



TEACH DEMOCRACY



FINANCIAL STATEMENTS

DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Teach Democracy

Opinion

We have audited the accompanying financial statements of Teach Democracy (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2024, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teach Democracy as of December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Teach Democracy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Teach Democracy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Teach Democracy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Teach Democracy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Teach Democracy's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California
June 25, 2025

TEACH DEMOCRACY

STATEMENT OF FINANCIAL POSITION

December 31, 2024

With comparative totals at December 31, 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,422,131	\$ 984,495
Investments available for operations (Note 4)	1,366,547	1,497,946
Accounts receivable, net	72,563	84,975
Contributions and grant receivable, net	117,472	128,735
Prepaid expenses	20,735	37,556
Total current assets	<u>2,999,448</u>	<u>2,733,707</u>
NON-CURRENT ASSETS		
Board-designated investments (Note 4)	3,995,786	2,898,959
Beneficial interest in charitable remainder trust	87,792	87,657
Right-of-use assets - operating lease (Note 6)	5,073	13,658
Property, equipment and digital assets, net (Note 5)	1,302,421	1,305,528
Intangible assets (Note 7)	135,802	144,853
Total non-current assets	<u>5,526,874</u>	<u>4,450,655</u>
TOTAL ASSETS	<u><u>\$ 8,526,322</u></u>	<u><u>\$ 7,184,362</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note 8)	\$ 275,932	\$ 188,685
Deferred program fees (Note 9)	116,600	112,200
Current portion of note payable (Note 10)	3,875	3,770
Current portion of operating lease liability (Note 6)	4,188	5,208
Total current liabilities	<u>400,595</u>	<u>309,863</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion (Note 10)	136,677	140,553
Operating lease liability, net of current portion (Note 6)	4,922	8,779
Total long-term liabilities	<u>141,599</u>	<u>149,332</u>
TOTAL LIABILITIES	<u>542,194</u>	<u>459,195</u>
NET ASSETS		
Without donor restrictions		
General	1,381,017	1,980,392
Board-designated (Note 11)	3,995,786	2,898,959
Invested in property and equipment	1,302,421	1,305,528
Total without donor restrictions	<u>6,679,224</u>	<u>6,184,879</u>
With donor restrictions (Note 12)	<u>1,304,904</u>	<u>540,288</u>
TOTAL NET ASSETS	<u>7,984,128</u>	<u>6,725,167</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,526,322</u></u>	<u><u>\$ 7,184,362</u></u>

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

TEACH DEMOCRACY

STATEMENT OF ACTIVITIES

For the year ended December 31, 2024
With comparative totals for the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUE AND SUPPORT				
Contributions and private grants	\$ 47,989	\$ 1,898,497	\$ 1,946,486	\$ 913,435
In-kind contributions (Note 14)	804,049		804,049	702,588
Annual celebration event, net of expenses of \$124,902	661,508		661,508	1,043,966
Government grants and contract revenue	629,927		629,927	176,628
Investment income appropriated for operations	251,478		251,478	173,052
Program fees	241,947		241,947	163,901
Other income	167,188		167,188	147,236
Sales of publications	9,194		9,194	23,263
Net assets released from restrictions	1,256,516	(1,256,516)	-	-
TOTAL REVENUE AND SUPPORT	4,069,796	641,981	4,711,777	3,344,069
EXPENSES				
Program services	2,842,881		2,842,881	2,434,995
General and administrative	419,610		419,610	471,289
Fundraising	375,328		375,328	467,772
TOTAL EXPENSES	3,637,819	-	3,637,819	3,374,056
CHANGE IN OPERATING NET ASSETS BEFORE OTHER CHANGES	431,977	641,981	1,073,958	(29,987)
Investment gain, net	313,846	122,500	436,346	540,265
Unrealized gain on beneficial interest in charitable remainder trust		135	135	12,450
Investment income appropriated for operations	(251,478)		(251,478)	(173,052)
CHANGE IN NET ASSETS	494,345	764,616	1,258,961	349,676
NET ASSETS, BEGINNING OF YEAR	6,184,879	540,288	6,725,167	6,375,491
NET ASSETS, END OF YEAR	\$ 6,679,224	\$ 1,304,904	\$ 7,984,128	\$ 6,725,167

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

TEACH DEMOCRACY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

	<u>Mock Trial</u>	<u>Expanding Horizons Institute</u>	<u>Civic Action Program</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
								<u>2024</u>	<u>2023</u>
Salaries	\$ 93,107	\$ 107,545	\$ 297,312	\$ 500,713	\$ 998,677	\$ 114,313	\$ 191,017	\$ 1,304,007	\$ 1,400,779
Benefits and payroll taxes	25,642	29,279	66,030	114,464	235,415	27,255	49,310	311,980	309,241
Total personnel costs	118,749	136,824	363,342	615,177	1,234,092	141,568	240,327	1,615,987	1,710,020
Conferences, travel, staff development	112,799	2,211	16,321	53,291	184,622	25,979	1,271	211,872	206,763
Contract services	68,000		172,323	52,389	292,712	113,950	29,214	435,876	48,993
Data processing			3,160	12,740	15,900	24,654	77	40,631	37,845
Depreciation and amortization	6,649	6,028	13,904	26,062	52,643	5,653	10,209	68,505	72,099
Occupancy	8,217	7,449	17,183	32,448	65,297	3,621	12,377	81,295	80,954
Office administration	12,434	3,714	9,651	27,882	53,681	29,922	6,326	89,929	146,244
Printing and materials	6,027		160	13,819	20,006	2,902	2,880	25,788	46,910
Processing fees	6			244	250	1,576	13,370	15,196	20,408
Professional services	500			64,599	65,099	69,785	59,277	194,161	310,932
Professional services - contributed	804,049				804,049			804,049	655,899
Teacher and student stipends		2,634	40,875	11,021	54,530			54,530	36,989
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 1,137,430	\$ 158,860	\$ 636,919	\$ 909,672	\$ 2,842,881	\$ 419,610	\$ 375,328	\$ 3,637,819	
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 853,106	\$ 227,368	\$ 184,207	\$ 1,170,314	\$ 2,434,995	\$ 471,289	\$ 467,772		\$ 3,374,056

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

TEACH DEMOCRACY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

With comparative totals for the year ended December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,258,961	\$ 349,676
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	58,805	66,866
Change in intangible assets	9,051	(112,957)
Reinvested interest and dividends	(152,293)	(145,699)
(Gain) on investments	(436,346)	(540,265)
Unrealized (gain) on beneficial interest in charitable remainder trust	(135)	(12,450)
Reduction in carrying amount of right-of-use assets - operating lease	8,585	5,233
(Increase) decrease in operating assets:		
Accounts receivable	12,412	(2,640)
Grants receivable	11,263	(39,812)
Prepaid expenses	16,821	(24,392)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	87,247	72,857
Deferred program fees	4,400	70,950
Operating lease liability	(4,877)	(5,093)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	873,894	(317,726)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	200,000	308,814
Purchase of investments	(576,789)	(261,212)
Purchases of property and equipment	(55,698)	(11,461)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(432,487)	36,141
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(3,771)	(3,668)
NET CASH (USED) BY FINANCING ACTIVITIES	(3,771)	(3,668)
NET INCREASE (DECREASE) IN CASH	437,636	(285,253)
CASH, BEGINNING OF YEAR	984,495	1,269,748
CASH, END OF YEAR	\$ 1,422,131	\$ 984,495
SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for interest:	\$ 3,922	\$ 4,842

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

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

1. Organization

Teach Democracy is a California nonprofit organization with the mission to inspire lifelong civic engagement through interactive programs and resources for teachers and youth because our democracy depends on informed participation by all. Teach Democracy does this by leveraging the commitment of teachers and amplifying the voice of young people. Teach Democracy's civic education resources are interactive, non-partisan, and emphasize civil discourse. They are research-based and aligned to standards.

Teach Democracy is dedicated to removing barriers to assure all students have access to civic education.

Teach Democracy is a national and community-serving organization. Teach Democracy's Board of Directors ("Board") is comprised of professionals and thought leaders from the fields of law, business, government, education, entertainment, media, and the community. Teach Democracy's staff include educators, lawyers, fundraisers, designers, writers, and editors.

Annual impact

- 3.1 million unique visitors to the Teach Democracy website to learn or use resources provided to educators and students
- Nationwide active involvement in civic learning of hundreds of thousands of educators, teachers, and families using Teach Democracy's resources
- More than 100,000 youth across the country participate in Teach Democracy's Civic Action Project, improving their civic understanding and engagement in democracy
- 31,000 Bill of Rights in Action subscribers
- Thousands of students participate in the California Mock Trial competition, who actively learn how the judicial system works as an arm of our democracy, developing skills and competencies to participate in our Constitutional systems of governance
- Up to 100 first-generation college bound students who receive guidance and are placed in internships in Southern California counties through Expanding Horizons Institute

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Program fees

Program fees consist of amounts earned by Teach Democracy from the California and Los Angeles Mock Trial competitions. Amounts paid but not yet earned are reported as deferred program fees.

Net Assets

Net assets, revenues, 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:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Without Donor Restrictions, board-designated. Includes net assets designated by Teach Democracy's Board of Directors as quasi-endowments, with earnings to be used for programs, or as operating reserves.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions and Grants Receivable

Contributions and grants receivable are related to individual contributions and grants from private foundations and government agencies, and are deemed fully collectible. Therefore, no allowance for doubtful accounts is deemed necessary. The contributions and grants receivable of \$117,472 are expected to be collected in 2025.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

Teach Democracy values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or (loss) on investments, when applicable.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Fair value measurements are mostly applicable for investments (see Note 4). In addition, Teach Democracy is required to measure non-cash contributions at fair value. The fair value of contributed services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Leases

Teach Democracy applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. Teach Democracy defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. Teach Democracy further determined some existing leases are operating leases, which are included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position.

Concentration of Credit Risk

Investments are not FDIC insured. Single asset investment concentration is limited to 5% of the investment portfolio, by policy. Teach Democracy has not incurred losses related to these investments.

The contributions and grants receivable balance outstanding at December 31, 2024, consists of receivables due from governments and donors.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Intangible Assets

Teach Democracy capitalizes costs incurred in creating and obtaining its trademark. These costs include external design and consulting fees, internal costs to create and register, registration fees, and legal or court fees incurred while acquiring or defending the trademark. Trademarks are treated as having a 15-year useful life and are amortized over that period.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

For the year ended December 31, 2024, Teach Democracy received in-kind professional services for their programs for the amount of \$804,049 (see Note 14).

Income Taxes

Teach Democracy is exempt from taxation under Internal Revenue Code (“IRC”) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Teach Democracy in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Teach Democracy’s returns are subject to examination by federal and state taxing authorities, generally for three years, after they are filed.

Functional Allocation of Expenses

Costs of providing Teach Democracy’s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such 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 Teach Democracy's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through June 25, 2025, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Teach Democracy is significantly supported by contributions with donor restrictions. Teach Democracy maintains sufficient resources to meet its responsibilities to its donors. Teach Democracy's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects Teach Democracy's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor-restrictions as of December 31, 2024 (see Note 12).

Liquidity of financial assets as of December 31, 2024 is as follows:

Cash and cash equivalents	\$ 1,422,131
Investments available for operations	1,366,547
Accounts receivable, net	72,563
Contributions and grants receivable, net	<u>117,472</u>
Total financial assets at year-end	2,978,713
Less: cash and grants receivable with donor restrictions	<u>(1,304,904)</u>
Assets available to meet expenditures in the next 12 months	<u>\$ 1,673,809</u>

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

4. Investments

Teach Democracy reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Cash and cash equivalents	\$ 244,645
Exchange traded funds	<u>5,117,688</u>
	<u>\$5,362,333</u>

The following table set forth by level, within the fair value hierarchy, Teach Democracy's investment at fair value December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	<u>\$5,117,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,117,688</u>

Investments are presented in the statement of financial position as follows:

Investments available for operation	\$1,366,547
Board-designated investments	<u>3,995,786</u>
	<u>\$5,362,333</u>

5. Property, Equipment and Digital Assets

Property and equipment at December 31, 2024 consist of the following:

Land	\$ 617,157
Buildings and improvements	1,326,412
Furniture and equipment	154,764
CIP - website development	50,800
Less: accumulated depreciation	<u>(846,712)</u>
	<u>\$1,302,421</u>

6. Right-of-Use Assets and Lease Liabilities – Operating Leases

Teach Democracy evaluated current office and equipment contracts to determine which met the criteria of a lease. The ROU assets represent Teach Democracy's right to use underlying assets for the lease term, and lease liabilities represent Teach Democracy's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Teach Democracy has made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The lease payments will be recognized as lease expense on a straight-line basis over the lease term.

Teach Democracy's operating leases consist of office equipment.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

6. Right-of-Use Assets and Lease Liabilities – Operating Leases, continued

Future maturities under operating are as follows:

<u>Year ending December 31,</u>	
2025	\$4,188
2026	4,188
2027	<u>1,047</u>
	9,423
Less: Present value discount	<u>(313)</u>
	<u>\$9,110</u>

Amortizations under operating leases are as follows:

ROU assets balances as of January 1, 2024	\$13,658
Add: additions	-
Less: amortization	<u>(8,585)</u>
ROU assets balances as of December 31, 2024	<u>\$ 5,073</u>

7. Intangible Assets

Intangible assets consisted of the following::

Trademarks	\$145,502
Less: accumulated amortization	<u>(9,700)</u>
	<u>\$135,802</u>

8. Accounts Payable and Accrued expense

Accrued liabilities at December 31, 2024 consist of the following:

Accrued vacation	\$108,106
Accrued expense	65,000
Accounts payable	62,768
Accrued payroll	<u>40,058</u>
	<u>\$275,932</u>

9. Deferred Program Fees

Teach Democracy defers all unearned county Mock Trial revenue. Deferred revenue for December 31, 2024 is \$116,600.

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

10. Note Payable

In June 2020, Teach Democracy received a coronavirus ("COVID-19") Economic Injury Disaster Loan ("EIDL") from the U.S. Small Business Administration ("SBA") in the amount of \$150,000. The loan matures in 30 years, is secured by substantially all of the assets of Teach Democracy and accrues interest at 2.75% per annum, with monthly principal and interest payments of \$641 beginning June 2021.

The future maturities of the note payable are as follows:

<u>Year ending December 31,</u>	
2025	\$ 3,875
2026	3,983
2027	4,094
2028	4,208
2029	4,325
Thereafter	<u>120,067</u>
	140,552
Current portion	<u>(3,875)</u>
Long-term portion	<u>\$136,677</u>

11. Net Assets Without Donor Restrictions, Board-Designated

Teach Democracy's Board has designated portions of its net assets without donor restrictions as quasi-endowments with earnings to be used specifically for certain programs, to meet the specifications of a challenge grant, or for emergency purposes (see Note 13).

Board-designated net assets consisted of the following:

General reserve	\$2,859,171
Robert and Phyllis Henigson	480,253
Alan I. Rothenberg endowment	325,479
Keck challenge grant fund	200,000
Jack Stutman endowment	<u>130,883</u>
	<u>\$3,995,786</u>

continued

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Service learning	\$199,356
Web design	<u>31,684</u>
	<u>\$231,040</u>
Donor-restricted funds	
Quasi-endowment funds	\$ 986,072
Charitable remainder trust	<u>87,792</u>
	<u>\$1,073,864</u>

The principal balance of the grant may be used only to alleviate cash flow difficulties and, if used, that it must be replenished from other private contributions by the end of each calendar year.

13. Endowment and Reserve Funds

Teach Democracy's investments consists of quasi-endowments (both board-designated and donor restricted), other operating reserves and the charitable remainder trust, each as described disclosed in Notes 11 and 12.

Teach Democracy's Board of Directors chooses to apply Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and preserves the fair value of the original gift as of the gift date of the board-restricted endowment funds. The board releases income from the investments to fund operations in accordance with programmatic needs.

Return objectives and risk parameters

Teach Democracy has chosen to adopt investment policies for investments that attempt to provide a predictable stream of funding to programs while seeking to maintain or grow the purchasing power of the investment assets. Actual returns in any given year vary.

TEACH DEMOCRACY

NOTES TO FINANCIAL STATEMENTS

13. Endowment and Reserve Funds, continued

For the year ended December 31, 2024, Teach Democracy's quasi-endowment net assets changed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$2,898,959	\$ 187,657	\$3,086,616
Contributions	634,373	863,572	1,497,945
Withdrawals		(100,000)	(100,000)
Investment return:			
Net realized and unrealized gains	413,567	122,635	536,202
Dividends and interest	<u>48,887</u>	<u>-</u>	<u>48,887</u>
Balance, end of year	<u>\$3,995,786</u>	<u>\$1,073,864</u>	<u>\$5,069,650</u>

For the year ended December 31, 2024, Teach Democracy's quasi-endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Board designated quasi-endowment funds	\$3,059,171	\$ -	\$3,059,171
Board designated reserve funds	936,615		936,615
Donor-restricted quasi-endowment funds		986,072	986,072
Charitable remainder trust	<u>-</u>	<u>87,792</u>	<u>87,792</u>
	<u>\$3,995,786</u>	<u>\$1,073,864</u>	<u>\$5,069,650</u>

14. Contributed Materials and Services

Contributed materials and services are recognized and recorded at fair value when all criteria for recording such services are met.

Contributed materials, services and use of facilities during the year were recognized as follows:

Professional services in connection with Mock Trials	<u>\$804,049</u>
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continued

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NOTES TO FINANCIAL STATEMENTS

15. Pension Plan

Teach Democracy has a defined-contribution IRC Section 403(b) pension plan, covering substantially all employees of Teach Democracy who meet the minimum service requirement of one year. Employees are permitted to contribute the maximum amount allowed by the IRC. Employee contributions are fully vested immediately upon contribution to the plan. The plan requires annual contributions by Teach Democracy ranging from 3% to 4% of eligible employees' compensation, with the employer portion vesting after three years. Teach Democracy made contributions totaling \$43,105 during the year ended December 31, 2024.