



ROOM TO GROW NATIONAL, INC.

Audited Financial Statements

December 31, 2020

ROOM TO GROW NATIONAL, INC

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December 31, 2020

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Independent Auditors' Report

To the Board of Directors of
Room to Grow National, Inc

We have audited the accompanying financial statements of Room to Grow National, Inc (a nonprofit organization), (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Munir P. Maitani & Chantel P.C.

Braintree, Massachusetts
July 1, 2021

ROOM TO GROW NATIONAL, INC.

Statement of Financial Position

As of December 31, 2020

With Comparative Totals as of December 31, 2019

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 1,613,338	\$ 1,611,859
Cash equivalents included with investments	1,405,735	1,378,173
Total cash and cash equivalents	3,019,073	2,990,032
Pledges receivable, current portion	804,032	1,040,980
Goods donated for program participants	259,584	272,632
Prepaid expenses	82,213	83,836
Investments	5,588,510	5,216,774
Total current assets	9,753,412	9,604,254
Fixed Assets		
Leasehold improvements	1,450,479	1,407,852
Furniture and fixtures	232,824	232,824
Office equipment	36,645	36,645
Total fixed assets	1,719,948	1,677,321
Less: accumulated depreciation	(983,286)	(653,992)
Total net fixed assets	736,662	1,023,329
Other Assets		
Pledges receivable, long term portion, net	525,000	1,050,000
Security deposits	206,511	206,511
Total other assets	731,511	1,256,511
Total Assets	\$ 11,221,585	\$ 11,884,094
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 319,080	\$ 580,044
Deferred rent	21,577	6,817
Note payable - payroll protection program (PPP)	370,144	-
Total Current Liabilities	710,801	586,861
Net Assets		
Net assets without donor restrictions	7,634,399	7,568,683
Net assets with donor restrictions	2,876,385	3,728,550
Total net assets	10,510,784	11,297,233
Total Liabilities and Net Assets	\$ 11,221,585	\$ 11,884,094

ROOM TO GROW NATIONAL, INC.

Statement of Activities

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and Support				
Contributions	\$ 2,311,738	\$ 680,000	\$ 2,991,738	\$ 4,907,854
Contributions - donated goods	280,584	-	280,584	408,429
Special event income, net of expenses with a direct benefit to donors	686,802	-	686,802	949,013
Other income	7,919	-	7,919	5,091
Investment revenue, net	399,522	-	399,522	411,449
Loss on obsolete donated goods	-	-	-	(3,603)
Net assets released from restrictions	<u>1,532,165</u>	<u>(1,532,165)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,218,730</u>	<u>(852,165)</u>	<u>4,366,565</u>	<u>6,678,233</u>
Expenses				
Program services	<u>3,520,427</u>	<u>-</u>	<u>3,520,427</u>	<u>2,808,901</u>
Supporting services:				
Administration	1,001,826	-	1,001,826	672,232
Fundraising	<u>630,761</u>	<u>-</u>	<u>630,761</u>	<u>603,649</u>
Total supporting services	1,632,587	-	1,632,587	1,275,881
Total expenses	<u>5,153,014</u>	<u>-</u>	<u>5,153,014</u>	<u>4,084,782</u>
Total Change in Net Assets	65,716	(852,165)	(786,449)	2,593,451
Net Assets at Beginning of Year	<u>7,568,683</u>	<u>3,728,550</u>	<u>11,297,233</u>	<u>8,703,782</u>
Net Assets at End of Year	<u>\$ 7,634,399</u>	<u>\$ 2,876,385</u>	<u>\$ 10,510,784</u>	<u>\$ 11,297,233</u>

ROOM TO GROW NATIONAL, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Supporting Services			Program Services	2020 Total	2019 Total
	Administration	Fundraising	Total Supporting Services			
Functional Expenses						
Salaries	\$ 420,313	\$ 395,588	\$ 815,901	\$ 1,656,527	\$ 2,472,428	\$ 1,800,117
Payroll taxes and benefits	57,198	53,833	111,031	225,427	336,458	235,717
Distribution of donated goods	-	-	-	293,632	293,632	481,551
Program materials	-	-	-	372,758	372,758	167,793
Occupancy	154,938	29,796	184,734	411,183	595,917	503,990
Storage	-	-	-	68,646	68,646	49,164
Professional fees	175,708	-	175,708	19,764	195,472	144,042
Office supplies	31,056	29,229	60,285	122,397	182,682	140,421
Insurance	7,511	1,445	8,956	19,934	28,890	25,667
Telephone	7,516	1,445	8,961	19,946	28,907	23,241
Event supplies & other expenses	-	86,007	86,007	-	86,007	310,572
Postage and delivery	366	344	710	1,441	2,151	3,628
Marketing & printing	5,282	4,971	10,253	20,818	31,071	19,103
Travel and meals	5,790	5,450	11,240	22,820	34,060	110,573
Bank fees	40,909	-	40,909	-	40,909	49,370
Dues and subscriptions	9,622	9,056	18,678	37,922	56,600	41,612
Depreciation	85,616	16,465	102,081	227,213	329,294	183,408
Total Functional Expenses	1,001,826	633,629	1,635,455	3,520,427	5,155,882	4,289,969
Less: costs with a direct benefit to donors	-	(2,868)	-	-	(2,868)	(205,187)
Total Functional Expenses, Net	\$ 1,001,826	\$ 630,761	\$ 1,635,455	\$ 3,520,427	\$ 5,153,014	\$ 4,084,782

ROOM TO GROW NATIONAL, INC.

Statement of Cash Flows

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

Cash Flows from Operating Activities	<u>2020</u>	<u>2019</u>
Change in net assets	\$ (786,449)	\$ 2,593,451
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	329,294	183,408
Loss on obsolete donated goods	-	3,603
Net unrealized and realized (loss) gain on long term investments	(258,920)	(246,457)
Dividends	(119,516)	(95,060)
Decrease (increase) in assets		
Pledges receivable, net	761,948	(1,136,064)
Goods donated for program participants	13,048	73,122
Prepaid expenses	1,623	(22,610)
Security deposits	-	(90,347)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(260,964)	283,442
Deferred rent	14,760	(6,775)
Net Cash (Used in) Provided by Operating Activities	<u>(305,176)</u>	<u>1,539,713</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,957,300)	(4,428,000)
Proceeds from sale of investments	2,964,000	3,956,000
Purchase of fixed assets	(42,627)	(641,702)
Net Cash Used in Investing Activities	<u>(35,927)</u>	<u>(1,113,702)</u>
Cash Flows from Financing Activities		
Proceeds from note payable - PPP	370,144	-
Net Cash Provided by Financing Activities	<u>370,144</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	29,041	426,011
Cash and Cash Equivalents - Beginning	<u>2,990,032</u>	<u>2,564,021</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,019,073</u>	<u>\$ 2,990,032</u>
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -
Supplement Data for Noncash Investing and Financing Activities		
Fixed assets included in accounts payable	<u>\$ -</u>	<u>\$ 200,055</u>

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Room to Grow National, Inc (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization provides parents raising babies in poverty with one-on-one parenting support and essential baby items throughout their children's critical first three years of life. Parents expecting a baby are referred to the Organization by selected prenatal programs assisting low-income families. Upon their referral, parents visit the Organization's warm and inviting space once every three months from just before the birth of the baby until their child turns three. During their one-on-one appointments with staff clinicians, typically lasting two hours, parents receive developmental information, customized support, and all of the needed baby items to ensure a healthy and secure start for their child.

The majority of the Organization's services are provided to Boston and New York City residents.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, 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. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash balances maintained by the Organization are held at a bank with a good reputation and amounts are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2020.

(e) Investments

The Organization carries investments at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(f) *Revenue Recognition*

The Organization earns revenue as follows:

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in contributions without donor restrictions.

Goods Donated for Program Participants - Goods donated for program participants are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special events revenue is recognized when earned and is shown net of related direct expenses in the accompanying statement of activities.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(f) Revenue Recognition - continued

Substantially all of the Organization's revenue is derived from its activities in Massachusetts and New York. During the year ended December 31, 2020, the Organization derived substantially all of its total revenue from foundations and individual donors. All revenue is recorded at the estimated net realizable amounts.

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their 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 discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2020, management has determined any allowance would be immaterial.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(h) Goods Donated for Program Participants

The Organization receives donated goods that are used to provide program participants with vital supplies needed. Donated goods are grouped into homogenous categories and estimates are computed based on average prices on recognized exchanges for similar goods. Inventory is valued at the lower of net realizable value or fair value.

(i) Property and Equipment

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	life of lease
Furniture and fixtures	5-7 years
Office equipment	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

(j) Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

The following sections describe the valuation methodologies used to measure financial assets at fair value on a recurring basis.

Investments in Debt and Equity Securities: Quoted market prices, a Level 1 input, are used to determine the fair value of investment securities, (see Note 3).

Goods Donated for Program Participants: Available quoted market prices for similar assets as determinable through online resale sites, a Level 2 input, are used to determine the fair value of goods donated for program participants, (see Note 1(h)).

Pledges Receivable: Promises to give are discounted using risk-adjusted interest rates, a Level 2 input, applicable to the years in which the promises to give, (see Note 2).

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements - continued

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 5,588,510	\$ -	\$ -	\$ 5,588,510
Goods donated for program participants	-	259,584	-	259,584
Pledges receivable - current year additions	-	279,032	-	279,032
	<u>\$ 5,588,510</u>	<u>\$ 538,616</u>	<u>\$ -</u>	<u>\$ 6,127,126</u>

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended December 31, 2020.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Organization currently has no liabilities that are adjusted to fair value on a nonrecurring basis.

(l) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 17% for the year ended December 31, 2020. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(m) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(n) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

(p) Summarized Financial Information for 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies - continued

(q) Recent Accounting Standards

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.

(r) Paycheck Protection Program Loan

As described at Note 9, the Organization received a Paycheck Protection Program (PPP) loan during the fiscal year ended December 31, 2020. The Organization has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended December 31, 2020, the Organization recognized \$370,144 of debt.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(2) Pledges Receivable

The Organization has received unconditional pledges that are expected to be received in less than one year and are recorded at net realizable value. Those unconditional pledges that are due in greater than one year are recorded at fair value, which is calculated using risk adjusted present value techniques, if material long term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction. Based on historical experience and a specific review of outstanding receivables, management has deemed that no allowance for doubtful accounts is necessary.

The following is an analysis of the pledges receivable as of December 31, 2020:

December 31, 2021	\$ 804,032
December 31, 2022	<u>525,000</u>
Pledges receivable total	\$ <u>1,329,032</u>

There is no discount applied to long-term promises to give as of December 31, 2020, as the effect to the financial statements would be immaterial.

(3) Investments

Investments are valued at fair value using level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of December 31, 2020:

Equities	\$ 1,109,740
US Fixed Income	3,000,369
Trading CD's	<u>1,478,401</u>
Investments Measured at Fair Value	5,588,510
Cash	<u>1,405,735</u>
Total Investments	\$ <u>6,994,245</u>

Investment income consisted of the following for the year ended December 31, 2020:

Interest and dividends	\$ 140,602
Unrealized and realized gains, net	<u>258,920</u>
Total gain on Investments	\$ <u>399,522</u>

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(3) Investments - continued

The marketable equity securities and corporate fixed income debt securities primarily consist of index funds, holding common stock of companies traded on the New York Stock Exchange. Cash balances can be liquidated in the same fiscal year and therefore are included in cash and cash equivalents on the Statement of Financial Position.

(4) Note Payable

The Organization received a PPP loan from Bank of America during the year ended December 31, 2020 in the original amount of \$370,144 with a maturity date of May 1, 2022. The loan bears interest at a rate of 1%, which is deferred for the first six months. Management applied for and received forgiveness for the entire balance, including \$3,134 of accrued interest, subsequent to year end.

(5) Operating Lease Commitments

The Organization occupies office space in Boston and New York under non-cancelable, operating lease agreements with expiration dates from June 30, 2023 to May 15, 2030. The Organization is also liable for certain real estate tax increases and operating cost adjustments under the office lease terms.

The minimum annual operating non-cancelable lease commitments on property for the Organization are as follows:

Year ended December 31:	
2021	\$ 594,763
2022	615,554
2023	500,772
2024	365,064
2025	356,415

Rent expense for the year ended December 31, 2020 was \$458,744.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(6) Employee Benefits

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. After a waiting period of three months, all full-time employees may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The employer is not required to match and therefore has not incurred any expense.

(7) Special Events

The Organization had special events in Boston and New York. The special events for the year ended December 31, 2020 are summarized as follows:

Gross revenue	\$ 689,670
Less: expenses with a direct benefit to donors	<u>(2,868)</u>
	686,802
Less: other event expenses	<u>(83,139)</u>
Net income from special events	<u>603,663</u>

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose:	
Specified for projects	\$ 771,385
Subject to the passage of time:	
For periods after December 31, 2020	\$ <u>2,105,000</u>
Total net assets with donor restrictions	\$ <u>2,876,385</u>

Net assets released from restrictions during the year ended December 31, 2020 were \$1,532,165, of which \$219,165 was from program restrictions and \$1,313,000 was from time restrictions.

ROOM TO GROW NATIONAL, INC

Notes to Financial Statements

December 31, 2020

(9) Liquidity and Availability of Resources - continued

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,019,073
Pledges receivable, net	1,329,032
Investments	<u>5,588,510</u>
Total	\$ <u>9,936,615</u>

Less amounts unavailable for general expenditures within one year, due to:

Restricted by donors for specific purposes	\$ 771,385
Restricted by donors for passage of time	<u>525,000</u>
Total	\$ <u>1,296,385</u>

Financial assets available to meet cash needs for general expenditures within one year	\$ <u>8,640,230</u>
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The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

(10) COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. At this stage, the limited impact to the Organization resulted in a loss of revenues and other adverse effects to the Organization's financial position, results of operations, and cash flows. As described in Note 4, the Organization received PPP loan. Further, the Organization's liquidity as of December 31, 2020 is documented at Note 8. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

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(11) Subsequent Events

The Organization has performed an evaluation of subsequent events through July 1, 2021, which is the date the Organization's financial statements were available to be issued. No material subsequent events, other than the items disclosed below and in Note 4, have occurred since December 31, 2020 that required recognition or disclosure in these financial statements.

On March 13, 2021, the Organization applied for and received a Second Draw PPP loan in the amount of \$501,005. The Second Draw PPP loan bears interest at 1% per annum and allows for forgiveness based on conditions as outlined in the loan agreement.