OPEN SCHOOL, INC.

Financial Statements
Year Ended June 30, 2019
With Independent Auditor's Report

OPEN SCHOOL, INC.
FOR THE YEAR ENDED JUNE 30, 2019
CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Open School, Inc.
Portland, Oregon

We have audited the accompanying financial statements of Open School, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 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 of 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 Open School, Inc. as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the Open School, Inc. 2018 financial statements, and our report dated December 17, 2018 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Perkins & Company, P.C.

February 24, 2020

OPEN SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 421,022	$ 1,048,183
Accounts receivable	968,872	480,621
Grants and contributions receivable	146,789	83,517
Prepaid expenses	20,563	49,712
Assets held for sale	1,012,297	155,416
Property and equipment, net	6,288,175	7,139,957
Total assets	$ 8,857,718	$ 8,957,406
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 24,872	$ 45,292
Accrued payroll and related expenses	33,950	37,772
Deferred rent	26,342	11,743
Asset retirement obligation	305,520	-
Note payable, net	605,010	626,988
Total liabilities	995,694	721,795
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Net assets without donor restrictions		
Board designated restrictions	10,956	48,172
Available for programs and operations	953,264	1,387,788
Net investment in property and equipment	6,695,462	6,668,385
Total net assets without donor restrictions	7,659,682	8,104,345
Net assets with donor restrictions	202,342	131,266
Total net assets	7,862,024	8,235,611
	$ 8,857,718	$ 8,957,406

See notes to financial statements.

OPEN SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
OPERATING REVENUES AND OTHER SUPPORT:				
Contributions	$ 405,953	$ 639,415	$ 1,045,368	$ 466,022
Grant and contract revenues	2,921,862	-	2,921,862	3,351,148
In-kind contributions	19,896	-	19,896	35,071
Special event revenue, net of direct benefit costs of $57,950 for 2019	124,431	-	124,431	123,654
Other revenue	43,783	-	43,783	44,463
Investment income	2,819	-	2,819	3,783
Net assets released from restrictions	568,339	(568,339)	-	-
Total operating revenues and other support	4,087,083	71,076	4,158,159	4,024,141
EXPENSES:				
Program services:				
Open School North	34,486	-	34,486	685,910
Open School East	2,160,984	-	2,160,984	1,756,016
Step Up	1,356,652	-	1,356,652	1,330,235
Post-Secondary Readiness Corps	186,188	-	186,188	363,187
Supporting services:				
Management and general	479,144	-	479,144	658,062
Fund-raising	314,292	-	314,292	289,894
Total expenses	4,531,746	-	4,531,746	5,083,304
(DECREASE) INCREASE IN NET ASSETS	(444,663)	71,076	(373,587)	(1,059,163)
NET ASSETS AT BEGINNING OF YEAR	8,104,345	131,266	8,235,611	9,294,774
NET ASSETS AT END OF YEAR	$ 7,659,682	$ 202,342	$ 7,862,024	$ 8,235,611

See notes to financial statements.

OPEN SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for 2018)

	Program Services					Supporting Services		Total	
	Open School North	Open School East	Step Up	Post-Secondary Readiness Corps	Total	Management and General	Fund-raising	2019	2018
EXPENSES:									
Salaries and related expenses	$ 249	$ 1,502,026	$ 1,121,217	$ 117,496	$ 2,740,988	$ 359,779	$ 233,083	$ 3,333,850	$ 3,679,538
Professional fees and services	6,020	31,818	11,607	1,920	51,365	28,981	11,940	92,286	149,873
Staff training	-	6,219	17,535	6,637	30,391	2,676	616	33,683	44,419
Travel and transportation	3	1,915	20,596	3,654	26,168	1,845	1,457	29,470	71,795
Program activities and services	-	115,166	118,669	2,466	236,301	31,373	5,445	273,119	372,861
Curriculum and educational materials	-	16,129	1,474	92	17,695	-	-	17,695	16,996
Supplies and equipment	-	112,545	10,913	9,763	133,221	18,024	25,163	176,408	109,660
Printing and postage	237	4,550	1,031	364	6,182	1,100	5,027	12,309	12,176
Community relations	-	248	11	-	259	150	-	409	814
Insurance	-	29,563	23,956	2,650	56,169	7,749	6,000	69,918	78,371
Miscellaneous	-	833	-	181	1,014	185	2,662	3,861	12,921
Building maintenance and cleaning	13,389	52,165	7,456	8,521	81,531	9,634	6,809	97,974	110,421
Utilities, telephone and internet	8,728	28,312	5,845	4,736	47,621	7,629	5,347	60,597	75,706
Interest expense	-	24,064	-	4,060	28,124	2	-	28,126	29,314
Depreciation and amortization	5,860	235,431	16,342	23,648	281,281	10,017	10,743	302,041	318,439
Total expenses	$ 34,486	$ 2,160,984	$ 1,356,652	$ 186,188	$ 3,738,310	$ 479,144	$ 314,292	$ 4,531,746	$ 5,083,304

See notes to financial statements.

OPEN SCHOOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (373,587)	$ (1,059,163)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	302,041	318,439
(Gain) loss on disposal of contributed investments	31	(261)
Loss on disposal of property and equipment	3,550	-
Contributed investments	(27,689)	(53,648)
Amortization of discount on multi-year pledge	-	11,837
Deferred rent	14,599	11,743
Net changes in:		
Accounts receivable	(488,251)	6,778
Grants and contributions receivable	(63,272)	194,975
Prepaid expenses	29,149	19,064
Accounts payable	(20,420)	(55,582)
Accrued payroll and related expenses	(3,822)	(18,164)
Net cash used in operating activities	(627,671)	(623,982)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,151)	(9,173)
Proceeds from sales of contributed investments	27,658	53,909
Net cash provided by investing activities	25,507	44,736
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(24,997)	(25,096)
Principal payments on line of credit	-	(216,799)
Net cash used in financing activities	(24,997)	(241,895)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(627,161)	(821,141)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,048,183	1,869,324
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 421,022	$ 1,048,183
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 28,125	$ 29,298
Non-cash transactions:		
Asset retirement obligation for assets held for sale	$ 305,520	$ -

See notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS

Open School, Inc. (the Organization) is an Oregon nonprofit organization providing alternative educational experiences, counseling, and career services for middle school, high school, and post-secondary at-risk youth. Primary funding is provided by Portland Public Schools (PPS), Centennial School District, David Douglas School District, Gresham-Barlow School District, Parkrose School District, Reynolds School District, the City of Portland, and the federal government. Other funding is provided through grants and contracts from foundations and corporations.

The majority of the Organization's support is from contracts to carry out its programs. For the year ended June 30, 2019, revenues approximated $1.2 million (29%) from a contract with Portland Public Schools. For the year ended June 30, 2018, revenues approximated $1.6 million (48%) and $1.0 million (30%) from contracts with Portland Public Schools and Gresham-Barlow School District, respectively.

Open School's Programs are as follows:

Open School North: Accredited middle school education and advocacy programs for students struggling to succeed in the public school education system. Using early-warning indicators the Organization identifies young, marginalized students at risk of dropping out, providing them with culturally inclusive, relationship-based, extended-day and -year school programming which focuses on engagement and skill-acceleration preparing them for high school success. The Organization closed Open School North after the end of the 2017-2018 academic year, merging the Open School North middle school with Open School East.

Open School East: A 7-12th grade academy in partnership with Centennial, Gresham-Barlow, Parkrose, Portland Public, Reynolds, and David Douglas School Districts, and the University of Portland's School of Education. The program deploys strategies designed to engage and accelerate off-track students. Using early-warning indicators, the Organization identifies young, marginalized students at risk of dropping out, providing them with culturally inclusive, relationship-based, extended-day and -year school programming which focuses on engagement and skill-acceleration preparing them for post-secondary success. Strategies include active recruitment of students, summer social-emotional leadership academy, restorative accountability, intensive family engagement, and preparation emphasizing cultural identity, essential skills, social justice, and the arts. Students from the University of Portland Education Department and staff from partner districts are provided professional development in best practices for engaging marginalized students, while assisting in teaching students at the School. The program is supported by the five partner school districts as well as private foundation and individual gifts.

Step Up: School-year tutoring, mentoring, leadership development, advocacy, and summer program services for students enrolled at Roosevelt High School, Franklin High School, and Madison High School who are identified as needing academic and social support to succeed in their public high school. The program focuses on intensive engagement with incoming 9th graders, with continued support through high school. Step Up engages students in the summer prior to 9th grade, and focuses on full, timely credit attainment, and active student engagement in school to keep students on track to graduation. This program is funded by a combination of grants and contracts with Portland Public School District, the Portland Children's Levy, private foundations, and individual donors.

Post-Secondary Readiness Corps: An AmeriCorps partnership with Oregon Volunteers beginning in 2013 which seeks to improve the persistence and completion of post-secondary education by students from diverse racial, ethnic, and socio-economic communities. The team of AmeriCorps Members provides direct service to under-served youth to improve academic achievement through tutoring, mentoring, extended school day activities, parent involvement programs, event coordination, and volunteer generation. The program is both a service opportunity for AmeriCorps Members and provides a critical service to the communities they serve in.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. The organization reports information regarding its financial position and activities to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- *Net Assets With Donor Restrictions* – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restriction (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments - Investments are accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-320, *Not-For-Profit Entities: Investments – Debt and Equity Securities*. Marketable securities with readily determinable fair values are valued at their fair value in the statement of financial position.

Net appreciation (depreciation) in fair value of investments, which consists of both the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Interest income is accrued as earned and reported net of investment advisory and transaction fees. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible the changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position. The policy of the Organization is to liquidate donated marketable securities generally immediately upon receipt of such gifts to the Organization.

Accounts Receivable - Accounts receivable are substantially comprised of amounts due from various governmental agencies related to contracts. The Organization does not assess finance charges on past due accounts. Based on an assessment of the credit history with those having outstanding balances and current relationships, the Organization considers all accounts receivable to be fully collectible at year end. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment - Property and equipment purchased are recorded at cost when purchased. Donated assets are reflected as contributions at their estimated fair values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from three to 30 years.

In accordance with FASB ASC Topic No. 360-10-35, *Property, Plant and Equipment – Subsequent Measurement,* the Organization periodically reviews the carrying value of its property and equipment to determine if impairment exists. If facts or circumstances support the possibility of impairment, the Organization will prepare a projection of the undiscounted future operating cash flows. In cases when the Organization does not expect to recover its carrying value, an impairment loss will be recognized. At June 30, 2019 and 2018, management does not believe that there are any factors or circumstances indicating impairment of property and equipment.

Income Taxes - The Organization has been granted not-for-profit status in accordance with Section 501(c)(3) of the Internal Revenue Code, and are therefore generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

To the extent that the Organization was assessed interest or penalties associated with income tax positions, such expense would be recognized as interest expense. As of June 30, 2019 and 2018, the Organization had no unrecognized tax benefits.

Promises to Give - Unconditional promises to give are recognized as revenues in the period the promise is communicated to the Organization. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants and Contributions - Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase to net assets with donor restrictions.

Net 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, when the conditions on which they depend are substantially met.

Government grants and contracts are recognized as revenue as services are provided.

Concentration of Credit Risk - The Organization maintains cash balances at accredited financial institutions in Oregon which are insured by the Federal Deposit Insurance Corporation up to $250,000 and at times, may exceed federally insured limits. The Organization, however, limits this exposure by using insured cash sweep accounts which balance the funds across affiliated banks while maintaining all balances below the insured limits. At year end, June 30, 2019, the Organization had an uninsured balance of $88,586. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

Credit risk for contributions and accounts receivable is concentrated as follows at June 30, 2019: 91% of total pledges receivable are from one entity and 53% of accounts and grants receivable are from three entities. Credit risk for contributions and accounts receivable is concentrated as follows at June 30, 2018: 72% of total pledges receivable are from three entities and 57% of accounts and grants receivable are from three entities.

Contributed Assets and Services - Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The value of contributed services recognized as revenues in the accompanying statement of activities was $840 and $16,290 for the years ended June 30, 2019 and 2018, respectively.

In-kind contributions consist of donated goods for use in school facilities or fundraising events. The estimated fair value of the donations was $19,056 and $18,781 for the years ended June 30, 2019 and 2018, respectively, and they are reflected as revenues in the accompanying statement of activities.

Contributed services are volunteered to the educational programs by teacher aides, guest speakers, service and project partners, internship supervisors, mentors and assistants for school trips for which no value has been recognized.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses by natural classification are presented in the statement of functional expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Summarized Financial Information for 2018 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Recently Adopted Accounting Standards - In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America (U.S. GAAP). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle, and in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018. The Organization has not yet evaluated the impact of adopting this standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization has not yet evaluated the impact of adoption of this standard on the financial statements.

During the year ended June 30, 2019, the Organization adopted the requirements of the FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these combined financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability of financial assets has also been added (Note 15).

The accompanying summarized information from the 2018 financial statements has been reclassified to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. There were no significant changes to the 2018 financial statement presentation as a result of adopting the new standard.

NOTE 3 – INVESTMENTS

Investment income consists of the following for the years ended June 30:

	2019	2018
Interest and dividends	$ 2,850	$ 3,522
Realized gain (loss)	(31)	261
	$ 2,819	$ 3,783

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from funding sources based upon annual contracts to provide educational services. Billings are prepared monthly, based on services provided.

NOTE 5 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable, less an appropriate reserve when necessary, are recorded at their estimated fair value. Amounts due more than one year later are recorded at the fair value of the estimated future cash flows, discounted at adjusted risk-free rates of 1.52%. Amortization of the discount is credited to contribution income.

Grants and contributions receivable consist of the following at June 30:

	2019	2018
Unconditional contributions expected to be collected in:		
Less than one year	$ 9,956	$ 66,586
One to five years	3,500	9,686
	13,456	76,272
Grants receivable	133,333	7,245
	$ 146,789	$ 83,517

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at June 30:

	2019	2018
Land	$ 518,750	$ 518,750
Buildings	6,256,942	7,439,664
Furniture and equipment	442,009	442,009
Vehicles	51,448	75,076
	7,269,149	8,475,499
Less accumulated depreciation	(980,974)	(1,335,542)
	$ 6,288,175	$ 7,139,957

Depreciation expense was $302,041 and $318,439 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 – ASSETS HELD FOR SALE

Assets held for sale consist of the following at June 30:

	2019	2018
Land	$ 81,600	$ 81,600
Buildings	625,177	73,816
Asset retirement obligation	305,520	-
	$ 1,012,297	$ 155,416

The Organization decided to close Open School North at the end of the 2017-2018 academic year and sell the related real property. Concurrent with the Organization's decision, the assets were reclassified as held for sale. Depreciation of the assets held for sale ceased as of the date the facilities were no longer in service. The proceeds of disposal are expected to exceed the net carrying amount of the assets and, accordingly, no impairment loss has been recognized. In June 2019, the Organization entered into an agreement for the sale of real property for the North Emerald property for $1,650,000, with an anticipated closing date in December 2019, pending demolition of the building by the Organization. An asset retirement obligation of $305,520 was recorded by the Organization to account for demolition costs.

During the year ended June 30, 2019, the Organization decided to sell their Administrative property in North Portland. Concurrent with the Organization's decision, the assets were reclassified as held for sale. Depreciation of the assets held for sale ceased as of the date the facilities were no longer in service. The proceeds of disposal are expected to exceed the net carrying amount of the assets and, accordingly, no impairment loss has been recognized.

NOTE 8 – NOTE PAYABLE, NET

The Organization entered into a note payable, effective November 13, 2015, due to the City of Gresham in the amount of $727,000, maturing August 2035. Annual principal payments, beginning in the amount of $24,000 and increasing annually, commenced in August 2017. The loan term will extend over 20 years, with one year of interest-only payments at 4.0% once funds are disbursed for construction purposes, and then payments with principal amortized over 19 years. The August 2019 payment was partially paid in 2019 by the Organization. The note is secured by property and equipment of the Organization.

Future minimum principal payments on the note payable consist of the following:

Years ending June 30:

2020	$	3,089
2021		27,000
2022		29,000
2023		30,000
2024		31,000
Thereafter		535,000
	$	655,089

The note payable balance as of June 30, 2019 and 2018 was $655,089 and $680,086, respectively, with the associated $50,079 and $53,098 of net debt issuance costs net against the principal balances at June 30, 2019 and 2018, respectively. Amortization of the debt issuance costs is reported as depreciation expense in the statement of activities.

NOTE 9 – LINE OF CREDIT

Effective May 1, 2018, the Organization entered into a revolving line of credit agreement with First Republic Bank to borrow up to $500,000. The agreement matures on February 1, 2020 and requires monthly interest payments at the bank's prime rate (5.25% at June 30, 2019) and is collateralized by property and equipment of the Organization. There was no outstanding balance on the line of credit as of June 30, 2019.

The revolving line of credit contains certain affirmative covenants, including a liquidity requirement and certain financial reporting requirements which the Organization was in compliance with at June 30, 2019.

NOTE 10 – OPERATING LEASE

The Organization entered into a non-cancelable operating lease agreement with the Boys & Girls Club of Portland Metropolitan Area, whereby Open School East will have access to a portion of the facilities owned by the Boys & Girls Club. The lease agreement is for a 20-year term, with an option to extend the lease for one 10-year period.

Future minimum payments consist of the following as of June 30, 2019:

Years ending June 30,

2020	$ 58,977
2021	60,451
2022	61,962
2023	63,511
2024	65,099
Thereafter	1,032,844
	$ 1,342,844

The lease arrangement provides for escalating lease payments at a rate of 2.5% per year during the term of the lease. For financial statement purposes, the total amount to be paid under a lease is recorded as rent expense on a straight-line basis over the respective lease term. The difference between the amounts recorded as rent expense and the amounts actually paid to the lessor during a reporting period is recorded as an adjustment to deferred rent in the accompanying statement of financial position. Rent expense recognized on a straight-line basis related to this lease totaled $72,137 and $54,103 during the years ended June 30, 2019 and 2018, respectively. Deferred rent totaled $26,342 and $11,743 at June 30, 2019 and 2018, respectively.

The lease with Boys & Girls Club is part of a collaborative partnership agreement. While the Boys & Girls Club will provide access to facilities as part of the arrangement, Open School will operate the food service functions at the facility. Revenue from providing food service as part of this collaborative arrangement is recorded as project revenue and totaled $16,606 and $41,615 during the years ended June 30, 2019 and 2018, respectively.

NOTE 11 – BOARD DESIGNATED NET ASSETS

As of June 30, 2019 and 2018, the board designated net assets of $10,956 and $48,172, towards the funding of the Open School campaign, respectively.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as follows as of June 30:

	2019	2018
Open School East	$ 196,863	$ 124,288
Purpose Restriction	5,479	6,978
Total net assets with donor restrictions	$ 202,342	$ 131,266

NOTE 13 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses and satisfying the following restricted sources as of June 30:

	2019	2018
Open School North	$ -	$ 57,348
Open School East	530,900	438,018
Step Up	25,000	42,875
Purpose Restriction	12,439	50,000
Total net assets released from restrictions	$ 568,339	$ 588,241

NOTE 14 – RETIREMENT PLAN

The Organization has a tax-sheltered annuity plan, as defined under Internal Revenue Code Section 403(b), for all eligible employees who elect to participate. The Organization may elect to make voluntary employer contributions each year, and participants may make contributions through a salary reduction agreement. Contributions to the plan for 2019 and 2018 totaled $60,447 and $80,068, respectively.

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have a seasonal variation during the year attributable to timing of contributions that are linked to school programs and student populations served. To manage liquidity, the Organization seeks out new donors, works diligently to collect accounts receivable, and manages its spending activity with the goal of maintaining a balanced budget.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts, if any, not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year.

	2019	2018
Cash and cash equivalents	$ 421,022	$ 1,048,183
Receivables, collected in less than one year	1,045,495	564,138
Total financial assets	1,466,517	1,612,321
Financial assets available to meet cash needs for expenditures within one year	$ 1,466,517	$ 1,612,321

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 24, 2020, the date the financial statements were available to be issued.

Effective August 6, 2019, the Organization renewed their revolving line of credit agreement with First Republic Bank to extend the maturity from August 1, 2019 until February 1, 2020.

Effective September 30, 2019, the Organization closed on the sale of real property for the North Wabash administrative building for $750,000.