

**THE DUKE OF EDINBURGH'S
INTERNATIONAL AWARD USA**

**FINANCIAL STATEMENTS
AS OF MARCH 31, 2021 AND 2020**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Duke of Edinburgh's
International Award USA:

We have audited the accompanying financial statements of The Duke of Edinburgh's International Award USA (Award USA) which comprise the statement of financial position as of March 31, 2021 and 2020 and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 of material misstatement.

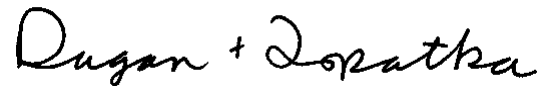
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

To the Board of Directors of
The Duke of Edinburgh's
International Award USA
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Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Duke of Edinburgh's International Award USA as of March 31, 2021 and 2020, and the changes in its net assets and cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Dugan + Lopatka". The signature is written in a cursive, flowing style.

DUGAN & LOPATKA

Warrenville, Illinois
August 27, 2021

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD USA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

ASSETS

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------|-------------------|
| ASSETS: | | |
| Cash | \$ 78,503 | \$ 57,303 |
| Pledges receivables, net | 154,184 | 281,968 |
| Prepaid expense and deposits | 9,273 | 11,875 |
| Fixed assets, net | <u>1,901</u> | <u>17,562</u> |
| Total assets | <u>\$ 243,861</u> | <u>\$ 368,708</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|-------------------|-------------------|
| LIABILITIES: | | |
| Accounts payable | \$ 2,399 | \$ 5,674 |
| Accrued expenses | 40,648 | 29,921 |
| Refundable advance | <u>38,077</u> | <u>-</u> |
| Total liabilities | <u>81,124</u> | <u>35,595</u> |
| NET ASSETS: | | |
| Without donor restrictions | 38,752 | 73,741 |
| With donor restrictions | <u>123,985</u> | <u>259,372</u> |
| Total net assets | <u>162,737</u> | <u>333,113</u> |
| Total liabilities and net assets | <u>\$ 243,861</u> | <u>\$ 368,708</u> |

The accompanying notes are an integral part of this statement.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD USA
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE: | | | | | | |
| Contributions | \$ 407,044 | \$ 30,000 | \$ 437,044 | \$ 352,041 | \$ 49,224 | \$ 401,265 |
| Grant under CARES Act | 168,697 | - | 168,697 | - | - | - |
| Program fees | 36,150 | - | 36,150 | 58,196 | - | 58,196 |
| Special events, net of costs of direct to donors of \$6,501 and \$-0-, respectively | 15,774 | - | 15,774 | - | - | - |
| Debt forgiveness income from affiliated organization | - | - | - | 645,966 | - | 645,966 |
| Miscellaneous revenue | 13,219 | - | 13,219 | - | - | - |
| Net assets released from restrictions | 165,387 | (165,387) | - | 264,360 | (264,360) | - |
| Total revenue | 806,271 | (135,387) | 670,884 | 1,320,563 | (215,136) | 1,105,427 |
| FUNCTIONAL EXPENSES: | | | | | | |
| Program expenses | 558,013 | - | 558,013 | 641,434 | - | 641,434 |
| General and administrative expenses | 164,932 | - | 164,932 | 151,110 | - | 151,110 |
| Fundraising expenses | 118,315 | - | 118,315 | 171,744 | - | 171,744 |
| Total expenses | 841,260 | - | 841,260 | 964,288 | - | 964,288 |
| CHANGE IN NET ASSETS | (34,989) | (135,387) | (170,376) | 356,275 | (215,136) | 141,139 |
| NET ASSETS, Beginning of year | 73,741 | 259,372 | 333,113 | (282,534) | 474,508 | 191,974 |
| NET ASSETS, End of year | \$ 38,752 | \$ 123,985 | \$ 162,737 | \$ 73,741 | \$ 259,372 | \$ 333,113 |

The accompanying notes are an integral part of this statement.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD USA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (170,376) | \$ 141,139 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 15,661 | 15,659 |
| Debt forgiveness income from affiliated organization | - | (645,966) |
| Changes in assets and liabilities - | | |
| Decrease in pledges receivable, net | 127,784 | 192,540 |
| Decrease in other receivables | - | 17,680 |
| Decrease in prepaid expenses and deposits | 2,602 | 1,919 |
| (Decrease) in accounts payable | (3,275) | (24,312) |
| Increase in accrued expenses | 10,727 | 2,900 |
| Increase in refundable advance | 38,077 | - |
| | <u>191,576</u> | <u>(439,580)</u> |
| Total adjustments | | |
| Net cash provided by (used in) operating activities | <u>21,200</u> | <u>(298,441)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of fixed assets | - | (1,708) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Advances from affiliated organizations | - | 88,498 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 21,200 | (211,651) |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>57,303</u> | <u>268,954</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 78,503</u> | <u>\$ 57,303</u> |

The accompanying notes are an integral part of this statement.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

| | 2021 | | | | 2020 | | | |
|---|-------------------|----------------------------------|-------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|
| | Programs | General and Administrative | Fundraising | Total | Programs | General and Administrative | Fundraising | Total |
| Staff costs | \$ 414,294 | \$ 102,613 | \$ 91,259 | \$ 608,166 | \$ 396,082 | \$ 107,078 | \$ 49,663 | \$ 552,823 |
| Donor cultivation consulting | - | - | - | - | 8,879 | - | 79,910 | 88,789 |
| Professional fees | 19,307 | 2,330 | 2,226 | 23,863 | 39,591 | 23,598 | - | 63,189 |
| Advertising | 23,631 | - | - | 23,631 | 31,569 | - | - | 31,569 |
| Donor servicing | - | - | 4,244 | 4,244 | - | - | 10,705 | 10,705 |
| Events | 5,664 | - | 9,256 | 14,920 | 1,787 | - | 23,482 | 25,269 |
| Financial costs | - | 3,675 | - | 3,675 | - | 3,131 | - | 3,131 |
| Training costs | 10,897 | - | - | 10,897 | 23,232 | - | - | 23,232 |
| Information technology | 16,480 | 3,521 | 3,521 | 23,522 | 19,492 | 1,613 | 860 | 21,965 |
| Office costs | 36,437 | 7,809 | 7,809 | 52,055 | 54,180 | 10,385 | 5,629 | 70,194 |
| Travel | 913 | - | - | 913 | 21,569 | - | - | 21,569 |
| Participant scholarships | 7,002 | - | - | 7,002 | 21,720 | - | - | 21,720 |
| Volunteering, recruitment and retention | 2,048 | - | - | 2,048 | 267 | 2,772 | - | 3,039 |
| Special events | - | - | 6,501 | 6,501 | - | - | - | - |
| Depreciation | 15,661 | - | - | 15,661 | 11,631 | 2,533 | 1,495 | 15,659 |
| Program site costs | 5,679 | - | - | 5,679 | 11,435 | - | - | 11,435 |
| Other | - | 44,984 | - | 44,984 | - | - | - | - |
| Total functional expenses | 558,013 | 164,932 | 124,816 | 847,761 | 641,434 | 151,110 | 171,744 | 964,288 |
| Less expenses included with revenue on statement of activities | | | | | | | | |
| Special Events | - | - | (6,501) | (6,501) | - | - | - | - |
| | <u>\$ 558,013</u> | <u>\$ 164,932</u> | <u>\$ 118,315</u> | <u>\$ 841,260</u> | <u>\$ 641,434</u> | <u>\$ 151,110</u> | <u>\$ 171,744</u> | <u>\$ 964,288</u> |

The accompanying notes are an integral part of this statement.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Duke of Edinburgh's International Award transforms individuals, communities and societies around the world, helping young people to exceed expectations. It allows their achievements to be recognized consistently worldwide through a unique, international accreditation.

The Award is:

- Open to all young people aged 14-24, regardless of their background and circumstances.
- About personal development and individual challenge: it is a non-competitive, enjoyable, voluntary program, which requires sustained effort over time.
- A non-formal educational framework which can complement formal education or offer a substitute where formal opportunities are not available.
- Comprised of three levels: Bronze, Silver and Gold.
- Consists of four Sections: Voluntary Service, Skills, Physical Recreation and Adventurous Journey, as well as a Project at the Gold level.

The Duke of Edinburgh's International Award USA (the Organization) offices were established in May of 2016. As a licensed National Award Operator by The Duke of Edinburgh's International Award Foundation (IAF), Award USA operates with over 25 program partners (Award Units): schools, after school programs, corporations and colleges to deliver the Award nationally in 13 states. Award USA is also pioneering an innovative Virtual Award Program connecting young people in far flung parts of the USA with corporate mentors through electronic means to participate in the Award where no Award Units have yet been established. Award USA's ambition is that every young person in the USA should have the opportunity to pursue the Award. During the year ended March 31, 2020 Award USA was a recipient of contributions from IAF as discussed in Note 5. Continued funding for Award USA comes from primarily private donors, as well as grant support, Award Participant fees, Award Unit licensing fees, and funding from IAF through contributions or advances. The IAF is committed to make sure the Organization continues as an entity in future years. Scholarship funds are raised to support marginalized and low income young people in their Award activities including their Adventurous Journeys.

The Award equips young people for life.

The financial statements were available to be issued on August 27, 2021 with subsequent events being evaluated through this date.

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, without donor restrictions and with donor restrictions.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation - (Continued)

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates -

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

Cash and Cash Equivalents -

All highly liquid instruments with an original maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk -

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash.

The Organization places its cash and deposits with high quality financial institutions; however, deposits may exceed the federally insured limits from time to time.

Pledges Receivable -

Pledges receivable consist of amounts unconditionally pledged but not received. An allowance for receivables is provided based upon management's judgment including such factors as type of contribution and nature of fundraising activity. Management considers the receivables recorded at March 31, 2021 and 2020, to be fully collectible.

Fixed Assets -

Fixed assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to five years.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Prepaid Expense and Deposits -

Prepaid expenses consist of various payments that the Organization has made in advance for rent and other services.

Revenue Recognition -

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met. 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 a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

The Organization periodically receives contributions in a form other than cash. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the capitalization policy. Other assets received as contributions are recorded and reflected in the financial statements at their estimated fair values at the date received.

Program Fees -

The Organization recognizes revenue from license fees and participant registration fees at a point of time. The performance obligation consists of allowing the licensee the right to use the program and name and also provide support and training. The participant registration fees consist of a small fee for participants to be part of the program. These performance obligations are considered at point of time and revenue is recognized when invoice as majority of the service provide to licensee and participant is covered by contributions.

Contributed Services and Goods -

The Organization records the fair market value of contributed services and goods if the contributed services and goods create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. During the years ended March 31, 2021 and 2020, the Organization received pro-bono legal and consulting fees valued at \$11,787 and \$1,750, respectively, which are included in contributions and professional fees in the statements of activities.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files informational tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2017. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) PLEDGES RECEIVABLE:

Donors' promises to give to the Organization, net of a discount to present value (ranging from 2.27% to 2.40%) are due to be collected as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|-------------------|-------------------|
| Gross amounts due in: | | |
| Less than one year | \$ 153,184 | \$ 180,497 |
| One to five years | <u>1,000</u> | <u>103,875</u> |
| | 154,184 | 284,372 |
| Less discount to present value | <u>-</u> | <u>(2,404)</u> |
| Total | <u>\$ 154,184</u> | <u>\$ 281,968</u> |

The discount will be recognized as contribution revenue through 2021 as the discount is amortized using an effective yield over the duration of each pledge.

(3) FIXED ASSETS:

Fixed assets at March 31, 2021 and 2020 are summarized by major classification, net of accumulated depreciation as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|-----------------|------------------|
| Website | \$ 50,573 | \$ 50,573 |
| Computers | 7,713 | 7,713 |
| Furniture | <u>3,010</u> | <u>3,010</u> |
| | 61,296 | 61,296 |
| Accumulated depreciation | <u>(59,395)</u> | <u>(43,734)</u> |
| Total fixed assets | <u>\$ 1,901</u> | <u>\$ 17,562</u> |

Depreciation expense was \$15,661 and \$15,659 for the years ended March 31, 2021 and 2020, respectively.

(4) DUE TO AFFILIATED ORGANIZATIONS:

During the years ended March 31, 2021 and 2020, a portion of the Organization’s operations was financed by IAF. IAF is a separate legal entity that promotes the Organization abroad and acts as a coordinating body for award sponsors in other nations. IAF financed the Organization through a combination of a contribution and an unsecured interest free loan. The total contributions from IAF during the fiscal years ended March 31, 2021 and 2020, amounted to \$-0- and \$120,000, respectively, which is included in contributions on the statements of activities. As of March 31, 2021, the Organization owes IAF \$-0- for amounts advanced less repayments. As of March 31, 2020, the Organization owed IAF \$-0- for amounts advanced less repayments.

(5) CONDITIONAL GRANT:

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April, 2020, the Organization obtained a Payroll Protection Program (PPP) loan in the amount of \$103,387. Additionally, as part of the Economic Aid Act in December 2020, the Organization also obtained a second PPP loan in the amount of \$103,387. The interest rate on these loans is 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, with the final payment due in April, 2022 and December 2025, respectively. As part of the PPP loan agreement, a portion of the loan can be forgiven. The Organization intends to maximize the forgiven portion of this loan as allowed under the Act.

The Organization has determined that this loan represents, in substance, represent a conditional grant as allowed under ASC 958-605 which recognizes revenue on nonexchange transactions when the barriers to the grants have been met. Per stipulations outlined in the CARES Act and Economic Aid Act, the Organization is using the monies from the PPP loan to fund payroll and other costs. Accordingly, the Organization recognizes a portion of the loan as contribution at the end of each payroll period that is funded by the PPP monies.

| | |
|---|------------------|
| Total funds received under PPP conditional grants | \$ 206,774 |
| Loan amount forgiven by SBA | (103,387) |
| Payroll expenses funded by PPP conditional grant | <u>(65,310)</u> |
| Refundable advance as of March 31, 2021 | <u>\$ 38,077</u> |

(6) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at March 31, 2021 and 2020 have been restricted by donors as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------|-------------------|-------------------|
| Time restriction | \$ 113,445 | \$ 259,372 |
| Purpose restriction | <u>10,540</u> | <u>-</u> |
| | <u>\$ 123,985</u> | <u>\$ 259,372</u> |

(6) NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes specified by donors or time restrictions met for the years ended March 31, 2021 and 2020, as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------|-------------------|-------------------|
| Program restrictions | \$ 17,460 | \$ - |
| Time restriction | <u>147,927</u> | <u>264,360</u> |
| | <u>\$ 165,387</u> | <u>\$ 264,360</u> |

(7) LEASES:

The Organization signed a 2-year lease agreement with the Montauk Company in March 2018 for office space. The lease period is July 1, 2018 through June 30, 2020. In March 2020, the Organization extended the lease agreement with the Montauk Company. The extended lease period is July 1, 2020 through June 30, 2022. Rent expense for the years ended March 31, 2021 and 2020, was \$29,166, and \$28,386, respectively.

The future minimum commitment is as follows:

| | |
|-------|------------------|
| 2022 | \$ 32,502 |
| 2023 | <u>8,170</u> |
| Total | <u>\$ 40,672</u> |

(8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of March 31, 2021 and 2020, the following financial assets are available to meet annual operating needs of the 2021 and 2020 fiscal year, respectively:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash | \$ 78,503 | \$ 57,303 |
| Pledges Receivable, net | <u>154,184</u> | <u>284,372</u> |
| | 232,687 | 341,675 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | <u>(1,000)</u> | <u>(103,875)</u> |
| Financial Assets available for general expenditure within one year | <u>\$ 231,687</u> | <u>\$ 237,800</u> |

(9) MANAGEMENT'S RESPONSE TO COVID-19:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As part of these mitigation measures, the Organization has had to make changes in how to operate its programs. In response to the effects of COVID-19, management is implementing strategies to help mitigate the losses in relation to this pandemic. The Organization also applied for and received two Payroll Protection Program loans under the CARES Act and the Economic Aid Act to help cover the reduction in revenue for 2021. The Organization has applied for and has been notified that eligible expenditures for payroll and other costs has been forgiven (see Note 5). The Organization cannot reasonably estimate the continued length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Organization's operations and financial statements in the future.

(10) SUBSEQUENT EVENT:

In April 2021, a donor made an agreement with the Organization to pledge a total sum of \$1,080,000 to be paid over three years, in 36 monthly installments of \$30,000. The first installment was received in April 2021.