# GreatSchools, Inc.

Financial Statements

December 31, 2019
(With Comparative Totals for 2018)

armanino

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
GreatSchools, Inc.
Oakland, California

We have audited the accompanying financial statements of GreatSchools, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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.

**Auditor's 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 auditor's 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 GreatSchools, Inc. as of December 31, 2019, 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.

**Emphasis of Matter**

As described in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

**Report on Summarized Comparative Information**

We have previously audited GreatSchools, Inc.and Subsidiary's 2018 financial statements, and our report dated August 12, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Francisco, California

July 20, 2020

GreatSchools, Inc.
Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 2,894,417 | $ 2,661,016 |
| Investments | - | 483,810 |
| Accounts receivable, net | 856,223 | 972,543 |
| Grants receivable | 600,000 | 1,329,000 |
| Prepaid expenses | 169,744 | 258,582 |
| Total current assets | 4,520,384 | 5,704,951 |
| Non-current assets | | |
| Property and equipment, net | 10,771 | 28,943 |
| Deposits | 39,900 | 37,858 |
| Grants receivable, net of current portion | 300,000 | - |
| Total non-current assets | 350,671 | 66,801 |
| Total assets | $ 4,871,055 | $ 5,771,752 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable | $ 35,391 | $ 145,877 |
| Accrued expenses | 34,257 | 43,408 |
| Accrued vacation payable | 152,100 | 208,991 |
| Deferred revenue | 439,308 | 373,769 |
| Total current liabilities | 661,056 | 772,045 |
| Net assets | | |
| Without donor restrictions | 2,774,610 | 2,731,317 |
| With donor restrictions | 1,435,389 | 2,268,390 |
| Total net assets | 4,209,999 | 4,999,707 |
| Total liabilities and net assets | $ 4,871,055 | $ 5,771,752 |

GreatSchools, Inc.
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Revenues, gains and other support | | | | |
| Contributions and grants | $ 142,577 | $ 2,086,619 | $ 2,229,196 | $ 4,008,679 |
| Donated services | 81,903 | - | 81,903 | 55,000 |
| Licensing/royalty/co-branding | 1,997,140 | - | 1,997,140 | 1,949,871 |
| Website activity | 1,568,126 | - | 1,568,126 | 1,138,987 |
| Fee for service | - | - | - | 1,500 |
| Other | 25,438 | - | 25,438 | 139,888 |
| Net assets released from restriction | 2,919,620 | (2,919,620) | - | - |
| Total revenues, gains and other support | 6,734,804 | (833,001) | 5,901,803 | 7,293,925 |
| Functional expenses | | | | |
| Program services | 5,047,995 | - | 5,047,995 | 5,770,961 |
| Management and general | 1,048,001 | - | 1,048,001 | 991,226 |
| Fundraising | 356,790 | - | 356,790 | 377,400 |
| Total functional expenses | 6,452,786 | - | 6,452,786 | 7,139,587 |
| Change in net assets from operations | 282,018 | (833,001) | (550,983) | 154,338 |
| Contribution of membership interest in FEL, LLC (Note 3) | (238,725) | - | (238,725) | - |
| Change in net assets | 43,293 | (833,001) | (789,708) | 154,338 |
| Net assets, beginning of year | 2,731,317 | 2,268,390 | 4,999,707 | 4,845,369 |
| Net assets, end of year | $ 2,774,610 | $ 1,435,389 | $ 4,209,999 | $ 4,999,707 |

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

GreatSchools, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

| | Program Services | Management and General | Fundraising | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| Salaries and benefits | $ 3,588,474 | $ 504,640 | $ 326,614 | $ 4,419,728 | $ 4,925,536 |
| Consultants | 536,071 | 67,100 | - | 603,171 | 569,759 |
| Travel and events | 25,512 | 87,354 | 4,495 | 117,361 | 129,465 |
| Content | 84,917 | 37 | - | 84,954 | 81,952 |
| Data center and web hosting | 232,946 | - | - | 232,946 | 271,173 |
| Technology and software | 75,465 | 19,884 | 874 | 96,223 | 61,967 |
| Advertising and marketing | 27,689 | - | - | 27,689 | 35,683 |
| Research and analytics | 12,293 | - | - | 12,293 | 15,610 |
| Printing | 6,786 | 1,135 | 379 | 8,300 | 11,863 |
| Professional fees | 40,688 | 244,931 | 3,853 | 289,472 | 177,097 |
| Rent and occupancy | 300,404 | 52,713 | 17,571 | 370,688 | 520,969 |
| Office expense | 5,730 | 9,693 | 61 | 15,484 | 17,193 |
| Professional development | 294 | 8,706 | - | 9,000 | 25,666 |
| Recruiting | 29,930 | 40,716 | - | 70,646 | 113,681 |
| Insurance, fees and other | 39,563 | 7,521 | 1,546 | 48,630 | 57,208 |
| Phones and internet | 26,382 | 986 | 536 | 27,904 | 34,605 |
| Depreciation expense | 14,851 | 2,585 | 861 | 18,297 | 90,160 |
| | $ 5,047,995 | $ 1,048,001 | $ 356,790 | $ 6,452,786 | $ 7,139,587 |

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

GreatSchools, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (789,708) | $ 154,338 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 18,297 | 90,160 |
| Loss on disposal of property and equipment | 3,581 | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 116,320 | (99,134) |
| Grants receivables | 429,000 | 528,000 |
| Prepaid expenses | 88,838 | (82,353) |
| Deposits | (2,042) | - |
| Accounts payable | (110,486) | 66,130 |
| Security deposits | - | (12,000) |
| Accrued expenses | (9,151) | (45,489) |
| Accrued vacation payable | (56,891) | 26,731 |
| Deferred revenue | 65,539 | (86,725) |
| Net cash provided by (used in) operating activities | (246,703) | 539,658 |
| Cash flows from investing activities | | |
| Redemption of certificates of deposit | 483,810 | 483,649 |
| Purchase of certificates of deposit | - | (483,794) |
| Acquisition of property of equipment | (9,706) | (2,123) |
| Proceeds from sale of property and equipment | 6,000 | - |
| Net cash provided by (used in) investing activities | 480,104 | (2,268) |
| Net increase in cash and cash equivalents | 233,401 | 537,390 |
| Cash and cash equivalents, beginning of year | 2,661,016 | 2,123,626 |
| Cash and cash equivalents, end of year | $ 2,894,417 | $ 2,661,016 |

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

# GreatSchools, Inc.
## Notes to Financial Statements
## December 31, 2019

## 1. NATURE OF OPERATIONS

GreatSchools, Inc. (the "Organization" or "GreatSchools") is a nonprofit corporation that was organized in the State of California in 1998. The mission of the Organization, a 50l(c)(3) tax-exempt entity, is to provide parents with the information and resources they need to choose schools, support their children's education and advocate for educational excellence. The Organization provides, via its web site, an online guide to elementary, middle and high schools in addition to resources (like Guided Search and "Milestones") for parents to choose better schools and help their children be more successful in school.

GreatSchools is the leading national source of school information for parents. With a Webby-award winning website, GreatSchools.org reached over 50 million unique visitors and almost half of American families with school-age children in 2017. GreatSchools.org contains in-depth profiles of over 200,000 Pre K-12 schools and more than 1.5 million parent and community ratings and reviews of schools.

GreatSchools.org also provides resources for parents to see how their kids are progressing in their education. These parenting resources contain videos, articles and other resources that help parents understand what educational excellence looks like at each step of their child's learning journey and address both academic, social and emotional development by providing parents with tips about what their children should be learning, how to cultivate character strengths such as persistence and character development, and how to partner effectively with teachers.

Millions of parents come to GreatSchools for advice, and our thousands of articles, worksheets and videos answer their questions and help them encourage and support learning.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of accounting and financial statement presentation</u>

The accompanying financial statements are prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - represent the portion of net assets which do not have donor-imposed stipulations and are available to support the Organization's operations.
- *Net assets with donor restrictions* - represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. When the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the financial statements as net assets released from restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, all highly liquid investments with original maturity dates of three months or less are considered to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may be in excess of federally insured limits. Management believes it is not exposed to any significant risks on cash accounts.

Investments

Investments which previously consisted of certificates of deposit were valued at cost. Investments received through gifts are recorded at estimated fair value at the date of donation. Dividend and interest income are accrued when earned. The Organization had no investments at December 31, 2019.

Receivables

Website and licensing receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained based on past experiences and other circumstances. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts amounted to $19,907 at December 31, 2019.

Property and equipment

Purchased property and equipment is carried at cost. Donated property and equipment is recorded at fair value as of the date of receipt. Assets acquired with a cost or fair value greater than $1,500 are capitalized. Maintenance and repairs are expensed as incurred. Assets retired or sold are removed from the property accounts, with gains or losses on disposal included in income.

Depreciation of property and equipment is provided by use of the straight-line method over the lesser of the estimated three to seven year useful lives of the equipment or the related lease term. Purchased intangible assets are carried at cost. These assets include the domain name and web site development costs. Amortization of intangible assets is provided by use of the straight-line method over the estimated three to five year useful lives of the intangibles. Intangible assets are fully amortized as of December 31, 2019.

The Organization reviews long-lived tangible and intangible assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenues

Licensing revenue received that relates to future periods is recorded as deferred revenue and amortized into income as earned.

Contributions

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give for the year ended December 31, 2019. Unconditional promises to give that are expected to be collected in excess of one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There is no discount recorded for the year ended December 31, 2019 as the discount calculated was immaterial to the financial statements. An allowance for doubtful contributions receivable is provided based upon management's judgment including factors such as prior collection history, type of contribution and current aging of contributions receivable. Management has determined that an allowance for doubtful contributions receivable is not necessary at December 31, 2019.

Donated goods and services

Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Usually the Organization receives such donated goods and services for software, computer parts and legal services.

Website activity income and expense

Website activity income generated on the Organization's website from advertisement placements is a function of website page views and price. The Organization's current partners are education-related firms, real estate and mortgage professionals, consumer companies and Google. Website activity income is recognized as it is earned and for the year ended December 31, 2019 amounted to $1,568,126. Related website activity expenses are recognized as incurred and consist of expenses allocable against website activity income based on managerial assumptions.

The Organization also incurs website development costs and has determined that no website development costs were eligible for capitalization. Website development costs amounted to approximately $1,100,000 for the year ended December 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst program services and supporting services based on management estimates utilizing allocated time and FTE of each program.

Advertising costs

Advertising costs are charged to expense as incurred and amounted to $19,811 for the year ended December 31, 2019.

Income taxes

There is no provision for federal or state taxes on income since the Organization is a tax-exempt entity under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701(d). The Organization has evaluated its current tax positions and has concluded that as of December 31, 2019, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary and that no unrelated business taxable income arising from its website activity is subject to taxation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial application of January 1, 2019, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, statement of activities or cash flows. The majority of the Organization's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

In June 2018, the FASB issued ASU 2018-08, *Contributions Received and Contributions Made,* which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of January 1, 2019, using the modified prospective approach.

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, statement of activities or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of this standard.

3. FAMILY ENGAGEMENT LAB, LLC

Family Engagement Lab, LLC ("FEL LLC") was formed in 2016 to enable teachers in low-income communities to engage with families of students to support enhanced student learning. GreatSchools was the sole member of FEL LLC and previously consolidated the accounts of FEL LLC.

On December 6, 2019, GreatSchools entered into a Donation Agreement with FEL LLC and Family Engagement Lab (FEL), a California nonprofit public benefit corporation with a purpose to provide programs and tools that advance education for children. In accordance with the Donation Agreement, GreatSchools donated (i) the membership interests in FEL LLC, (ii) certain contracts and grants, and (iii) cash of $25,420, along with the cancellation of certain liabilities (collectively the "Donated Assets") to FEL. GreatSchools deconsolidated FEL LLC as of the date of the Donation Agreement and recognized a contribution expense of $238,725 for the year ended December 31, 2019.

## 4. GRANTS RECEIVABLE

Grants receivable consisted of the following:

| | | |
|---|---|---|
| Receivable in less than one year | $ | 600,000 |
| Receivable in greater than one year | | 300,000 |
| | $ | 900,000 |

## 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | | |
|---|---|---|
| Equipment | $ | 267,318 |
| Software | | 30,979 |
| Less accumulated depreciation and amortization | | (287,526) |
| | $ | 10,771 |

Depreciation and amortization expense for 2019 amounted to $18,297.

## 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted by donors to the following purposes:

| | | |
|---|---|---|
| General support - time restricted | $ | 900,000 |
| GreatSchools College Success Award | | 478,496 |
| Strategic Planning | | 46,869 |
| Parent and civic engagement | | 10,024 |
| | $ | 1,435,389 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

| | | |
|---|---|---|
| GreatSchools College Success Award | $ | 1,171,545 |
| Updated data pages | | 471,600 |
| Strategic planning | | 406,107 |
| Family Engagement Labs | | 377,083 |
| General support - time restricted | | 200,000 |
| Parent and civic engagement | | 140,600 |
| Character virtues | | 111,018 |
| Students with disabilities modules | | 41,667 |
| | $ | 2,919,620 |

## 7. DONATED SERVICES

The Organization received donated legal services with a fair value of $81,903 during the year ended December 31, 2019.

## 8. RETIREMENT PLAN

The Organization has a defined contribution savings plan under the salary deferral provision of Internal Revenue Code Section 403(b). Employees can choose to have a specified dollar amount or a percentage of their salaries invested in mutual funds or a managed plan of their choice each pay period. The Organization provides a matching contribution of $0.50 for each $1.00 up to a maximum of $1,000 per employee per year. The total matching contribution expense for the year ended December 31, 2019 was $21,204.

## 9. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Organization leases equipment under long-term operating leases expiring in various years. Additionally, the Organization leased an office space until the lease expired on March 31, 2019.

The Organization entered into a membership agreement with WeWork in November 2018. The membership agreement includes the use of office space, conference room credits and print and copy credits. The membership fee is $21,280 per month and has a term of April 1, 2019 through March 31, 2021.

The scheduled minimum lease payments under the lease terms are as follows:

| Year ending December 31, | |
|---|---|
| 2020 | $ 255,360 |
| 2021 | 63,840 |
| | $ 319,200 |

Rental expense under all operating leases for the year ended December 31, 2019 was $370,688.

During 2017, the Organization entered into short term sublease agreements to lease a portion of its office space. The sublease terms included monthly payments ranging from $2,000 to $10,000 and expired in February 2019. Rental income for the year ended December 31, 2019 was $21,828 and is included in other income in the accompanying statement of activities.

9. COMMITMENTS AND CONTINGENCIES (continued)

Risks and uncertainties

The Organization depends heavily on contributions, fundraising events and grants for its revenue. The ability of the Organization to attract support and revenues that are comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While the Organization's Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

10. CONCENTRATIONS

The Organization's total revenues for 2019 includes $1,500,000 received from three organizations. This amount represents approximately 25% of total revenues for the year ended December 31, 2019.

Credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash investments and short term investments. The potential concentration of credit risk pertaining to cash investments will vary throughout the year depending upon the level of cash deposits versus amounts insured.

11. LIQUIDITY AND FUNDS AVAILABLE

As a part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Contributions that are considered current will be collected from donors within one year and will be available for general expenditures when received. Funds from current executed grant agreements will be collected upon the date established in the agreement or upon such time as the Organization achieved the metric by which payment of such funds can be initiated.

At a minimum, the Organization's Finance Committee reviews the Organization's financial position on a quarterly basis. The Chief Executive Officer reviews the Organization's financial position monthly.

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure describing assets available within one year of December 31, 2019, to fund expenditures and other obligations when they become due:

| | |
|---|---|
| Financial assets | |
| Cash and cash equivalents | $ 2,894,417 |
| Grants receivable | 900,000 |
| Accounts receivable, net | 856,223 |
| | 4,650,640 |
| Less: amounts unavailable for general expenditures within one year | |
| Restricted contributions and grants | (835,389) |
| | $ 3,815,251 |

The Organization has financial assets available at December 31, 2019 to cover approximately six months of operating expenses based on the Organization's budget for the year ended December 31, 2019.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 20, 2020, the date the financial statements were available to be issued. Other than those disclosed below, no other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Several states in the United States including California, where the Organization is headquartered, have declared a state of emergency. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. Also, the Organization's donor base may be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time. Any of the foregoing could harm the Organization's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on their businesses, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

12. SUBSEQUENT EVENTS (continued)

In May 2020, the Organization received loan proceeds in the amount of approximately $743,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. Amounts that are not forgiven convert to a note payable and accrue interest at 1.0%.