ESSENTIAL PARTNERS, INC.

Financial Statements

August 31, 2020

Kevin P. Martin & Associates, P.C

ESSENTIAL PARTNERS, INC.

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August 31, 2020

Independent Auditors' Report

To the Board of Directors of
Essential Partners, Inc.

We have audited the accompanying financial statements of Essential Partners, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, cash flows and functional expenses 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 August 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2020. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nunin P. Martin & Amato P.C.

Braintree, Massachusetts
July 15, 2021

ESSENTIAL PARTNERS, INC.

Statement of Financial Position

As of August 31, 2020
With Comparative Totals as of August 31, 2019

	2020	2019
Current Assets		
Cash and cash equivalents	$ 751,685	$ 482,832
Promises to give	29,738	-
Accounts receivable	50,824	52,222
Prepaid expenses	1,628	1,431
Total current assets	833,875	536,485
Fixed Assets		
Leasehold improvements	64,378	64,378
Furniture and equipment	46,868	42,971
Total fixed assets	111,246	107,349
Less: accumulated depreciation	(82,016)	(63,167)
Total net fixed assets	29,230	44,182
Other Assets		
Security deposit	17,050	17,050
Total Assets	$ 880,155	$ 597,717
Current Liabilities		
Accounts payable and accrued expenses	$ 964	$ 21,740
Accrued salary and benefits	87,389	45,120
Note payable - paycheck protection program	168,167	-
Total current liabilities	256,520	66,860
Net Assets		
Net assets without donor restrictions	593,897	510,719
Net assets with donor restrictions	29,738	20,138
Total net assets	623,635	530,857
Total Liabilities and Net Assets	$ 880,155	$ 597,717

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

ESSENTIAL PARTNERS, INC.

Statement of Activities

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Contributions and grants	$ 779,257	$ 29,738	$ 808,995	$ 962,531
Program service fees	572,388	-	572,388	494,591
In-kind contributions	93,400	-	93,400	88,800
Interest	887	-	887	243
Other	311	-	311	2,568
Net assets released from restrictions	20,138	(20,138)	-	-
Total revenue and support	1,466,381	9,600	1,475,981	1,548,733
Expenses				
Program services	889,061	-	889,061	889,850
Management and general	321,913	-	321,913	358,337
Fundraising	172,229	-	172,229	138,505
Total expenses	1,383,203	-	1,383,203	1,386,692
Change in Net Assets	83,178	9,600	92,778	162,041
Net Assets at Beginning of Year	510,719	20,138	530,857	368,816
Net Assets at End of Year	$ 593,897	$ 29,738	$ 623,635	$ 530,857

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

ESSENTIAL PARTNERS, INC.

Statement of Cash Flows

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

Cash Flows from Operating Activities	2020	2019
Change in net assets	$ 92,778	$ 162,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,849	18,459
Decrease (increase) in assets:		
Promises to give	(29,738)	-
Accounts receivable	1,398	(25,933)
Prepaid expenses	(197)	360
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(20,776)	(9,197)
Accrued salary and benefits	42,269	(20,691)
Net Cash Provided by Operating Activities	104,583	125,039
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,897)	-
Net Cash Used in Investing Activities	(3,897)	-
Cash Flows from Financing Activities		
Proceeds from note payable - paycheck protection program	168,167	-
Net Cash Provided by Financing Activities	168,167	-
Net Increase in Cash and Cash Equivalents	268,853	125,039
Cash and Cash Equivalents - Beginning	482,832	357,793
Cash and Cash Equivalents - Ending	$ 751,685	$ 482,832

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

ESSENTIAL PARTNERS, INC.

Statement of Functional Expenses

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

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	$ 509,037	$ 80,950	$ 112,488	$ 702,475	$ 662,749
Payroll taxes	45,250	6,505	9,298	61,053	64,101
Fringe benefits	105,277	17,146	23,791	146,214	134,560
Subtotal	659,564	104,601	145,577	909,742	861,410
Bank and credit card charges	-	1,789	-	1,789	5,670
Consultants	102,034	101,083	87	203,204	204,107
Depreciation	-	18,849	-	18,849	18,459
Dues and fees	-	1,422	-	1,422	523
Equipment lease and repair	-	14,555	-	14,555	19,819
Insurance	-	6,345	-	6,345	6,376
Marketing	-	-	-	-	26,020
Meetings	300	2,275	-	2,575	13,798
Office supplies	2,482	14,321	-	16,803	6,253
Payroll processing	12,837	3,396	2,608	18,841	18,388
Postage	126	3	1,629	1,758	1,772
Printing	120	3,456	2,885	6,461	17,869
Professional development	-	-	-	-	1,970
Professional fees	-	15,114	-	15,114	13,875
Rental	89,340	15,470	11,167	115,977	123,104
Repairs and maintenance	-	759	-	759	8,900
Telephone and internet	-	17,034	-	17,034	16,681
Travel	22,258	1,441	8,276	31,975	21,698
	$ 889,061	$ 321,913	$ 172,229	$ 1,383,203	$ 1,386,692

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

(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 (U.S. GAAP). The significant accounting policies followed by Essential Partners, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization was founded in 1989 as the Public Conversations Project, the Organization's work is grounded in family therapy, narrative therapy, social cohesion theory, deliberative democracy and conflict resolution practices. The Organization offers world-class training for facilitators who wish to bring people together across deep ideological differences, and works with communities and organizations who wish to build constructive patterns of communication into their organizational culture.

Organization's Mission:
The Organization equips people to live and work better together in community by building trust and understanding across differences.

As more communities and institutions make space for conversation about challenging issues and divisions, the Organization has partnered with schools, civic institutions and faith institutions to support deeper engagement and connection across differences. With public schools in Massachusetts and Wyoming, religious schools in New York and New Jersey, and with the Edward M. Kennedy Institute for the U.S. Senate in Boston, we are equipping the next generation to make healthier, more open, more democratic civic discourse possible. In Jordan and Turkey, our partners are nourishing bonds among refugees and residents. In Northern Ireland, they lead public engagements about green energy developments. In the United States, EP alum have made local governments more responsive, advanced new school building projects, and resolved longstanding religious tensions. In the last year, we have continued to help colleges and universities build diverse, inclusive, open communities around intellectual values - both in the classroom and in campus life. Partner institutions range from private Middlebury College in Vermont to Miami Dade Community College in urban Florida; from Shenandoah University in Virginia to Southern Methodist University in Texas. Finally, whether working with an interfaith community coalition in Maryland, evangelical congregations in Michigan, Minnesota, and Wisconsin, the Wexner Foundation for Jewish leadership in the United States and Israel, or with congregations, synagogues, and mosques across the globe, the Organization is training the next generation of faith leaders to foster vibrant, inclusive communities centered on their values.

The work of the Organization focuses on building and repairing relationships and trust even when agreement or compromise on the central issue is impossible, making a case for keeping the bonds of civic engagement while also respecting and engaging our differences. Increasingly, this work intersects with every aspect of diversity: political, socioeconomic, racial, ethnic, gender, sexual orientation, etc. The Organization is widely recognized as an industry leader in practice, theory and effective monitoring and evaluation of community outcomes from engaged community conversations.

(1) Summary of Significant Accounting Policies - continued

(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:

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.

(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.

The Organization maintains its cash balances at one financial institution located in Massachusetts. The cash balances 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 August 31, 2020.

(1) Summary of Significant Accounting Policies - continued

(e) Fixed Assets

Fixed assets 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	7 years
Furniture and Equipment	3-5 years

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of August 31, 2020, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables. As of August 31, 2020, 100% of the Organization's accounts receivable is due from educational institutions, nonprofit organizations and community organizations.

(g) Revenue Recognition

The Organization earns revenue as follows:

<u>Contributions and Grants</u> - 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.

(1) Summary of Significant Accounting Policies - continued

(g) Revenue Recognition - continued

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 grants and contributions without donor restrictions.

<u>Program Service Fees</u> - Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed.

<u>In-kind Contributions</u> - In-kind contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

Substantially all of the Organization's revenue is derived from its activities in the United States. During the year ended August 31, 2020, the Organization derived approximately 55% of revenue from non-profits, foundations and individual donors, 39% from program services fees and 6% from in-kind contributions. All revenue is recorded at the estimated net realizable amounts.

(h) 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 August 31, 2020, management has determined any allowance would be immaterial. All promises to give are expected to be received in less than one year.

(i) 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.

(1) Summary of Significant Accounting Policies - continued

(j) 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. Management and general 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.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon allocations of salary.

(k) 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.

(l) 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 activities and 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

(m) Recent Accounting Standard

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.

(1) Summary of Significant Accounting Policies - continued

(m) Recent Accounting Standard - continued

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 consolidated 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.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets.* The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(n) Paycheck Protection Program Loan

As described at Note 4, the Organization received a Paycheck Protection Program (PPP) loan during the fiscal year ended August 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.

(2) Operating Lease Commitments

The Organization occupies office space under a non-cancelable, operating lease agreement with an expiration date of December 31, 2022. 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:

FY2021	$ 112,200
FY2022	112,200
FY2023	37,400

(3) 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 August 31, 2020, temporarily restricted net assets are restricted for the following purposes:

Time restricted - FY2021	$ 29,738
Total net assets with donor restrictions	$ 29,738

Net assets released from restrictions during the year ended August 31, 2020 were $20,138, all of which all was from program restrictions.

(4) Note Payable - Paycheck Protection Program

The Organization received a PPP loan from TD Bank during the fiscal year ended August 31, 2020, in the original amount of $168,167 with a maturity date of April 2022. The PPP loan bears interest at a rate of 1%, which is deferred for the first 6 months. The SBA has disclosed criteria for forgiveness which include but not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. If the Organization does not receive loan forgiveness, it will be required to pay monthly principal and interest payments once the deferral period ends. All remaining principal and accrued interest are due at the maturity date of the note. As of August 31, 2020, the outstanding principal balance for the PPP loan was $168,167, and was presented as a current liability on the accompanying statement of financial position in accordance with prevalent industry practice. Management has received full forgiveness subsequent to year end, see Note 8.

(5) In-kind Contributions

In-kind contributions consists of donated accounting services and an Organizational Assessment Consultant in the amount of $40,600 and $52,800, respectively, for the year ended August 31, 2020. Total in-kind contributions for the year ended August 31, 2020 is $93,400.

(6) 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. As described in Notes 1(n) and 4, the Organization received PPP loan. Further, the Organization 's liquidity as of August 31, 2020 is documented at Note 7. 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.

(7) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of August 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:	
Cash	$ 751,685
Promises to give	29,738
Accounts receivable	50,824
Total	832,247
Financial assets available to meet cash needs for general expenditures within one year	$ 832,247

The Organization is supported by restricted contributions. Because a donor 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.

(8) Subsequent Events

The Organization has performed an evaluation of subsequent events through July 15, 2021 which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred, other than the items noted below, since August 31, 2020 that required recognition or disclosure in these financial statements.

On February 1, 2021, the Organization received approval by the SBA for full forgiveness on the PPP loan.