

**MIKVA CHALLENGE GRANT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

MIKVA CHALLENGE GRANT FOUNDATION, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
Mikva Challenge Grant Foundation, Inc.

We have audited the accompanying financial statements of Mikva Challenge Grant Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 Mikva Challenge Grant Foundation, Inc. as of June 30, 2020 and 2019, 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.

Ostrow Reisin Berk & Abrams, Ltd.

December 9, 2020

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,	2020	2019
ASSETS		
Cash	\$ 711,821	\$ 529,696
Investments	1,478,221	1,351,464
Grants and contributions receivable	1,800,962	751,152
Other receivables	166,114	189,924
Prepaid expenses and deposits	122,443	167,219
Property and equipment, net	49,545	68,437
Total assets	\$ 4,329,106	\$ 3,057,892
LIABILITIES AND NET ASSETS		
Liabilities:		
Loan payable	\$ 430,272	
Accounts payable and accrued expenses	91,329	\$ 207,610
Deferred rent	57,076	61,484
Deferred revenue		18,429
Total liabilities	578,677	287,523
Net assets:		
Without donor restrictions:		
Board-designated endowment funds	1,680,858	1,556,902
Undesignated	268,169	151,880
Total without donor restrictions	1,949,027	1,708,782
With donor restrictions	1,801,402	1,061,587
Total net assets	3,750,429	2,770,369
Total liabilities and net assets	\$ 4,329,106	\$ 3,057,892

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30,	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Foundation and corporate grants	\$ 282,153	\$ 2,163,500	\$ 2,445,653	\$ 244,152	\$ 1,143,172	\$ 1,387,324
Individual contributions	517,368	474,414	991,782	318,753	73,152	391,905
Special events:						
Gross proceeds	652,556		652,556	1,100,655		1,100,655
Less cost of direct benefit to donors				(174,123)		(174,123)
Contract services revenue	1,120,892		1,120,892	1,005,069		1,005,069
Net investment income	126,852		126,852	112,804		112,804
Other income	27,995		27,995	11,188		11,188
Net assets released from restriction	1,898,099	(1,898,099)		1,578,195	(1,578,195)	
Total revenue	4,625,915	739,815	5,365,730	4,196,693	(361,871)	3,834,822
Expenses:						
Program services	3,290,117		3,290,117	3,493,906		3,493,906
Management and general	485,091		485,091	429,136		429,136
Fundraising	610,462		610,462	702,391		702,391
Total expenses	4,385,670		4,385,670	4,625,433		4,625,433
Change in net assets	240,245	739,815	980,060	(428,740)	(361,871)	(790,611)
Net assets:						
Beginning of year	1,708,782	1,061,587	2,770,369	2,137,522	1,423,458	3,560,980
End of year	\$ 1,949,027	\$ 1,801,402	\$ 3,750,429	\$ 1,708,782	\$ 1,061,587	\$ 2,770,369

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2020	Program services					Support services		
	Activism Programs	National programs	Elections Program	Policymaking Programs	Total program services	Management and general	Fundraising	Total
Depreciation and amortization	\$ 9,627	\$ 2,494	\$ 7,315	\$ 3,880	\$ 23,316	\$ 4,089	\$ 3,666	\$ 31,071
Education, dues and subscriptions	2,394	2,179	602	695	5,870	10,944	13,420	30,234
Grants, awards and stipends	199,700	10,520	45,019	41,181	296,420	2,488	2,081	300,989
Occupancy	113,751	25,234	40,723	36,009	215,717	21,202	45,822	282,741
Professional services	115,640	88,077	23,984	3,285	230,986	113,440	114,384	458,810
Provision for uncollectible contributions receivable						43,207		43,207
Salaries and related costs	897,878	478,495	338,394	361,451	2,076,218	276,461	385,872	2,738,551
Special events							20,730	20,730
Supplies, office expenses and other related costs	11,666	12,484	3,854	3,079	31,083	5,325	16,484	52,892
Travel and transportation	66,313	62,364	4,227	9,085	141,989	7,400	7,620	157,009
Workshops, campaign and other program events	100,757	57,510	88,685	21,566	268,518	535	383	269,436
Total expenses included in the expenses section on the statements of activities	\$ 1,517,726	\$ 739,357	\$ 552,803	\$ 480,231	\$ 3,290,117	\$ 485,091	\$ 610,462	\$ 4,385,670

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2019	Program services				Total program services	Support services		Direct benefit to donors	Total
	Activism Programs	National Programs	Elections Program	Policymaking Programs		Management and general	Fundraising		
Depreciation and amortization	\$ 4,706	\$ 2,595	\$ 2,133	\$ 13,273	\$ 22,707	\$ 4,480	\$ 1,974		\$ 29,161
Education, dues and subscriptions	3,928	1,927	2,595	7,649	16,099	12,025	13,369		41,493
Grants, awards and stipends	47,166	10,250	60,950	268,554	386,920		300		387,220
Occupancy	57,111	36,329	28,066	110,581	232,087	10,018	25,765		267,870
Professional services	24,260	145,585	34,948	81,636	286,429	112,166	84,579		483,174
Provision for uncollectible contributions receivable						40,000			40,000
Salaries and related costs	638,423	290,808	171,289	889,212	1,989,732	222,901	450,592		2,663,225
Special events		566			566		76,283	\$ 174,123	250,972
Supplies, office expenses and other related costs	16,430	20,850	3,644	22,931	63,855	8,290	31,577		103,722
Travel and transportation	42,388	114,419	16,034	78,770	251,611	19,256	12,113		282,980
Workshops, campaign and other program events	78,173	34,072	24,653	107,002	243,900		5,839		249,739
Total expenses	912,585	657,401	344,312	1,579,608	3,493,906	429,136	702,391	174,123	4,799,556
Less expenses included with revenue on the statements of activities								(174,123)	(174,123)
Total expenses included in the expenses section on the statements of activities	\$ 912,585	\$ 657,401	\$ 344,312	\$ 1,579,608	\$ 3,493,906	\$ 429,136	\$ 702,391	\$ -	\$ 4,625,433

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30,	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 980,060	\$ (790,611)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	31,071	29,161
Net realized and unrealized gain on investments	(92,490)	(75,379)
Deferred rent	(4,408)	7,344
Provision for uncollectible contributions receivable	43,207	40,000
(Increase) decrease in operating assets:		
Grants and contributions receivable	(1,093,017)	315,438
Other receivables	23,810	(61,694)
Prepaid expenses and deposits	44,776	(42,840)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(116,281)	(5,954)
Deferred revenue	(18,429)	(64,404)
Net cash used in operating activities	(201,701)	(648,939)
Cash flows from investing activities:		
Purchases of property and equipment	(12,179)	(26,370)
Purchases of investments	(34,267)	(35,800)
Net cash used in investing activities	(46,446)	(62,170)
Cash flow from financing activity:		
Proceeds from loan payable	430,272	
Net cash provided by financing activity	430,272	
Net increase (decrease) in cash	182,125	(711,109)
Cash, beginning of year	529,696	1,240,805
Cash, end of year	\$ 711,821	\$ 529,696

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and operations

Mikva Challenge Grant Foundation, Inc. (the Foundation) was formed in 1997 to foster and encourage young peoples' interest in politics and civic affairs. The Foundation's mission is to develop youth to be empowered, informed, and active citizens who will promote a just and equitable society. Through its work, the Foundation looks to build a stronger, inclusive democracy that values youth voice. Its program serves over 20,000 middle and high school age students located in Illinois, Washington, D.C. and California, and provides training and materials for educators in action civics in states across the country. Through its Elections, Activism, Policymaking, and National Programs, the Foundation works with teachers to develop curriculum and implement educational programs which offer students a variety of activities. Students learn about the political process and have the opportunity to participate in political forums, internships, policy councils, leadership and public policy development workshops, voter registration drives, voter education, election judging, polling and research.

2. Summary of significant accounting policies

Basis of accounting:

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Foundation's net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "net assets without donor restrictions." Board-designated net assets include assets over which the Board retains control and may, at its discretion, subsequently use for other purposes. Board-designated net assets represent assets used to fund future special projects or other programs of the Foundation.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Net assets with donor restrictions - Net assets with donor restrictions represent those for which the use by the Foundation has been limited by donors to a specific time period or purpose.

Recent accounting pronouncement:

Effective July 1, 2019, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the financial statements of the Foundation.

Contributions and grants:

Contributions and grants received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contract services revenue:

Revenue from contract services is recognized when the services have been performed under the contract.

Investments:

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Risks and uncertainties:

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Grants and contributions receivable:

Grants and contributions receivable consist of unconditional promises to give. As of June 30, 2020, \$1,550,962 is due within one year and \$250,000 is due in two years. As of June 30, 2019, \$751,152 was due within one year. Management estimates an allowance for doubtful accounts based on experience and knowledge of circumstances that may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with agreed upon terms. No allowance for doubtful accounts has been provided as management believes that all unconditional promises to give are fully collectible.

Other receivables:

Other receivables consist of accounts receivable based on contract services revenue. All amounts are due within one year and are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. Management estimates an allowance for doubtful accounts based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. At June 30, 2020 and 2019, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

Property and equipment:

Property and equipment are stated at cost, if purchased or fair value at date of donation, if donated. Depreciation of furniture and equipment and software is provided over three or five years using the straight-line method. Amortization of leasehold improvements is provided ratably over the lesser of the term of the lease or the estimated life of the improvements. Major additions and betterments of \$500 or more are capitalized, while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment: (continued)

Property and equipment is reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the carrying value is written down to the asset's fair value. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Deferred rent:

The Foundation records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent which is reflected in the statements of financial position.

Deferred revenue:

Contract amounts received by June 30 for services that will not be performed until after June 30 are recognized as deferred revenue in the statements of financial position.

Expense allocation:

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related costs; depreciation and amortization; education, dues and subscriptions; and occupancy are allocated on the basis of time and effort.

Use of estimates:

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

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through December 9, 2020, the date the financial statements were available to be issued.

In November 2020, the Foundation received a grant of \$1,177,000 to develop and refine aligned English Language Arts (ELA) components to the Mikva Challenge Issues to Action and Project Soapbox curriculum that will bring ELA teachers into the work by engaging in argumentative writing around authentic topics built out in their speaking and listening focused coursework around Civics in Social Studies.

3. COVID-19 impact

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, wide-sweeping quarantines, and stay-at-home orders. As a result, COVID-19 and the related restrictive measures has had a significant adverse impact upon many sectors of the economy. During the COVID-19 pandemic, although the Foundation changed its programming model from in-person to a remote or virtual format, the functions of the Foundation have not been materially interrupted.

As the situation continues to evolve, the Foundation is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Foundation's business, including its donors, suppliers, vendors, and employees. Moreover, the Foundation is actively assessing how the pandemic is impacting its ability to provide programs and services and its relationships with strategic partners. The Foundation believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Foundation's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Foundation.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

The following represents the Foundation's financial assets available to meet general expenditures within one year at June 30, 2020 and 2019:

June 30,	2020	2019
Financial assets:		
Cash	\$ 711,821	\$ 529,696
Investments	1,478,221	1,351,464
Grants and contributions receivable	1,800,962	751,152
Other receivables	166,114	189,924
Total financial assets	4,157,118	2,822,236
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,801,402	1,061,587
Board-designated endowment funds	1,680,858	1,556,902
Total amounts not available to be used within one year	3,482,260	2,618,489
Financial assets available to meet general expenditures within one year	\$ 674,858	\$ 203,747

The Foundation manages available cash to meet general expenditures following these principles:

- Meet operating needs and contractual commitments
- Maintain adequate liquid assets
- Maximize investment opportunities
- Maintain sufficient reserves to fund unexpected circumstances

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability (continued)

The sources of liquidity available to the Foundation are cash, investments, and receivables. Management prepares monthly budgetary projections for the upcoming year. Annual event expenses and other known expenses are accounted for in preparing the budget. Management monitors the bank account to maintain a reserve. If unexpected circumstances arose which would require significant funds immediately, funds could be drawn from the Board-designated endowment funds to cover these additional obligations. Funds are deposited into the investment account at the discretion of management. Those deposits are monitored by both management and the investment manager. The Foundation's Audit and Finance Committee reviews liquidity measures on a quarterly basis.

5. Cash

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2020 and 2019, cash in excess of these limits totaled approximately \$581,000 and \$474,000, respectively. Management believes that the Foundation is not subject to any significant credit risk on cash.

6. Tax status

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

7. Investments

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The three levels of the fair value hierarchy are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

Following is a description of the valuation methodology used for assets measured at fair value.

Investments in mutual funds that are traded on a national securities exchange are stated at the last reported sales price on the day of valuation. These financial investments are classified as Level 1 in the fair value hierarchy.

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2020 and 2019:

June 30,	2020	2019
	Level 1	
Mutual funds	\$ 1,478,221	\$ 1,351,464

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Property and equipment

The components of property and equipment are as follows:

June 30,	2020	2019
Office furniture and equipment	\$ 217,940	\$ 206,235
Software	28,730	28,730
Leasehold improvements	11,560	11,560
	258,230	246,525
Less accumulated depreciation and amortization	208,685	178,088
Property and equipment, net	\$ 49,545	\$ 68,437

9. Loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Foundation applied for and received \$430,272. The loan is a two-year loan with a maturity date of May 1, 2022. The loan bears an annual interest rate of 1%. The Foundation will assess loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Foundation is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Loan payable (continued)

The Foundation has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Foundation until such time that the Foundation's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Foundation will recognize revenue to the extent of the amount forgiven. The Foundation has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender. If the Foundation were to not submit an application for forgiveness by 10 months after the end of the 24-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be \$-0- for the year ending June 30, 2021 and \$430,272 for the year ending June 30, 2022.

10. Line of credit

In August 2019, the Foundation obtained a \$135,000 line of credit. The line of credit, which is collateralized by substantially all assets, bears interest at Prime (3.25% at June 30, 2020) plus 2%. There were no outstanding draws on the line of credit at June 30, 2020.

11. Board-designated endowment funds

As of June 30, 2020 and 2019, the Foundation has two endowment funds, a general endowment fund and the Ab and Zoe Legacy Fund.

The general endowment fund is designated by the Board of Directors to support the mission of the Foundation including programs at the Washington, D.C. chapter. The Ab and Zoe Legacy Fund is an endowment fund designated by the Board of Directors to support the Elections Program. Since the amounts in the endowment funds resulted from an internal designation and are not donor-restricted, the Board-designated endowment funds are classified and reported as net assets without donor restrictions.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Board-designated endowment funds (continued)

The Foundation has a spending policy that all or a portion of the income and/or capital appreciation from the endowment funds will be used to support the programs and operating expenses of the Foundation or in the case of the Ab and Zoe Legacy Fund, to support the Elections Program. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The general endowment fund is invested in the Vanguard Intermediate-Term Bond Index Fund and the Vanguard Short-Term Treasury Index Fund. The Ab and Zoe Legacy Fund is included in the Vanguard Short-Term Bond Index Fund and the remaining amounts are included in cash and grants and contributions receivable and will be invested in the future.

The composition of and changes in Board-designated endowment funds for the years ended June 30, 2020 and 2019 were as follows:

Years ended June 30,	2020	2019
General endowment fund:		
Beginning of year	\$ 1,207,693	\$ 1,103,651
Net investment income	118,956	104,042
End of year	1,326,649	1,207,693
Ab and Zoe Legacy Fund:		
Beginning of year	349,209	349,209
Contributions	5,000	
End of year	354,209	349,209
Total Board-designated endowment funds	\$ 1,680,858	\$ 1,556,902

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose and time restrictions as follows:

June 30,	2020	2019
Purpose restrictions:		
Activism Programs	\$ 564,379	\$ 172,262
National Programs	15,000	40,000
Development Programs	21,667	153,673
Policymaking Programs	134,000	
Time restrictions:		
Operating grants	1,048,247	641,000
Grants and contributions receivable	18,109	54,652
Total net assets with donor restrictions	\$ 1,801,402	\$ 1,061,587

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying purpose and time restrictions as follows:

Years ended June 30,	2020	2019
Purpose restrictions:		
Activism Programs	\$ 628,383	\$ 366,112
National Programs	51,000	
Development Programs	75,000	
Policymaking Programs	473,673	741,646
Time restrictions:		
Operating grants	628,500	413,000
Grants and contributions receivable	41,543	57,437
Total net assets released from restrictions	\$ 1,898,099	\$ 1,578,195

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Leases

The Foundation has entered into an office space lease agreement in Chicago, Illinois through December 2024. The lease includes a rent abatement for seven months and an option to renew for five years.

The Foundation also leases office space in the District of Columbia that is paid month-to-month. The Foundation also leases copier equipment through September 2022.

Future minimum lease payments as of June 30, 2020 are as follows:

Year ending June 30:	Amount
2021	\$ 119,388
2022	123,732
2023	120,891
2024	121,905
2025	61,688
Total	\$ 547,604

Rent expense for the years ended June 30, 2020 and 2019 was \$130,444 and \$132,528, respectively.

14. Retirement plan

On January 1, 2019, the Foundation opened a 401(k) retirement and savings plan covering all full-time employees. Under the plan, employees may elect to defer their compensation up to the maximum allowed. The Foundation's discretionary employer match is equal to 100% of participants' contributions to the plan up to 3% of the individual participant's annual compensation. Prior to January 1, 2019, the Foundation had a SIMPLE IRA plan covering all full-time employees with at least one year of service who agree to make contributions to the Plan. The Foundation matched participants' contributions to the Plan equal to 3% of the individual participant's annual compensation. Total pension contributions paid by the Foundation during the years ended June 30, 2020 and 2019 were \$47,199 and \$43,389, respectively.