

# EDUCATIONAL AND CHARITABLE FOUNDATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2019, 2018 and 2017

**EDUCATIONAL AND CHARITABLE FOUNDATION**

Financial Statements

December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Educational and Charitable Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Educational and Charitable Foundation (ECF) which comprise the statements of financial position as of December 31, 2019, 2018 and 2017 and the related statements of activities and change in net assets 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.



### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Educational and Charitable Foundation as of December 31, 2019, 2018 and 2017 and its revenue collected and expenses paid for the years then ended, on the basis of accounting described in Note 2.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Orr-McIntyre & Associates, LLC*

**ORR-MCINTYRE & ASSOCIATES, LLC**

Owings Mills, MD 21117

October 24, 2020

**EDUCATIONAL AND CHARITABLE FOUNDATION**

Statements of Financial Position  
December 31, 2019, 2018 and 2017

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 102,620	\$ 125,357	\$ 128,428
Investments	<u>52,887</u>	<u>42,925</u>	<u>56,685</u>
Total Assets	<u><b>\$ 155,507</b></u>	<u><b>\$ 168,282</b></u>	<u><b>\$ 185,113</b></u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Total Liabilities	\$ -	\$ -	\$ -
<b>Net Assets</b>			
Without Donor Restrictions	<u>155,507</u>	<u>168,282</u>	<u>185,113</u>
Total Net Assets	<u>155,507</u>	<u>168,282</u>	<u>185,113</u>
Total Liabilities and Net Assets	<u><b>\$ 155,507</b></u>	<u><b>\$ 168,282</b></u>	<u><b>\$ 185,113</b></u>

**EDUCATIONAL AND CHARITABLE FOUNDATION**Statement of Activities and Change in Net Assets  
Year Ended December 31, 2019

<b><u>Revenue and Support</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Book Signing	\$ 66,756	\$ -	\$ 66,756
Little Miss AKA	44,532	-	44,532
Scholarship Contributions	10,000	-	10,000
Net Unrealized Gain in Investments	8,237	-	8,237
Corporate and Individual Contributions	5,973	-	5,973
Jiffy Lube Live	1,241	-	1,241
Other Income	46	-	46
<b>Total Revenue and Support</b>	<b>136,785</b>	<b>-</b>	<b>136,785</b>
<b><u>Expenses</u></b>			
Program Services	125,167	-	125,167
Management & General	24,393	-	24,393
<b>Total Expenses</b>	<b>149,560</b>	<b>-</b>	<b>149,560</b>
<b>Change in Net Assets</b>	<b>(12,775)</b>	<b>-</b>	<b>(12,775)</b>
Net Assets, Beginning of Year	168,282	-	168,282
<b>Net Assets, End of Year</b>	<b>\$ 155,507</b>	<b>\$ -</b>	<b>\$ 155,507</b>

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

**EDUCATIONAL AND CHARITABLE FOUNDATION**Statement of Activities and Change in Net Assets  
Year Ended December 31, 2018

<b><u>Revenue and Support</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Book Signing	\$ 82,393	\$ -	\$ 82,393
Battalle	15,000	-	15,000
Scholarship Contributions	13,200	-	13,200
Corporate and Individual Contributions	6,130	-	6,130
Jiffy Lube Live	5,896	-	5,896
Community Outreach	1,438	-	1,438
Jacqueline Rosier Endowment	550	-	550
Little Miss AKA	427	-	427
Other Income	252	-	252
Net Unrealized Loss in Investments	(1,805)	-	(1,805)
<b>Total Revenue and Support</b>	<b>123,481</b>	<b>-</b>	<b>123,481</b>
<b><u>Expenses</u></b>			
Program Services	115,994	-	115,994
Management & General	23,318	-	23,118
<b>Total Expenses</b>	<b>139,312</b>	<b>-</b>	<b>139,312</b>
<b>Change in Net Assets</b>	<b>(15,831)</b>	<b>-</b>	<b>(15,831)</b>
Net Assets, Beginning of Year	185,113	-	185,113
<b>Net Assets, End of Year</b>	<b>\$ 168,282</b>	<b>\$ -</b>	<b>\$ 168,282</b>

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



## EDUCATIONAL AND CHARITABLE FOUNDATION

Statement of Activities and Change in Net Assets  
Year Ended December 31, 2017

<u>Revenue and Support</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Book Signing	\$ 86,610	\$ -	\$ 86,610
Little Miss AKA	73,439	-	73,439
Corporate Contributions	20,000	-	20,000
Scholarship Contributions	17,678	-	17,678
Jacqueline Rosier Endowment	2,000	-	2,000
Property Acquisition Fundraiser	1,726	-	1,726
Other Income	1,497	-	1,497
Interest Income	354	-	354
<b>Total Revenue and Support</b>	<b>203,304</b>	<b>-</b>	<b>203,304</b>
<u>Expenses</u>			
Program Services	119,513	-	119,513
Management & General	19,199	-	19,199
<b>Total Expenses</b>	<b>138,712</b>	<b>-</b>	<b>138,712</b>
<b>Change in Net Assets</b>	<b>64,592</b>	<b>-</b>	<b>64,592</b>
Net Assets, Beginning of Year	120,521	-	120,521
<b>Net Assets, End of Year</b>	<b>\$ 185,113</b>	<b>\$ -</b>	<b>\$ 185,113</b>

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



**EDUCATIONAL AND CHARITABLE FOUNDATION**  
 Statements of Cash Flows  
 Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>			
Change in Net Assets	\$ (12,775)	\$ (15,831)	\$ 64,592
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Prior Period Adjustment	<u>-</u>	<u>1</u>	<u>20</u>
<b>Net Cash Provided by Operating Activities</b>	<u>(12,775)</u>	<u>(15,830)</u>	<u>64,612</u>
<b>Cash Flows from Investing Activities</b>			
Sale/(Purchase) of Investments	<u>(9,962)</u>	<u>12,759</u>	<u>(2,634)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(22,737)	(3,071)	61,978
Cash and Cash Equivalents at Beginning of Period	<u>125,357</u>	<u>128,428</u>	<u>66,450</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><b>\$ 102,620</b></u>	<u><b>\$ 125,357</b></u>	<u><b>\$ 128,428</b></u>

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

## EDUCATIONAL AND CHARITABLE FOUNDATION

Notes to Financial Statements  
December 31, 2019, 2018 and 2017

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### 1. ORGANIZATION

Educational and Charitable Foundation (ECF), which is a not-for profit organization incorporated in Virginia, was founded in 2002. ECF was established and organized solely to provide educational and charitable activities to individuals, groups and organizations regardless of race, religion and ethnicity to the entire greater Washington Metropolitan area and more specifically Northern Virginia.

ECF is a public not-for-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is the philanthropic arm of Alpha Kappa Alpha Sorority, Inc., Lambda Kappa Omega Chapter.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies utilized in the preparation of the financial statements are as follows:

#### **Basis of Accounting**

ECF prepares its financial statements on the cash receipts and disbursements basis of accounting (cash basis), which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding receipts and obligations are not including in the financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, statements of activities and change in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts deposited in financial institutions and highly liquid investments with an original maturity of three months or less.

#### **Investments**

ECF carries its investments and certificates of deposit at cost which approximates fair value.

#### **Net Assets**

*Net assets without restrictions* are assets and contributions that are not restricted by donors or for which restrictions have expired.



## EDUCATIONAL AND CHARITABLE FOUNDATION

Notes to Financial Statements  
December 31, 2019, 2018 and 2017

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Net assets with restrictions* are those whose use by ECF has been limited by donors, primarily for a specific time period or purpose. When a donor restriction is met, net assets with restrictions are reclassified to net assets without restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets. There are no net assets with restrictions as of December 31, 2019, 2018 and 2017.

#### Revenue and Expense Recognition

ECF derives its financial resources primarily from donations, contributions, membership assessments, and special events held throughout the year. ECF has adopted the cash basis of accounting in preparation of its financial statements. Consequently, revenue is recognized when cash is received rather than when earned and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Grants and contributions received are recorded as unrestricted, temporarily, or permanently restricted support, depending on the existence or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### 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 change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of ECF. All direct costs are charged to the specific program or event.

#### Income Taxes

ECF is a not-for-profit organization exempt from Federal income tax, other than net unrelated business income tax, under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service. In addition, ECF qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. ECF had no unrelated business income for the years ended December 31, 2019, 2018 and 2017.

## EDUCATIONAL AND CHARITABLE FOUNDATION

Notes to Financial Statements

December 31, 2019, 2018 and 2017

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ECF accounts for uncertainty in income taxes recognized in its financial statements using a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. ECF performed an evaluation of uncertain tax positions for the year ended December 31, 2019 and determined that there were no matters that would require recognition in the accompanying financial statements, or which may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for fiscal years 2016 through 2019, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which ECF files tax returns.

#### **Program Services**

Program services represent the cost of ECF-managed programs that provide services to individuals and the community in general.

#### **Support Services**

Support services are classified as organizational administration and resource development. Organizational administration includes overall executive direction, planning and coordination, financial management and administrative support services represent the cost of ECF-managed programs that provide services to individuals and the community in general.

#### **Liquidity**

ECF receives contributions from donors which may or may not be restricted for specific purposes. Financial assets of ECF are comprised of cash and investments. ECF structures its financial assets to be available as general expenditure liabilities and other obligations come due.

To achieve this, ECF forecasts its future cash flows and monitors its liquidity on a monthly basis. Management and the Board have been monitoring ECF’s cash balances to ensure that there is at least 3 months of working capital available throughout the year.

#### **Accounting Pronouncements Adopted**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability or resources, and presentation of operating cash flows. ECF adopted these standards for the year ended December 31, 2018. Due to the adoption, the presentation of the financial statements and footnotes were updated accordingly.



## EDUCATIONAL AND CHARITABLE FOUNDATION

Notes to Financial Statements  
December 31, 2019, 2018 and 2017

### Accounting Pronouncements Pending

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

### Subsequent Events

ECF has evaluated subsequent events and transactions through October 24, 2020, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred which could affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. INVESTMENTS

The following table summarizes ECF's investments as of December 31:

	2019	2018	2017
11-Month Certificate of Deposit	\$ -	\$ -	\$ 6,537
Fixed Term Certificate of Deposit	-	-	5,432
Guided Solutions Fund Account 1	7,659	6,407	5,852
Guided Solutions Fund Account 2	11,876	8,232	8,817
Guided Solutions Flex Account	33,352	28,286	30,047
Total Investments	<u>\$ 52,887</u>	<u>\$ 42,925</u>	<u>\$ 56,685</u>

Net Investment (loss)/income was \$8,237, \$(12,759) and \$354 for the years ended December 31, 2019, 2018 and 2017, respectively. Investment expense was \$332, \$360, and \$21 for the years ended December 31, 2019, 2018 and 2017, respectively. Investment expenses are recorded on the statement of activities and change in net assets.

**SUPPLEMENTAL INFORMATION**

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**EDUCATIONAL AND CHARITABLE FOUNDATION**

Statement of Functional Expenses

Year Ended December 31, 2019

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	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total Expenses</u>
Fundraising	\$ 74,731	\$ -	\$ 74,731
Education	39,500	-	39,500
Community Outreach & Grants	10,936	-	10,936
Contract and Professional	-	9,587	9,587
Marketing	-	5,314	5,314
Dues and Subscriptions	-	2,562	2,562
Insurance	-	1,996	1,996
Storage	-	1,793	1,793
Other Administrative	-	1,525	1,525
Technology Support	-	1,482	1,482
Phone and Fax	-	134	134
<b>Total Expenses</b>	<u><b>\$ 125,167</b></u>	<u><b>\$ 24,393</b></u>	<u><b>\$ 149,560</b></u>

**EDUCATIONAL AND CHARITABLE FOUNDATION**Statement of Functional Expenses  
Year Ended December 31, 2018

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	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total Expenses</u>
Fundraising	\$ 62,063	\$ -	\$ 62,063
Education	46,200	-	46,200
Community Outreach & Grants	7,731	-	7,731
Contract and Professional	-	8,032	8,032
Marketing	-	5,340	5,340
Storage	-	2,249	2,249
Insurance	-	1,853	1,853
Technology Support	-	1,733	1,733
Other Administrative	-	1,324	1,324
Dues and Subscriptions	-	1,205	1,205
Treasurer Supplies	-	880	880
Bank Fees	-	523	523
Postal Fees	-	120	120
Phone and Fax	-	59	59
<b>Total Expenses</b>	<b>\$ 115,994</b>	<b>\$ 23,318</b>	<b>\$ 139,312</b>



**EDUCATIONAL AND CHARITABLE FOUNDATION**Statement of Functional Expenses  
Year Ended December 31, 2017

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	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total Expenses</u>
Fundraising	\$ 82,005	\$ -	\$ 82,005
Education	29,538	-	29,538
Family Strengthening	4,530	-	4,530
Community Outreach	2,129	-	2,129
Grants	1,311	-	1,311
Contract and Professional	-	5,484	5,484
Marketing	-	4,483	4,483
Treasurer Supplies	-	3,045	3,045
Insurance	-	1,847	1,847
Other Administrative	-	1,846	1,846
Storage	-	1,160	1,160
Technology Support	-	744	744
Phone and Fax	-	590	590
<b>Total Expenses</b>	<b>\$ 119,513</b>	<b>\$ 19,199</b>	<b>\$ 138,712</b>