

**CORE KNOWLEDGE FOUNDATION**  
**CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**



# CORE KNOWLEDGE FOUNDATION

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Core Knowledge Foundation  
Charlottesville, Virginia

We have audited the accompanying financial statements of CORE KNOWLEDGE FOUNDATION, which comprise the statement of financial position as of December 31, 2019, the related statement 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Core Knowledge Foundation

## **REPORT OF INDEPENDENT AUDITORS**

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CORE KNOWLEDGE FOUNDATION as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*HanTymon Wiebel LLP*

Charlottesville, Virginia  
January 22, 2021

# CORE KNOWLEDGE FOUNDATION

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

<b>ASSETS</b>		<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Unrestricted cash and cash equivalents .....	\$ 670,193	Accounts payable .....	\$ 192,030
Restricted cash and cash equivalents .....	106,369	Accrued expenses .....	1,853
Accounts receivable, net of allowance for doubtful accounts .....	182,864	Lease liability - current .....	101,977
Inventory .....	894,636	Deferred revenue .....	<u>51,524</u>
Prepaid expenses and other current assets .....	<u>80,403</u>		
Total current assets .....	<u>1,934,465</u>	Total current liabilities .....	347,384
<b>PROPERTY AND EQUIPMENT, NET</b> .....	<u>603,280</u>	<b>LONG-TERM LIABILITIES</b>	
<b>RIGHT-OF-USE ASSET, NET</b> .....	<u>597,947</u>	Lease liability - noncurrent .....	<u>564,788</u>
		Total liabilities .....	<u>912,172</u>
<b>OTHER ASSETS</b>		<b>NET ASSETS</b>	
Investments .....	2,665,353	Without donor restrictions .....	4,797,547
Intangible assets, net .....	<u>15,043</u>	With donor restrictions .....	<u>106,369</u>
Total other assets .....	<u>2,680,396</u>	Total net assets .....	<u>4,903,916</u>
<b>TOTAL ASSETS</b> .....	<u><u>\$ 5,816,088</u></u>	<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u><u>\$ 5,816,088</u></u>

(The accompanying notes are an integral part of this financial statement)

**CORE KNOWLEDGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions .....	\$ 10,165	\$ ....	\$ 10,165
Grants .....	....	231,068	231,068
Total support .....	10,165	231,068	241,233
Revenue:			
Operating income:			
Book and publication sales, net .....	1,332,803	....	1,332,803
Contract revenue .....	150,000	....	150,000
Consulting fees .....	5,000	....	5,000
Royalty income .....	35,557	....	35,557
Workshop fees .....	120,110	....	120,110
Total operating income .....	1,643,470	....	1,643,470
Other operating income:			
Interest and dividend income .....	60,360	....	60,360
Miscellaneous income .....	21,847	....	21,847
Realized and unrealized gain on investments .....	538,709	....	538,709
Total other operating income .....	620,916	....	620,916
Total revenue .....	2,264,386	....	2,264,386
Net assets released from restrictions .....	206,390	( 206,390)	....
Total support and revenue .....	2,480,941	24,678	2,505,619
<b>OPERATING EXPENSES</b>			
Program services .....	2,441,245	....	2,441,245
Supporting services .....	636,662	....	636,662
Total operating expenses .....	3,077,907	....	3,077,907
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b> .....	( 596,966)	24,678	( 572,288)
<b>NET ASSETS AT BEGINNING OF PERIOD</b> .....	5,394,513	81,691	5,476,204
<b>NET ASSETS AT END OF PERIOD</b> .....	\$ 4,797,547	\$ 106,369	\$ 4,903,916

(The accompanying notes are an integral part of this financial statement)

## CORE KNOWLEDGE FOUNDATION

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES
		MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	
Advertising .....	\$ 487	\$ 35,106	\$ ....	\$ 35,106	\$ 35,593
Bank and merchant fees .....	62	24,334	....	24,334	24,396
Consultants .....	56,934	1,550	....	1,550	58,484
Copying and printing .....	19,202	2,177	....	2,177	21,379
Depreciation and amortization .....	....	44,017	....	44,017	44,017
Donations .....	....	15,100	....	15,100	15,100
Dues and subscriptions .....	6,624	10,957	....	10,957	17,581
Employee benefits .....	47,261	7,671	241	7,912	55,173
Equipment rental and maintenance .....	....	1,556	....	1,556	1,556
Food and beverage .....	....	851	....	851	851
Insurance .....	....	31,153	....	31,153	31,153
Licenses and permits .....	574	2,976	....	2,976	3,550
Maintenance and repair .....	....	19,226	....	19,226	19,226
Miscellaneous .....	318	739	....	739	1,057
Payroll taxes .....	58,273	9,411	984	10,395	68,668
Permission fees .....	17,605	....	....	....	17,605
Postage and shipping .....	90,459	4,316	44	4,360	94,819
Professional development .....	587	....	....	....	587
Professional fees .....	35,431	170,086	....	170,086	205,517
Publications and development .....	1,276,600	456	....	456	1,277,056
Real and personal property taxes .....	....	15,466	....	15,466	15,466
Rent .....	....	102,186	....	102,186	102,186
Salaries .....	762,246	75,801	13,000	88,801	851,047
Supplies and materials .....	7,867	8,010	....	8,010	15,877
Telephone .....	672	8,830	....	8,830	9,502
Travel and transportation .....	60,043	13,943	....	13,943	73,986
Utilities .....	....	16,475	....	16,475	16,475
Total expenses .....	<u>\$ 2,441,245</u>	<u>\$ 622,393</u>	<u>\$ 14,269</u>	<u>\$ 636,662</u>	<u>\$ 3,077,907</u>

(The accompanying notes are an integral part of this financial statement)

# CORE KNOWLEDGE FOUNDATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets .....	(\$ 572,288)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization .....	44,017
Realized and unrealized (gain) loss .....	( 538,709)
Right-of-use asset .....	( 83,805)
(Increase) decrease in operating assets:	
Accounts receivable .....	( 151,974)
Inventory .....	( 96,243)
Prepaid expenses and other current assets .....	( 17,878)
Increase (decrease) in operating liabilities:	
Accounts payable .....	( 118,188)
Accrued expenses .....	( 5,085)
Deferred revenue .....	46,724
Lease liability .....	( 7,820)
Net cash provided by (used in) operating activities .....	<u>( 1,501,249)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment .....	( 4,547)
Purchase of securities .....	( 3,290)
Proceeds from sale of securities .....	<u>1,527,722</u>
Net cash provided by (used in) investing activities .....	<u>1,519,885</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS ..... 18,636

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD ..... 757,926

CASH AND CASH EQUIVALENTS AT END OF PERIOD ..... \$ 776,562

### RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Amounts reported within the statement of financial position that sum to the total above:	
Unrestricted cash and cash equivalents .....	\$ 670,193
Restricted cash and cash equivalents .....	<u>106,369</u>
Total cash, cash equivalents, and restricted cash .....	<u><u>\$ 776,562</u></u>

(The accompanying notes are an integral part of this financial statement)



# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - NATURE OF ACTIVITIES

Core Knowledge Foundation (the Foundation) was incorporated as a Virginia non-stock corporation in 1986 for the purpose of improving the quality of elementary education through *The Core Knowledge Sequence*. The Foundation's three major activities and sources of revenue all further this purpose, and include periodic workshops and the writing and publishing of various educational books and materials.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Recent Accounting Pronouncements***

During the year ended December 31, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies guidance about whether a transfer of assets is a contribution or an exchange transaction, and ASU 2016-18, *Statement of Cash Flows*, which clarifies the presentation of restricted cash on the statement of cash flows. There was no impact on total net assets as a result of the adoption of the new standards.

#### ***Financial Statement Presentation***

Financial statement presentation follows the recommendations of the FASB. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions** – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** – Net assets that are subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by action of the Foundation.

The Foundation reports amounts for total assets, liabilities, and net assets in a statement of financial position, changes in net assets in a statement of activities, and changes in cash and cash equivalents in a statement of cash flows.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a stipulated purpose restriction is satisfied or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as assets released from restrictions.

# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Foundation considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited for the use in the development of the *Core Knowledge History and Geography* programs. The Foundation maintains its cash in accounts that exceed federally-insured limits and are subject to risk of loss. No losses have been incurred as a result of these deposit accounts.

### ***Accounts Receivable***

Receivables represent amounts due from public and private preschools and elementary schools, as well as individuals who homeschool, throughout the United States that purchase educational materials from the Foundation. The allowance for doubtful accounts is based on historical losses experienced by the Foundation. Management monitors receivables and adjusts the allowance as necessary. The allowance for doubtful accounts on December 31, 2019 was \$8,091. The Foundation considers accounts receivable past due after 30 days. The Foundation does not charge interest on delinquent receivables.

### ***Investments and Related Income***

Investments are presented at fair market value in accordance with current accounting standards. Investments received as gifts are initially recorded at their market value at the date of receipt. Interest, dividends, and realized and unrealized gains and losses are recorded as increases in net assets without donor restrictions except where donor restrictions on earnings from contributions exist that require the income to be recorded according to the restrictions. Income on restricted funds is allocated to the underlying funds and restricted to that purpose.

### ***Inventory***

Inventory consists of Core Knowledge publications. Inventory is stated at the lower of cost or net realizable value and is charged to cost of sales using the weighted average cost method.

### ***Shipping and Handling Costs***

Freight billed to customers is considered sales revenue and the related freight costs are considered cost of sales.

### ***Property and Equipment***

Costs of improvements to operating facilities, purchases of machinery and equipment, and purchases of office furniture and equipment are capitalized and depreciated over the related assets' useful lives. The Foundation has set a capitalization threshold of \$500 for all items with a useful life greater than one year. Depreciation is being computed using the straight-line method over lives ranging from 3 to 39 years.

# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### *Intangible Assets*

The Foundation amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Amortization expense amounted to \$166 for the year ended December 31, 2019.

### *Grant Income*

Grants are accounted for as contributions or revenue from contracts with customers based on the absence or presence of an element of an exchange transaction. The Foundation's grants for the year ended December 31, 2019 do not include elements of an exchange, thus follow contribution accounting rules. Grants are recorded as unconditional promises to give and are recognized as revenue when received, unless the grant agreement includes a right of return of the grant funds and requires specific action by the Foundation. In this case, grants are considered conditional contributions, and revenue is recognized when all conditions have been satisfied.

### *Sales Taxes*

The Foundation receives state and local sales taxes on certain sales. These are recorded as liabilities when received and are not included as revenue in the statement of activities.

### *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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

### *Fair Values of Financial Instruments*

The Foundation follows current accounting standards relating to fair value measurements and disclosures, which define fair value, establish guidelines for measuring fair value, establish a framework for measuring fair value, and expand disclosures regarding fair value measurement. (See **NOTE 13 - FAIR VALUES OF FINANCIAL INSTRUMENTS.**)

### *Income Taxes*

Core Knowledge Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to tax on any unrelated business income it receives.

**CORE KNOWLEDGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

***Uncertain Tax Positions***

The Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the FASB and has determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

***Subsequent Events***

Management has evaluated subsequent events through January 22, 2021, which is the date the financial statements were available to be issued.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on level of effort or use of facilities, as deemed most appropriate by management.

**NOTE 3 - ADVERTISING COSTS**

The Foundation expenses costs of advertising as incurred. Advertising expenses amounted to \$35,593 for the year ended December 31, 2019.

**NOTE 4 - LIQUIDITY AND AVAILABILITY**

The Foundation’s financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

Cash and cash equivalents .....	\$ 776,562
Accounts receivable, net.....	182,864
Investments .....	<u>2,665,353</u>
 Total financial assets .....	 3,624,779
Less: Net assets with donor restrictions .....	( <u>106,369</u> )
 Financial assets available to meet general expenditures within one year.....	 <u>\$3,518,410</u>

As part of the Foundations’ liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation considers general expenditures to be all program services, management and general, and fund-raising costs presented in the statement of functional expenses incurred in the ordinary course of the advancement of the Foundation’s mission.

# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 consisted of the following:

Building and improvements .....	\$ 629,258
Computer hardware .....	461,204
Equipment.....	186,063
Furniture and fixtures.....	80,706
Land .....	186,662
Leasehold improvements.....	99,258
Website and software .....	<u>224,787</u>
	1,867,938
Less: Accumulated depreciation .....	( <u>1,264,658</u> )
Property and equipment, net .....	<u>\$ 603,280</u>

Depreciation expense for the year ended December 31, 2019 amounted to \$43,851.

### NOTE 6 - INTANGIBLE ASSETS

Intangible assets at December 31, 2019 consisted of the following:

Copyrights.....	\$ 15,810
Less: Accumulated depreciation .....	( <u>767</u> )
Intangible assets, net .....	<u>\$ 15,043</u>

Amortization expense for the year ended December 31, 2019 amounted to \$166. Amortization of copyrights will be \$166 per year for 2020 and subsequent years.

### NOTE 7 - INVESTMENTS

As of December 31, 2019, investments consisted of the following:

	<b>MARKET VALUE</b>	<b>COST</b>
Cash equivalents.....	\$ 122,436	\$ 122,436
Mutual funds - stock focus.....	2,355,183	2,118,106
Mutual funds - bond focus.....	<u>187,734</u>	<u>190,446</u>
Total .....	<u>\$2,665,353</u>	<u>\$2,430,988</u>

### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have donor-imposed restrictions that expire with the passage of time or once the Foundation undertakes specific actions. At December 31, 2019, net assets with donor restrictions are available with the following restrictions:

**CORE KNOWLEDGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

Core Knowledge History and Geography programs ..... \$106,369

Net assets were released from donor restrictions by incurring expenses satisfying the specified purpose by donor as follows:

Core Knowledge History and Geography programs ..... \$206,390

**NOTE 9 - BOOK AND PUBLICATION SALES**

Book and publication sales for the year ended December 31, 2019 consisted of the following:

Book and publication sales.....	\$1,667,597
Shipping and handling revenue.....	168,722
Cost of sales.....	( 459,570)
Sales discounts and returns .....	( <u>43,946</u> )
Book and publication sales, net.....	<u>\$1,332,803</u>

**NOTE 10 - ROYALTY INCOME**

The Foundation has granted licenses to certain publishers to publish and sell specified educational materials developed by the Foundation. The Foundation receives royalties based upon net retail sales of licensed materials, less a reasonable reserve for returnable copies. The Foundation received royalties of \$35,557 during 2019.

**NOTE 11 - LEASE OBLIGATIONS**

The Foundation leases warehouse facilities under a long-term lease extending to August 2025 that is considered an operating lease and a right-of-use asset. The lease obligation related to this agreement has been reported on the statement of activities. The lease provided for an improvement credit of \$100,000 applied against the first eleven months of rent payments. The lease provides for renewal options under certain conditions for two additional five-year terms.

Future minimum lease payments under the lease, including the present value of minimum lease payments and maintenance costs, subsequent to December 31, 2019, are as follows:

<b>YEAR ENDING DECEMBER 31,</b>	
2020 .....	\$101,977
2021 .....	108,750
2022 .....	115,853
2023 .....	123,301
2024 .....	131,108
Thereafter .....	<u>85,776</u>
	<u>\$666,765</u>

# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

At January 1, 2018, the Foundation implemented FASB Accounting Standards Codification (ASC) 842 and recognized an asset and a liability of \$602,492 for the above lease. The value was equal to the present value of the remaining lease payments, discounted using the implicit rate of 0.34%. The contract term is for 85 months and has an annual increase of 2%. During 2019, the lease expense related to this lease was \$102,186 and actual cash payments applied to the lease liability totaled \$70,987.

### NOTE 12 - BOARD-DESIGNATED ENDOWMENT FUND

The Foundation's Board-designated endowment consists of a SunTrust Investment Services fund. As required by U. S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in Board-designated endowment net assets without donor restrictions for the years ended December 31, 2019 are as follows:

Endowment net assets, beginning of year .....	<u>\$2,066,284</u>
Investment return:	
Investment income, net of expense of \$31,138 .....	60,360
Net realized and unrealized appreciation .....	<u>538,709</u>
Total investment return .....	<u>599,069</u>
Endowment net assets, end of year .....	<u>\$2,665,353</u>

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets as recommended by the Board of Directors. Endowment assets include Board-designated funds. Because of its long-term investment perspective, the Foundation believes that its overall risk posture is above average relative to many other tax exempt entities that may be more risk averse and more oriented toward fixed-income investments, and that, consequently, a higher-than-average equity exposure is appropriate for the invested assets. Actual returns in any given year may vary from expected amounts. The Foundation is willing to withstand short-term volatility associated with investment in mutual funds and/or indices to achieve a higher expected long-term rate of return.

**Strategies Employed for Achieving Objectives** - The Foundation believes that diversification across equity investments can best be achieved through investments in mutual funds and/or indices. Similarly, the Foundation intends to limit diversification among asset classes until significant capital appreciation is achieved. The Board of Directors will routinely evaluate the various investment options available by considering the historical rates of return and the level of risk associated with each. The Foundation believes that, over the long term, the allocation among various asset classes might be the most important determinant of investment performance and that an allocation among them is appropriate.

# CORE KNOWLEDGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

**Establishment of Endowment and Withdrawal Policy** - The Board of Directors designated the initial amount of corpus of the endowment. Subsequent contributions and capital appreciation (or losses) also become corpus. The initial designation of the amount of corpus, subsequent contributions, and any withdrawals must be approved by the Board of Directors. Withdrawals are not contemplated until such time, in the judgment of the Board of Directors, the endowment has grown sufficiently that it can reasonably accommodate withdrawals or that organizational priorities have changed.

### NOTE 13 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Foundation follows FASB ASC 820, *Fair Value Measurement*, which defines fair value, establishes guidelines for measuring fair value, and establishes a framework for measuring fair value. This standard provides clarification that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation.

FASB ASC 820 prioritizes, within the measure of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy of fair value measurements based on the nature of the inputs used in the valuation of an asset or liability as of the measurement date. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three-level hierarchy is defined as follows:

- Level 1 Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 Valuation is based on observable inputs for quoted prices for similar instruments. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. Such instruments are valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

The fair values of the Foundation's assets and liabilities are categorized in accordance with FASB ASC 820 at December 31, 2019 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash equivalents .....	\$ 122,436	\$ ....	\$ ....	\$ 122,436
Mutual funds:				
Stock-focused .....	2,355,183	....	....	2,355,183
Bond-focused .....	<u>187,734</u>	<u>....</u>	<u>....</u>	<u>187,734</u>
Total investments.....	<u>2,665,353</u>	<u>....</u>	<u>....</u>	<u>2,665,353</u>
Total financial assets at fair value .....	<u>\$2,665,353</u>	<u>\$.....</u>	<u>\$.....</u>	<u>\$2,665,353</u>



# **CORE KNOWLEDGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 14 - RETIREMENT PLANS**

The Foundation sponsors a Simplified Employee Pension (SEP) Plan. This Plan was amended in 2006 to increase the eligibility requirement for length of service to two years. The Board of Directors determines the SEP contribution each year. No contribution was made in 2019.

The Foundation also maintains a plan described in Section 403(b) of the Internal Revenue Code under which employees may contribute funds within specified limits. The Foundation does not match employees' discretionary contributions.

### **NOTE 15 - CONCENTRATIONS**

For the year ended December 31, 2019, approximately 41% of the Foundation's total support revenue was from one donor. There were no accounts receivable related to this donor.

### **NOTE 16 - COVID-19**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The extent to which the COVID-19 pandemic impacts the Foundation, results of its operations, and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration, spread, severity, and impact of the COVID-19 pandemic and to what extent normal economic and operating conditions can resume. The Foundation cannot reasonably estimate the impact of the pandemic at this time.