CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Independent Auditors' Report
Financial Statements

June 30, 2021 and 2020

Whittlesey
Forward Advising™

ASSURANCE | ADVISORY | TAX | TECHNOLOGY

Whittlesey
Forward Advising™

Headquarters
280 Trumbull St
24th Floor
Hartford, CT 06103
Tel: 860.522.3111

www.WAdvising.com

One Hamden Center
2319 Whitney Ave, Suite 2A
Hamden, CT 06518
Tel: 203.397.2525

14 Bobala Road #3
Holyoke, MA 01040
Tel: 413.536.3970

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Educational Opportunity Foundation of Connecticut, Inc.

We have audited the accompanying financial statements of Children's Educational Opportunity Foundation of Connecticut, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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 Children's Educational Opportunity Foundation of Connecticut, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
October 19, 2021

CHILDREN'S EDUCATIONAL OPPORTUNITY FOUNDATION OF CONNECTICUT, INC.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 246,998	$ 349,708
Marketable securities	14,122,647	11,587,618
Equipment, net	1,600	266
Total assets	$ 14,371,245	$ 11,937,592
LIABILITIES AND NET ASSETS		
Liabilities:		
Refundable advance - Paycheck Protection Program	$ -	$ 25,787
Net assets:		
Without donor restrictions	$ 10,588,015	$ 8,728,149
With donor restrictions	3,783,230	3,183,656
Total net assets	14,371,245	11,911,805
Total net assets	$ 14,371,245	$ 11,937,592

The accompanying notes are an integral part of the financial statements.

Statements of Activities and Changes in Net Assets

For the years ended June 30, 2021 and 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions:		
Revenue and support:		
Contributions and grants	$ 236,184	$ 1,316,541
Investment income, net	2,321,445	37,816
Net assets released from restrictions	252,093	317,050
Total revenue and other support	2,809,722	1,671,407
Expenses:		
Program	840,677	880,613
General and administrative	109,179	91,354
Total expenses	949,856	971,967
Change in net assets without donor restrictions	1,859,866	699,440
Changes in Net Assets With Donor Restrictions:		
Contributions	252,093	390,414
Investment income, net	599,574	30,724
Net assets released from restrictions	(252,093)	(317,050)
Change in net assets with donor restrictions	599,574	104,088
Change in net assets	2,459,440	803,528
Net assets, beginning of year	11,911,805	11,108,277
Net assets, end of year	$ 14,371,245	$ 11,911,805

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 2,459,440	$ 803,528
Adjustments to reconcile change in net assets		
to net change in cash from operating activities:		
Depreciation	866	301
Realized (gains)/losses	(20,154)	1,664
Unrealized (gains)/losses	(2,644,468)	174,321
Increase/(decrease) in liabilities:		
Refundable advance - Paycheck Protection Program	(25,787)	25,787
Net change in cash from operating activities	(230,103)	1,005,601
Cash flows from investing activities:		
Purchase of investments	(256,397)	(2,705,060)
Proceeds from sale of investments	385,990	1,838,368
Purchase of equipment	(2,200)	(399)
Net change in cash from investing activities	127,393	(867,091)
Net change in cash	(102,710)	138,510
Cash, beginning of year	349,708	211,198
Cash, end of year	$ 246,998	$ 349,708

The accompanying notes are an integral part of the financial statements.

NOTE 1 – ORGANIZATION

The Children's Educational Opportunity Foundation of Connecticut, Inc. (the "Foundation") was established in 1998 to provide tuition assistance to enable low income, inner city elementary school-age students to attend the private school of their choice. Scholarships are awarded to qualifying children on a first-come, first-serve basis and those qualifying children not selected are put on a waiting list. The Foundation serves the cities of Bridgeport, East Hartford, Hartford and New Haven. The Foundation is supported through donor contributions and endowment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Net Asset Categories – To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained according to the following net asset categories:

> *Without donor restrictions* – net assets not subject to donor-imposed stipulations.
>
> *With donor restrictions* – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or passage of time.

Revenue Recognition – All contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support within the net asset class of those with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Federal Income Taxes – The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity in accordance with Section 509(a)(1).

Expense Allocation – The Foundation's expenses have been summarized on a functional basis in the statements of activities and changes in net assets in Note 8. Scholarships are allocated to program expense, salaries are allocated based on percentage of time, office expenses are allocated based on purpose and all other expenses are allocated to general and administrative expense.

Off Balance Sheet Risk – The Foundation places its cash deposits with high credit quality institutions that are insured by the Federal Deposit Insurance Corporation. At times throughout the year, the Foundation maintains cash balances over this limit. The Foundation has not experienced any losses in this area and management believes its cash deposits are not subject to significant credit risk.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement – The Foundation follows the *Fair Value Measurements* topic of the FASB Codification. The *Fair Value Measurements* topic of the FASB Codification defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Foundation's own credit risk.

In addition to defining fair value, the topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

> Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
>
> Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Investment Policy – The investment policy of the Foundation diversifies the portfolio in order to reduce risk, achieves investment results long-term, maintains sufficient liquidity to meet obligations and aligns with any other objectives of the Foundation. Investments are composed of cash, sweeps and mutual funds.

Reclassifications – Certain reclassifications have been made to the 2020 amounts to conform to 2021 presentation.

Subsequent Events – The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for year ended June 30, 2021 through October 19, 2021, the date on which financial statements were available to be issued.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are to be used for scholarships relating to specific cities or general scholarships as indicated by the donor. Net assets with donor restrictions had a beginning balance of $3,183,656, additions of $851,667, release of restrictions of $252,093 and an ending balance of $3,783,230.

NOTE 4 – COMMITMENTS

As of June 30, 2021, the Foundation had committed $756,942 towards scholarships for the 2021-2022 school year; which includes an additional city, Waterbury.

NOTE 5 – MAJOR CONTRIBUTORS

The Foundation had four major donors whose contributions accounted for approximately 70% of the total donations for the year ended June 30, 2021, and one major donor whose contributions accounted for 78% of the total donations for the year ended June 30, 2020.

NOTE 6 – MARKETABLE SECURITIES

The fair value of marketable securities, all of which are valued using Level 1 inputs, consisted of the following as of June 30,:

	2021	2020
Cash and sweep	$ 169	$ 169
Mutual funds	14,122,478	11,587,449
Total	$ 14,122,647	$ 11,587,618

NOTE 7 – ENDOWMENT

The Foundation follows the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (FASB ASC 958), which describes the information that needs to be disclosed regarding its endowment. The topic requires certain minimum disclosures comprised of the description of the Foundation's spending policy and its endowment investment policies. It also requires the following disclosures regarding the composition of the Foundation's endowment by net asset class and a reconciliation of the beginning and ending balances of the Foundation's endowment.

The spending policy for using funds is determined based on the needs of the Foundation. Annually, the Board of Directors approves a budget for the Foundation that determines the amount appropriated from investments.

NOTE 7 – ENDOWMENT *(CONTINUED)*

The reconciliation of the Foundation's endowment by net asset category is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment as of July 1, 2019	$ 8,028,709	$ 3,079,568	$ 11,108,277
Realized and unrealized losses, net	(154,906)	(21,079)	(175,985)
Interest and dividends	233,418	64,125	297,543
Fees	(40,962)	(12,322)	(53,284)
	37,550	30,724	68,274
Contributions and grants	1,316,541	390,414	1,706,955
Appropriations for expenditures	(654,917)	(317,050)	(971,967)
Endowment as of June 30, 2020	8,727,883	3,183,656	11,911,539
Realized and unrealized gains, net	2,117,953	546,669	2,664,622
Interest and dividends	248,142	64,409	312,551
Fees	(45,984)	(11,504)	(57,488)
	2,320,111	599,574	2,919,685
Contributions and grants	236,184	252,093	488,277
Appropriations for expenditures	(697,763)	(252,093)	(949,856)
Endowment as of June 30, 2021	$ 10,586,415	$ 3,783,230	$ 14,369,645

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses was as follows for the years ended June 30, 2021:

	Program	General and Administrative	Total
Scholarships	$ 743,976	$ -	$ 743,976
Salaries, taxes, and related benefits	87,930	44,785	132,715
Professional services	-	21,627	21,627
Office	8,771	41,901	50,672
Depreciation	-	866	866
	$ 840,677	$ 109,179	$ 949,856

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES *(CONTINUED)*

The functional allocation of expenses was as follows for the years ended June 30, 2020:

	Program	General and Administrative	Total
Scholarships	$ 802,898	$ -	$ 802,898
Salaries, taxes, and related benefits	66,541	60,106	126,647
Professional services	-	20,215	20,215
Office	11,174	10,732	21,906
Depreciation	-	301	301
	$ 880,613	$ 91,354	$ 971,967

NOTE 9 – LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available for general expenditure within twelve months as of June 30, are as follows:

	2021	2020
Financial assets at year end:		
Cash	$ 246,998	$ 349,708
Marketable securities	14,122,647	11,587,618
Total financial assets	14,369,645	11,937,326
Less: amounts not available to be used within one year		
Donor restricted endowment	(3,783,230)	(3,183,656)
Financial assets available to meet general expenditures over the next twelve months	$ 10,586,415	$ 8,753,670

The Foundation has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

NOTE 10 – REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM

During April 2020, the Foundation received approval for a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan in the amount of $25,787. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week to twenty-four week period following the date of funding. In order to qualify for forgiveness, at least 60% the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). The Foundation used 100% of the funds on qualifying expenses during the year ended June 30, 2020 and received full forgiveness on April 23, 2021. The full amount is therefore included as revenue in the statements of activities and changes in net assets for the year ended June 30, 2021.

NOTE 11 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Foundation's operating activities, liquidity, cash flows, have been and may continue to be affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the Foundation expects this matter to impact the business, the related financial impact for the upcoming year cannot be reasonably estimated at this time.

Headquarters
280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

Whittlesey
Forward Advising™