

**MASSACHUSETTS ADVOCATES
FOR CHILDREN, INC.**

Financial Statements

December 31, 2021 and 2020

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Massachusetts Advocates for Children, Inc.
Boston, Massachusetts

Opinion

We have audited the financial statements of Massachusetts Advocates for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Massachusetts Advocates for Children, Inc. as of December 31, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Massachusetts Advocates for Children, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Massachusetts Advocates for Children, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Edelstein & Company LLP

Boston, Massachusetts
July 25, 2022

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Statements of Financial Position
December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets:						
Cash	\$ 516,707	\$ 507,834	\$ 1,024,541	\$ 376,646	\$ 369,693	\$ 746,339
Other asset	10,090	-	10,090	-	-	-
Grants and pledges receivable	42,429	310,000	352,429	69,106	375,000	444,106
Accounts receivable, net	540	-	540	13,709	-	13,709
Prepaid expenses	15,678	-	15,678	38,194	-	38,194
Inventory	16,707	-	16,707	3,344	-	3,344
Website development costs, net	20,670	-	20,670	18,495	-	18,495
Deposits	6,738	-	6,738	6,738	-	6,738
Total assets	<u>\$ 629,559</u>	<u>\$ 817,834</u>	<u>\$ 1,447,393</u>	<u>\$ 526,232</u>	<u>\$ 744,693</u>	<u>\$ 1,270,925</u>
Liabilities:						
Accounts payable and accrued expenses	\$ 32,876	\$ -	\$ 32,876	\$ 81,017	\$ -	\$ 81,017
Refundable advances	-	-	-	19,995	-	19,995
Total liabilities	<u>32,876</u>	<u>-</u>	<u>32,876</u>	<u>101,012</u>	<u>-</u>	<u>101,012</u>
Net assets	<u>596,683</u>	<u>817,834</u>	<u>1,414,517</u>	<u>425,220</u>	<u>744,693</u>	<u>1,169,913</u>
Total liabilities and net assets	<u>\$ 629,559</u>	<u>\$ 817,834</u>	<u>\$ 1,447,393</u>	<u>\$ 526,232</u>	<u>\$ 744,693</u>	<u>\$ 1,270,925</u>

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

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	\$ 843,666	\$ 558,084	\$ 1,401,750	\$ 684,878	\$ 670,857	\$ 1,355,735
Training fees	13,475	-	13,475	6,250	-	6,250
Special events, net	64,290	-	64,290	70,475	-	70,475
Interest	404	-	404	1,811	-	1,811
In-kind contributions	12,610	-	12,610	6,137	-	6,137
Book sales	8,202	-	8,202	32,753	-	32,753
Other income	2,844	-	2,844	2,895	-	2,895
Net assets released from restrictions	484,943	(484,943)	-	676,416	(676,416)	-
Total support and revenue	1,430,434	73,141	1,503,575	1,481,615	(5,559)	1,476,056
Expenses:						
Program services	1,070,954	-	1,070,954	1,166,963	-	1,166,963
Management and general	254,082	-	254,082	217,956	-	217,956
Fundraising	158,487	-	158,487	132,982	-	132,982
Total expenses	1,483,523	-	1,483,523	1,517,901	-	1,517,901
Changes in net assets from operations	(53,089)	73,141	20,052	(36,286)	(5,559)	(41,845)
Paycheck Protection Program loan	224,552	-	224,552	221,565	-	221,565
Changes in net assets	171,463	73,141	244,604	185,279	(5,559)	179,720
Net assets, beginning of year	425,220	744,693	1,169,913	239,941	750,252	990,193
Net assets, end of year	\$ 596,683	\$ 817,834	\$ 1,414,517	\$ 425,220	\$ 744,693	\$ 1,169,913

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

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Statements of Cash Flows

For the Years Ended December 31,

2021

2020

Cash flows from operating activities:

Changes in net assets	\$ 244,604	\$ 179,720
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization	6,645	-
Bad debt expense	1,364	7,545
Changes in operating assets and liabilities:		
Other asset	(10,090)	-
Grants and pledges receivable	91,677	64,209
Accounts receivable	11,805	(9,645)
Prepaid expenses	22,516	2,311
Inventory	(13,363)	12,399
Accounts payable and accrued expenses	(48,141)	36,313
Refundable advances	(19,995)	19,995
Net cash provided by operating activities	<u>287,022</u>	<u>312,847</u>
Cash flows from investing activities:		
Purchase of website development costs	<u>(8,820)</u>	<u>(18,495)</u>
Net increase in cash	278,202	294,352
Cash, beginning of year	<u>746,339</u>	<u>451,987</u>
Cash, end of year	<u>\$ 1,024,541</u>	<u>\$ 746,339</u>

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2021**

	<u>CLSP/ TLPI *</u>	<u>Disability Education Justice Initiative</u>	<u>Somerville Special Education Project</u>	<u>Race Equity and Access Project</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 143	\$ 127	\$ -	\$ 41	\$ 311	\$ 61	\$ 51	\$ 423
Amortization	6,645	-	-	-	6,645	-	-	6,645
Bad debt expense	364	-	-	-	364	1,000	-	1,364
Bank and credit card fees	295	37	-	-	332	2,702	516	3,550
Cost of sales	2,566	-	-	-	2,566	-	-	2,566
Dues and subscriptions	2,314	2,922	57	362	5,655	345	338	6,338
Employee benefits and payroll taxes	69,488	76,561	4,763	5,999	156,811	32,441	23,962	213,214
Equipment leasing	1,107	981	66	317	2,471	402	394	3,267
Information technology	33,031	2,777	188	898	36,894	1,147	1,154	39,195
Malpractice insurance	2,766	2,450	166	-	5,382	-	-	5,382
Meeting and conference	214	810	-	61	1,085	141	7,021	8,247
Miscellaneous	2,074	373	25	121	2,593	624	694	3,911
Occupancy	40,791	36,131	2,444	11,687	91,053	14,819	14,514	120,386
Office supplies	199	431	-	57	687	211	74	972
Payroll	304,581	334,939	20,856	29,916	690,292	144,513	104,785	939,590
Postage and delivery	821	295	20	96	1,232	678	1,149	3,059
Printing and reproduction	-	-	-	-	-	438	2,755	3,193
Professional fees	58,925	5,485	-	-	64,410	54,200	733	119,343
Telephone	884	783	53	253	1,973	321	315	2,609
Travel	91	81	-	26	198	39	32	269
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 527,299</u>	<u>\$ 465,183</u>	<u>\$ 28,638</u>	<u>\$ 49,834</u>	<u>\$ 1,070,954</u>	<u>\$ 254,082</u>	<u>\$ 158,487</u>	<u>\$ 1,483,523</u>

* Children's Law Support Project and Trauma and Learning Policy Initiative

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

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2020**

	CLSP/ TLPI *	Disability Education Justice Initiative	Somerville Special Education Project	Race Equity and Access Project	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Advertising	\$ 51	\$ 61	\$ -	\$ -	\$ 112	\$ 27	\$ 66	\$ -	\$ 205
Bad debt expense	-	-	-	-	-	7,545	-	-	7,545
Bank and credit card fees	421	272	11	37	741	3,039	945	-	4,725
Cost of direct benefits to donors	-	-	-	-	-	-	-	345	345
Cost of sales	12,399	-	-	-	12,399	-	-	-	12,399
Dues and subscriptions	2,682	3,255	88	372	6,397	609	570	-	7,576
Employee benefits and payroll taxes	79,721	71,823	4,572	15,758	171,874	26,212	19,703	-	217,789
Equipment leasing	933	1,102	45	149	2,229	305	290	-	2,824
Information technology	15,443	6,515	262	873	23,093	3,775	3,412	-	30,280
Malpractice insurance	2,524	2,982	121	-	5,627	-	-	-	5,627
Meeting and conference	1,256	181	-	21	1,458	568	55	-	2,081
Miscellaneous	29	58	-	35	122	600	142	-	864
Occupancy	39,327	46,466	1,879	6,262	93,934	12,938	12,211	-	119,083
Office supplies	836	987	40	133	1,996	273	260	-	2,529
Payroll	340,630	306,764	19,515	67,525	734,434	112,405	86,715	-	933,554
Postage and delivery	3,012	298	11	35	3,356	73	1,066	-	4,495
Printing and reproduction	69	127	-	11	207	165	2,096	-	2,468
Professional fees	96,390	8,113	-	1,854	106,357	49,041	5,135	-	160,533
Telephone	1,018	1,203	49	162	2,432	332	316	-	3,080
Travel	76	119	-	-	195	49	-	-	244
	<u>596,817</u>	<u>450,326</u>	<u>26,593</u>	<u>93,227</u>	<u>1,166,963</u>	<u>217,956</u>	<u>132,982</u>	<u>345</u>	<u>1,518,246</u>
Less Items included within support and revenue:									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(345)	(345)
Total expenses included in the functional categories on the statement of activities and changes in net assets	<u>\$ 596,817</u>	<u>\$ 450,326</u>	<u>\$ 26,593</u>	<u>\$ 93,227</u>	<u>\$ 1,166,963</u>	<u>\$ 217,956</u>	<u>\$ 132,982</u>	<u>\$ -</u>	<u>\$ 1,517,901</u>

* Children's Law Support Project and Trauma and Learning Policy Initiative

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

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

1. Nature of the Organization

Massachusetts Advocates for Children, Inc. (“MAC”) was formed on June 11, 1971.

MAC’s mission is to remove barriers to educational and life opportunities for children and youth. We do so by advocating for and partnering with students and families; transforming school cultures to be inclusive, safe and supportive; and creating systemic change so all children and youth can learn, reach their potential, and thrive. We focus our advocacy on children and youth who face significant barriers, inequities, and/or discrimination because of their economic status, disability, race, ethnicity/culture, immigration status, English Learner status, and/or traumatic life experiences. MAC receives its funding mainly through grants and contributions from individuals and foundations.

MAC employs a combination of strategies in its work to achieve its mission. It prioritizes its efforts to have the greatest impact on the largest number of children. It does so through legislative and administrative advocacy, policy analysis and report writing, coalition-building and impact litigation, when necessary. At the same time, it helps change the lives of individual children through case advocacy and providing education, training and support to parents and professionals.

Program Services

MAC sponsors the following core programs in pursuing its goals:

- *Children’s Law Support Project and Trauma and Learning Policy Initiative* – In its role as a statewide center for the civil legal aid system in Massachusetts, MAC coordinates a statewide legal and legislative agenda on behalf of vulnerable low income children, including those who are homeless, disabled, at risk of school expulsion, and /or suffering from the traumatic effects of exposure to family violence. Under this program, MAC provides an intake helpline, recruits pro-bono attorneys, and manages the Trauma and Learning Policy Initiative, an innovative project to enable schools to become trauma sensitive, benefiting all children, and especially those whose learning or behavior problems in school result from the impact of traumatic experiences.

The Trauma and Learning Policy Initiative (“TLPI”) is a collaboration between MAC and Harvard Law School (“HLS”) which is formalized in a memorandum of understanding (“MOU”). In September 2021, MAC received notification from management of the TLPI program both within MAC and at HLS that they did not intend to renew the MOU which was set to expire on June 30, 2022, and that the program would be moved fully to HLS after this date. Subsequently, the MOU was extended to expire on August 31, 2022. MAC and HLS are undergoing negotiations to facilitate and formalize the separation which will include a financial reconciliation of various assets and liabilities attributed to the program. Management of MAC does not believe that the loss of this program will result in a material impact to its financial condition or the results of operations.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

1. Nature of the Organization (continued)

- *Disability Education Justice Initiative* – MAC continues its historic and visible role within the state to ensure that special education laws enable children with disabilities to receive a high quality and inclusive education. MAC has three current projects that provide a particular population or geographic focus to this work: the *Autism Special Education Legal Support Center*, *Adelante* and the *School to Prison Pipeline*.
- *Somerville Special Education Project* – This program trains parents who are Somerville residents to become special education advocates and support the parent advisory council to the Somerville school district.
- *Race Equity and Access Project* – This program works to collaboratively transform the K-12 education system using an intentional racial equity focus, beginning with the goals of dismantling the school to prison pipeline and eliminating opportunity gaps for Black and Latinx students in Boston Public Schools.

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to MAC, net assets and support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MAC and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of MAC. These net assets may be used at the discretion of MAC’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of MAC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

There were no net assets with donor restrictions which were perpetual in nature at December 31, 2021 or 2020, or for the years then ended.

Support and Revenue

Grants and contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are classified as support with donor restrictions are reclassified as net assets without donor restrictions upon satisfaction of the program restriction or expiration of the time restriction. MAC has elected to report any grants and contributions with donor restrictions whose restrictions are met in the same reporting period as support without donor restrictions. Grants and contributions are recognized in the period in which the donor’s commitment is made, if unconditional. Conditional grants and contributions are recognized when performance and/or control barriers are met by MAC.

Under the terms of certain cost reimbursement agreements, revenue is recognized as corresponding program expenses are incurred. Receipts from agreements for which related expenses have not yet been incurred are reported on the statements of financial position as refundable advances.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Support and Revenue (continued)

Training fees consists of training services which are recognized when the training takes place. The performance obligation for these services is to provide training services to schools when contracted. The transaction price is the total amount of consideration to which MAC expects to be entitled in exchange for the services, which is equivalent to the fee stipulated in the agreement for services.

Special event revenue consists of revenue earned when the event takes place, and support from fundraising events which is reported net of the cost of direct benefits to donors.

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. MAC receives a significant amount of donated legal services to enhance its programs.

Book sales are recorded when the goods are shipped and represent proceeds from *Helping Traumatized Children Learn*, a MAC publication. The performance obligation is to provide books when purchased. The transaction price is the total amount of consideration to which MAC expects to be entitled in exchange for the books, which is equivalent to the published price, with discounts provided for orders over a certain quantity.

Cash

Cash consists of checking and money market accounts at a federally insured bank.

Inventory

Inventory consists of books and is stated at the lower of cost (average cost) or market.

Office Equipment

Office equipment purchased is stated at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Expenditures for maintenance, repairs and renewals are charged to expense when incurred, whereas major additions of \$1,000 and above are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation is eliminated from the accounts and any resulting gain or loss is reflected in the statements of activities and changes in net assets. The useful lives used for computing depreciation is three years. Office equipment is fully depreciated at December 31, 2021 and 2020.

Website Development Costs

Website development costs are capitalized if future benefits are deemed to exist beyond one year from the statement of financial position date. Website development costs are amortized over an estimated useful life of three years.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

MAC reports its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are recorded directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to both program and support services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, employee benefits and payroll taxes, occupancy, office supplies, equipment leasing, information technology, advertising, bank and credit card fees, dues and subscriptions, telephone, postage and delivery and printing and reproduction, which are allocated on the basis of estimates of time and effort.

Use of Estimates and Subsequent Events

The presentation 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 contingencies at the date of the financial statements and the amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

MAC's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on July 25, 2022, the date these financial statements became available to be issued. Except for the events disclosed in Note 13, no events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

MAC is a publicly supported organization whose activities are described in Internal Revenue Code Section 501(c)(3) and, therefore, is exempt from income taxes. MAC is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

Accounting Pronouncement Issued and Not Adopted

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02 (Topic 842) – *Leases* (“ASU 2016-02”). This new lease standard requires most leases with terms over 12 months to be capitalized as a right-to-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for MAC during the year ending December 31, 2022. MAC is currently in the process of evaluating the impact of adopting ASU 2016-02.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

3. Availability and Liquidity

MAC's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use to other than MAC's ongoing programs, within one year of the statement of financial position date at December 31, 2021 and 2020, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,024,541	\$ 746,339
Other asset	10,090	-
Grants and pledges receivable	352,429	444,106
Accounts receivable, net	540	13,709
Total financial assets	<u>1,387,600</u>	<u>1,204,154</u>
Less amounts not available to be used within one year:		
Grants and pledges receivable	<u>(100,000)</u>	<u>(90,000)</u>
Financial assets available to meet general expenditures within the next year	<u>\$ 1,287,600</u>	<u>\$ 1,114,154</u>

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, MAC considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those programs to be general expenditures. As such, grants and pledges receivable to be collected within one year are included in the above analysis as available for general expenditures within the next year. As part of MAC's liquidity plan, excess cash is invested in a money market account.

4. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that were still outstanding after management had used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As of December 31, 2021 and 2020, the allowance for uncollectible accounts was \$1,351 and \$4,000, respectively.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

5. Grants and Pledges Receivable

Grants and pledges receivable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year:		
Individuals	\$ 74,929	\$ 13,446
Foundations	177,500	339,000
Government	-	1,660
	<u>252,429</u>	<u>354,106</u>
Receivable in one to three years:		
Foundations	<u>100,000</u>	<u>90,000</u>
	<u>\$ 352,429</u>	<u>\$ 444,106</u>

Grants and pledges expected to be collected within one year are reported at their net realizable value. Grants and pledges that are expected to be collected in future years are reported at the net present value of estimated future cash flows. No present value discount on grants and pledges receivable in greater than one year has been recorded at December 31, 2021 or 2020 as the amount is not material to the financial statements.

6. Lease

MAC leases office space under a tenant-at-will arrangement. Rent expense during the years ended December 31, 2021 and 2020 amounted to \$111,655 and \$110,827, respectively, and is reported in occupancy expense in the statements of functional expenses.

7. Website Development Costs

Website development costs consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Website development costs	\$ 36,268	\$ 27,448
Accumulated amortization	<u>(15,598)</u>	<u>(8,953)</u>
	<u>\$ 20,670</u>	<u>\$ 18,495</u>

Amortization of the website development costs for each of the following years is as follows:

Years ending December 31,

2022	\$ 9,105
2023	9,105
2024	2,460

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose:		
CLSP/TLPI	\$ 90,750	\$ 82,000
Disability Education Justice Initiative	480,415	289,569
Somerville Special Education Project	40,000	-
Time restrictions	<u>206,669</u>	<u>373,124</u>
	<u>\$ 817,834</u>	<u>\$ 744,693</u>

Net assets released from restrictions during the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
CLSP/TLPI	\$ 51,000	\$ 290,566
Disability Education Justice Initiative	192,069	191,086
Somerville Special Education Project	-	22,500
Race Equity and Access Project	-	34,764
Expiration of time restrictions	<u>241,874</u>	<u>137,500</u>
	<u>\$ 484,943</u>	<u>\$ 676,416</u>

9. In-Kind Contributions

MAC's partnership with a national law firm has enabled MAC to provide more case advocacy and improve the systemic work to the children and families that MAC serves. The partnership has provided pro bono case representation for MAC, specifically for two of MAC's core programs: the Children's Law Support Project and the Disability Education Justice Initiative, which includes the Autism Special Education Legal Support Center. MAC also received pro bono legal services for consultation on general operating matters.

For the years ended December 31, 2021 and 2020, MAC received donated services having a fair value of \$12,610 and \$6,137, respectively.

10. Concentrations

Pledges from two donors comprised 68% and 74% of grants and pledges receivable at December 31, 2021 and 2020, respectively. Three donors contributed 50% of total support and revenue at December 31, 2021 and two donors contributed 48% of total support and revenue at December 31, 2020.

MAC occasionally maintains deposits in excess of federally insured limits. Management believes the risk is managed by maintaining all deposits in high quality financial institutions.

MASSACHUSETTS ADVOCATES FOR CHILDREN, INC.

Notes to Financial Statements

11. Special Events

Revenues earned from special events include ticket sales and contributions from individuals and corporations. Special events revenue is reported net of direct benefits to donors including the cost of renting the venue, food, beverages and entertainment. During the years ended December 31, 2021 and 2020, the special events were held virtually, and therefore the costs of direct benefits to donors were minimal to none.

Special event revenues and expenses for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Ticket sales	\$ -	\$ -
Contributions- individuals and corporations	64,290	70,820
Total contributions	64,290	70,820
Less- costs of direct benefits to donors	-	(345)
	<u>\$ 64,290</u>	<u>\$ 70,475</u>

12. Retirement Plan

MAC provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan upon hire. MAC does not make contributions to the plan.

13. Paycheck Protection Program Loan

On April 14, 2020, MAC entered into a Paycheck Protection Program (“PPP”) loan agreement for \$221,565 granted by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the loan agreement, all or a portion of the loan and accrued interest was forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. MAC accounted for the entire loan amount as a grant, and recorded revenue as qualifying expenses were incurred. During the coverage period as defined in the loan agreement, and prior to December 31, 2020, MA incurred qualifying expenses in excess of the loan amount, and met the other conditions of the loan, and therefore recognized the entire loan amount of \$221,565 as revenue on the statement of activities and changes in net assets for the year ended December 31, 2020. The loan and accrued interest were forgiven in full by the SBA on February 3, 2021.

MAC entered into a second PPP loan agreement for \$224,552 on February 9, 2021, granted by the SBA under the Economic Aid Act. As with the first PPP loan, all or a portion of the loan and accrued interest at 1% is forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. As MAC expected to meet the PPP’s eligibility criteria for forgiveness in full, it accounted for the entire second loan amount as a grant, and recorded revenue as qualifying expenses were incurred. During the coverage period as defined in the loan agreement, and prior to December 31, 2021, MAC incurred qualifying expenses in excess of the loan amount, and met the other conditions of the loan, and therefore recognized the entire loan amount of \$224,552 as revenue. On January 20, 2022, MAC received full forgiveness of the second PPP loan and accrued interest from the SBA.

MAC did not accrue interest on either of these loans as management considered the amounts immaterial to the financial statements.

Notes to Financial Statements

14. Uncertainty Regarding the Impact of COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effects on the MAC's industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, MAC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity, and the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.