



Modern Classrooms Project

FINANCIAL STATEMENTS

September 30, 2023 and December 31, 2022
Together with Independent Auditor's Report

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of THE Modern Classrooms Project
Washington, D.C.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of The Modern Classrooms Project (“MCP”, a nonprofit organization), as of and for the nine-months ended September 30, 2023 and the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MCP as of September 30, 2023 and December 31, 2022, and the changes in its net assets and its cash flows for the nine-months and year then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of MCP and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 MCP’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS 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 GAAS, I:

- 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 MCP'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCP's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

A handwritten signature in cursive script, appearing to read 'MEM'.

February 16, 2024

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,606,734	\$ 4,332,233
Investments	1,946,773	-
Accounts Receivable	95,141	141,714
Interest Receivable	16,235	-
Promises Receivable	1,236,500	825,000
Prepaid Expenses	117,101	34,782
Inventory	<u>8,096</u>	<u>-</u>
 Total Current Assets	 <u>\$ 6,026,580</u>	 <u>\$ 5,333,729</u>
<u>Fixed Assets:</u>		
Computer Equipment	\$ 63,441	\$ 43,574
Less: Accumulated Depreciation	<u>(26,873)</u>	<u>(14,927)</u>
 Total Fixed Assets	 <u>\$ 36,568</u>	 <u>\$ 28,647</u>
<u>Other Assets:</u>		
Intangible Assets, Net of Amortization	<u>\$ 992</u>	<u>\$ 1,067</u>
 Total Other Assets	 <u>\$ 992</u>	 <u>\$ 1,067</u>
<u>Non-Current Assets:</u>		
Promises Receivable	<u>\$ 237,400</u>	<u>\$ 94,960</u>
 Total Non-Current Assets	 <u>\$ 237,400</u>	 <u>\$ 94,960</u>
 TOTAL ASSETS	 <u><u>\$ 6,301,540</u></u>	 <u><u>\$ 5,458,403</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 181,297	\$ 70,728
Accrued Vacation	194,238	75,280
Accrued Payroll Liabilities and Related	28,512	111,629
Deferred Contract Fees	<u>70,000</u>	<u>187,829</u>
 Total Current Liabilities	 <u>\$ 474,047</u>	 <u>\$ 445,466</u>
 Total Liabilities	 <u>\$ 474,047</u>	 <u>\$ 445,466</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 3,389,525	\$ 3,530,699
With Donor Restrictions	<u>2,437,968</u>	<u>1,482,238</u>
 Total Net Assets	 <u>\$ 5,827,493</u>	 <u>\$ 5,012,937</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 6,301,540</u></u>	 <u><u>\$ 5,458,403</u></u>

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023
AND THE YEAR ENDED DECEMBER 31, 2022

	September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support:</u>			
Grants and Contributions	\$ 2,357,777	\$ 2,370,406	\$ 4,728,183
Virtual Mentoring Partnerships	1,687,245	-	1,687,245
Implementation Support	606,665	-	606,665
Individual Mentoring Enrollment	20,500	-	20,500
Donated Services	49,747	-	49,747
Other Income	8,905	-	8,905
Product Sales, net of Cost of Goods Sold	1,802	-	1,802
Interest Income	6,382	-	6,382
Unrealized Gains on Investments	1,693	-	1,693
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	1,414,676	(1,414,676)	-
Total Revenues, Gains and Other Support	\$ 6,155,392	\$ 955,730	\$ 7,111,122
<u>Expenses:</u>			
Virtual Mentorship Program	\$ 1,758,046	\$ -	\$ 1,758,046
Partnership Development	1,278,517	-	1,278,517
Implementation Support	764,094	-	764,094
Educator Recruitment	736,974	-	736,974
Research and Evaluation	372,613	-	372,613
Data Management	276,399	-	276,399
Program Innovation	231,227	-	231,227
Modern Classrooms University	187,756	-	187,756
Free Online Course	50,802	-	50,802
Program Development and Evaluation	-	-	-
Fundraising	210,298	-	210,298
General and Administrative	429,840	-	429,840
Total Expenses	\$ 6,296,566	\$ -	\$ 6,296,566
Changes in Net Assets	\$ (141,174)	\$ 955,730	\$ 814,556
Net Assets, Beginning of Period	3,530,699	1,482,238	5,012,937
Net Assets, End of Period	\$ 3,389,525	\$ 2,437,968	\$ 5,827,493

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023
AND THE YEAR ENDED DECEMBER 31, 2022

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support:</u>			
Grants and Contributions	\$ 2,534,187	\$ 2,682,460	\$ 5,216,647
Virtual Mentoring Partnerships	1,726,315	-	1,726,315
Implementation Support	714,654	-	714,654
Individual Mentoring Enrollment	91,730	-	91,730
Donated Services	106,049	-	106,049
Other Income	1,537	-	1,537
Product Sales, net of Cost of Goods Sold	670	-	670
Interest Income	3,314	-	3,314
Unrealized Gains on Investments	-	-	-
Net Assets Released from Restrictions, Satisfaction of Program Restrictions	1,705,422	(1,705,422)	-
Total Revenues, Gains and Other Support	\$ 6,883,878	\$ 977,038	\$ 7,860,916
<u>Expenses:</u>			
Virtual Mentorship Program	\$ 1,750,078	\$ -	\$ 1,750,078
Partnership Development	-	-	-
Implementation Support	659,372	-	659,372
Educator Recruitment	714,505	-	714,505
Research and Evaluation	-	-	-
Data Management	-	-	-
Program Innovation	-	-	-
Modern Classrooms University	-	-	-
Free Online Course	104,755	-	104,755
Program Development and Evaluation	838,663	-	838,663
Fundraising	204,884	-	204,884
General and Administrative	456,971	-	456,971
Total Expenses	\$ 4,729,228	\$ -	\$ 4,729,228
Changes in Net Assets	\$ 2,154,650	\$ 977,038	\$ 3,131,688
Net Assets, Beginning of Year	1,376,049	505,200	1,881,249
Net Assets, End of Year	\$ 3,530,699	\$ 1,482,238	\$ 5,012,937

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023,
AND THE YEAR ENDED DECEMBER 31, 2022

September 30, 2023

Program Services

	Virtual Mentorship Program	Partnership Development	Educator Recruitment	Implementation Support	Research and Evaluation	Data Management	Program Innovation	Modern Classrooms University	Free Online Course	Total Program Services
<u>Expenses:</u>										
Salaries	\$ 278,558	\$ 662,048	\$ 314,648	\$ 513,236	\$ 222,519	\$ 160,915	\$ 142,523	\$ 120,557	\$ 38,068	\$ 2,453,072
Fringe Benefits	50,242	121,510	63,200	83,380	30,433	23,782	19,461	15,727	4,729	412,464
Professional Development	5,469	11,972	4,900	10,336	581	3,227	3,395	3,007	754	43,641
Staff Recruitment	-	-	-	-	-	-	-	-	-	-
Mentor Stipends	578,500	-	-	-	-	-	-	-	-	578,500
Mentoring Services	711,158	-	-	6,017	-	-	-	-	-	717,175
Program Facilitation	52,463	1,000	3,700	4,427	-	-	541	-	-	62,131
Participant Recruitment	-	-	-	-	-	-	-	-	-	-
Business Ambassadors	-	111,750	-	-	-	-	-	-	-	111,750
Participation Expense and Incentives	654	725	1,232	1,401	16,340	-	-	275	-	20,627
Consulting and Honorarium	19,946	39,453	9,869	16,178	16,440	3,194	6,460	1,486	543	113,569
Community Engagement	-	-	2,047	24,350	-	-	-	-	-	26,397
Content Creation	1,464	-	24,985	650	-	-	15,920	40,507	-	83,526
Translation and Communications	-	-	77,000	-	393	-	435	1,845	5	79,678
Marketing Ambassadors	-	-	-	-	-	-	-	-	-	-
Research	5,150	-	-	-	66,195	-	-	-	-	71,345
Conferences, Events, and Meetings	8,051	196,796	73,364	38,878	5,103	4,591	6,646	2,136	565	336,130
IT and Systems Management	5,861	-	-	-	-	63,866	5,151	-	-	74,878
Website Development and Management	122	292	1,504	233	77	69	95	32	8	2,432
Equipment Hardware	517	752	864	1,730	128	497	958	515	13	5,974
Audit and Accounting Services	-	-	-	-	-	-	-	-	-	-
Donated Legal Services	-	-	-	-	-	-	20,718	-	350	21,068
Software Licensing and Subscriptions	31,149	9,571	15,119	10,604	2,070	14,528	3,527	1,261	4,314	92,143
Advertising and Promotion	1,781	24,938	104,557	11,332	-	-	-	-	1,346	143,954
Printing, Postage, and Supplies	1,776	7,295	7,382	4,490	-	-	-	-	-	20,943
Travel and Meals	1,542	86,686	28,640	33,917	11,361	855	4,203	-	-	167,204
Registration Fees	100	-	1,875	-	-	-	-	-	-	1,975
Insurance	-	-	-	-	-	-	-	-	-	-
Credit Card Processing Fees	2,009	-	2	-	-	-	-	-	-	2,011
Depreciation and Amortization	1,276	3,065	1,735	2,441	809	728	993	339	89	11,475
Miscellaneous	258	664	351	494	164	147	201	69	18	2,366
Total Expenses	\$ 1,758,046	\$ 1,278,517	\$ 736,974	\$ 764,094	\$ 372,613	\$ 276,399	\$ 231,227	\$ 187,756	\$ 50,802	\$ 5,656,428

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023,
AND THE YEAR ENDED DECEMBER 31, 2022

	<u>September 30, 2023</u>			
	<u>Supporting Services</u>			
	<u>General and</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
	<u>Administrative</u>		<u>Supporting</u>	
			<u>Services</u>	
<u>Expenses:</u>				
Salaries	\$ 221,913	\$ 93,019	\$ 314,932	\$ 2,768,004
Fringe Benefits	51,253	13,956	65,209	477,673
Professional Development	1,010	448	1,458	45,099
Staff Recruitment	10,144	-	10,144	10,144
Mentor Stipends	-	-	-	578,500
Mentoring Services	-	-	-	717,175
Program Facilitation	-	-	-	62,131
Participant Recruitment	-	-	-	-
Business Ambassadors	-	-	-	111,750
Participation Expense and Incentives	188	-	188	20,815
Consulting and Honorarium	5,705	92,924	98,629	212,198
Community Engagement	-	-	-	26,397
Content Creation	-	-	-	83,526
Translation and Communications	-	-	-	79,678
Marketing Ambassadors	-	-	-	-
Research	-	-	-	71,345
Conferences, Events, and Meetings	5,685	3,125	8,810	344,940
IT and Systems Management	47	-	47	74,925
Website Development and Management	86	47	133	2,565
Equipment Hardware	273	100	373	6,347
Audit and Accounting Services	67,998	-	67,998	67,998
Donated Legal Services	29,030	-	29,030	50,098
Software Licensing and Subscriptions	16,316	1,202	17,518	109,661
Advertising and Promotion	-	101	101	144,055
Printing, Postage, and Supplies	49	716	765	21,708
Travel and Meals	426	3,474	3,900	171,104
Registration Fees	135	537	672	2,647
Insurance	8,222	-	8,222	8,222
Credit Card Processing Fees	9,566	54	9,620	11,631
Depreciation and Amortization	901	495	1,396	12,871
Miscellaneous	893	100	993	3,359
	<u>\$ 429,840</u>	<u>\$ 210,298</u>	<u>\$ 640,138</u>	<u>\$ 6,296,566</u>
Total Expenses				

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023,
AND THE YEAR ENDED DECEMBER 31, 2022

December 31, 2022

	Program Services					Supporting Services				Total
	Virtual Mentorship Program	Educator Recruitment	Parent Development and Evaluation	Implementation Support	Free Online Course	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
<u>Expenses:</u>										
Salaries	\$ 615,716	\$ 303,671	\$ 543,675	\$ 436,482	\$ 81,513	\$ 1,981,057	\$ 188,614	\$ 84,508	\$ 273,122	\$ 2,254,179
Fringe Benefits	107,171	55,294	84,614	75,049	11,986	334,114	45,437	13,821	59,258	393,372
Professional Development	2,484	1,039	1,950	763	586	6,822	5,167	50	5,217	12,039
Staff Recruitment	-	-	-	-	-	-	8,771	-	8,771	8,771
Mentor Stipends	291,500	-	-	-	-	291,500	-	-	-	291,500
Mentoring Services	506,951	-	-	-	-	506,951	-	-	-	506,951
Program Facilitation	156,165	400	-	3,725	-	160,290	-	-	-	160,290
Participant Recruitment	2,395	-	200	1,810	100	4,505	-	-	-	4,505
Business Ambassadors	-	76,250	-	-	-	76,250	-	-	-	76,250
Participation Expense and Incentives	300	-	27,075	-	-	27,375	-	-	-	27,375
Consulting and Honorarium	19,205	13,500	63,840	15,121	2,040	113,706	3,000	98,870	101,870	215,576
Community Engagement	400	-	-	27,218	-	27,618	-	-	-	27,618
Content Creation	4,031	7,596	8,548	258	-	20,433	-	-	-	20,433
Translation and Communications	2,760	17,000	-	-	-	19,760	-	-	-	19,760
Marketing Ambassadors	-	18,375	-	500	-	18,875	-	-	-	18,875
Research	-	-	2,635	-	-	2,635	-	-	-	2,635
Conferences, Events, and Meetings	-	-	-	-	-	-	-	-	-	-
IT and Systems Management	1,954	92	73,021	120	827	76,014	51	20	71	76,085
Website Development and Management	315	189	281	247	41	1,073	107	40	147	1,220
Equipment Hardware	269	162	376	443	35	1,285	91	194	285	1,570
Audit and Accounting Services	942	609	929	732	142	3,354	76,869	121	76,990	80,344
Donated Legal Services	-	2,250	17,926	-	-	20,176	82,523	2,250	84,773	104,949
Software Licensing and Subscriptions	29,221	26,066	10,682	9,102	7,062	82,133	12,985	1,396	14,381	96,514
Advertising and Promotion	-	157,898	-	14,915	-	172,813	3,780	-	3,780	176,593
Printing, Postage, and Supplies	124	6,836	-	2,037	-	8,997	1,541	1,780	3,321	12,318
Travel and Meals	1,205	22,270	-	66,553	-	90,028	11,551	1,217	12,768	102,796
Registration Fees	700	3,173	125	-	-	3,998	6,301	45	6,346	10,344
Insurance	-	-	-	-	-	-	7,786	-	7,786	7,786
Credit Card Processing Fees	3,395	-	-	2,061	-	5,456	349	178	527	5,983
Depreciation and Amortization	2,875	1,835	2,786	2,236	423	10,155	1,031	369	1,400	11,555
Miscellaneous	-	-	-	-	-	-	1,017	25	1,042	1,042
Total Expenses	\$ 1,750,078	\$ 714,505	\$ 838,663	\$ 659,372	\$ 104,755	\$ 4,067,373	\$ 456,971	\$ 204,884	\$ 661,855	\$ 4,729,228

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023,
AND YEAR ENDED DECEMBER 31, 2022

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 814,556	\$ 3,131,688
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	12,871	11,555
Unrealized Gain on Investments	(1,693)	-
(Increase)/Decrease in Assets:		
Accounts Receivable	46,573	(98,643)
Promises Receivable	(553,940)	(888,860)
Interest Receivable	(16,235)	-
Prepaid Expenses	(82,319)	(23,294)
Inventory	(8,096)	-
Increase/(Decrease) in Liabilities:		
Accounts Payable	110,570	32,743
Accrued Vacation	118,957	44,473
Accrued Payroll Liabilities and Related Deferred Contract Fees	(83,117)	38,682
	<u>(117,829)</u>	<u>(55,316)</u>
Net Cash Flows from Operating Activities	<u>\$ 240,298</u>	<u>\$ 2,193,028</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investment	\$ (1,945,080)	\$ -
Purchase of Fixed Assets	(21,044)	(16,803)
Sale of Fixed Assets	<u>(327)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (1,965,797)</u>	<u>\$ (16,803)</u>
Net Increase in Cash and Cash Equivalents	\$ (1,725,499)	\$ 2,176,225
Cash and Cash Equivalents, Beginning of Period	<u>4,332,233</u>	<u>2,156,008</u>
Cash and Cash Equivalents, End of Period	<u>\$ 2,606,734</u>	<u>\$ 4,332,233</u>

Supplemental Disclosures

- a) No interest was paid during the nine-month period ended September 30, 2023, and year ended December 31, 2022.
- b) No income taxes were paid during the nine-month period ended September 30, 2023, and year ended December 31, 2022.

(See Accompanying Notes and Auditor's Report)

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION:

The Modern Classrooms Project (the Organization) was incorporated on May 3, 2018, pursuant to the provisions of Title 29 of the District of Columbia Business Organizations Code. The Modern Classrooms Project empowers educators to meet every student's needs through blended, self-paced, mastery-based instruction.

Basic Programs

MCP offers a variety of services to empower educators - in any school, grade level, or content area, anywhere in the world - to meet every student's needs through an innovative, research-backed instructional model. We offer:

Virtual Mentorship Program

This is our flagship program. Educators from around the world enroll in an online course, through which they work hand-in-hand with one of our expert educators to design blended, self-paced, mastery-based instructional materials of their own. Each educator receives one-on-one coaching, feedback on lesson materials, certified credentials, and other support to help implement our instructional model.

Modern Classrooms University (MCPU)

MCPU is a collection of educator-created courses intended for graduates of our Virtual Mentorship Program. These courses push educators to refine their practice with content-specific guidance, deep dives into core practices, and more.

Free Online Course

Our free course is a self-paced and self-guided online course that gives any teacher, anywhere, the materials and best practices to launch a Modern Classroom. Our free course contains every resource, guide, template, and exemplar we've ever created for our teachers.

Implementation Support

Through our implementation support program, we work with partner schools and districts to provide:

- **Site Visits and Convenings:** Conduct classroom visits coupled with in-person gatherings to observe and evaluate implementation, coach teachers, and strengthen leaders' understanding of the model.
- **Instructional Leader Capacity Building:** Coach leaders as they work to align the MCP model to school and district initiatives and seek to internalize our implementation rubric as they support their educators.
- **Teacher Leadership Cultivation:** Identify elite implementers of the MCP model and coach them through our teacher leadership pathways to build a community of New York City Distinguished Modern Classroom Educators and Expert Mentors.

Partnership Development

We collaborate with school, district, and state leaders to cultivate partnerships that lead to the training of teachers on the MCP approach.

Educator Recruitment

We recruit educators to participate in our teacher training programs.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

Basic Programs (Continued)

Research and Evaluation

We conduct ongoing research and evaluation of our teacher-training efforts.

Data Management

We collect and manage data on the progress of participants in our teacher training programs.

Program Innovation

We engage in ongoing continuous improvement efforts to improve existing programs and design new programs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of The Modern Classrooms Project are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Modern Classrooms Project has implemented the accounting and reporting standards surrounding contributions. These standards affect financial statement reporting and disclosures included within the body of the financial statements. The standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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 and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Exchange Transactions

The Modern Classroom Project has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue for Contracts with Customers," and a series of amendments which together hereinafter are referred to as "ASC Topic 606." This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers (donors). Central to the revenue recognition framework is a five-step revenue recognition model that requires reporting entities to:

1. Identify the contract;
2. Identify the performance obligations of the contract;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to the performance obligations, and;
5. Recognize revenue.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Fees for Service

Fees for service consist of exchange transactions such as consulting and virtual mentoring partnerships. Consistent with the implementation of ASC 606, such fees are recognized at the time the services are provided. Payment for such services in advance is recognized as a deferred revenue until such time as the revenue is earned.

(c) Taxes:

Income Tax

The Modern Classrooms Project is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Organization effective May 3, 2018. Accordingly, no income taxes have been provided for in the accompanying financial statements.

The Modern Classrooms Project has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly, contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(vi). The Modern Classrooms Project did not have any net unrelated business income during the nine-month period ended September 30, 2023, and the year ended December 31, 2022.

Sales Tax

District of Columbia law provides for an exemption from sales and use tax for qualifying organizations. The Modern Classrooms Project is exempt from District sales and use taxes provided the purchases are made by the organization; the purchases are exclusively for the purposes for which the organization was established and are paid for with organization funds.

(c) Net Assets:

The Modern Classrooms Project reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of The Modern Classrooms Project and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from The Modern Classrooms Project's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby The Modern Classrooms Project must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available for the following programs or purpose:

	September 30, <u>2023</u>	December 31, <u>2022</u>
Mentorship Programing - Minnesota	\$ 350,000	\$ 589,524
Mentorship Programing - Oakland	343,791	-
Mentorship Programing - Chicago	175,000	291,625
Mentorship Programing - Connecticut	150,000	-
Mentorship Programing - Alabama	100,000	-
Mentorship Programing - Baltimore	75,000	91,129
Mentorship Programing - District of Columbia	20,000	15,000
Mentorship Programing - St. Louis	11,777	-
Donor Restricted - Time Restricted	<u>1,212,400</u>	<u>494,960</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,437,968</u>	<u>\$ 1,482,238</u>

At times, donor restrictions include both a time restriction, as well as a purpose restriction. Once a time restriction has been determined to be met, net assets are released as the purpose restrictions are met.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following programs:

	September 30, <u>2023</u>	December 31, <u>2022</u>
Mentorship Programing - Tulsa	\$ 190,000	\$ 265,000
Mentorship Programing - Chicago	346,625	243,375
Mentorship Programing - Minnesota	239,524	107,000
Mentorship Programing - New York City	150,000	200,000
Mentorship Programing - Other	112,398	487,047
Mentorship Programing - Baltimore	91,129	-
Mentorship Programing - District of Columbia	85,000	158,000
Mentorship Programing - Connecticut	-	245,000
Donor Restricted - Time Restricted	<u>200,000</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$ 1,414,676</u>	<u>\$ 1,705,422</u>

(e) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. Members of the Board of Directors donated significant amounts of their time in the Organization's supporting services for which no value has been recorded. In addition, many individuals performed a variety of tasks to assist The Modern Classrooms Project with its programs. These donated services are not reflected in the financial statements because they do not meet the criteria for inclusion. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense in the period they are received, except for donated fixed assets, which are recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Donated Services: (Continued)

The estimated value of donated services has been recorded in the financial statements as follows:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Legal Services	\$ 49,747	\$ 104,949
Consulting	<u>-</u>	<u>1,100</u>
Total	<u>\$ 49,747</u>	<u>\$ 106,049</u>

(f) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Organizations mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. These costs include mentee stipends, program facilitation, IT and systems management, mentoring services, business ambassadors, research, and other professional services.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expenses for salaries, payroll taxes and employee benefits are allocated based on activity reports of time spent on particular activities.
- Costs of travel, meeting expenses, and other expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Shared costs (internet/website, payroll processing, software license fees, professional development, equipment hardware, and depreciation,) are pooled and allocated based on the overall distribution of salaries that are linked to an individual's respective activity reports.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) 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, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Fair Value of Certain Financial Instruments:

Some of The Modern Classrooms Project's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts and promises receivable, prepaid expenses, accounts payable, accrued expenses, and payroll liabilities.

3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects The Modern Classrooms Project's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial statement date.

The Modern Classrooms Project has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 2,606,734	\$ 4,332,233
Investments	1,946,773	-
Accounts Receivable	95,141	141,714
Interest Receivable	16,235	-
Promises Receivable	<u>1,473,900</u>	<u>919,960</u>
Total Financial Assets	<u>\$ 6,138,783</u>	<u>\$ 5,393,907</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ (237,400)</u>	<u>\$ (94,960)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,901,383</u>	<u>\$ 5,298,947</u>

As part of The Modern Classrooms Project's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, including a money market account and U.S. Treasury securities.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(4) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in The Modern Classrooms Project's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Modern Classrooms Project performed an evaluation of uncertain tax positions for the nine-month period ended September 30, 2023, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2023, the statute of limitations for tax years 2020 through 2022 remain open with the U.S. federal jurisdiction or the various states and local jurisdictions in which The Modern Classrooms Project files tax returns. It is The Modern Classrooms Project's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of September 30, 2023, The Modern Classrooms Project had no accruals for interest and/or penalties.

(5) CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents consisted of the following:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Non-Interest Bearing Checking Account	\$ 2,463,087	\$ 3,828,282
Money Market Deposit Account	143,650	-
Savings Account	<u>-</u>	<u>503,951</u>
Total	<u>\$ 2,606,734</u>	<u>\$ 4,332,233</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturity of three months or less.

As of September 30, 2023, The Modern Classrooms Project maintained its deposits in one financial institution in the form of non-interest business checking account. This account is covered under the Federal Deposit Insurance Corporation (FDIC) program. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total is insured up to \$250,000. In addition, as of September 30, 2023, The Modern Classrooms Project held cash in a brokerage Money Market deposit account that is also federally insured.

As of September 30, 2023, and December 31, 2022, \$2,210,813 and \$3,830,859, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Modern Classrooms Project was at risk for the funds held in excess of the insured amounts. The Organization has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(6) INVESTMENTS:

The Modern Classrooms Project invested in debt securities during the nine-month period ended September 30, 2023, which are subject to market fluctuations. Standards for accounting for investments in equity securities and debt instruments are contained in FASB ASC 958-320, *Investments-Debt and Equity Securities*. The Modern Classrooms Project has the intent and ability to hold its debt securities until maturity. Investments in debt instruments have been measured at fair value and are recorded as such in the statement of financial position. The fair values for marketable debt securities are based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Non-publicly traded investments are presented at the net asset value provided by the investment fund managers. Fair values are estimated by management in the absence of readily determinable fair values. Investments were not impaired during or subsequent to the period ended September 30, 2023. A comparison of the carrying value of these investments at year end was as follows:

September 30, 2023

	<u>Cost</u>	Gross Unrealized Gains	Gross Unrealized Losses	<u>Fair Value</u>
U.S. Treasury Notes	\$1,698,572	\$ 959	\$ (401)	\$1,699,130
U.S. Treasury Bills	<u>246,508</u>	<u>1,135</u>	<u>-</u>	<u>247,643</u>
Total	<u>\$1,945,080</u>	<u>\$ 2,094</u>	<u>\$ (401)</u>	<u>\$1,946,773</u>

Unrealized gains and losses on investments are based on the difference between book value and fair value. Net unrealized gains at September 30, 2023, were \$1,693.

The composition of investment return consisted of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Interest	\$ 6,382	\$ 3,314
Unrealized Gain/(Loss)	<u>1,693</u>	<u>-</u>
Totals	<u>\$ 8,075</u>	<u>\$ 3,314</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such a change could affect the amounts reported in the statement of financial position. The Organization attempts to limit its credit risk associated with investments through investment in obligations that are backed by the full faith and credit of the federal government and by utilizing the expertise and processes of an outside investment consultant.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(7) FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. Fair value is defined 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. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

Level 1 - The valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest rate and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable (supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used through September 30, 2023.

U.S. Treasury Securities: Valued using quoted market prices obtained from active market makers and inter-dealer brokers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(7) FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of September 30, 2023.

<u>September 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes	\$1,699,130	\$ -	\$ -	\$1,699,130
U.S. Treasury Bills	<u>247,643</u>	<u>-</u>	<u>-</u>	<u>247,643</u>
Total	<u>\$1,946,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,946,773</u>

(8) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable as presented are current and are considered fully collectible by management. Balances consisted of the following:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Virtual Mentoring	\$ 53,650	\$ 58,000
Research	21,455	-
Reimbursable Expenses	20,036	-
Ongoing Support	-	76,714
Recruitment	<u>-</u>	<u>7,000</u>
Total Accounts Receivable	<u>\$ 95,141</u>	<u>\$ 141,714</u>

The Modern Classrooms Project's accounts receivable consist of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Organization does not require collateral, it is at credit risk for the balance of the accounts receivable as of September 30, 2023, and December 31, 2022. As of September 30, 2023, approximately fifty-five percent (55%) of the Modern Classrooms Project's accounts receivable (\$52,500) was due for virtual mentoring from two separate school districts.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees (i.e., consulting fees) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectable when payment has not been received after reasonable collection efforts have been made.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(8) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by The Modern Classrooms Project. The Modern Classrooms Project uses the allowance method to determine uncollectible promises to give.

Promises receivable consisted of the following:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Time Restricted	\$ 1,212,400	\$ 494,960
Mentorship Programing	245,000	420,000
General Support	<u>16,500</u>	<u>5,000</u>
Total Promises Receivable	<u>\$ 1,473,900</u>	<u>\$ 919,960</u>

The above promises receivable are due to be received as follows:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Less Than One Year	\$ 1,235,500	\$ 825,000
One to Five Year	<u>237,400</u>	<u>94,960</u>
Total Promises Receivable	<u>\$ 1,473,900</u>	<u>\$ 919,960</u>

As of September 30, 2023, and December 31, 2022, approximately eighty-two percent (82%) and ninety-two percent (92%), respectively, of The Modern Classrooms Project's promises receivable (\$1,212,400 and \$844,960) was due to be received from three foundations. The Modern Classrooms Project does not believe they are at credit risk for these amounts based on its ongoing relationship with these donors.

Promises receivable have been discounted to the net present value of future cash flows using a discount rate of three percent (3%) as follows:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Gross Promises Receivable	\$ 250,000	\$ 100,000
Less: Discount	<u>(12,600)</u>	<u>(5,040)</u>
Net Present Value of Promises Receivable	<u>\$ 237,400</u>	<u>\$ 94,960</u>

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(9) FIXED ASSETS:

Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the nine-month period ended September 30, 2023, and year ended December 31, 2022, was \$12,796 and \$11,455, respectively. Maintenance and repairs are charged to expenses as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Classification of fixed assets and their estimated useful lives are as summarized below:

September 30, 2023

		<u>Life</u>
Computer Equipment	\$ 63,441	3-4 Years
Less: Accumulated Depreciation	<u>(26,873)</u>	
Total Net Book Value	<u>\$ 36,568</u>	

December 31, 2022

		<u>Life</u>
Computer Equipment	\$ 43,574	3-4 Years
Less: Accumulated Depreciation	<u>(14,927)</u>	
Total Net Book Value	<u>\$ 28,647</u>	

(10) INTANGIBLE ASSETS:

Certain intangible assets have been capitalized and amortized on a straight-line basis over the life of the asset. Amortization expense related to this asset for the nine-month period ended September 30, 2023, and year ended December 31, 2022, was \$75 and \$100, respectively.

September 30, 2023

<u>Description</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>	<u>Period</u>
Organization Logo	\$ 1,500	\$ 508	\$ 992	15 Years
Totals	<u>\$ 1,500</u>	<u>\$ 508</u>	<u>\$ 992</u>	

December 31, 2022

<u>Description</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>	<u>Period</u>
Organization Logo	\$ 1,500	\$ 433	\$ 1,067	15 Years
Totals	<u>\$ 1,500</u>	<u>\$ 433</u>	<u>\$ 1,067</u>	

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(11) RELATED PARTY TRANSACTIONS:

Contributions Made

Various board members of The Modern Classrooms Project and organizations with which they are affiliated, made monetary payments to The Modern Classrooms Project. Such payments in the amount of \$1,369,440 and \$662,129 were made during the nine-month period ended September 30, 2023, and year ended December 31, 2022, respectively.

In addition to monetary contributions, a law firm for which a member of the board was a partner provided pro-bono legal services during the nine-month period ended September 30, 2023, and year ended December 31, 2022, with an estimated fair value of \$49,747 and \$104,949, respectively to The Modern Classrooms Project.

Transactions with Board Member Organization

The Modern Classrooms Project contracted with organizations for which board members are employees. The value of active contracts during the nine-month period ended September 30, 2023, and year ended December 31, 2022, was \$201,268 and \$50,850, respectively.

(12) CONTINGENCIES:

Program Support

The Modern Classrooms Project depends on contributions and grants for a significant portion of its revenue. The ability of The Modern Classrooms Project's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to The Modern Classrooms Project. While The Modern Classrooms Project's Board of Directors and management believe The Modern Classrooms Project has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

District of Columbia Unemployment

At the time of organization, the Modern Classrooms Project elected to utilize the reimbursement method of unemployment. Under the reimbursement method, quarterly contributions are due to the Department of Employment Services based solely on unemployment claims for the quarter. Once an organization is enrolled in the reimbursement method, a change to the contribution may not occur for a two-year period. During the year ended December 31, 2022, The Modern Classrooms Project changed to the contribution method of unemployment, however in the meantime the Organization could be liable for the payment of unemployment compensation in the event of employee separation.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(13) COMMITMENTS:

Guarantee of Indebtedness

The Modern Classrooms Project utilizes a credit card issued by Divvy, through Cross River Bank for purchases related to business activity. The credit card is issued in the name of The Modern Classrooms Project with an unsecured credit limit of \$150,000. In addition, the Organization has a credit card issued by CapitalOne Bank with a credit limit of \$30,000.

(14) CONCENTRATIONS:

Based on the nature and purpose of The Modern Classrooms Project, significant revenues are received through individuals interested in a blended, self-paced, mastery-based approach to transform student learning in the classroom. Approximately sixty-eight percent (68%) and fifty-one percent (51%) of current year contributions (\$3,209,806 and \$2,644,960), respectively, were derived from seven separate grantors (five for 2022). In addition, twenty-five percent (25%) and forty-five percent (45%) of virtual mentoring and implementation support (\$577,274 and \$1,087,219), respectively, was from a single consulting contract. If a significant reduction in revenues from these organizations should occur, it may have a significant effect on the Organization's programs.

(15) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 16, 2024, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

(16) FUNDRAISING:

Expenses for the purpose of fundraising in the amount of \$210,298 and \$204,884 were incurred during the nine-month period ended September 30, 2023, and year ended December 31, 2022, respectively.

(17) RETIREMENT PLAN:

403(b) Retirement Plan

The Modern Classrooms Project provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by The Newport Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow pre-tax elective deferrals as well as Roth deferrals by employees up to the statutory limits set by the Internal Revenue Code. On the plan effective date, which was January 1, 2020, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions and contribution requirements are established and may be amended by the board members of The Modern Classrooms Project. Effective May 15, 2021, The Modern Classroom Project began discretionary matching at a rate of three percent (3%). For the nine-month period ended September 30, 2023, and year ended December 31, 2022, employer contributions were \$55,216 and 48,277, respectively. Contributions to the retirement plan are fully vested. There is no unfunded past service liability.

THE MODERN CLASSROOMS PROJECT
NOTES TO FINANCIAL STATEMENTS

(18) EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the nine-month period ended September 30, 2023, and year ended December 31, 2022, consisted of the following:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Social Security/Medicare	\$ 195,262	\$ 156,677
Retirement	55,216	48,277
Health and Dental Insurance	156,436	142,259
Unemployment	18,910	9,605
Workers Compensation	6,337	6,456
Life Insurance	10,475	5,478
Welfare Benefits	<u>35,037</u>	<u>24,620</u>
Total	<u>\$ 477,673</u>	<u>\$ 393,372</u>

Flexible Benefits Plan

The Modern Classrooms Project adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax-benefit dollars through payroll deduction to pay for health and dental insurance premiums, and un-reimbursed medical expenses.