

**EDUCATION, TRAINING AND RESEARCH ASSOCIATES**

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**FINANCIAL STATEMENTS**

June 30, 2023 and 2022



# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Education, Training and Research Associates  
Scotts Valley, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Education, Training and Research Associates ("ETR," a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ETR as of June 30, 2023 and 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 ("U.S. GAAP").

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ETR 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 the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS 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 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 U.S. GAAS 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 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 ETR'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 ETR'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 October 24, 2023, on our consideration of ETR's 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 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 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 ETR's internal control over financial reporting and compliance.

BPM LLP

San Jose, California  
October 24, 2023

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## STATEMENTS OF FINANCIAL POSITION

As of June 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,404,205	\$ 1,879,493
Investments	5,623,405	5,243,395
Accounts receivable, net	3,795,626	6,075,064
Related party - accounts receivable	-	51,579
Employee note receivable, current portion	10,714	10,714
Related party - note receivable, current portion	21,201	78,550
Publication inventories, net	770,886	766,140
Prepaid expenses	127,455	164,616
Total current assets	16,753,492	14,269,551
Property and equipment, net	78,267	268,400
Right-of-use lease assets	797,150	-
Deferred publication development costs, net	4,971	110,932
Employee note receivable, net of current portion	-	10,714
Related party - note receivable and investment, net	132,770	126,178
Goodwill	1,075,000	1,075,000
Other assets	20,163	42,383
Total assets	\$ 18,861,813	\$ 15,903,158
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Related party - accounts payable	\$ 3,506	\$ -
Accounts payable	605,545	885,797
Accrued compensation absences	636,512	595,076
Accrued expenses and other liabilities	24,935	8,856
Right-to-use liability, current portion	198,979	-
Deferred rent, current portion	-	26,192
Refundable advances	1,204,915	706,540
Deferred revenue, current portion	2,206,083	1,501,532
Total current liabilities	4,880,475	3,723,993
Deferred revenue, net of current portion	4,395,527	2,619,039
Right-to-use liability, net of current portion	637,275	-
Deferred rent, net of current portion	-	45,383
Total liabilities	9,913,277	6,388,415
Commitment and contingencies (Note 16)		
Net assets:		
Without donor restrictions:		
Undesignated	7,798,536	8,364,743
Board designated	1,150,000	1,150,000
Total without donor restrictions	8,948,536	9,514,743
Total liabilities and net assets	\$ 18,861,813	\$ 15,903,158

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	Publications	Program Services	Administration	Total
Change in net assets without donor restrictions:				
Operating activities:				
Support and revenue:				
Publication and subscription sales	\$ 7,385,150	\$ -	\$ -	\$ 7,385,150
Federal and state government grants, and training	-	12,143,013	-	12,143,013
Foundation and private grants	-	2,940,405	-	2,940,405
Consulting and other income	-	20,339	13,595	33,934
Total support and revenue	7,385,150	15,103,757	13,595	22,502,502
Expenses:				
Salary and related expenses	2,827,025	7,702,908	4,215,366	14,745,299
Outside labor	417,738	3,547,873	139,746	4,105,357
Cost of publications sold	1,885,242	-	22	1,885,264
Printing, duplication and mailing	22,710	110,060	5,784	138,554
Sales and promotional	4,105	500	-	4,605
Supplies and educational materials	22,663	94,379	40,180	157,222
Rent	84,514	130,930	41,436	256,880
Operation of facilities and equipment	253,468	619,623	149,700	1,022,791
Travel, participant reimbursement and stipends	52,950	407,506	271,484	731,940
Depreciation	10,889	16,870	161,287	189,046
Professional services	2,422	71	139,075	141,568
Other	9,951	12,829	93,731	116,511
Total expenses	5,593,677	12,643,549	5,257,811	23,495,037
Total operating activities change in net assets	1,791,473	2,460,208	(5,244,216)	(992,535)
Non-operating activities:				
Equity method gain in dfusion	-	-	26,489	26,489
Net realized and unrealized gain on investments	-	-	213,724	213,724
Interest and dividend income	-	-	186,115	186,115
Total non-operating activities change in net assets	-	-	426,328	426,328
Change in net assets	\$ 1,791,473	\$ 2,460,208	\$ (4,817,888)	(566,207)
Net assets without donor restrictions, at beginning of year				9,514,743
Net assets without donor restrictions, at end of year				\$ 8,948,536

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	Publications	Program Services	Administration	Total
Change in net assets without donor restrictions:				
Operating activities:				
Support and revenue:				
Publication and subscription sales	\$ 5,456,608	\$ -	\$ -	\$ 5,456,608
Federal and state government grants, and training	-	11,698,189	-	11,698,189
Foundation and private grants	-	2,934,326	-	2,934,326
Consulting and other income	-	6,080	14,154	20,234
Total support and revenue	5,456,608	14,638,595	14,154	20,109,357
Expenses:				
Salary and related expenses	2,478,383	7,667,221	3,437,848	13,583,452
Outside labor	223,965	3,475,107	165,602	3,864,674
Cost of publications sold	1,032,179	-	-	1,032,179
Printing, duplication and mailing	499,901	58,906	5,569	564,376
Sales and promotional	1,000	166	-	1,166
Supplies and educational materials	14,790	94,311	40,287	149,388
Rent	175,585	397,813	109,005	682,403
Operation of facilities and equipment	205,926	686,372	190,045	1,082,343
Travel, participant reimbursement and stipends	11,561	243,133	62,319	317,013
Depreciation	55,962	164,701	52,009	272,672
Professional services	52,292	95	125,417	177,804
Other	375	-	93,364	93,739
Total expenses	4,751,919	12,787,825	4,281,465	21,821,209
Total operating activities change in net assets	704,689	1,850,770	(4,267,311)	(1,711,852)
Non-operating activities:				
Equity method gain in dfusion	-	-	3,300	3,300
Net realized and unrealized loss on investments	-	-	(934,014)	(934,014)
Interest and dividend income	-	-	272,162	272,162
Total non-operating activities change in net assets	-	-	(658,552)	(658,552)
Change in net assets	\$ 704,689	\$ 1,850,770	\$ (4,925,863)	(2,370,404)
Net assets without donor restrictions, at beginning of year				11,885,147
Net assets without donor restrictions, at end of year				\$ 9,514,743

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (566,207)	\$ (2,370,404)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	189,046	272,672
Amortization of deferred publication development costs	105,962	136,900
Loss on disposal of property and equipment	1,085	-
Realized and unrealized (gain) loss on investments	(213,724)	934,014
Deferred rent	(8,219)	(34,250)
Amortization of right-of-use lease asset	182,281	-
Equity method gain in diffusion	(26,489)	(3,300)
Change in allowance for doubtful accounts	22,075	(58,440)
Change in operating assets and liabilities:		
Accounts receivable, net	2,257,363	(2,651,886)
Related party accounts payable, net	55,085	(80,660)
Publication inventories, net	(4,746)	(50,634)
Prepaid expenses and other assets	59,381	(32,468)
Accounts payable	(280,253)	(45,797)
Accrued compensation, expenses and other liabilities	57,515	(18,297)
Refundable advances	498,375	(47,401)
Deferred revenue	2,481,039	2,962,785
Right-to-use liability	(206,533)	-
Net cash provided by (used in) operating activities	4,603,036	(1,087,166)
Cash flows from investing activities:		
Purchase of investments	(756,950)	(249,028)
Sale of investments	590,665	1,000,000
Proceeds from payments on related party and employee notes receivable	87,961	65,481
Net cash (used in) provided by investing activities	(78,324)	816,453
Net increase (decrease) in cash and cash equivalents	4,524,712	(270,713)
Cash and cash equivalents, beginning of year	1,879,493	2,150,206
Cash and cash equivalents, end of year	\$ 6,404,205	\$ 1,879,493
Supplemental disclosures of cash flow information:		
Operating lease right-of-use asset obtained in exchange for right-to-use liability	\$ 1,042,787	\$ -

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 1. Organization

Education, Training and Research Associates (“ETR” or the “Organization”), incorporated in the State of California in 1981, is a nonprofit organization whose purpose is to improve health and increase opportunities for youth, families and communities. ETR envisions a world where all people have the information, skills, and opportunities to lead healthy lives.

On July 20, 2015, ETR acquired 100% of the outstanding stock of Select Media, Inc. (“Select Media”). The acquisition of Select Media provides ETR with the opportunity to create broader and more innovative programs, products, and services, specifically expanding ETR’s ability to provide medically accurate sexual health information to youth.

On March 15, 2019, Internet Sexuality Information Services, Inc., d.b.a. Youth+Tech+Health (“YTH”), a California nonprofit organization, merged into ETR. The merger provides ETR with greater capacity to advance health equity through expansion into global networks and promoting innovation in applying the use of technology to interventions for youth.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation***

The financial statements of ETR have been prepared using the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the liability is incurred. ETR’s program expenses include publications costs in the accompanying statement of activities.

#### ***Measure of Operations***

ETR includes in its measure of operations all revenue and expenses that are an integral part of its programs and supporting activities. The measure of operations does not include amounts related to investment activity.

#### ***Use of Estimates***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the 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 consists of cash on hand and cash in demand deposit accounts. Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

ETR maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ETR has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### ***Investments***

Investments, which consist primarily of exchange traded funds, mutual funds and money market funds, are recorded at fair value. For exchange traded funds, mutual funds and money market funds traded on security exchanges, fair value is determined at closing market prices on the date closest to June 30.

Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions. Investment valuation and return is subject to fluctuations in market performance. Accordingly, investment return may vary from period to period and in future periods depending on the performance of the underlying investments and these variations could be significant.

#### ***Allowance for Uncollectible Accounts***

ETR extends credit to its customers and grantors in the normal course of business and performs ongoing credit evaluations of its customers and grantors, maintaining allowances for potential credit losses which, when realized, have been within management's expectations. The allowance for uncollectible accounts was \$26,588 and \$23,138 as of June 30, 2023 and 2022, respectively. The allowance is based on management's experience with ETR's historical credit losses and current economic trends and conditions. Receivables are considered delinquent when an account has been outstanding for more than 30 days and are written off when all collection efforts have been exhausted and collection appears unlikely. Bad debt (expense) recovery for the years ended June 30, 2023 and 2022 was (\$22,075) and \$58,440, respectively, which is included in the statement of activities within cost of publications sold.

#### ***Publication Inventories***

Publication inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average cost method, which approximates the first-in, first-out method. Publication inventories consisted entirely of finished goods as of June 30, 2023 and 2022.

#### ***Allowance for Excess and Slow-Moving Inventories***

The management of ETR monitors its publication inventories on hand for salability. This monitoring includes review of historical sales experience, projected sales activity by title, and any planned changes to a title that are known to management. Any slow-moving or non-salable inventory identified is reserved or written down at that time. Publication inventories write offs identified as slow-moving or non-salable were \$10,225 and \$98,537 for the years ended June 30, 2023 and 2022, respectively. These write down costs are classified as a component of cost of publications sold in the statement of activities. As of June 30, 2023 and 2022, the Organization did not have an allowance for excess or slow-moving publication inventories.

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

Property and equipment is recorded at cost. ETR capitalizes asset acquisitions with a useful life expectancy of greater than three years and with a minimum cost of \$5,000. Depreciation of property and equipment is calculated using the straight-line basis over estimated useful lives. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the term of the related lease. Maintenance and minor repairs are charged as operating expenditures, while major renewals and betterments are capitalized and depreciated. Upon retirement or replacement of an asset, any related gain or loss is recognized in the statement of activities.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### ***Property and Equipment***, continued

Included in property and equipment are certain external and internal costs, including internal payroll costs, incurred in connection with the development of operating software for internal use. These costs are capitalized beginning when ETR has entered the application development stage and ceases when the software is substantially complete and is ready for its intended use.

#### ***Investment in dfusion***

Under the equity method, ETR increases (decreases) its investments in the investee company for capital contributions (distributions) and its proportionate share of accrual basis earnings or (losses). ETR evaluates its existing investment in the investee company for impairment of value on an annual basis and recognizes any decrease in value, if any, when determined. ETR's carrying value in an equity method investee company is a positive balance due to equity gains recorded in the current and prior years. The investment is included on the statements of financial position under related party – note receivable and investment, net.

#### ***Deferred Publication Development Costs***

Costs associated with the development of publications expected to have significant sales value over future years are capitalized. Capitalized costs consist of outside design, layout, art and photo services, composition, translation, film and plate preparation charges and internally developed computer software to be sold. Software development costs are capitalized beginning when the Organization has entered technological feasibility of the application and ceases when the product is available for general release to customers. Capitalized costs include staff time and related expenses incurred in connection with publications and software development. Capitalized costs are amortized over a two to seven year period (the estimated lives of related publications and software products) on a straight-line basis beginning on the in-stock date of the publication or release of a software product. Write-downs of unamortized deferred publication development costs are made in the period in which management determines that the publications or software will be discontinued.

#### ***Goodwill***

The Organization reviews its acquired goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Organization reviews goodwill for impairment under accounting guidance which allows for a qualitative review to be performed before a quantitative analysis is performed, if necessary. If the qualitative analysis indicates the goodwill is more-likely-than-not impaired, then the Organization calculated the fair value of the Organization to determine if impairment exists. Management determined that there were no qualitative factors that gave rise to impairment in 2023 and 2022; as a result, there was no impairment of goodwill.

#### ***Deferred Revenue***

ETR provides services and materials to various governmental agencies and foundations under exchange contracts. Proceeds and program income applicable to such contracts are deferred and recognized as revenue, together with related costs and expenditures, as the services are performed.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### **Refundable Advances**

ETR receives grant awards from governmental agencies for which the revenue is considered to be conditional contributions due to the limited discretion in spending the funds. The conditions are considered met upon incurring allowable expenses in accordance with each grant agreement. Amounts received in advance are included in refundable advances on the statement of financial position.

#### **Net Assets**

Net assets and changes therein are classified as without donor restrictions and with donor restrictions based on the absence or existence and type of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The Board has designated \$1,150,000 to be used as a reserve in the event of any unforeseen circumstances that may cause undue financial hardship and strains on cash flows. These funds can be released by the Board, if deemed necessary.

**With Donor Restrictions:** Net assets subject to donor or certain grantor-imposed restrictions. ETR did not hold funds subject to donor or grantor restrictions as of June 30, 2023 and 2022.

#### **Revenue Recognition**

Revenue from publication sales, software license sales, and grants and contracts are recognized based on:

- Identifying the contract with a customer;
- Identifying the performance obligations in the contract;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations in the contract; and
- Recognizing revenue when, or as, the performance obligations are satisfied.

The Organization performs the majority of its services under contracts and grants awarded by the U.S. Government. The Organization also received revenue through publication and subscription sales.

The Organization has elected to use the practical expedient to disregard the financing component when its payment terms are less than one year. The Organization has not incurred any material costs to obtain contracts to date.

#### **Publication Sales**

Publication revenue is generally recognized upon product shipment; program service revenue is generally recognized based on the expenditures incurred on the programs, consistent with the nature of the contracts. A significant portion of ETR's program service revenues are from federal and state grants and contracts, which impose certain restrictions on the types of expenditures allowed. Training, consulting, and other income are recognized over the term of the contract or when the service is performed.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### *Revenue Recognition*, continued

##### **Software License Sales**

ETR sells multi-year subscriptions for educational software to customers. Revenue from software subscriptions is deferred and recognized ratably over the license term beginning on the commencement date of the license. The digital subscriptions revenue range in terms from one to eight years. Amounts that have been billed and paid for software subscriptions are recorded in deferred revenue or net revenues, depending on whether the revenue recognition criteria have been met.

##### **Grants and Contributions**

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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

Fees for shipping and handling charged to customers are recorded as revenue as part of publication and subscription sales. For the years ended June 30, 2023 and 2022, shipping and handling fees amounted to \$357,532 and \$287,517, respectively. Shipping and handling costs are classified as a component of printing, duplication and mailing.

#### ***Certain Risks and Concentrations***

From time to time, ETR is subject to legal proceedings and claims which arise in the normal course of its business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a material adverse effect on ETR's financial position, changes in net assets, or cash flows.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Organization's investments with highly rated corporate and financial institutions. Management believes that the Organization is not exposed to any significant credit risk related to concentrations. The maximum loss on the investments would be the carrying amount in the financial statements, less amounts insured by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2023 and 2022, the Organization held investments in excess of the SIPC insurance limits.

ETR performs ongoing credit evaluations of its customers and generally does not require collateral. ETR maintains allowances for potential credit losses that it believes to be adequate. Two customers accounted for 23% and 19% of total receivables as of June 30, 2023. Two customers accounted for 42% and 20% of total receivables as of June 30, 2022. Three customers accounted for 18%, 12% and 10% of total revenue for the year ended June 30, 2023. Three customers accounted for 17%, 13% and 11% of total revenue for the year ended June 30, 2022.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### ***Certain Risks and Concentrations***, continued

As part of the normal course of business, ETR has supplier concentrations with one vendor accounting for 19% of accounts payable as of June 30, 2023, and two vendors accounting for 12% and 11% of accounts payable as of June 30, 2022, respectively.

#### ***Fair Value Measurements***

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. A framework for measuring fair value prioritizes the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. An investment's categorization is based on the lowest level of input that is significant to the fair value of measurement.

The three-level hierarchy for fair value measurements is defined as follows:

*Level 1* – Quoted market prices (observable inputs) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Example: listed securities.

*Level 2* – Observable inputs other than quoted prices included in Level 1 for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Example: thinly traded securities.

*Level 3* – Unobservable inputs for the asset or liability that are not corroborated by market data, and reflect the entity's assumptions for pricing the asset or liability.

The Organization's investments were in mutual funds and exchange traded funds. All investments are recorded at the quoted market prices as of June 30, 2023 and 2022.

Fair value measurement policies and procedures for assets and liabilities are determined under the supervision of the Board of Trustees. The Organization establishes fair value measurement policies and procedures for assets and liabilities. Valuation methodologies are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third-party information. In determining the reasonableness of the methodology, the Organization evaluates a variety of factors, including a review of existing agreements, economic conditions, industry, and market developments.

#### ***Income Taxes***

ETR is a qualified organization exempt from federal and California income taxes under the provisions of 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization's Federal Return of Organization Exempt from Income Tax (Forms 990) are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Organization's state returns (Forms 199) could be subject to examination by state taxing authorities, generally for four years after they are filed.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### ***Functional Expense Allocations***

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statement of activities. The statement of activities present natural classification detail of expenses by function. The major functional expense classifications are publications, program services, and administration. Publications, classified as a program service, included expenses that are directly related to product sales to public agencies and nonprofit organizations. Program services include expenses that are directly related to providing health education materials, training, and related research. Administration are all activities of the Organization other than publications and program services and includes expenses for general oversight and management of the Organization.

Expenses are allocated directly to program activities if they can be specifically tracked to a program. Additionally, certain costs benefit more than one function and are allocated. For the years ended June 30, 2023 and 2022, these expenses include information technology services and facilities, both of which are allocated based on employee time worked in each function.

#### ***Leases***

Effective July 1, 2022, the Organization recognizes a right-of-use ("ROU") asset and a liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. The ROU asset represents the Organization's right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lease liability at the present value of future lease payments that are not paid at that date, and a ROU asset for the same amount. Future payments are discounted using the risk-free rate determined with reference to the lease term.

The Organization evaluates their leases at inception or at any subsequent modification and classifies them as either a financing lease or an operating lease based on lease terms.

After the lease commencement date, the Organization measures the ROU asset at cost less any accumulated depreciation or amortization and any accumulated impairment losses. Lease liability is measured increasing the accrued interest on the lease liability and reducing the liability to reflect lease payments made. For short-term leases or leases for which the underlying asset is of low value, the Organization recognizes the lease payments associated with those leases as an expense when they accrue over the lease term.

#### ***Recently Adopted Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02" or "ASC 842"). The FASB has subsequently issued several related ASUs that clarified the implementation guidance for certain aspects of ASU 2016-02, which were effective upon the adoption of ASU 2016-02. The amendments in ASC 842 related to the accounting for leasing transactions. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all operating and finance leases (with the exception of short-term leases based on the practical expedient elected by the Organization) at the lease commencement date, whereas only finance leases were required to be recognized on the balance sheet under the previous guidance in ASC 840, and recognize expenses on the income statement in a similar manner to the previous guidance in ASC 840. The lease liability is measured as the present value of the unpaid lease payments and the right-of-use asset is derived from the calculation of the lease liability adjusted for initial direct costs, prepaid lease payments, and lease incentives. Lease payments include fixed and in-substance fixed payments, variable payments based on an index or rate at lease commencement. Lease payments do not include variable lease payments other than those that depend on an index or rate measured at lease commencement. The discount rate used to derive the present value of unpaid lease payments is based on the rates implicit in the lease, or if not available, the risk free rate.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies, continued

#### **Recently Adopted Accounting Pronouncements**, continued

The most significant impact of ASC 842 on the Organization's accounting was the balance sheet impact of its specific leases and office operating leases, which increased assets and liabilities. The Organization elected the package of practical expedients available under the transition provisions of ASC 842, including (i) not reassessing whether expired or existing contracts contain leases, (ii) lease classification, and (iii) not revaluing initial direct costs for existing leases. Also, the Organization elected the practical expedient which allows aggregation of non-lease components with the related lease components when evaluating accounting treatment for property and equipment leases. Lastly, the Organization applied the modified retrospective adoption method, utilizing the simplified transition option available in ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. The Organization adopted ASC 842 on July 1, 2022 which resulted in the recognition of operating right-of-use assets totaling \$1,042,787, which includes \$63,358 of deferred rent, as well as operating lease liabilities totaling \$1,042,787. There was no cumulative effect adjustment to the opening balance of retained earnings required. The majority of the Organization's leases are certain office space and warehouse facilities.

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

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequently issued several supplemental/clarifying ASUs (collectively, "ASC 326"). ASU 326 requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, other long-term financings including available for sale and held-to-maturity debt securities, and loans. Subsequently, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which amended the scope of ASC 326 and clarified that receivables arising from operating leases are not within the scope of the standard and should continue to be accounted for in accordance with ASC 842. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which amended certain effective dates. This ASU will be effective for the Organization on July 1, 2023. Currently, the Organization is evaluating the impact of adopting ASU 2016-13 on its financial statements.

### 3. Available Resources and Liquidity

ETR regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. ETR has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 12 for information about ETR's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, ETR considers all expenditures related to its ongoing activities of product development and dissemination, research, training and program delivery, as well as the conduct of services undertaken to support those activities, to be general expenditures.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 3. Available Resources and Liquidity, continued

As of June 30, 2023 and 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$ 6,404,205	\$ 1,879,493
Investments	5,623,405	5,243,395
Accounts receivable, net	3,795,626	6,075,064
Total financial assets	15,823,236	13,197,952
Less: Board designated funds	(1,150,000)	(1,150,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,673,236</u>	<u>\$ 12,047,952</u>

### 4. Investments

Investments included the following as of June 30:

	2023	2022
Mutual funds	\$ 4,425,569	\$ 3,369,829
Exchange traded funds	995,026	851,855
Money market funds	202,810	1,021,711
	<u>\$ 5,623,405</u>	<u>\$ 5,243,395</u>

Income from investment accounts consisted of the following for the years ended June 30:

	2023	2022
Interest and dividend income, net	\$ 166,286	\$ 249,028
Net realized and unrealized gain (loss)	213,724	(934,014)
	<u>\$ 380,010</u>	<u>\$ (684,986)</u>

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 5. Fair Value Disclosures

The following tables summarize the financial assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	Assets at Fair Value of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	\$ 2,253,659	\$ -	\$ -	\$ 2,253,659
Investments:				
Money market funds	202,810	-	-	202,810
Global fund	652,677	-	-	652,677
Fixed income	2,563,383	-	-	2,563,383
Emerging markets	342,349	-	-	342,349
Blend fund	1,862,186	-	-	1,862,186
Total investments	5,623,405	-	-	5,623,405
Total financial assets	\$ 7,877,064	\$ -	\$ -	\$ 7,877,064

	Assets at Fair Value of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	\$ 570	\$ -	\$ -	\$ 570
Investments:				
Money market funds	1,021,711	-	-	1,021,711
Global fund	545,817	-	-	545,817
Fixed income	1,771,574	-	-	1,771,574
Emerging markets	306,038	-	-	306,038
Blend fund	1,598,255	-	-	1,598,255
Total investments	5,243,395	-	-	5,243,395
Total financial assets	\$ 5,243,965	\$ -	\$ -	\$ 5,243,965

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 6. Accounts Receivable, Net

Accounts receivable, net consisted of the following as of June 30:

	2023	2022
Publication receivables	\$ 673,886	\$ 2,857,458
Unbilled receivables	385,639	-
Grants and contracts	2,762,689	3,240,744
	3,822,214	6,098,202
Less: allowance for doubtful accounts	(26,588)	(23,138)
Total accounts receivables, net	<u>\$ 3,795,626</u>	<u>\$ 6,075,064</u>

ETR's publication sales activities are concentrated largely with public agencies and districts, and nonprofit organizations. Grant and contract receivables are due primarily from the state of California, the federal government, and recipients of federal funding for which ETR serves as a subrecipient.

### 7. Related Party – Note Receivable and Investment, Net

During the year ended June 30, 2014, the Organization and two other individuals formed a for profit entity ("dfusion") for the purpose of performing certain research and evaluation activities. ETR owns 49% of the shares in dfusion. The Organization accounts for its investment in dfusion using the equity method. The equity method is required in those instances where an entity exercises significant influence but does not possess a controlling interest in the voting stock of an investee. The Organization recognized \$26,489 and \$3,300 of equity method income related to this investment for June 30, 2023 and 2022, respectively. The following summarizes the investment in dfusion as disclosed on the statement of financial position as related party – note receivable and investment, net for the years ended June 30:

	2023	2022
Note receivable (see Note 8)	\$ 21,201	\$ 98,447
Investment	132,770	106,281
Total	153,971	204,728
Less: current portion of note receivable (Note 8)	(21,201)	(78,550)
Total related party - note receivable and investment, net	<u>\$ 132,770</u>	<u>\$ 126,178</u>

### 8. Related Party – Note Receivable

On July 1, 2016, ETR entered into a formal agreement with dfusion, a related party entity, by converting advances on outstanding accounts receivable due to a note.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 8. Related Party – Note Receivable, continued

The following note receivable balances were due from dfusion as of June 30:

	<u>2023</u>	<u>2022</u>
Note receivable, unsecured, dated July 1, 2016, for a maximum amount of \$400,000. Payments of principal and interest due quarterly over a 7-year period, with interest at prime rate plus 1% per annum.	\$ 21,201	\$ 98,447
Current portion of note receivable	<u>(21,201)</u>	<u>(78,550)</u>
Related party - note receivable, net of current portion	<u>\$ -</u>	<u>\$ 19,897</u>

Quarterly payments of principal and interest on this note were roughly \$20,400 and \$20,078 for the years ended June 30, 2023 and 2022. The Organization recognized interest income on the note to dfusion of \$3,514 and \$5,469 for the years ended June 30, 2023 and 2022, respectively.

### 9. Employee Note Receivable

On May 6, 2005, ETR entered into a note with an employee, which is secured by certain real property and a deed of trust. The original terms of the \$75,000 note required monthly interest only payments at a rate of 5.875% annually with a maturity date of April 2012. In February 2012, the employee and ETR entered into a modification that extended the note to April 2019 and modified the interest rate to 3.125% per annum. In June 2015, an additional modification was made to extend the note to April 2024. Starting for the year ended June 30, 2018, the employee and ETR came to an agreement for payback of the loan over a seven-year period. The payback would be made to ETR through a loan forgiveness, equally over seven years starting in the year ended June 30, 2018. The employee note receivable forgiven for each of the years ended June 30, 2023 and 2022 was \$10,714. The employee note receivable combined current and non-current balance totaled \$10,714 and \$21,428 as of June 30, 2023 and 2022, respectively.

### 10. Property and Equipment, Net

Property and equipment, net consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 1,542,974	\$ 1,542,974
Leasehold improvements	<u>46,530</u>	<u>68,254</u>
	1,589,504	1,611,228
Less: accumulated depreciation	<u>(1,511,237)</u>	<u>(1,342,828)</u>
Total property and equipment, net	<u>\$ 78,267</u>	<u>\$ 268,400</u>

Depreciation expense was \$189,046 and \$272,672 for the years ended June 30, 2023 and 2022, respectively.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 11. Deferred Publication Development Costs

Deferred publication development costs are recorded at their original cost and amortized over a two to seven-year period, based on the estimated lives of the related publications. The net carrying value of the deferred publication development costs is periodically reviewed and compared to an estimate of future undiscounted cash flows. If future undiscounted cash flows are not sufficient to support the net carrying value of the asset, an impairment charge will be recognized. As of June 30, 2023 and 2022, management has not written off any discontinued publication development costs and determined that the future undiscounted cash flows are sufficient to support the net carrying value. Accordingly, no impairment charge against the deferred publication development costs is anticipated.

Deferred publication development costs consisted of the following as of June 30:

	2023	2022
Deferred publication development costs	\$ 2,394,925	\$ 2,394,925
Less: accumulated amortization	<u>(2,389,954)</u>	<u>(2,283,993)</u>
Total deferred publications development costs, net	<u>\$ 4,971</u>	<u>\$ 110,932</u>

Amortization expense was \$105,962 and \$136,900 for the years ended June 30, 2023 and 2022, respectively. Future estimated amortization expense may increase as ETR continues its investments in additional deferred publication development cost. Amortization expense related to deferred publication costs are included in cost of publications sold in the statement of activities.

### 12. Line of Credit

ETR has a promissory note with a bank to provide a \$1,000,000 revolving line of credit. In December 2022, the line of credit terms were modified to extend the maturity to December 2023. The line of credit is secured by a blanket security agreement. As of June 30, 2023 and 2022, ETR had no outstanding borrowings for either year under the line of credit. Borrowings under the line of credit bear interest at the bank's Prime Rate plus 1% (5.75% as of June 30, 2023).

As of June 30, 2023 and 2022, ETR was in compliance with the covenant requirements.

### 13. Deferred Revenue

Deferred revenue consisted of the following as of June 30:

	2023	2022
Digital subscriptions	\$ 5,239,635	\$ 4,120,571
Unearned product income	<u>1,361,975</u>	<u>-</u>
Total deferred revenue	6,601,610	4,120,571
Less: current portion	<u>(2,206,083)</u>	<u>(1,501,532)</u>
Total deferred revenue, net of current portion	<u>\$ 4,395,527</u>	<u>\$ 2,619,039</u>

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 13. Deferred Revenue, continued

Changes in deferred revenue for the twelve months ended June 30:

	2023	2022
Beginning balance	\$ 4,120,571	\$ 1,157,786
Additional revenue	5,109,294	4,648,959
Amortized revenue	(2,628,255)	(1,686,174)
Ending balance	<u>\$ 6,601,610</u>	<u>\$ 4,120,571</u>

### 14. Refundable Advances

The Organization is supported primarily through government contracts and program service fees. Grants and contributions received are considered available for general operations unless specifically restricted by the donor. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or donor restrictions are satisfied by the passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Any funding received in advance of expenditure is recorded as deferred revenue ("advances received"). Any eligible expenditure made in advance of funding is recorded as a receivable. As of June 30, 2023 and 2022, refundable advances were \$1,204,915 and \$706,540, respectively.

A portion of the Organization's revenue is derived from federal contracts and grants with various conditions, which include cost reimbursement based on allowable qualifying expenses, per diem based on allowable clients served, and reimbursement based on allowable hours worked. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advances received in the statement of financial position. The conditional contributions awards shown in the table below will be recognized as contributions or revenue in future fiscal years in the period in which the Organization meets the contraction obligations.

	2023	2022
Cost reimbursement on allowable expenses		
per diem	\$ 9,807,418	\$ 8,571,099
Negotiated hourly rate	5,121,866	5,567,742
Fixed price	1,070,716	1,861,159
	<u>\$ 16,000,000</u>	<u>\$ 16,000,000</u>

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 15. Revenue

Various economic factors affect revenues and cash flows. Publications and subscriptions are sold primarily to school districts, governmental agencies and universities with collections generally within 60 to 90 days. Cost reimbursable grants are billed in the month subsequent to when costs were incurred with collections ranging from immediately to six months, depending upon the funder.

	For the year ended June 30, 2023				
	Publications	Program Services Exchange	Program Services Non-Exchange	Administration	Total
Publication and subscription sales	\$ 7,385,150	\$ -	\$ -	\$ -	\$ 7,385,150
Federal and state government grants, and training	-	194,739	11,948,274	-	12,143,013
Foundation and private grants	-	167,914	2,772,491	-	2,940,405
Consulting and other income	-	20,339	-	13,595	33,934
Total support and revenue	<u>\$ 7,385,150</u>	<u>\$ 382,992</u>	<u>\$ 14,720,765</u>	<u>\$ 13,595</u>	<u>\$ 22,502,502</u>
Products/service lines:					
Publications	\$ 4,756,895	\$ -	\$ -	\$ -	\$ 4,756,895
Digital subscriptions	2,628,255	-	-	-	2,628,255
Training (Foundation and private grants - unconditional)	-	11,480	-	-	11,480
Consulting	-	20,339	-	13,595	33,934
Federal and state government grants - conditional	-	194,739	11,948,274	-	12,143,013
Foundation and private grants - conditional	-	156,434	2,772,491	-	2,928,925
Total support and revenue	<u>\$ 7,385,150</u>	<u>\$ 382,992</u>	<u>\$ 14,720,765</u>	<u>\$ 13,595</u>	<u>\$ 22,502,502</u>
Timing of revenue recognition:					
Products transferred at a point in time	\$ 4,756,895	\$ -	\$ -	\$ -	\$ 4,756,895
Products transferred over time	2,628,255	-	-	-	2,628,255
Services transferred over time	-	382,992	14,720,765	13,595	15,117,352
Total support and revenue	<u>\$ 7,385,150</u>	<u>\$ 382,992</u>	<u>\$ 14,720,765</u>	<u>\$ 13,595</u>	<u>\$ 22,502,502</u>

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 15. Revenue, continued

	For the year ended June 30, 2022				Total
	Publications	Program Services Exchange	Program Services Non-Exchange	Administration	
Publication and subscription sales	\$ 5,456,608	\$ -	\$ -	\$ -	\$ 5,456,608
Federal and state government grants, and training	-	17,704	11,680,485	-	11,698,189
Foundation and private grants	-	550,995	2,383,331	-	2,934,326
Consulting and other income	-	6,080	-	14,154	20,234
<b>Total support and revenue</b>	<b>\$ 5,456,608</b>	<b>\$ 574,779</b>	<b>\$ 14,063,816</b>	<b>\$ 14,154</b>	<b>\$ 20,109,357</b>
Products/service lines:					
Publications	\$ 4,108,523	\$ -	\$ -	\$ -	\$ 4,108,523
Digital subscriptions	1,348,085	-	-	-	1,348,085
Training (Foundation and private grants - unconditional)	-	344,808	-	-	344,808
Consulting	-	6,080	-	14,154	20,234
Federal and state government grants - conditional	-	17,704	11,680,485	-	11,698,189
Foundation and private grants - conditional	-	206,187	2,383,331	-	2,589,518
<b>Total support and revenue</b>	<b>\$ 5,456,608</b>	<b>\$ 574,779</b>	<b>\$ 14,063,816</b>	<b>\$ 14,154</b>	<b>\$ 20,109,357</b>
Timing of revenue recognition:					
Products transferred at a point in time	\$ 4,132,566	\$ -	\$ -	\$ -	\$ 4,132,566
Products transferred over time	1,324,042	-	-	-	1,324,042
Services transferred over time	-	574,779	14,063,816	14,154	14,652,749
<b>Total support and revenue</b>	<b>\$ 5,456,608</b>	<b>\$ 574,779</b>	<b>\$ 14,063,816</b>	<b>\$ 14,154</b>	<b>\$ 20,109,357</b>

### 16. Commitments and Contingencies

#### Lease Commitments

ETR leases certain office space and warehouse facilities under various operating leases with escalating lease payments, which expire on dates through July 2025. As of July 1, 2022, ETR recognized (a) a ROU lease asset of \$1,042,787, which includes \$63,356 of deferred rent, and (b) an operating lease liability of \$1,042,787, which represents the present value of the remaining lease payments of approximately \$1,130,000, discounted using the risk-free rate of 2.78%. For the year ended June 30, 2023, \$182,281 of operating lease ROU asset amortization was recognized resulting in an operating lease ROU lease asset balance of \$797,150 as of June 30, 2023. For the year ended June 30, 2023, \$206,533 of operating lease liability accretion was recognized resulting in a lease liability balance of \$836,254 as of June 30, 2023.

The non-cancelable operating leases include five-year extensions, available at ETR option. ETR has determined they are reasonably certain to exercise the five-year extension for their warehouse facility. Therefore, the payments associated with the extension are included in the ROU lease asset and lease liability recognized as of June 30, 2023. The weighted-average remaining lease term was 5 years as of June 30, 2023.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### 16. Commitments and Contingencies, continued

Future minimum lease payments under non-cancelable operating leases in excess of one year are as follows:

Year ending June 30:		
2024	\$	220,157
2025		225,901
2026		117,456
2027		110,511
2028		113,827
Thereafter		<u>109,165</u>
Total undiscounted cash flows		897,017
Less: present value discount		<u>(60,763)</u>
Total lease liability, net		836,254
Current portion		<u>198,979</u>
Long-term portion	\$	<u><u>637,275</u></u>

Rent expense under operating leases was \$256,880 and \$682,403 for the years ended June 30, 2023 and 2022, respectively.

### **Contingencies**

ETR performs services under various federal and state contractual and grant agreements, which are subject to compliance audits by the granting agencies. Management is of the opinion that any disallowances which may arise out of such audits will not have a significant effect on the financial position or results of operations of ETR.

### 17. Employee Benefit Plans

Effective February 1, 2006, ETR established a 401(k) employer contribution deferred income plan (the "Plan"). The Plan replaced the 401(a) employer contribution deferred income plan and the 403(b) employee compensation deferred income plan.

Under the provisions of the Plan, ETR may make a discretionary contribution of up to 12% of a participant's eligible compensation to those participants who have worked a minimum of 1,000 hours during the year. Employer contributions to the Plan amounted to \$909,117 and \$1,050,545 for the years ended June 30, 2023 and 2022, respectively.

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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### 18. Related Party Transactions

The Organization has transactions through the normal course of operations with a related party, dfusion. These include interest on notes, revenue and administrative services, and other normal course of operations between the entities. The following is a summary of the transactions:

	2023	2022
Revenue	\$ 135,133	\$ 298,097
Interest and dividend income	\$ 3,514	\$ 5,469
Accounts receivable	\$ 1,172	\$ 66,005
Accounts payable	\$ 4,678	\$ 14,426

### 19. Subsequent Events

Management has evaluated all events occurring subsequent to June 30, 2023 through October 24, 2023, the date this report was available to be issued. Management is not aware of additional subsequent events which would require recognition or disclosure in the financial statements except for the item noted below.

ETR's related party note receivable with dfusion was satisfied. The term of the note receivable expired on July 1, 2023, and the outstanding principal balance and outstanding interest of the note was paid off in full by dfusion on July 21, 2023.

## **SUPPLEMENTARY INFORMATION**

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Health and Human Services - HHS</b>				
<b>Direct Programs:</b>				
<b>Capacity Building Assistance for High-impact HIV Prevention</b>				
Evolve National eLearning Center Y4	93.834	5 NU65PS923672-04-00	\$ 51,612	\$ 1,280,229
Evolve National eLearning Center Y5	93.834	5 NU65PS923672-05-01	42,375	353,529
<b>Teen Pregnancy Prevention</b>				
Youth Engagement Network Y3	93.297	1 TP2AH000065-03-02	479,504	1,604,387
<b>Administration for Children and Families</b>				
About Us: Healthy Relationships Program for Vulnerable Youth Y5	93.092	90AP2682-05-00	21,076	200,086
A fully mobile relationships-based program for youth in foster care Y1	93.092	90AP2694-01-00	45,169	477,687
A fully mobile relationships-based program for youth in foster care Y2	93.092	90AP2694-02-00	118,476	628,689
<b>Total Direct Programs</b>			758,212	4,544,607
<b>Pass-through Programs:</b>				
<b>Centers for Disease Control and Prevention</b>				
SFH - HIV/AIDS Prevention Rwanda Y3	93.067	5 NU2GGH002206-03-00	-	28,768
SFH - HIV/AIDS Prevention Rwanda Y4	93.067	5 NU2GGH002206-03-00-4338-ETR-OCT-2021	-	54,990
<b>Minority Health and Health Disparities Research</b>				
dfusion - Mobile App Promoting Sexual Health for YBMSM	93.307	2R44MD010324-02A1	-	112,391
<b>Administration for Children and Families</b>				
CHLA - Project Legacy - Personal Responsibility Education Y5	93.092	90AP2683-05-00	-	53,338
CHLA - Future Oriented Pregnancy Prevention Intervention for Highly Mobile Youth	93.092	90AP2696-01-00	-	176,559
<b>Child Health and Human Development Extramural Research</b>				
Florida State University - Scale It Up!	93.865	U19HD089875-06S1	-	61,700
Florida State University - Scale It Up!	93.865	U19HD089875-06	-	17,345
<b>Substance Abuse and Mental Health Services Administration</b>				
Unified School District Y3	93.243	0	-	34,029
<b>Teen Pregnancy Prevention</b>				
CHLA - Teen Pregnancy Prevention: Secondary Analysis Y2	93.343	5 PHEPA000003-02-03	129,041	204,435
CHLA - Teen Pregnancy Prevention: Secondary Analysis Y3	93.343	Pass Through Entity 1 PHEPA000003-01-00, Subaward 000013363-A	-	84,367
<b>Total Pass-through Programs</b>			129,041	827,922
<b>Total Department of Health and Human Services - HHS</b>			887,253	5,372,529
<b>Research and Development Cluster</b>				
<b>National Science Foundation</b>				
<b>Direct Programs:</b>				
<b>Education and Human Resources</b>				
Computing for Social Good	47.076	1923606	13,436	82,017
Leveling the Field	47.076	1900153	-	17,444
Noyce Computer Science Teachers	47.076	2150905	70,573	185,017
<b>Total National Science Foundation - Direct Programs</b>			84,009	284,478
<b>Department of Education - Pass-through Programs</b>				
<b>Division Of Research On Learning</b>				
UCSC - Social Wearables: Enhancing Girls' Computational Learning and Motivation	47.076	A21-0084-S001	-	108,598
<b>Total Department of Education - Pass-through Programs</b>			-	108,598
<b>Total Research and Development Cluster</b>			84,009	393,076
<b>Total Expenditures of Federal Awards</b>			\$ 971,262	\$ 5,765,605

**EDUCATION, TRAINING AND RESEARCH ASSOCIATES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2023

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activities of ETR under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 of the U.S. Code of Federal Regulations, 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 ETR, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ETR.

**2. Summary of Significant Accounting Policies**

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

**3. Indirect Costs**

Indirect costs on federal awards for fiscal 2023 were recovered at a maximum provisional rate of 27.6%. Fringe benefits on federal awards are at actual costs. Fringe benefit rates and indirect cost rates are subject to periodic approval and negotiation with the Division of Cost Allocation of the Department of Health and Human Services, ETR's oversight agency.

Indirect costs on state awards are negotiated on a contract by contract basis.

**4. Related Party Transactions**

The Organization received pass through federal funds from a related party, dfusion. The total amount of related party federal expenditures is \$135,133 for the year ended June 30, 2023.



**INDEPENDENT AUDITORS' 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***

The Board of Directors  
Education, Training and Research Associates

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 financial statements of Education, Training and Research Associates ("ETR" or the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ETR'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of ETR's internal control. Accordingly, we do not express an opinion on the effectiveness of the ETR'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 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ETR's financial statements are free from 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BPM LLP

San Jose, California  
October 24, 2023



## INDEPENDENT AUDITORS' REPORT FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors  
Education, Training and Research Associates

### Report on Compliance for Each Major Federal Program

We have audited Education, Training and Research Associates' ("ETR") compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETR's major federal programs for the year ended June 30, 2023. ETR's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ETR complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

### ***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 ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ETR 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 ETR'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 ETR's federal programs.

### ***Auditors' Responsibility 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 ETR'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 U.S. GAAS, *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 ETR's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *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 ETR'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 ETR'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 ETR'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.

### **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 Auditors' 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.

BPM LLP

San Jose, California  
October 24, 2023

# EDUCATION, TRAINING AND RESEARCH ASSOCIATES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2023

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### **Section I – Summary of Audit Results**

#### ***Financial Statements***

- |                                                          |               |
|----------------------------------------------------------|---------------|
| 1. Type of auditors' report issued:                      | Unmodified    |
| 2. Internal control over financial reporting             |               |
| • Material weaknesses identified?                        | No            |
| • Significant deficiencies identified?                   | None reported |
| 3. Noncompliance material to financial statements noted? | No            |

#### ***Federal Awards***

- |                                                                                                               |                                                             |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| 4. Internal control over major programs:                                                                      |                                                             |
| • Material weaknesses identified?                                                                             | No                                                          |
| • Significant deficiencies identified?                                                                        | None reported                                               |
| 5. Type of auditors' report issued on compliance for major programs:                                          | Unmodified                                                  |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): | No                                                          |
| 7. Identification of major programs:                                                                          |                                                             |
| <u>Assistance Listing Number</u>                                                                              | <u>Name of Federal Program or Cluster</u>                   |
| 93.834                                                                                                        | Capacity Building Assistance for High-impact HIV Prevention |
| 8. Dollar threshold used to distinguish between type A and type B Programs:                                   | \$750,000                                                   |
| 9. Auditee qualified as low-risk auditee?                                                                     | Yes                                                         |

### **Section II – Financial Statement Findings**

No matters were reported.

### **Section III – Federal Findings and Questioned Costs**

No matters were reported.

### **Section IV – Status of Prior Year Findings**

Not applicable. No prior year findings noted.