GROSS MENDELSOHN
ACCOUNTING | TECHNOLOGY | WEALTH ADVISORY

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Living Classrooms Foundation, Inc. and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Living Classrooms Foundation, Inc. and Affiliates ("the Foundation"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 Living Classrooms Foundation, Inc. and Affiliates as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Living Classrooms Foundation, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 Living Classrooms Foundation, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities 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 auditor's 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 and *Government 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Living Classrooms Foundation, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Living Classrooms Foundation, Inc. and Affiliates' 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.

Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of Living Classrooms Foundation, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Living Classrooms Foundation, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Living Classrooms Foundation, Inc. and Affiliates' internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 15, 2022

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 5,744,169**	$ 5,150,014
Investments	**685,599**	1,143,489
Grants receivable	**1,981,971**	1,609,472
Pledges receivable	**2,187,007**	1,123,322
Accounts receivable, net of allowance for doubtful accounts (2021 and 2020 - $5,000)	**871,445**	481,964
Inventory	**61,917**	67,838
Prepaid expenses	**724,471**	227,657
Total Current Assets	**12,256,579**	9,803,756
Property		
Land	**1,734,950**	1,734,950
Building and improvements	**27,312,746**	27,200,554
Vessels and improvements	**8,124,094**	7,956,119
Office and program equipment	**2,037,594**	2,004,724
Vehicles	**542,734**	520,132
Construction in progress	**1,098,027**	541,309
Exhibits and monuments	**730,817**	730,817
Total Cost	**41,580,962**	40,688,605
Less: Accumulated depreciation	**17,070,725**	16,136,683
Net Property	**24,510,237**	24,551,922
Other Assets		
Cash surrender value of life insurance policies net of loans (2021 - $-0- and 2020 - $158,667)	**947,337**	725,114
Pledges receivable, net of current portion	**3,382,787**	727,217
Investments restricted to long-term investment	**5,457,479**	3,127,921
Goodwill, net of amortization (2021 - $175,000 and 2020 - $150,000)	**75,000**	100,000
Total Other Assets	**9,862,603**	4,680,252
Total Assets	**$ 46,629,419**	$ 39,035,930

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 757,770**	$ 375,844
Accrued expenses	**153,630**	52,606
Payroll and related taxes payable	**1,224,716**	1,164,751
Deferred revenue	**416,567**	443,450
Current maturities of long-term debt	**229,414**	226,868
Total Current Liabilities	**2,782,097**	2,263,519
Non-Current Liabilities		
Long-term debt, net of current maturities	**5,217,085**	5,442,137
Deferred compensation	**421,061**	416,582
Total Non-Current Liabilities	**5,638,146**	5,858,719
Total Liabilities	**8,420,243**	8,122,238
Commitments (Notes 11, 12 and 13)		
Net Assets		
Without donor restrictions:		
General	**21,086,283**	20,453,508
Board-designated	**2,892,409**	100,000
With donor restrictions	**14,230,484**	10,360,184
Total Net Assets	**38,209,176**	30,913,692
Total Liabilities and Net Assets	**$ 46,629,419**	$ 39,035,930

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

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	$ 8,542,922	$ 1,433,648	$ 9,976,570
Special event revenue	131,349	-0-	131,349
Gross fundraising, sales, and other, net of cost of goods sold ($6,004 and $1,558 for 2021 and 2020)	1,645,280	-0-	1,645,280
Contributions	5,627,873	5,188,894	10,816,767
Program fees	349,806	-0-	349,806
Net investment return	136,757	381,763	518,520
Loss on disposal of property	(3,834)	-0-	(3,834)
Unrealized gain on derivative obligations	-0-	-0-	-0-
Total Revenue and Support before Net Assets Released from Restrictions	16,430,153	7,004,305	23,434,458
Net assets released from restrictions	3,134,005	(3,134,005)	-0-
Total Revenue and Support	19,564,158	3,870,300	23,434,458
Expenses			
Program services	13,645,848	-0-	13,645,848
Administrative services	1,855,610	-0-	1,855,610
Fundraising	637,516	-0-	637,516
Total Expenses	16,138,974	-0-	16,138,974
Change in Net Assets	3,425,184	3,870,300	7,295,484
Net Assets - Beginning of Year	20,553,508	10,360,184	30,913,692
Net Assets - End of Year	$ 23,978,692	$ 14,230,484	$ 38,209,176

2020			
Without Donor Unrestricted	With Donor Restrictions	Total	Increase (Decrease)
$ 6,974,364	$ 2,793,924	$ 9,768,288	$ 208,282
120,280	-0-	120,280	11,069
256,660	-0-	256,660	1,388,620
3,495,381	1,488,973	4,984,354	5,832,413
254,817	-0-	254,817	94,989
127,177	378,206	505,383	13,137
(107,639)	-0-	(107,639)	103,805
38,342	-0-	38,342	(38,342)
11,159,382	4,661,103	15,820,485	7,613,973
2,749,422	(2,749,422)	-0-	-0-
13,908,804	1,911,681	15,820,485	7,613,973
11,540,113	-0-	11,540,113	2,105,735
1,851,190	-0-	1,851,190	4,420
324,532	-0-	324,532	312,984
13,715,835	-0-	13,715,835	2,423,139
192,969	1,911,681	2,104,650	$ 5,190,834
20,360,539	8,448,503	28,809,042	
$ 20,553,508	$ 10,360,184	$ 30,913,692	

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

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021 with Comparative Totals for 2020

	Living Classrooms Foundation	Living Classrooms Foundation DC	Historic Ships	Project S.E.R.V.E.	Inner Harbor Paddleboats	Crossroads School
Salaries	$ 3,437,465	$ 593,168	$ 417,147	$ 1,834,727	$ 181,631	$ 70,490
Payroll taxes	238,926	47,539	29,938	136,134	13,973	4,777
Health insurance	184,072	28,633	6,403	40,445	3,349	1,922
Retirement	43,507	5,338	10,887	2,463	878	403
Life insurance	24,917	4,582	2,649	8,322	464	529
Total Salaries and Related Expenses	3,928,887	679,260	467,024	2,022,091	200,295	78,121
Advertising and promotion	65,737	120	6,335	1,086	-0-	-0-
Bank fees	62,528	876	47,480	56	27,097	53
Conferences and training	30,596	799	-0-	15,428	-0-	5,918
Contract services	4,786	4,658	12,683	-0-	2,014	-0-
Cost of goods sold	-0-	-0-	6,004	-0-	-0-	-0-
Depreciation and amortization	432,912	8,241	228,813	34,629	75,845	86,687
Drug testing	11,223	626	946	7,745	2,880	306
Food	44,779	2,222	469	3,433	826	2,292
Fuel	3,535	1,519	18	15,909	1,035	-0-
In-kind expense	155,604	2,493	1,950	314	-0-	250
Insurance	580,735	69,183	25,572	107,817	104,594	8,368
Intercompany	(818,644)	154,964	132,330	363,541	83,716	49,967
Interest expense	175,387	-0-	11,469	-0-	11,050	-0-
Maintenance	299,261	50,485	27,523	43,218	25,737	46,812
Miscellaneous	65,198	20,420	2,842	11,005	36,820	8,237
Office expense	70,559	3,759	12,591	21,602	12,200	3,804
Participant stipend support	74,000	-0-	-0-	41,865	-0-	-0-
Partners expense	159,938	-0-	31,650	141,166	-0-	-0-
Postage	6,384	1	153	615	-0-	65
Printing	4,550	58	15	362	2,014	-0-
Professional fees	97,051	291,289	31,200	11,326	-0-	-0-
Program supplies	99,868	33,675	4,943	400,949	8,898	23,042
Rent	106,645	19,986	39,217	26,960	134,906	42,578
Telephone	43,440	7,549	9,742	10,769	1,105	620
Travel and transportation	64,930	372	143	15,647	25	6,595
Uniforms	13,090	-0-	232	8,048	900	-0-
Utilities	81,612	7,474	23,743	713	-0-	27,587
Total expenses by function	5,864,591	1,360,029	1,125,087	3,306,294	731,957	391,302
Less items included within revenue, support and gains						
Cost of product sales	-0-	-0-	(6,004)	-0-	-0-	-0-
Total expenses as presented on the Statement of Activities	$ 5,864,591	$ 1,360,029	$ 1,119,083	$ 3,306,294	$ 731,957	$ 391,302

Friends of Fort McHenry	Frederick Douglass-Isaac Meyers Maritime Park	Program Services	Administrative Services	Fundraising Expenses	2021 Total	2020 Total	Increase (Decrease)
$ 112,153	$ 186,464	$ 6,833,245	$ 1,363,172	$ 193,828	$ 8,390,245	$ 7,680,335	$ 709,910
8,827	13,045	493,159	80,491	10,114	583,764	664,597	(80,833)
278	3,271	268,373	75,570	9,608	353,551	300,862	52,689
293	-0-	63,769	50,741	8,399	122,909	134,380	(11,471)
460	834	42,757	9,641	1,484	53,882	50,334	3,548
122,011	203,614	7,701,303	1,579,615	223,433	9,504,351	8,830,508	673,843
555	1,329	75,162	77	60	75,299	68,034	7,265
349	190	138,629	1,313	4,783	144,725	113,607	31,118
-0-	-0-	52,741	636	99	53,476	21,702	31,774
-0-	9,450	33,591	5,363	-0-	38,954	13,950	25,004
-0-	-0-	6,004	-0-	-0-	6,004	1,558	4,446
-0-	251,989	1,119,116	-0-	-0-	1,119,116	1,149,558	(30,442)
1,031	54	24,811	490	51	25,352	24,304	1,048
437	1,145	55,603	8,089	1,473	65,165	66,051	(886)
-0-	125	22,141	110	-0-	22,251	13,826	8,425
9,165	1,505	171,281	-0-	20,759	192,040	113,392	78,648
909	17,329	914,507	3,921	3	918,431	571,542	346,889
23,001	11,125	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	197,906	-0-	-0-	197,906	254,921	(57,015)
-0-	94,529	587,565	51,436	2,175	641,176	499,003	142,173
150	450	145,122	8,772	4,625	158,519	105,443	53,076
1,021	10,415	135,951	53,585	871	190,407	206,939	(16,532)
-0-	-0-	115,865	-0-	-0-	115,865	21,685	94,180
-0-	1,200	333,954	-0-	664	334,618	113,233	221,385
209	-0-	7,427	867	-0-	8,294	8,392	(98)
-0-	-0-	6,999	452	-0-	7,451	3,551	3,900
-0-	11,355	442,221	96,180	372,196	910,597	381,069	529,528
10,993	8,519	590,887	3,678	5,180	599,745	410,228	189,517
-0-	1,740	372,032	8,304	-0-	380,336	380,122	214
-0-	1,599	74,824	11,112	1,000	86,936	109,710	(22,774)
77	-0-	87,789	6,272	144	94,205	41,178	53,027
-0-	165	22,435	-0-	-0-	22,435	18,428	4,007
-0-	74,857	215,986	15,338	-0-	231,324	175,459	55,865
169,908	702,684	13,651,852	1,855,610	637,516	16,144,978	13,717,393	2,427,585
-0-	-0-	(6,004)	-0-	-0-	(6,004)	(1,558)	(4,446)
$ 169,908	$ 702,684	$ 13,645,848	$ 1,855,610	$ 637,516	$ 16,138,974	$ 13,715,835	$ 2,423,139

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

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Living Classrooms Foundation	Living Classrooms Foundation DC	Historic Ships	Project S.E.R.V.E.	Inner Harbor Paddleboats
Salaries	$ 3,605,852	$ 513,399	$ 453,337	$ 1,271,221	$ 10,118
Payroll taxes	282,066	45,868	87,722	109,359	5,682
Health insurance	168,116	12,267	13,037	26,555	1,250
Retirement	60,892	1,472	12,572	2,330	306
Life insurance	22,454	4,081	3,068	6,600	125
Total Salaries and Related Expenses	4,139,380	577,087	569,736	1,416,065	17,481
Advertising and promotion	44,452	3,608	12,731	2,381	50
Bank fees	74,811	1,327	31,305	-0-	1,000
Conferences and training	17,828	-0-	623	893	459
Contract services	5,983	540	5,552	-0-	1,531
Cost of goods sold	-0-	-0-	1,558	-0-	-0-
Depreciation and amortization	437,967	8,241	254,366	20,219	78,679
Drug testing	12,521	1,042	407	7,605	674
Food	43,030	6,996	5,683	4,112	41
Fuel	2,810	550	27	10,208	7
In-kind expense	110,899	2,493	-0-	-0-	-0-
Insurance	305,901	39,437	54,649	101,490	27,054
Intercompany	(1,029,066)	170,782	348,331	324,999	78,765
Interest expense	217,749	-0-	15,569	-0-	21,603
Maintenance	237,926	19,519	19,524	31,986	6,211
Miscellaneous	79,003	107	7,161	10,254	222
Office expense	80,045	3,847	10,450	18,513	13,093
Participant stipend support	15,000	-0-	-0-	6,685	-0-
Partners expense	72,209	400	6,710	24,229	-0-
Postage	5,605	176	1,336	108	-0-
Printing	1,023	431	538	-0-	-0-
Professional fees	149,210	23,476	58,585	340	-0-
Program supplies	125,833	46,256	2,485	202,854	198
Rent	135,827	12,178	38,456	25,400	129,854
Telephone	49,879	18,749	18,104	6,814	1,259
Travel and transportation	25,154	(1,735)	1,195	9,618	-0-
Uniforms	13,992	540	152	3,744	-0-
Utilities	57,260	8,260	20,214	460	-0-
Total expenses by function	5,432,231	944,307	1,485,447	2,228,977	378,181
Less items included within revenue, support and gains					
Cost of product sales	-0-	-0-	(1,558)	-0-	-0-
Total expenses as presented on the Statement of Activities	$ 5,432,231	$ 944,307	$ 1,483,889	$ 2,228,977	$ 378,181

Crossroads School	Friends of Fort McHenry	Frederick Douglass-Isaac Meyers Maritime Park	Program Services	Administrative Services	Fundraising Expenses	Total
$ 89,233	$ 93,821	$ 67,614	$ 6,104,595	$ 1,367,905	$ 207,835	$ 7,680,335
7,404	13,038	4,932	556,071	95,782	12,744	664,597
1,549	725	670	224,169	64,988	11,705	300,862
146	586	-0-	78,304	50,612	5,464	134,380
648	140	-0-	37,116	11,020	2,198	50,334
98,980	108,310	73,216	7,000,255	1,590,307	239,946	8,830,508
-0-	484	-0-	63,706	978	3,350	68,034
-0-	994	796	110,233	(50)	3,424	113,607
926	75	-0-	20,804	533	365	21,702
-0-	-0-	344	13,950	-0-	-0-	13,950
-0-	-0-	-0-	1,558	-0-	-0-	1,558
86,687	-0-	263,399	1,149,558	-0-	-0-	1,149,558
114	1,429	76	23,868	347	89	24,304
755	-0-	-0-	60,617	5,090	344	66,051
-0-	-0-	-0-	13,602	224	-0-	13,826
-0-	-0-	-0-	113,392	-0-	-0-	113,392
8,682	735	19,477	557,425	13,459	658	571,542
53,819	22,263	1,611	(28,496)	-0-	28,496	-0-
-0-	-0-	-0-	254,921	-0-	-0-	254,921
61,828	-0-	65,214	442,208	48,275	8,520	499,003
1,608	-0-	450	98,805	6,325	313	105,443
41,211	219	4,521	171,899	32,516	2,524	206,939
-0-	-0-	-0-	21,685	-0-	-0-	21,685
-0-	2,375	2,310	108,233	-0-	5,000	113,233
70	87	-0-	7,382	1,010	-0-	8,392
-0-	40	-0-	2,032	88	1,431	3,551
-0-	2,500	2,000	236,111	118,208	26,750	381,069
13,035	10,346	-0-	401,007	7,099	2,122	410,228
29,808	-0-	1,819	373,342	6,780	-0-	380,122
450	175	4,444	99,874	8,636	1,200	109,710
1,015	-0-	-0-	35,247	5,931	-0-	41,178
-0-	-0-	-0-	18,428	-0-	-0-	18,428
21,970	-0-	61,861	170,025	5,434	-0-	175,459
420,958	150,032	501,538	11,541,671	1,851,190	324,532	13,717,393
-0-	-0-	-0-	(1,558)	-0-	-0-	(1,558)
$ 420,958	$ 150,032	$ 501,538	$ 11,540,113	$ 1,851,190	$ 324,532	$ 13,715,835

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

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 7,295,484	$ 2,104,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(483,210)	(471,878)
In-kind donations of investments	(177,301)	(55,996)
Depreciation and amortization	1,123,484	1,177,176
Loss on disposal of property	3,834	107,639
In-kind donations of property	-0-	(48,375)
Deferred compensation	4,479	15,000
Unrealized gain on derivative instruments	-0-	(38,342)
Effects of changes in operating assets and liabilities:		
Grants and pledges receivable	(4,091,754)	1,264,894
Accounts receivable	(389,481)	361,130
Inventory and prepaid expenses	(490,893)	7,917
Accounts payable, accrued expenses and payroll and related taxes payable	327,476	178,445
Deferred revenue	(26,883)	141,283
Net Cash Provided by Operating Activities	3,095,235	4,743,543
Cash Flows from Investing Activities		
Purchase of investments	(1,211,157)	(69,681)
Proceeds from the sale of investments	-0-	134,344
Purchase of property	(843,516)	(800,152)
Proceeds from sale of property	2,690	-0-
Premiums paid on life insurance policies	(63,556)	(48,044)
Loan paid on life insurance policies	(158,667)	(67,258)
Net Cash Used in Investing Activities	(2,274,206)	(850,791)
Cash Flow from Financing Activities		
Borrowings on long-term debt	1,835,670	2,985,612
Principal payments on long-term debt	(2,062,544)	(2,606,612)
Net Cash Provided by (Used in) Financing Activities	(226,874)	379,000
Net Increase in Cash and Cash Equivalents	594,155	4,271,752
Cash and Cash Equivalents at Beginning of Year	5,150,014	878,262
Cash and Cash Equivalents at End of Year	$ 5,744,169	$ 5,150,014

	2021	2020
Supplemental Disclosure of Cash Flow Information:		
Interest paid	**$ 193,538**	$ 252,009
Non-Cash Investing and Financing Activities:		
Donated investments	**$ 177,301**	$ 55,996
Acquisition of property	**$ 1,058,955**	$ 3,369,454
Less: Notes payable for property acquired	**-0-**	(2,554,987)
Less: Property acquired through accounts payable	**(215,439)**	(14,315)
Net cash paid for property	**$ 843,516**	$ 800,152

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

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Living Classrooms Foundation, Inc. (The Foundation) was formed under the laws of Maryland in 1984 and was created for the purpose of providing educational programs for schools and civic organizations. In addition, the Foundation provides management and maintenance services for several museums and supporting organizations in the Baltimore Metropolitan area. The Foundation is supported through program fees, grants, and contributions. The accounting and reporting policies of the Foundation conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Accounting and Principles of Consolidation: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. The consolidated financial statements include the accounts of Living Classrooms Foundation, Inc. and Affiliates: Living Classrooms of National Capital Region, Inc. (DC), Historic Ships in Baltimore, Inc., Project S.E.R.V.E., Inc., Discovery Creek Children's Museum, Inner Harbor Paddleboats, Inc., the Crossroads School, Inc., Friends of Fort McHenry, Inc., LCF Believe in Music, LLC, Frederick Douglass - Isaac Meyers Maritime Park, Inc., and Ferndale Fence and Awning Co., Inc. Living Classrooms Foundation, Inc., and Affiliates are related by common control and economic interests; therefore, consolidation is the preferred presentation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue and Expense Recognition: Government and private grants are recognized based on the terms of the specific grant document. Grant revenue received in advance of the grant period is recorded as deferred revenue. Contributions are recognized when the donor makes an unconditional promise to give. Additionally, recognition of contributions is evaluated based on historical trends of collection by specific type of promise to give.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. An unconditional pledge to give support is recognized as a receivable and contribution in the year the pledge is made. Conditional pledges to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as revenue until the condition has been met.

Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same year in which the contributions are recognized. All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restriction, net assets for capital projects.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates of the time expended on various functions or by physical measures such as square footage.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments with a maturity of three months or less when purchased as cash equivalents, except for those held for long-term investment purposes.

Investments: Investments with readily determinable fair market values are reported at fair value in the consolidated statements of financial position. Investments whose fair market values are not readily determined are recorded at cost. 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. Realized and unrealized gains and losses on investments are reported in the consolidated statements of activities as part of net investment return.

Grants Receivable and Deferred Revenue: Unconditional grants are recognized when awarded. Conditional grants are recognized as the condition is satisfied. If funds are received prior to satisfying the condition they are recorded as deferred revenue.

Pledges Receivable: 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 expected to be received. Amortization of the discounts is included in contribution revenue. Estimated losses are generally determined from historical collection experience and a review of outstanding contributions receivable. Pledges receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. Management has determined that pledges receivable are fully collectible, and therefore, no allowance has been established.

Accounts Receivable: Accounts receivable, which are from program services, are carried at cost less an allowance for doubtful accounts, if applicable. The Foundation provides for doubtful accounts based on anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding receivables. Delinquent receivables are written off by management when, in their determination, all collection efforts have been exhausted. The Foundation has established an allowance for uncollectible accounts receivable of $5,000 as of December 31, 2021 and 2020.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Inventory: Inventory consists of donated materials and other retail merchandise located in several gift shops. Donated materials are valued at net realizable value. Retail merchandise is valued at the lower of cost, using the first-in, first-out method, or market.

Property and Depreciation: Property is stated at cost, or, if donated, at fair value at the date of the gift, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred. Expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation expense for the years ended December 31, 2021 and 2020 was $1,094,116 and $1,124,558, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Vessels and improvements	7-25 years
Office and program equipment	3-10 years
Vehicles	5 years
Exhibits and monuments	10-40 years

Goodwill: Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in connection with the purchase of Trident Boats, LTD. For years prior to 2015, goodwill was not amortized but instead was evaluated on an annual basis.

Beginning January 1, 2015, management elected to early-adopt an accounting alternative for goodwill. For 2015 and later years, the Foundation amortizes goodwill using the straight-line method over 10 years unless facts and circumstances warrant a shorter life. Amortization expense for the years ended December 31, 2021 and 2020 was $25,000 in each year.

The adoption of this new accounting alternative also changes the method the Foundation uses for goodwill impairment testing and the timing and frequency of those tests. As of January 1, 2015, the Foundation no longer tests goodwill for impairment annually but, instead, will test goodwill upon the occurrence of a triggering event or change in circumstances that indicates that the fair value of a reporting unit may be less than its carrying amount. An impairment loss, should it occur, would represent the excess of the carrying amount of the reporting unit over its fair value.

Donated Materials and Services: Donated materials are reflected in the accompanying consolidated financial statements at their estimated fair value at date of receipt. Donated services are recorded only if the services provided require specialized skills provided by individuals possessing those skills, or if the services create or enhance a nonfinancial asset. Various individuals and businesses have donated goods and services to the Foundation. The total fair value of these items was $192,040 and $161,767 for the years ended December 31, 2021 and 2020, respectively.

The fair value of donated services that enhanced the Foundation's property was $-0- and $48,375, respectively, and have been capitalized and included in the consolidated statements of financial position as of December 31, 2021 and 2020.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The fair value of donated goods and services for programming, administrative and fundraising services was $192,040 and $113,392, respectively, and are included in the consolidated statements of activities for the years ended December 31, 2021 and 2020, respectively.

Advertising Expense: Advertising costs are expensed as incurred. The Foundation had no significant direct-response advertising. For the years ended December 31, 2021 and 2020, the Foundation incurred expenses of $75,299 and $68,034, respectively, to promote various programs.

Debt Issuance Costs: Debt issuance costs represent the costs incurred to obtain financing. The financing costs are being amortized on a straight-line basis over the term of the applicable debt obligation and charged to interest expense. Accounting principles generally accepted in the United States of America (GAAP) require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

GAAP requires that debt issuance costs related to recognized debt liability be presented in the consolidated statements of financial position as a direct reduction from the carrying amount of the debt liability. For the years ended December 31, 2021 and 2020, the amortization of deferred financing costs was $4,368 and $27,618, respectively.

Derivative Instrument: The Foundation used an interest rate swap agreement to modify a variable rate obligation to a fixed rate obligation, thereby reducing the exposure to market fluctuations in interest rates. The agreement involves the exchange of amounts based on variable interest rates for amounts based on fixed interest rates over the life of the agreement. The Foundation has entered into a swap agreement (see Note 7). Accounting and reporting standards require that all derivative instruments be recorded in the consolidated statements of financial position as either assets or liabilities measured at fair value. It also requires that changes in the fair value of a derivative instrument be recognized currently in earnings unless specific hedge accounting criteria are met. Changes in the fair value of the contract are reflected in the consolidated statements of activities.

Income Taxes: The Foundation is a charitable organization under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal and state income taxes. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation had no unrelated business income for the years ended December 31, 2021 and 2020. Accordingly, no provision for income taxes is reflected in these statements. The Foundation's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

Reclassifications: Certain amounts in the consolidated financial statements for the year ended December 31, 2020 have been reclassified to conform to the consolidated financial statement presentation for the year ended December 31, 2020.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued Accounting Standard Update 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt the standard and will assess the future impact on any leases.

Subsequent Events: In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 15, 2022, the date the consolidated financial statements were available to be issued. During the period from January 1, 2022 to September 15, 2022, except for the events described in Note 11 and 14, the Foundation did not have any material recognizable subsequent events.

Note 2: Liquidity

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	2021	2020
Cash and cash equivalents	$ 5,744,169	$ 5,150,014
Operating investments	685,599	1,143,489
Grants receivable	1,981,971	1,609,472
Pledges receivable, current	2,187,007	1,123,322
Accounts receivable, net	871,445	481,964
Financial assets available to meet cash needs for general expenditures within one year	$ 11,470,191	$ 9,508,261

The Foundation manages its liquidity following two guiding principles: operating within a prudent range of financial soundness, stability, and maintaining adequate liquid assets to fund near-term operating needs. In the event of an unanticipated liquidity need, the Foundation also could draw upon an operating line of credit, which is maintained in the amount of approximately $750,000.

Note 3: Investments and Fair Value Measurement

Generally accepted accounting principles establishes a framework for measuring fair value. The framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The valuation techniques used by the Foundation include the following:

Money Market Funds: Valued at the account balance which is the cash balance of the account.

Mutual Funds and Bond Mutual Funds: Valued at the last sales price reported on the active market in which the individual fund is traded.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

Note 3: Investments and Fair Value Measurement (Continued)

The table below presents the balances of investments and liabilities which are measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2021 and 2020:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market	$ 765,026	$ -0-	$ -0-	$ 765,026
Equity mutual funds:				
Large Blend	684,589	-0-	-0-	684,589
Large Growth	1,322,619	-0-	-0-	1,322,619
Other	1,214,997	-0-	-0-	1,214,997
Bond mutual funds:				
Intermediate-Term	2,155,847	-0-	-0-	2,155,847
	$ 6,143,078	$ -0-	$ -0-	$ 6,143,078

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market	$ 185,944	$ -0-	$ -0-	$ 185,944
Equity mutual funds:				
Large Blend	637,529	-0-	-0-	637,529
Large Growth	1,110,720	-0-	-0-	1,110,720
Other	1,070,318	-0-	-0-	1,070,318
Bond mutual funds:				
Intermediate-Term	1,266,899	-0-	-0-	1,266,899
	$ 4,271,410	$ -0-	$ -0-	$ 4,271,410

Investments are allocated on the consolidated statements of financial position as follows as of December 31, 2021 and 2020:

	2021	2020
Investments in current assets	$ 685,599	$ 1,143,489
Investments restricted for long-term investment	5,457,479	3,127,921
Total Investments	$ 6,143,078	$ 4,271,410

Earnings on investments are as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	$ 51,501	$ 47,312
Net realized gain	203,990	108,766
Unrealized gain (loss)	279,220	363,112
	534,711	519,190
Less: Investment fees	16,191	13,807
Net investment return	$ 518,520	$ 505,383

Note 4: Pledges Receivable

Pledges receivable consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Unrestricted Operating	$ 3,531,209	$ 583,322
Restricted for Endowments	1,550,836	-0-
Restricted After School Programs	400,001	660,000
Restricted Education Programs	150,000	-0-
Restricted Target Investment Zone Programs	120,000	150,000
Restricted Safe Streets Program	20,000	40,000
Restricted Ferndale Building	-0-	450,000
	5,772,046	1,883,322
Less: Present value discount at 3%	202,252	32,783
Unconditional pledges receivable, net	5,569,794	1,850,539
Less: Current portion	2,187,007	1,123,322
Pledges receivable net of current portion	$ 3,382,787	$ 727,217
Gross amounts due in:		
Less than one year	$ 2,187,007	$ 1,123,322
One to five years	3,585,039	760,000
Total unconditional pledges receivable	$ 5,772,046	$ 1,883,322

Note 5: Short-Term Borrowings

The Foundation has a $750,000 line of credit. As of December 31, 2021 and 2020, the outstanding balance was $-0-, respectively. During the years ended December 31, 2021 and 2020, any outstanding principal bore interest at the rate of 2%, respectively and was collateralized by the assets of the Foundation.

Note 6: Long-Term Debt

Long-term debt consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Notes payable with financial institutions:		
Original loan of $2,150,000 with an interest rate of 3.49%. Principal and interest payments of $10,811 began June 2020 continuing through April 2030, the final maturity date at which time a balloon payment equal to the remaining principal is to be paid.	$ 2,058,370	$ 2,114,209
Original loan of $382,500 with an interest rate equal to the one month London Interbank Offered Rate (LIBOR) plus 200 basis points. For the years ended December 31, 2021 and 2020, the interest rate was 2.09% and 2.11%, respectively. Payments of $6,375 began on June 2020 continuing through April 2025.	255,000	331,500
Original loan of $481,000 with an interest rate equal to the one month London Interbank Offered Rate (LIBOR) plus 200 basis points. For the years ended December 31, 2021 and 2020, the interest rate was 2.09% and 2.11%, respectively. Payments of $5,726 began on August 2020 continuing through April 2027.	401,620	469,499
Acquisition notes payable - interest at 3.49%, interest only through April 2023. Beginning May 2023, payments of combined principal and interest in the amount of $18,604 are required through April 2033, at which time a balloon payment equal to the remaining balance is to be paid.	2,579,335	2,579,335
Other long term debt:		
Mayor and City Council of Baltimore term loan, original loan was $600,000 with an interest rate of 8%, refinanced in 1994 at an interest rate of 5.625% and a new principal balance of $833,595. Payments of $3,751 began in August 1995 continuing through July 2023, collateralized by the Maritime Institute building and fixed assets having a cost of $697,658. During 2013, the note was restated and modified to reduce principal to $400,000 and forgive $75,420. The interest rate was reduced to 2% and payable in monthly of $2,574 beginning November 2013 continuing through October 2028.	197,130	223,786
Total Long-Term Debt	5,491,455	5,718,329
Less: Unamortized debt issuance costs	44,956	49,324
Total Long-Term Debt, Less Debt Issuance Costs	5,446,499	5,669,005
Less: Current maturities	229,414	226,868
Long-Term Debt Less Current Maturities and Debt Issuance Costs	$ 5,217,085	$ 5,442,137

Note 6: Long-Term Debt (Continued)

The Foundation secured financing from a financial institution in the form of two loans totaling $3,700,000 to acquire a real estate entity and renovate the related property. As of December 31, 2021, $2,579,335 had been drawn on these loans. The loans are collateralized by real estate and the real estate entity stock acquired by the Foundation.

Total interest expense, including interest on short-term bank borrowings, for the years ended December 31, 2021 and 2020 was $197,906 and $254,921, respectively.

Aggregate annual maturities of long-term debt for each of the years subsequent to December 31, 2021 are as follows:

Year ending December 31,	
2023	$ 229,414
2024	291,874
2025	327,640
2026	282,977
2027	263,840
Thereafter	4,095,710
	$ 5,491,455

Note 7: Interest Rate Swap Agreement

The Economic Development Revenue Bonds issued by Maryland Economic Development Corporation bears interest at a variable rate. To minimize the effect of changes in the variable rate, the Foundation entered into an interest rate swap agreement (a derivative obligation) with PNC Bank, N.A., which was set to expire on January 1, 2021. The swap agreement, which became active on January 19, 2011, is stated at its fair value in the consolidated statements of financial position. The swap agreement requires the Foundation to pay a fixed rate of interest of 2.72% on a notional amount of $2,250,982 (then declining as the bond is amortized) and receive a floating rate based on USD-LIBOR-BBA-Bloomberg rate (measurement is determined daily and settlement occurs monthly). Changes in the fair value of the swap agreement are reflected in the consolidated statements of activities. This agreement was terminated as of April 24, 2020 and the swap value as of December 31, 2020 was $-0-.

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions that are restricted for time or the following purposes consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Education programs	$ 2,506,398	$ 3,496,627
Workforce Development	2,214,020	1,423,055
Tomorrow's Promise	1,164,176	-0-
Fleetweek Management	363,626	390,324
Crossroads School	310,328	93,266
Youth Center Program	285,766	285,766
Fresh Start Program	269,784	247,965
Board Members	235,254	199,551
Project Serve	218,150	26,702
Target Investment Zone Expansion	191,496	191,496
Heritage Center capital project	169,858	131,304
GEM Program	156,779	68,615
Capital Projects	143,321	255,495
Safe Streets Program	126,339	125,000
Kingman Island Environmental Center	114,976	17,325
Teen Program	99,324	149,324
Trash Cage Capital project	71,937	37,704
NCR Workforce Development	56,000	16,544
NCR Environmental Education	32,362	28,737
Patterson Park program	30,000	-0-
Kellogg Foundation	5,504	5,504
HS General Support	3,000	10,000
Signage Project	2,500	2,500
Masonville Program	1,800	1,800
Friends of Fort McHenry	305	3,068
Financial Literacy	-0-	14,990
Lighthouse capital project	-0-	9,601
Total Purpose and Time Restrictions	$ 8,773,003	$ 7,232,263

	2021	2020
Tomorrow's Promise	$ 1,850,000	$ -0-
Rouse Flick Tower	617,437	462,437
Baltimore Ravens (Bisciotti) Fund	500,000	500,000
Weinberg Foundation	300,000	300,000
Kevin Hall	65,000	60,000
Middendorf Fund - Lady Maryland Maintenance	50,000	50,000
Pastore Fund	20,000	20,000
Total Endowments in Perpetuity	$ 3,402,437	$ 1,392,437

Note 8: Net Assets with Donor Restrictions (Continued)

	2021	2020
USS Constellation Maintenance	$ 1,138,123	$ 1,040,438
Flick Tower Maintenance	451,185	343,090
LCF Endowment	417,011	314,290
Middendorf Fund - Lady Maryland Maintenance	48,725	37,666
Total Endowments/Purpose and Time Restrictions	$ 2,055,044	$ 1,735,484
Purpose and time restrictions	$ 8,773,003	$ 7,232,263
Endowments in perpetuity	3,402,437	1,392,437
Total Endowments/Purpose and Time Restrictions	2,055,044	1,735,484
Total Net Assets with Donor Restrictions	$ 14,230,484	$ 10,360,184

Net assets were released from donor restrictions for the years ended December 31, 2021 and 2020 by incurring expenses satisfying the restricted purposes, by occurrence of other events, or by satisfaction of time restrictions. Below are the details of these net assets that were released from restriction.

	2021	2020
Education programs	$ 1,269,225	$ 805,102
Workforce Development	1,097,194	624,772
Project Serve	231,274	104,103
Capital Projects	112,175	113,505
Crossroads School	75,777	311,955
Fresh Start Program	75,000	88,302
Teen Program	50,000	25,000
Safe Streets Program	49,271	-0-
Heritage Center capital project	37,472	12,108
Kingman Island Environmental Center	27,350	50,671
Fleetweek Management	26,699	109,676
Trash Cage Capital project	17,535	27,779
Financial Literacy	14,990	10,010
USS Constellation Maintenance	13,851	64,571
GEM Program	11,270	-0-
HS General Support	10,000	-0-
Lighthouse capital project	9,601	-0-
Friends of Fort McHenry	2,763	4,926
NCR Workforce Development	1,544	1,282
Flick Tower Maintenance	1,014	7,570
Youth Center Program	-0-	141,667
Music Program	-0-	100,000
Taney Dry Dock project	-0-	52,673
NCR Dent House	-0-	50,000
Patterson Park program	-0-	30,000
Education App project	-0-	13,750
	$ 3,134,005	$ 2,749,422

Note 9: Endowments

The Foundation’s endowment consists of ten individual funds established for a variety of purposes. The endowment includes only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The income earned on the endowments are restricted for use for future maritime education programs, maintenance of the Frederick Douglass - Isaac Meyers Park, maintenance of the Rouse/Flick Tower, maintenance of the Lady Maryland, and general operations and maintenance of the USS Constellation Museum.

The Financial Accounting Standards Board (FASB) has issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FASB guidance also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Maryland enacted UPMIFA effective April 14, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Foundation’s permanently restricted net assets meet the definition of endowment funds under UPMIFA.

In accordance with the Maryland Prudent Management of Institutional Funds Act (MUPMIFA), the Foundation preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation considers these net assets with donor restrictions to be endowment funds. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of no more than 50% of the annual income generated, while growing the funds if possible.

The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note 9: Endowments (Continued)

Spending Policy

The Foundation has a policy of appropriating for distribution each year whatever is needed to fund the required maintenance or other purpose of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets during the year ended December 31, 2021 are as follows:

	Purpose and Time Restricted	Endowed in Perpetuity	Total
Endowment net assets, beginning of year	$ 1,735,484	$ 1,392,437	$ 3,127,921
Net investment income	331,425	-0-	331,425
Released from restriction	(14,865)	-0-	(14,865)
Contributions	3,000	2,010,000	2,013,000
Donor restricted endowment funds	$ 2,055,044	$ 3,402,437	$ 5,457,481

Changes in endowment net assets during the year ended December 31, 2020 are as follows:

	Purpose and Time Restricted	Endowed in Perpetuity	Total
Endowment net assets, beginning of year	$ 1,474,217	$ 1,387,349	$ 2,861,566
Net investment loss	330,404	-0-	330,404
Released from restriction	(72,141)	-0-	(72,141)
Contributions	3,004	5,088	8,092
Donor restricted endowment funds	$ 1,735,484	$ 1,392,437	$ 3,127,921

Note 10: Retirement Plan

The Living Classrooms Foundation, Inc. has a defined contribution pension plan organized under Internal Revenue Code Section 403(b) and 457(b). The 403(b) plan covers all full-time employees. The 457(b) plan is offered to officers only. Employer contributions are at the discretion of the Foundation. For the years ended December 31, 2021 and 2020, employer contributions totaled $122,909 and $134,380, respectively.

Note 11: Management Agreements and Lease Commitments

The Foundation leases various offices, programs and other facilities used in their operations under non-cancellable leases that expire through April 2023. As of December 31, 2021, future minimum lease payments under the operating leases, summarized by year, are as follows:

2022	$ 189,600
2023	46,300
	$ 235,900

Rent expense for the years ended December 31, 2021 and 2020 totaled $380,336 and $380,122, respectively.

The Foundation signed an agreement in 1999 with the City of Baltimore to manage and operate the USS Constellation as a museum for the public. The agreement expired in July 2009 and renews automatically for ten-year periods until either party provides notice of their intent not to renew ninety days prior to expiration of the term. The Foundation is required under this agreement to grow the Constellation restoration and maintenance fund by contributing $0.25 from every adult ticket sold. For the years ended December 31, 2021 and 2020, the Foundation contributed $7,772 and $736, respectively, to the maintenance fund.

The Foundation has an agreement with the City of Baltimore to care for and operate three vessels known as the USS Torsk, Lightship Chesapeake and the USCGC WHEC-37; and the Seven-Foot Knoll Lighthouse that expires December 2023.

The Foundation has an agreement with the City of Baltimore to manage and lease the property at the Foundation’s South Caroline Street location. The agreement does not expire due to automatic renewals but is subject to termination if certain events occur or if notice is given from either party for cause. The Foundation is required under this agreement to pay the city one dollar in compensation for this property. The Foundation estimated the fair value of this lease to be $80,000 and is presented as an in-kind donation and expense.

The Foundation receives boats as donations and then offers these boats for sale. No sales occurred during 2021 and 2020.

The Foundation has an agreement with FC Yards Marina, LLC to manage and operate a marina on the Anacostia River that expired July 2019 and automatically renewed for two more years, after which time the agreement will be year to year. No new agreement existed as of December 31, 2021, but subsequent to year end a new agreement was signed extending management and operations through July 2023.

Note 12: Deferred Compensation

The Foundation has two deferred compensation plans. The first plan for an officer whereby the employer shall accrue annually $15,000 to a deferral account. The agreement stipulates the employer may invest the account balance in life insurance contracts on the life of the officer.

The officer shall be entitled to receive a benefit equal to the deferred account balance payable in twenty annual installments after the later of the officer's termination date for any reason other than death or the date the officer attains age 65. The account balance at December 31, 2021 and 2020 was $285,000 and $305,000, respectively.

The amount of deferred compensation for the second plan is based on the amount elected to be deferred by the Foundation's officers plus an amount determined annually by the Board of Directors as matching contributions. Deferred compensation expense was $2,868 and $13,000 in the years ended December 31, 2022 and 2021, respectively. The account balance at December 31, 2021 and 2020 was $136,061 and $111,582, respectively.

Note 13: Other Matters

Uninsured Balances: The Foundation maintains its cash balances at various financial institutions. Periodically during the year, the Foundation's cash balances may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Risks on Investments: The Foundation invests in a portfolio that may at times contain United States bonds and securities, mutual funds, and common shares of publicly traded companies. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the accompanying consolidated financial statements.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the United States going forward. The pandemic continues, and at this time, the impact on the operations and financial status of the Foundation cannot be determined.

Program Review: In connection with various federal, state and city grants, the Foundation and affiliates agree to operate in accordance with various grant requirements, and compliance with those requirements is subject to audit by the respective granting agencies. In cases of noncompliance, the granting agency involved may require the Foundation and affiliates to refund program funds.

Paycheck Protection Program: The Foundation applied for and received funds in the amount of $1,782,400 under the Paycheck Protection Program (PPP), which was created because of the coronavirus pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a 24-week period, commencing on the date of the loan agreement (April 7, 2020). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. Generally, the repayment of the principal period has been extended until 10 months after the end of the 24-week period. Accounting standards allow for the funds to be treated as a loan until it is forgiven or recognized as income as expenditures are incurred. Management has opted to recognize income as expenditures are incurred. As of the year ended December 31, 2020, the full amount of the loan has been recognized in income as grants.

Note 13: Other Matters (Continued)

The Foundation applied for and received additional funds in the amount of $1,835,670 under the PPP. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a 24-week period, commencing on the date of the loan agreement (January 23, 2021). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. Generally, the repayment of the principal period has been extended until 10 months after the end of the 24-week period. Accounting standards allow for the funds to be treated as a loan until it is forgiven or recognized as income as expenditures are incurred. Management has opted to recognize income as expenditures are incurred. As of the year ended December 31, 2021, the full amount of the loan has been recognized in income as grants.

Note 14: Subsequent Event

In April of 2022 the foundation entered in to two construction contracts. The first contract is to design and construct a marina in the Inner Harbor. The contract price for this project is $1,910,000. The second contract entered in to relates to the interior refitting of the newly constructed gift shop. The contract price for this project is $50,000.

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

LIVING CLASSROOMS FOUNDATION, INC.
Report of Revenue and Expense by Program
For the State of Maryland Department of Juvenile Services (DJS)
Year Ended December 31, 2021

Contract #14-PD-006

	January 1, 2021 to June 30, 2021	July 1, 2021 to December 31, 2021
Sources of Revenues and Support		
State Governments:		
State of Maryland:		
Department of Juvenile Services	$ 155,589	$ 130,965
Personnel Expenditures		
Salaries and wages	120,414	103,509
Payroll taxes and employee benefits	18,289	25,046
Staff Training	275	-0-
Total Personnel Expenditures	138,978	128,555
Administrative Costs	30,174	30,552
Other Expenditures		
Transportation	-0-	1,140
Program supplies	589	6,424
Insurance	4,256	4,256
Rent	14,593	14,593
Utilities	7,605	2,798
Telephone	753	852
Food and kitchen supplies	49	1,108
Miscellaneous	188	571
Total Other Expenditures	28,033	31,742
Total Expenditures	197,185	190,849
Excess Expense	$ (41,596)	$ (59,884)
Service Days Provided	1,548	1,303
Service Rate Per Day (Weighted average)	$ 100.51	$ 100.51
Total Earned Revenue	$ 155,589	$ 130,965

LIVING CLASSROOMS FOUNDATION, INC. AND AFFILIATES
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Numbers	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce				
Passed through from the Chesapeake Bay Trust				
Chesapeake Bay Studies	11.457	17847	$ -0-	$ 30,552
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
Passed through from the City of Baltimore		39266 39267 39268		
Community Development Block Grants/Entitlement Grants	14.218	41924	-0-	709,277
U.S. Department of the Interior				
Fish and Wildlife Cluster-Cluster:				
Passed through from the U.S. Fish and Wildlife Service				
Sport Fish Restoration Program	15.605		-0-	350,327
Conservation Activities by Youth Service Organizations (National Park Service - Cultural Landscapes Program)	15.931		-0-	237,495
Total U.S. Department of the Interior			-0-	587,822
U.S. Department of Justice				
Passed through from the Governor's Office of Crime Control and Prevention				
Juvenile Justice and Delinquency Prevention	16.540	2019-JX-FX-0036	-0-	5,543
U.S. Department of Labor				
Reentry Employment Opportunities (Project S.E.R.V.E.)	17.270		-0-	251,999
U.S. Environmental Protection Agency				
Passed through from the District of Columbia Department of Energy and Environment		2019-1922-WPD		
Chesapeake Bay Program (Trash - Focused Watershed Educational Experiences)	66.466	2021-2114-WPD-LCK-03 2021-2114-WPD-LCSG-02	-0-	80,005
Environmental Education Grants	66.951		5,000	5,000
Total U.S. Environmental Protection Agency			5,000	85,005
U.S. Department of Education				
Passed through from the Maryland State Department of Education		210859 211343 220891		
21st Century Community Learning Centers	84.287	220956	-0-	327,024
Total Expenditures of Federal Awards			$ 5,000	$ 1,997,222

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Foundation under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Foundation.

Note 2: Summary of Significant Accounting Policies

(A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(B) Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

Living Classrooms Foundation, Inc. has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance for Federal Assistance Listing Number 14.218.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Living Classrooms Foundation, Inc. and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Living Classrooms Foundation, Inc. and Affiliates (the "Foundation"), (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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, and have issued our report thereon dated September 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards (Continued)*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 15, 2022

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Living Classrooms Foundation, Inc. and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Living Classrooms Foundation, Inc. and Affiliates' (the "Foundation") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2021. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 15, 2022

Summary of Auditor's Results

1) The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Living Classrooms Foundation, Inc. were prepared in accordance with GAAP.

2) No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3) No instances of noncompliance material to the consolidated financial statements of Living Classrooms Foundation, Inc. and Affiliates which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4) No significant deficiencies or material weaknesses related to internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5) The auditor's report on compliance for the major federal award programs of Living Classrooms Foundation, Inc. and Affiliates expresses an unmodified opinion on all major federal programs.

6) There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.

7) The Community Development Block Grants/Entitlement Grants Cluster (Federal Assistance Listing Number No. 14.218) was tested as the major program.

8) The threshold used for distinguishing between Type A and B programs was $750,000.

9) Living Classrooms Foundation, Inc. and Affiliates qualified as a low-risk auditee as defined by the Uniform Guidance.

Findings - Financial Statement Audit

No findings were reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

No findings were reported.

Summary Schedule of Prior Audit Findings

No findings were reported in the prior year.

GROSS MENDELSOHN

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