,629	857,476	-	382,256	-	-	3,061,794	-	-	-	3,061,794
Social Ventures	52,967	-	-	17,000	4,000	-	-	-	4,801,503	4,875,470	-	-	-	4,875,470
Other income	-	-	-	-	-	-	-	-	-	-	-	164,554	164,554	164,554
Net Operating Revenues from Operations	5,676,859	1,334,322	1,161,621	621,642	2,459,867	828,282	1,115,339	1,034,900	5,572,279	19,805,111	-	4,203,423	4,203,423	24,008,534
Expenses														
Salaries and related expenses	3,317,415	785,538	664,728	488,226	1,316,245	492,272	713,533	487,432	3,735,710	12,001,099	898,819	1,742,490	2,641,309	14,642,408
Other expenses	1,808,929	537,852	317,516	116,920	655,575	243,747	222,958	245,426	1,695,680	5,844,603	349,245	1,385,606	1,734,851	7,579,454
Total Expenses	5,126,344	1,323,390	982,244	605,146	1,971,820	736,019	936,491	732,858	5,431,390	17,845,702	1,248,064	3,128,096	4,376,160	22,221,862
Change in Net Assets by Program	\$ 550,515	\$ 10,932	\$ 179,377	\$ 16,496	\$ 488,047	\$ 92,263	\$ 178,848	\$ 302,042	\$ 140,889	\$ 1,959,409	\$ (1,248,064)	\$ 1,075,327	\$ (172,737)	\$ 1,786,672

Per Scholas, Inc.

Schedule of Analysis of Operations for Specific Locations

Year ended December 31, 2019

	Program Services		
	Brooklyn, New York	Bronx Core, New York	Social Ventures, Bronx New York
Support and Operating Revenues			
Foundation and other contributions	\$ 3,643,465	\$ 400,000	\$ 500,000
Government and contract revenue	1,580,427	-	-
Social Ventures	52,967	-	896,430
Net Operating Revenues from Operations	5,276,859	400,000	1,396,430
Salaries and Related Expenses			
Salaries and wages	2,839,772	54,752	1,217,865
Fringe benefits	417,748	5,143	163,694
Total Salaries and Related Expenses	3,257,520	59,895	1,381,559
Other Expenses			
Recruitment and advertising	5,998	118	24,921
Technology - data and website	88,453	881	29,639
Student supplies	84,997	13,383	6,446
Professional services	357,406	-	58,725
Professional services - legal	147	-	147
Professional services - accounting and audit	12,145	-	5,283
Professional payroll services	9,793	-	4,258
Rent	318,700	-	130,860
Utilities	46,197	452	29,326
Real estate tax	31,583	-	49,462
Building operating and maintenance	81,699	5,498	22,249
Security services	11,556	-	1,851
Business insurance	119,520	-	8,934
Employee development and training	15,027	563	5,211
Employment and drug verifications	42,284	33	4,272
Office supplies	52,329	884	5,274
Shipping and postage	7,878	12	961
Equipment lease	8,708	1,526	8,097
Graduation expense	1,005	-	873
Communications, telephone and internet	58,562	4,314	48,132
Finance charges and other fees	1,884	-	-
Filing expenses	32,242	7,277	1,942
Membership fees	3,039	-	100
Conference registration fees	5,988	-	759
Travel and transportation	25,436	848	8,818
Hotel and meals	27,233	1,517	8,672
Miscellaneous	2,628	-	22
Total Other Expenses	1,452,437	37,306	465,234
Total Expenses	4,709,957	97,201	1,846,793
Net Income (Loss), before depreciation and amortization	566,902	302,799	(450,363)
Depreciation and Amortization	319,186	-	216,897
Change in Net Assets by Program	\$ 247,716	\$ 302,799	\$ (667,260)