

NATIONAL LEAD FOR AMERICA, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Lead for America, Inc.
Dodge City, Kansas

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

Management's Responsibility for the Financial Statements

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

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 of 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 National Lead for America, Inc. as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kennedy McKee & Company LLP

October 5, 2021

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2020

ASSETS

Cash and cash equivalents	\$ 1,525,802
Accounts receivable	99,473
Unconditional promises to give	30,000
Fellow advances	81,079
Grants receivable	97,837
Prepaid expense	19,166
Other assets	300
	<hr/>
Total assets	<u>\$ 1,853,657</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 50,641
Accrued salaries and benefits payable	30,228
Deferred revenue	668,194
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Total liabilities	<u>749,063</u>
Net assets:	
Without donor restrictions	1,104,594
With donor restrictions	-
	<hr/>
Total net assets	<u>1,104,594</u>
	<hr/>
Total liabilities and net assets	<u>\$ 1,853,657</u>

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions	\$ 1,281,212	\$ -	\$ 1,281,212
Program income	923,306	-	923,306
Grants	187,329	-	187,329
In-kind contributions	231,976	-	231,976
Interest income	84	-	84
Miscellaneous	11,000	-	11,000
Net assets released from restriction	163,460	(163,460)	-
Total revenues and other support	2,798,367	(163,460)	2,634,907
Expenses:			
Program services	1,256,609	-	1,256,609
Supporting activities:			
Management and general	346,084	-	346,084
Fund-raising	35,842	-	35,842
Total expenses	1,638,535	-	1,638,535
Change in net assets	1,159,832	(163,460)	996,372
Net assets at beginning of year, as previously stated	514,701	163,460	678,161
Prior period adjustment	(569,939)	-	(569,939)
Net assets at end of year	\$ 1,104,594	\$ -	\$ 1,104,594

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	<u>Program</u>	<u>Management and general</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries and benefits	\$ 178,722	\$ 124,437	\$ 35,606	\$ 338,765
Fellow scholarship costs	976,876	10,984	-	987,860
Professional fees	41,785	100,823	-	142,608
Fellow enrichment	4,212	-	-	4,212
In-kind intern services	-	37,708	-	37,708
Software and subscriptions	18,481	20,974	82	39,537
Office space	9,841	11,015	-	20,856
Speaker fees	17,250	-	-	17,250
Professional development	-	13,200	-	13,200
Travel and lodging	2,131	6,346	154	8,631
Licenses and filing fees	95	3,654	-	3,749
Insurance	-	4,551	-	4,551
Conference fees	3,424	322	-	3,746
Workers compensation	448	3,052	-	3,500
Materials	887	2,262	-	3,149
Website/web development	95	1,723	-	1,818
Utilities and maintenance	-	1,700	-	1,700
Office supplies	960	529	-	1,489
Bank and credit card fees	-	960	-	960
Background checks	943	-	-	943
Membership fees	200	699	-	899
Postage, mailing service	214	641	-	855
Telephone telecommunications	-	407	-	407
Other	-	237	-	237
Meals	45	(154)	-	(109)
Enrichment activities	-	14	-	14
	<u>\$ 1,256,609</u>	<u>\$ 346,084</u>	<u>\$ 35,842</u>	<u>\$ 1,638,535</u>

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

NATIONAL LEAD FOR AMERICA, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

Cash flows from operating activities:	
Cash received from:	
Contributions	\$ 1,278,762
Program income	1,142,438
Grants	89,492
Other	11,000
	<hr/>
Cash received from operating activities	2,521,692
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Cash paid for:	
Salaries and benefits	322,376
Fellowship costs	907,505
Operating expenses	177,753
	<hr/>
Cash disbursed for operating activities	1,407,634
	<hr/>
Net cash flows provided (used) by operating activities	1,114,058
	<hr/>
Cash flows from investing activities:	
Interest income	84
	<hr/>
Net increase (decrease) in cash	1,114,142
Cash and cash equivalents, beginning of year	411,660
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Cash and cash equivalents, end of year	\$ 1,525,802
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Reconciliation of change in net assets to cash provided by operating activities:	
Change in net assets	\$ 996,372
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Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
Interest income	(84)
(Increase) decrease in accounts receivable	(96,949)
(Increase) decrease in unconditional promises to give	(2,450)
(Increase) decrease in fellow advances	(81,079)
(Increase) decrease in grants receivable	(97,837)
(Increase) decrease in other assets	1,000
(Increase) decrease in prepaid expenses	20,646
Increase (decrease) in accounts payable	41,969
Increase (decrease) in accrued salaries and benefits payable	16,389
Increase (decrease) in deferred revenue	316,081
	<hr/>
	117,686
	<hr/>
Net cash flows provided (used) by operating activities	\$ 1,114,058
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The accompanying notes are an integral part of the financial statements.

NATIONAL LEAD FOR AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

1. History and business activity

National Lead for America, Inc. was incorporated in August 2018 and received exempt tax status in September 2018 under the laws of the State of North Carolina. It relocated its headquarters to Dodge City, Kansas in October 2020.

The Organization is operating as a nonprofit organization to support and provide skills to young professionals between ages 21 and 30 years of age. Professionals are recruited, trained, and placed in civic leadership roles to tackle the toughest challenges facing their communities.

2. Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

4. Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

6. Promises to give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. 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. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

7. Fellow advances

Advances to fellows are housing and living scholarships paid to fellows one week before the first day of the month. The advances are expensed in the month due.

8. Deferred revenue

Program income from fellowships received in advance is deferred and recognized over the periods to which the fellowships relate.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Revenue with and without donor restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. 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.

10. Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on an estimate of amounts allocable to each function. The expenses that are allocated include personnel costs and travel which are allocated on the basis of estimates of time and effort. 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.

11. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

12. Donated assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

13. Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided tutoring and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Income taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has not identified any uncertainties in federal or state income taxes for any open tax years as of December 31, 2020. The Organization is no longer subject to federal and state tax examinations by tax authorities generally for three years after they were filed. No authorities have commenced income tax examinations as of December 31, 2020.

B. CONCENTRATION OF CREDIT RISK

To Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2020, the Organization's uninsured balances were \$277,186.

C. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

	<u>2020</u>
Subject to expenditures for specified purpose: Fellow Support	<u>\$ 163,460</u>

D. PAYROLL PROTECTION PROGRAM LOAN

The Organization was granted a \$65,034 loan on May 20, 2020 under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$65,019 as grant revenue for the year ended December 31, 2020.

E. PRIOR PERIOD ADJUSTMENT

In 2019, the Organization advance billed program income when agreements for fellowship services were signed with hosting organizations. A calculation was made at year-end to calculate the advanced payments received under the agreements with a year-end adjustment to deferred revenue. However, no entry was made to reduce accounts receivable for uncollected advanced billings. This resulting in accounts receivable and program income being overstated by \$569,939.

F. LIQUIDITY

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

	<u>December 31,</u> <u>2020</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 1,525,802
Accounts receivable	99,473
Unconditional promises to give	30,000
Grants receivable	<u>97,837</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,753,112</u>

G. CORONAVIRUS

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. On March 28, 2020, the Governor issued executive Order No. 20-16 requiring individuals to stay-at-home.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by Congress and signed into law by the President to provide economic assistance to individuals, businesses, and municipalities affected by the pandemic.

The progression of the pandemic continues to have a negative impact on the continued operations. While these disruptions are expected to be temporary, if they continue, this may have an adverse effect on the Organization's results of future operations.

H. DONATED SERVICES AND MATERIALS

The Organization received donated services and materials as follows during the year ended December 31, 2020:

	<u>Program</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total</u>
Professional fees	\$ -	\$ 3,401	\$ -	\$ 3,401
Fellow scholarships	129,427	-	-	129,427
Office supplies	960	240	-	1,200
Software and subscriptions	1,240	8,106	-	9,346
Office space	9,841	11,015	-	20,856
In-kind intern services	-	37,708	-	37,708
Speaker fees	13,000	-	-	13,000
Utilities	-	1,700	-	1,700
Professional development	-	13,200	-	13,200
Conference fees	1,690	-	-	1,690
Travel and lodging	-	448	-	448
	<u>\$ 156,158</u>	<u>\$ 75,818</u>	<u>\$ -</u>	<u>\$ 231,976</u>

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2021, the date on which the financial statements were available to be used. Management's evaluation concluded there are no subsequent events required to be recognized or disclosed in these financial statements other than the ongoing concern regarding the novel strain of coronavirus was discussed in Note G above.