



Classroom
Central

Classroom Central

Financial Statements

For the Years Ended June 30, 2023 and 2022

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**Davies, Goldstein
& Associates CPA's PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Classroom Central:

Opinion

We have audited the accompanying financial statements of Classroom Central (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Classroom Central as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Classroom Central and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Classroom Central's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Classroom Central's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Classroom Central's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Handwritten signature in black ink that reads "Jones, Goldstein & Associates, CPA's P.C." in a cursive style.

Matthews, North Carolina
October 17, 2023

Classroom Central
Statements of Financial Position
As of June 30, 2023 and 2022

Assets	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,999,273	\$ 968,155
Cash - Board Restricted (Note 4)	-	3,100,000
Investments (Notes 4 and 8)	3,547,671	-
Grants and Pledges Receivable, net (Note 2)	353,045	722,151
Other Current Assets	40,694	215,588
Inventory	5,752,374	6,582,657
Total Current Assets	<u>11,693,057</u>	<u>11,588,551</u>
Long-term Assets		
Pledges Receivable, net (Note 2)	383,861	188,050
Property and Equipment, net	2,697,825	2,502,108
Total Long-term Assets	<u>3,081,686</u>	<u>2,690,158</u>
Total Assets	<u>\$ 14,774,743</u>	<u>\$ 14,278,709</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 45,490	\$ 52,504
Total Liabilities	<u>45,490</u>	<u>52,504</u>
Net Assets		
Net Assets Without Donor Restrictions	11,395,255	11,109,902
Net Assets - Board Restricted	3,300,000	3,100,000
Net Assets With Donor Restrictions	33,998	16,303
Total Net Assets	<u>14,729,253</u>	<u>14,226,205</u>
Total Liabilities and Net Assets	<u>\$ 14,774,743</u>	<u>\$ 14,278,709</u>

Classroom Central
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	Revenues and Other Support					
In-Kind Donations	\$ 7,815,160	\$ -	\$ 7,815,160	\$ 6,044,777	\$ -	\$ 6,044,777
Contributions and Grants	3,210,511	17,695	3,228,206	4,305,500	-	4,305,500
Fundraising Event Income	157,260	-	157,260	159,857	-	159,857
Less: Costs of Direct Benefits to Donors	(35,792)	-	(35,792)	(9,272)	-	(9,272)
Net Income from Fundraising Events	121,468	-	121,468	150,585	-	150,585
Investment Income	83,132	-	83,132	357	-	357
COVID-19 Relief Income (Note 6)	-	-	-	47,435	-	47,435
Other Income, net	188,742	-	188,742	-	-	-
Total Revenues and Other Support	11,419,013	17,695	11,436,708	10,548,654	-	10,548,654
Expenses						
Program - School Supplies Distributed	9,500,261	-	9,500,261	6,450,905	-	6,450,905
Program - Operating Expenses	926,012	-	926,012	767,220	-	767,220
Management and General Expenses	222,511	-	222,511	175,175	-	175,175
Fundraising Expenses	284,876	-	284,876	241,152	-	241,152
Total Expenses	10,933,660	-	10,933,660	7,634,452	-	7,634,452
Change in Net Assets	\$ 485,353	\$ 17,695	\$ 503,048	\$ 2,914,202	\$ -	\$ 2,914,202
Net Assets, Beginning of Year	\$ 14,209,902	\$ 16,303	\$ 14,226,205	\$ 11,295,700	\$ 16,303	\$ 11,312,003
Change in Net Assets	485,353	17,695	503,048	2,914,202	-	2,914,202
Net Assets, End of Year	\$ 14,695,255	\$ 33,998	\$ 14,729,253	\$ 14,209,902	\$ 16,303	\$ 14,226,205

Classroom Central
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program	Management and General	Fundraising	Total
School Supplies Distributed	\$ 9,500,261	\$ -	\$ -	\$ 9,500,261
Compensation	644,365	92,052	193,496	929,913
Depreciation	129,731	14,415	-	144,146
Other	46,618	30,878	30,575	108,071
Store and Delivery Expenses	52,787	-	-	52,787
Communications and Technology	2,688	27,231	19,264	49,183
Marketing	15,034	630	9,067	24,731
Professional Services	-	24,490	-	24,490
Insurance	16,423	7,038	-	23,461
Printing and Postage	8,354	1,469	13,339	23,162
Bank and Finance Fees	-	1,518	16,275	17,793
Occupancy	10,012	1,430	2,860	14,302
Office Expenses	-	8,986	-	8,986
Travel	-	8,450	-	8,450
Dues and Subscriptions	-	3,924	-	3,924
Total Functional Expenses	\$ 10,426,273	\$ 222,511	\$ 284,876	\$ 10,933,660

Classroom Central
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
School Supplies Distributed	\$ 6,450,905	\$ -	\$ -	\$ 6,450,905
Compensation	554,545	79,221	158,441	792,207
Depreciation	51,345	5,705	-	57,050
Other	22,312	16,708	807	39,827
Store and Delivery Expenses	74,642	4,422	-	79,064
Communications and Technology	16,753	13,279	23,154	53,186
Marketing	18,099	2,775	13,500	34,374
Professional Services	-	28,384	10,858	39,242
Insurance	13,495	6,762	-	20,257
Printing and Postage	6,298	2,718	12,434	21,450
Bank and Finance Fees	-	810	19,178	19,988
Occupancy	9,731	1,390	2,780	13,901
Office Expenses	-	8,243	-	8,243
Travel	-	1,810	-	1,810
Dues and Subscriptions	-	2,948	-	2,948
Total Functional Expenses	\$ 7,218,125	\$ 175,175	\$ 241,152	\$ 7,634,452

Classroom Central
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

Operating Activities	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ 503,048	\$ 2,914,202
Depreciation Expense	144,146	57,050
Unrealized Gain on Investments	(38,140)	-
Change in Discount on Pledges Receivable	(23,147)	(5,061)
Adjustments to reconcile Change in Net Assets to net cash flows from operating activities:		
Decrease (Increase) in Grants and Pledges Receivable, net	196,442	(386,347)
Decrease (Increase) in Other Current Assets	174,894	(194,370)
Decrease (Increase) in Inventory	830,283	(43,059)
(Decrease) in Accounts Payable and Accrued Expenses	(7,014)	(4,758)
Net Cash Provided By Operating Activities	<u>1,780,512</u>	<u>2,337,657</u>
 Investing Activities		
Purchase of Investments	(3,509,531)	-
Purchases of Property and Equipment	(339,863)	(1,852,389)
Net Cash Used In Investing Activities	<u>(3,849,394)</u>	<u>(1,852,389)</u>
 Net Change in Cash and Cash Equivalents	(2,068,882)	485,268
 Cash and Cash Equivalents, beginning of period	4,068,155	3,582,887
Cash and Cash Equivalents, end of period	<u>\$ 1,999,273</u>	<u>\$ 4,068,155</u>
 Supplemental Disclosure of Cash Flow Information:		
 Release of restricted cash to investments	<u>\$ (2,800,000)</u>	<u>\$ -</u>

Classroom Central

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 1 - The Organization

Classroom Central (hereafter referred to as the “Organization”) is a nonprofit organization formed in 2002, in Charlotte, North Carolina. The Organization’s mission is to foster equity in education by providing teachers and students with the free resources they need to succeed. The Organization serves schools in six school districts: Charlotte-Mecklenburg, Gaston, Iredell-Statesville, Union, and Kannapolis in North Carolina and Lancaster in South Carolina.

Supplies are delivered by the Organization through the following core programs:

- A Free Store operated in Charlotte where teachers in qualifying schools “shop” for free school supplies for use in their classrooms and offers curbside pickup through an online ordering system;
- ClassVROOM Central - a Mobile Free Store that brings essential supplies to schools that are further away from the Free Store;
- Subscription service which sends supply boxes quarterly to first-year teachers; and
- Backpacks and Basics, which outfits the highest poverty schools in the region with supply kits and backpacks for the entire student body.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (US GAAP).

The financial statements are presented in accordance with the provisions of ASU 2016-14: *Presentation of Financial statements of Not-for-Profit Entities*. Under the ASU, net assets are to be presented in two categories: net assets with donor restrictions and net assets without donor restrictions. The ASU also contains disclosure requirements related to net assets, liquidity and availability of resources, and functional expenses which were considered in the preparation of these financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. During the years ended June 30, 2023 and 2022 there were times when cash balances exceeded the Federal Deposit Insurance Corporation limit of \$250,000 per depositor. There were no losses as a result and management believes the associated risk to be minimal.

Use of Estimates

The accompanying financial statements have been prepared in accordance with US GAAP, which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classroom Central
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions, Grants and Pledges Receivable

The Organization recognizes unconditional promises to give as support in the period the promise is received. Some promises to give are due in future periods extending beyond one year. These are shown net of a discount of \$53,507 and \$30,360 to reflect the time value of money at June 30, 2023 and 2022, respectively. Management examines historical trend data and individual past due debts to estimate the allowance for doubtful accounts. An allowance for doubtful accounts of \$50,000 was recorded as of June 30, 2023 and 2022. There were no conditional promises to give as of June 30, 2023 and 2022.

Inventory

The large majority of the inventory of school supplies is obtained through in-kind donations. Management records this inventory at fair value on the date it is donated. Fair value of donated new product is estimated using current retail pricing (e.g. Staples, Walmart, etc.) which is regularly reviewed for reasonableness. Used product donations in good condition are priced at retail value minus 10-20% depending on the condition. Inventory that is purchased typically relates to a specific program initiative or shortfall of a key supply and is recorded at the purchase price and tracked using the first-in, first-out method. Management reviewed the inventory on hand at June 30, 2023 and 2022 for decline in value or obsolescence and determined no reserve was deemed necessary.

Property and Equipment

Property and Equipment are recorded at cost if purchased and estimated fair value at the time of donation if received as a donation, subject to a \$500 capitalization threshold. During the year ended June 30, 2022 \$44,746 of property and equipment were donated to the Organization. The in-kind revenue was recorded in Contributions and Grants in the accompanying Statements of Activities. During the year ended June 30, 2023, no equipment was donated to the Organization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building Improvements	20 years
Furniture, equipment and software	3 – 10 years

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Total depreciation expense was \$144,146 and \$57,050 for the years ended June 30, 2023 and 2022, respectively.

Net Assets

Net assets without donor restrictions are comprised of all resources without donor-imposed restrictions at the date of the contribution. Donor restricted contributions that are received and expended in the same year are classified as net assets without donor restrictions. Additionally, net assets without donor restrictions include the total carrying value of all buildings, building improvements, furniture and equipment used in the Organization.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. When a donor restriction expires, the net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Any funds received with restrictions which are received and spent in the same fiscal year are recorded as net assets without donor restrictions.

Classroom Central
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Services

Contributed services for voluntary donation of services are recognized in the financial statements when those services: (1) create or enhance non-financial assets; or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. During the years ended June 30, 2023 and 2022, no donated services were recorded.

In addition, a substantial number of unpaid volunteers, including the Board of Directors, have made significant contributions of their time to provide services to the Organization which do not meet the criteria for recognition described above. The estimated value of their contributed time is not reflected in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized and allocated on a functional basis in the accompanying Statements of Functional Expenses. These allocations are based on management's best estimate of time, effort and funds spent across program, management and fundraising activities. This is done primarily by evaluating the amount of effort spent by personnel in each area as it relates to the natural expense.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2023 and 2022.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 3 – Property and Equipment

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$375,000	\$375,000
Building	377,820	377,820
Building Improvements	2,101,424	1,852,389
Furniture and Equipment	111,849	98,049
Vehicles	216,649	139,621
	<u>3,182,742</u>	<u>2,842,879</u>
Accumulated Depreciation	<u>(484,917)</u>	<u>(340,771)</u>
	<u>\$2,697,825</u>	<u>\$2,502,108</u>

Classroom Central
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 4 – Restrictions on Net Assets

In June 2022, the board established a quasi-endowment, building reserve fund, strategic reserve fund, and an operating reserve fund as part of its long-term planning for the financial future of the Organization. The facility renovation fund was created for a major construction project at the facility which took place in fiscals 2023 and 2022. The quasi-endowment is a reserve established to provide for future growth and sustainability of the Organization. Any use of corpus requires board approval. Any earnings on the quasi-endowment are available for operations. The building reserve fund is to be used for major building repairs and replacements that extend the life of the Organization’s facilities. The strategic reserve fund is to be allocated to mission and program focused projects. The operating reserve fund is to cover short-term or unanticipated interruptions in cash flows, should they arise. These reserve funds can be utilized with board approval. All of these funds were established to support continuity of the Organization’s programming and mission of providing equity in education.

Designated funds are summarized as follows:

	<u>FY 2023</u>	<u>FY 2022</u>
Facility Renovation	\$ -	\$300,000
Building Reserve	300,000	300,000
Strategic Reserve	500,000	500,000
Operating Reserve	1,000,000	1,000,000
Quasi-Endowment	1,500,000	1,000,000
Total	\$3,300,000	\$3,100,000

These amounts are included in investments (board restricted cash for fiscal 2022) and net assets – board restricted in the accompanying Statements of Financial Position. Net assets with donor restrictions as of June 30, 2023 and 2022 consist of a permanent endowment of \$16,303 and \$17,695 (\$0 – fiscal 2022) which will be available for use in the next fiscal year.

Note 5 – Liquidity and Availability of Resources

The following reflects the Organization’s financial assets which include cash and cash equivalents and investments as of June 30, 2023, reduced by amounts not available for general use because of restrictions:

Financial assets, at June 30, 2023	\$5,546,944
Less: assets unavailable for general expenditures within one year due to:	
Donor Restrictions for Endowment	(16,303)
Donor Restrictions for Time	(17,695)
Quasi-Endowment	(1,500,000)
Board Designated Funds	<u>(1,800,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,212,946</u>

Classroom Central
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 5 – Liquidity and Availability of Resources (continued)

The Organization has a multi-faceted revenue structure that includes corporate and private grants, individual donations, and fundraising events. The Organization has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Board designated amounts could be drawn upon based on board action. Board designated funds are generally not available for operating expenses however the operating reserve funds may be used for operations in the case of disruption in cash flows. Further, any earnings on the Quasi-Endowment are available for use in operations.

Management believes that the resources available combined with the future receipts will be sufficient to meet operating cash needs in the next year.

Note 6 – COVID-19 Relief Income

The Organization filed amended Form 941s to claim the Employee Retention Credit on eligible wages as permitted under the Infrastructure Investment and Jobs Act enacted November 2021. A receivable of \$47,435 and the related COVID-19 relief income is recorded in fiscal 2022. The credit was received in full in fiscal 2023.

Note 7 – Retirement Plan

All employees working 1,000 hours or more that have completed one year of service are eligible to participate in a defined contribution benefit plan qualified under section 401(k) of the Internal Revenue Code. The Organization matches employee contributions 100% up to 3% of the employee's compensation and 50% of contributions between 4 – 6% of the employee's compensation. The Organization contributed \$26,066 and \$21,419 during the years ended June 30, 2023 and 2022, respectively. All contributions are vested immediately.

Note 8 – Investments and Fair Value Measurements

The Organization measures investments at fair value on a recurring basis. The investment portfolio consists of investment grade US Treasury Notes. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more observable pricing and less judgment in measuring fair value.

The investments are measured and classified using a hierarchy for disclosure purposes as required under ASC 820, *Fair Value Measurements and Disclosures*, consisting of three levels based on the observability of inputs available in the marketplace as described below:

- *Level 1:* Fair value measurements that are quoted prices (unadjusted) in active markets that the Organization has the ability to access for identical assets.
- *Level 2:* Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets or other observable inputs such as interest rates and yield curves.

Classroom Central
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 8 – Investments and Fair Value Measurements (continued)

- *Level 3:* Fair value measurements based on valuation techniques that use significant inputs that are unobservable.

Investments in US Treasury Notes with a fair value and carrying value of \$3,547,671 and \$3,509,531, respectively, are classified as level 1 assets given that quoted prices in active markets are readily available. All investments are exposed to various risks, including interest rate risk, credit risk and unexpected volatility in market conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in value attributed to the associated risk in the near term could materially affect the amounts reported in the endowment fund.

Note 9 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 17, 2023, the date the financial statements were available to be issued. The Organization has no knowledge of other significant subsequent events as of the date of this report.