

CAMBRIDGE IN AMERICA
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022
(WITH SUMMARIZED COMPARATIVE
TOTALS FOR JULY 31, 2021)

CAMBRIDGE IN AMERICA

CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>Independent Auditors' Report</u> | 1-2 |
| <u>Consolidated Financial Statements</u> | |
| Consolidated Statement of Financial Position at July 31, 2022 (With Summarized Comparative Totals at July 31, 2021) | 3 |
| Consolidated Statement of Activities for the Year Ended July 31, 2022 (With Summarized Comparative Totals for the Year Ended July 31, 2021) | 4 |
| Consolidated Statement of Functional Expenses for the Year Ended July 31, 2022 (With Summarized Comparative Totals for the Year Ended July 31, 2021) | 5 |
| Consolidated Statement of Cash Flows for the Year Ended July 31, 2022 (With Summarized Comparative Totals for the Year Ended July 31, 2021) | 6 |
| Notes to Consolidated Financial Statements | 7-16 |

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Cambridge in America
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cambridge in America, which comprise the consolidated statement of financial position at July 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cambridge in America at July 31, 2022, 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 Cambridge in America and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these consolidated 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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.

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 Cambridge in America'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 Cambridge in America'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.

Report on Summarized Comparative Information

We have previously audited Cambridge in America's 2021 consolidated financial statements, and our report dated February 3, 2022 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein at and for the year ended July 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
January 24, 2023

CAMBRIDGE IN AMERICA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JULY 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AT JULY 31, 2021)

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|---------------------------------|---------------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 9,180,551 | \$ 10,892,407 |
| Investments | 6,236,818 | 20,133,523 |
| Accounts receivable | - | 690 |
| Contributions receivable, net | 11,415,905 | 8,435,444 |
| Prepaid expenses and other assets | 8,362 | 4,269 |
| Property and equipment, net | <u>146,549</u> | <u>229,747</u> |
| TOTAL ASSETS | <u><u>\$ 26,988,185</u></u> | <u><u>\$ 39,696,080</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 239,355 | \$ 183,424 |
| Deferred rent | 200,779 | 258,423 |
| Due to Collegiate Cambridge | <u>2,274,765</u> | <u>5,558,586</u> |
| Total Liabilities | <u>2,714,899</u> | <u>6,000,433</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS: | | |
| Without donor restrictions | 12,857,381 | 25,260,203 |
| With donor restrictions | <u>11,415,905</u> | <u>8,435,444</u> |
| Total Net Assets | <u>24,273,286</u> | <u>33,695,647</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 26,988,185</u></u> | <u><u>\$ 39,696,080</u></u> |

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

CAMBRIDGE IN AMERICA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2021)

| | 2022 | | | 2021 |
|---|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUES, GAINS, LOSSES AND OTHER SUPPORT: | | | | |
| Contributions | \$ 31,504,227 | \$ 10,360,210 | \$ 41,864,437 | \$ 65,607,287 |
| Contributions in-kind | 224,000 | - | 224,000 | 371,750 |
| Investment (loss) income, net | (750,089) | - | (750,089) | 682,978 |
| (Loss) gain on foreign currency translation | (2,445) | - | (2,445) | 294,495 |
| Net assets released from restrictions | 7,379,749 | (7,379,749) | - | - |
| TOTAL REVENUES, GAINS, LOSSES AND OTHER SUPPORT | 38,355,442 | 2,980,461 | 41,335,903 | 66,956,510 |
| EXPENSES: | | | | |
| Program Service: | | | | |
| College and University projects | 45,389,859 | - | 45,389,859 | 53,531,699 |
| Supporting Services: | | | | |
| Management and general | 1,521,837 | - | 1,521,837 | 1,368,841 |
| Fundraising | 3,846,568 | - | 3,846,568 | 3,379,045 |
| Total Supporting Services | 5,368,405 | - | 5,368,405 | 4,747,886 |
| TOTAL EXPENSES | 50,758,264 | - | 50,758,264 | 58,279,585 |
| CHANGE IN NET ASSETS | (12,402,822) | 2,980,461 | (9,422,361) | 8,676,925 |
| NET ASSETS, BEGINNING OF YEAR | 25,260,203 | 8,435,444 | 33,695,647 | 25,018,722 |
| NET ASSETS, END OF YEAR | \$ 12,857,381 | \$ 11,415,905 | \$ 24,273,286 | \$ 33,695,647 |

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

CAMBRIDGE IN AMERICA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2021)

| | 2022 | | | | | |
|---------------------------------------|---------------------------------|------------------------|--------------|--------------|---------------|---------------|
| | Program Service | Supporting Services | | | | |
| | College and University Projects | Management and General | Fundraising | Total | Total | 2021 |
| EXPENSES: | | | | | | |
| Salaries | \$ - | \$ 725,632 | \$ 1,961,894 | \$ 2,687,526 | \$ 2,687,526 | \$ 2,474,900 |
| Payroll taxes and employee benefits | - | 201,561 | 544,962 | 746,523 | 746,523 | 691,284 |
| Total salaries and related expenses | - | 927,193 | 2,506,856 | 3,434,049 | 3,434,049 | 3,166,184 |
| Transmissions to Collegiate Cambridge | 45,389,859 | - | - | - | 45,389,859 | 53,531,699 |
| Staff development | - | 13,958 | 37,739 | 51,697 | 51,697 | 14,489 |
| Professional fees | - | 50,556 | 50,000 | 100,556 | 100,556 | 104,994 |
| Recruiting | - | 1,208 | 3,265 | 4,473 | 4,473 | 948 |
| Occupancy | - | 221,158 | 597,944 | 819,102 | 819,102 | 774,453 |
| Insurance | - | 15,085 | - | 15,085 | 15,085 | 14,106 |
| Office supplies and expenses | - | 43,648 | 118,011 | 161,659 | 161,659 | 155,769 |
| Travel | - | 44,642 | 152,759 | 197,401 | 197,401 | 8,902 |
| Data processing | - | 24,012 | 64,920 | 88,932 | 88,932 | 100,254 |
| Consultants | - | 9,775 | 26,429 | 36,204 | 36,204 | 88,313 |
| Board travel and meetings | - | 20,948 | 56,637 | 77,585 | 77,585 | 1,115 |
| Dues and subscriptions | - | 14,509 | 39,228 | 53,737 | 53,737 | 41,458 |
| Depreciation and amortization | - | 83,198 | - | 83,198 | 83,198 | 83,201 |
| Leases and rentals | - | 2,054 | 5,553 | 7,607 | 7,607 | 5,766 |
| Repairs and maintenance | - | 306 | 827 | 1,133 | 1,133 | 150 |
| Bad debt | - | 44,077 | - | 44,077 | 44,077 | 38,620 |
| Events and related costs | - | - | 21,476 | 21,476 | 21,476 | 510 |
| Marketing and promotion | - | - | 150,028 | 150,028 | 150,028 | 115,660 |
| Miscellaneous | - | 5,510 | 14,896 | 20,406 | 20,406 | 32,994 |
| TOTAL EXPENSES | \$ 45,389,859 | \$ 1,521,837 | \$ 3,846,568 | \$ 5,368,405 | \$ 50,758,264 | \$ 58,279,585 |

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

CAMBRIDGE IN AMERICA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2021)

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (9,422,361) | \$ 8,676,925 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Bad debt expense | 44,077 | 38,620 |
| Realized and unrealized (gain) loss on investments | 815,599 | (633,425) |
| Depreciation and amortization | 83,198 | 83,201 |
| Deferred rent | (57,644) | (29,800) |
| (Increase) decrease in assets: | | |
| Accounts receivable | 690 | 38,685 |
| Contributions receivable | (3,024,538) | 9,816,107 |
| Prepaid expenses and other assets | (4,093) | 11,987 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 55,931 | 46,188 |
| Due to Collegiate Cambridge | <u>(3,283,821)</u> | <u>5,007,506</u> |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>(14,792,962)</u> | <u>23,055,994</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (1,966,542) | (16,997,107) |
| Proceeds from sales of investments | <u>15,047,648</u> | <u>221,900</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>13,081,106</u> | <u>(16,775,207)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (1,711,856) | 6,280,787 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>10,892,407</u> | <u>4,611,620</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 9,180,551</u></u> | <u><u>\$ 10,892,407</u></u> |

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

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 1 - Nature of Operations

Cambridge in America ("CAm") is a publicly supported not-for-profit organization incorporated in the District of Columbia in 1967 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

CAm's primary purpose is to promote a broad base of interest in and financial support for the University of Cambridge and its constituent colleges, known as Collegiate Cambridge, among its alumni and friends in the Americas by:

- Maximizing fundraising efforts for the educational and research missions of Collegiate Cambridge from individuals, corporations and charitable foundations.
- Making known the achievements of Collegiate Cambridge to and beyond the alumni body, both directly and through the press and media.
- Coordinating and assisting alumni activities.

It is the Board of Directors' policy not to accept donations that restrict the purpose of the funds, although the donor may specify a preference. The primary sources of revenue are contributions.

In 2009, Cambridge in America UK Limited ("CAm UK") was created, with CAm as the sole shareholder. As such, it is considered as a disregarded entity for United States income tax purposes. The primary purpose of CAm UK is to receive contributions in England.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the financial position, changes in net assets, functional expenses and cash flows of CAm and CAm UK (collectively the "Organization"). Intercompany transactions and balances have been eliminated in consolidation.

Change in Accounting Principles

Effective July 1, 2021, the Foundation adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of enhanced disclosure.

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB ASC Topic 820, *Fair Value Measurement*, are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Refer to Note 4 for assets measured at fair value at July 31, 2022 in accordance with FASB ASC Topic 820.

Contributions Receivable

Contributions receivable are stated net of an allowance for doubtful accounts. 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 future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for Doubtful Accounts

The Organization determines whether an allowance for doubtful accounts should be provided for contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. The Organization has recorded an allowance for doubtful accounts for contributions receivable of \$200,000 at July 31, 2022.

Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method. The Organization capitalizes all purchases of property and equipment equal to or in excess of \$5,000 having an estimated useful life of greater than one year. Repairs and maintenance are charged to expense in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from accounts and any gain or loss is included in revenue.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

| | |
|-------------------------|--------------|
| Furniture and equipment | 5 to 7 years |
| Leasehold improvements | 10 years |

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Deferred Rent

The Organization has a lease with an unrelated third party with certain escalation clauses that require normalization of the rent expense over the lives of the leases. Resulting deferred rent is reflected in the accompanying consolidated statement of financial position.

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. The Board of Directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balance totaled \$1,000,000 at July 31, 2022 and is included in cash and cash equivalents on the consolidated statement of financial position. Net assets with donor restrictions are those net assets that are restricted by donors for specific purposes or a time restriction.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The value recorded for each contribution is recognized as follows:

| <u>Nature of the Gift</u> | <u>Value Recognized</u> |
|---|---|
| <u><i>Conditional gifts and grants, with or without restrictions</i></u> | |
| Gifts and grants that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met |
| <u><i>Unconditional gifts and grants, with or without donor restrictions</i></u> | |
| Received at date of gift - cash and other assets | Fair value |
| Received at date of gift - property, equipment and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

In-Kind Contributions

The organization receives various forms of gift-in-kind (GIK) including books, artwork, and first edition musical scores. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized GIK are valued based upon appraisal reports received from third parties. Donated GIK are not sold and goods are only utilized for program use.

| <u>Non-financial contributions category</u> | <u>Type of contributions for beneficiaries</u> | <u>Valuation</u> | <u>2022</u> |
|---|--|---|-------------------|
| Music and art | First addition musical Scores and paintings | Appraisal reports received from independent third parties | \$ 109,000 |
| Books | First edition English Poetry | Appraisal reports received from independent third parties | 115,000 |
| | | | <u>\$ 224,000</u> |

Functional Expenses

The costs of providing the Organization's services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses such as salaries, payroll taxes and employee benefits are allocated on a time and effort basis. Transmissions to Collegiate Cambridge are directly charged to program expenses. Expenses attributable to more than one functional expense category are based on the ratio value of staff and consultant time spent on supporting services.

Foreign Currency Translation

The assets and liabilities of CAm UK are recorded in British Pounds (GBP) and are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the consolidated statement of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements. The exchange rate utilized within the consolidated statement of financial position at July 31, 2022 was GBP 1.00/1.22 USD. The average exchange rate utilized to translate revenues, expenses, gains and losses for 2022 was GBP 1.00/1.27 USD.

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Operating Leases

Operating leases are straight-lined over the term of the lease. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense.

Summarized Comparative Totals

The consolidated 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended July 31, 2021, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2019.

New Accounting Pronouncement

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates.

The Organization has not yet determined if this ASU will have a material effect on its consolidated financial statements.

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 3 - Concentration of Credit Risk

The Organization maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. At July 31, 2022 and from time to time during the year then ended, the Organization's balances exceeded these limits.

At July 31, 2022, approximately 69% of the Organization's contributions receivable is from four donors. For the year ended July 31, 2022, approximately 52% of the total contributions received is from three donors.

Note 4 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at July 31, 2022.

Money market funds and foreign currency - Valued at quoted prices based on identical prices in active markets.

Mutual funds - Valued at the net asset value ("NAV") of shares held by the Organization at year-end and are deemed to be actively traded.

Exchange-traded funds (ETFs) and common stocks - Valued at the closing price reported in the active market on which the individual securities are traded.

Hedge funds - Valued at NAV as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily.

Recurring Measurements

The following table presents the fair value measurements of assets measured at fair value on a recurring basis and the level within the fair value hierarchy at July 31, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|--------------------------------------|---------------------|----------------|----------------|---------------------|
| Money market funds | \$ 99,546 | \$ - | \$ - | \$ 99,546 |
| Mutual funds - equity | 2,097,419 | - | - | 2,097,419 |
| Mutual funds - fixed income | 82,792 | - | - | 82,792 |
| Common stocks | 914,100 | - | - | 914,100 |
| Foreign currency - Pound Sterling | 248,109 | - | - | 248,109 |
| Exchange-traded funds - equity | - | - | - | - |
| Exchange-traded funds - fixed income | 2,690,886 | - | - | 2,690,886 |
| Total Investments | <u>\$ 6,132,852</u> | <u>\$ -</u> | <u>\$ -</u> | 6,132,852 |
| Hedge funds (a) | | | | <u>103,966</u> |
| | | | | <u>\$ 6,236,818</u> |

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 4 - Fair Value Measurements (cont'd.)

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Organization's investments at July 31, 2022:

| | Fair Value at July 31, 2022 | Valuation Technique | Range of Inputs |
|------------------------|-----------------------------------|------------------------|------------------------------|
| Cornwall Offshore Ltd. | <u>\$ 103,966</u> | NAV per share | \$852.67 - \$1,000 per share |

Note 5 - Contributions Receivable

Contributions receivable that are due in over one year have been discounted using rates ranging between 0.21% and 2.83%.

Contributions receivable are due as follows:

Years Ending July 31:

| | |
|---------------------------------|----------------------|
| 2023 | \$ 4,088,841 |
| 2024 | 2,944,989 |
| 2025 | 1,269,808 |
| 2026 | 962,249 |
| 2027 | 401,015 |
| Thereafter | <u>2,820,122</u> |
| | 12,487,024 |
| Allowance for doubtful accounts | (200,000) |
| Discount to present value | <u>(871,119)</u> |
| | <u>\$ 11,415,905</u> |

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 6 - Property and Equipment

Property and equipment, net is summarized as follows:

| | |
|---|------------------------|
| Furniture and equipment | \$ 293,943 |
| Leasehold improvements | 408,810 |
| | <hr/> 702,753 |
| Less: Accumulated depreciation and amortization | 556,204 |
| | <hr/> <hr/> \$ 146,549 |

Depreciation and amortization expense related to property and equipment amounted to \$83,198 for the year ended July 31, 2022.

Note 7 - Operating Leases

In March 2015, the Organization signed an operating lease for space effective August 15, 2015 and expiring on July 31, 2025 with an additional five-year option to renew. In connection with the lease, the Organization received a six-month rent concession.

Future minimum lease payments as of July 31, 2022 are as follows:

Years Ending July 31:

| | |
|------|--------------------------|
| 2023 | \$ 750,513 |
| 2024 | 750,513 |
| 2025 | <hr/> 750,513 |
| | <hr/> <hr/> \$ 2,251,539 |

Rent expense for the year ended July 31, 2022 was \$692,868. Cash paid for rent amounted to \$750,513 for the year ended July 31, 2022.

Note 8 - Pension Plan

The Organization administers a defined contribution plan under Section 403(b) of the Internal Revenue Code. All employees who complete six months of service are eligible to participate in the plan. Contributions are based upon salaries paid. Pension expense in 2022 was \$240,333.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions of \$11,415,905 at July 31, 2022 are restricted to periods after July 31, 2022.

Net assets of \$7,379,749 were released from donor restrictions by lapse of time.

CAMBRIDGE IN AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2022

Note 10 - Contingencies

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the generation of contributions, collections of receivables and valuation of investments. Other financial impact could occur, though such potential impact is unknown at this time.

Note 11 - Available Resources and Liquidity

The following reflects the Organization's financial assets as of July 31, 2022, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

| | |
|---|-----------------------------|
| Cash and cash equivalents | \$ 9,180,551 |
| Investments | 6,236,818 |
| Contributions receivable, net | <u>11,415,905</u> |
| Total financial assets | 26,833,274 |
| Less amounts not available to be used within one year: | |
| Receivables to be collected in more than one year | (7,527,064) |
| Board-designated operating reserve | <u>(1,000,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 18,306,210</u></u> |

There are board-designated reserves of \$1,000,000 at July 31, 2022. Although the Organization does not intend to spend from these reserves, these amounts could be made available if necessary.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

Note 12 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after July 31, 2022 through January 24, 2023, which is the date that the consolidated financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.