Council for a Strong America

Financial Report
December 31, 2020

Contents

Independent Auditor's Report

Board of Directors
Council for a Strong America

Report on the Financial Statements
We have audited the accompanying financial statements of Council for a Strong America (the Council), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council for a Strong America as of December 31, 2020, 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.

Report on Summarized Comparative Information
The Council's 2019 financial statements were audited by us and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived except for the restatement as discussed in Note 11.

Emphasis of Matters
As discussed in Note 11 to the financial statements, the net assets as of January 1, 2020, were restated for a correction of errors related to the release of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

RSM US LLP

Washington, D.C.
September 2, 2021

Council for a Strong America

Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019 (Restated)
Assets		
Cash and cash equivalents	**$ 1,021,300**	$ 803,501
Promises to give, net	**4,105,532**	5,576,529
Prepaid expenses	**105,314**	72,053
Investments	**4,800,380**	4,622,873
Deposits	**42,007**	42,007
Property and equipment, net	**139,257**	213,792
Total assets	**$ 10,213,790**	$ 11,330,755
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 58,760**	$ 120,105
Accrued expenses	**18,308**	41,343
Accrued payroll expenses	**88,498**	25,782
Accrued vacation	**253,939**	319,634
Refundable advance	**1,254,168**	-
Deferred rent	**307,935**	433,639
Total liabilities	**1,981,608**	940,503
Commitments and Contingencies (Note 9)		
Net assets (deficit):		
Net assets without donor restrictions	**(338,286)**	440,074
Net assets with donor restrictions	**8,570,468**	9,950,178
Total net assets	**8,232,182**	10,390,252
Total liabilities and net assets	**$ 10,213,790**	$ 11,330,755

See notes to financial statements.

Council for a Strong America

Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	**With Donor Restrictions**	**Total 2020**	Total 2019
Support and revenue:				
Contributions and grants	**$ 1,249,602**	**$ 5,347,822**	**$ 6,597,424**	$ 10,983,764
Other income	**-**	**-**	**-**	8,500
Investment income, net	**96,751**	**-**	**96,751**	77,991
Net assets released from restrictions	**6,727,532**	**(6,727,532)**	**-**	-
Total support and revenue	**8,073,885**	**(1,379,710)**	**6,694,175**	11,070,255
Expenses:				
Program services:				
Early childhood	**4,433,448**	**-**	**4,433,448**	5,295,041
K-16	**405,785**	**-**	**405,785**	806,347
Health	**655,499**	**-**	**655,499**	356,612
Police training institute	**397,526**	**-**	**397,526**	765,387
Other equity and justice issues	**454,090**	**-**	**454,090**	552,296
Total program services	**6,346,348**	**-**	**6,346,348**	7,775,683
Supporting services:				
Management and general	**2,491,415**	**-**	**2,491,415**	1,188,186
Fundraising	**14,482**	**-**	**14,482**	358,687
Total supporting services	**2,505,897**	**-**	**2,505,897**	1,546,873
Total expenses	**8,852,245**	**-**	**8,852,245**	9,322,556
Change in net assets	**(778,360)**	**(1,379,710)**	**(2,158,070)**	1,747,699
Net assets (deficit):				
Beginning, as restated (Note 11)	**440,074**	**9,950,178**	**10,390,252**	8,642,553
Ending	**$ (338,286)**	**$ 8,570,468**	**$ 8,232,182**	$ 10,390,252

See notes to financial statements.

Council for a Strong America

Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Program Expenses						Supporting Services				
	Early Childhood	K-16	Health	Police Training Institute	Other Equity and Justice Issues	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Expenses:											
Payroll and benefits	$ 3,221,596	$ 307,783	$ 445,044	$ 294,827	$ 207,116	$ 4,476,366	$ 2,260,317	$ -	$ 2,260,317	$ 6,736,683	$ 6,437,933
Professional fees	246,610	7,360	72,679	7,000	59,939	393,588	246,740	-	246,740	640,328	1,219,327
Occupancy	118,042	215	167	4,072	25,432	147,928	391,297	-	391,297	539,225	559,333
Travel	38,103	22,534	17,794	7,189	6,494	92,114	5,434	2,042	7,476	99,590	404,859
Meetings and networking	22,218	8,011	7	70	198	30,504	9,922	-	9,922	40,426	138,704
Computers and equipment	64,718	192	514	24,302	10,794	100,520	134,543	3,975	138,518	239,038	260,937
Dues, subscriptions, publications	92,370	5,106	10,917	1,610	587	110,590	41,780	8,465	50,245	160,835	128,088
Office expenses	66,168	10,939	45,653	3,609	33,829	160,198	39,833	-	39,833	200,031	164,869
Subgrants	110,170	-	-	-	55,000	165,170	5,000	-	5,000	170,170	175
Other	19,169	465	528	-	-	20,162	5,757	-	5,757	25,919	8,331
Overhead allocation	434,284	43,180	62,196	54,847	54,701	649,208	(649,208)	-	(649,208)	-	-
	$ 4,433,448	$ 405,785	$ 655,499	$ 397,526	$ 454,090	$ 6,346,348	$ 2,491,415	$ 14,482	$ 2,505,897	$ 8,852,245	$ 9,322,556

See notes to financial statements.

Council for a Strong America

Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (2,158,070)**	$ 1,747,699
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**78,801**	69,617
Unrealized and realized gains, net	**(56,208)**	(21,648)
Decrease in discount on promises to give	**18,822**	23,590
Deferred rent	**(125,704)**	(100,901)
(Increase) decrease in:		
Promises to give	**1,452,175**	(2,203,115)
Prepaid expenses	**(33,261)**	(60,771)
Deposits	**-**	4,738
Increase (decrease) in:		
Accounts payable	**(61,345)**	(15,839)
Accrued expenses	**(23,035)**	41,343
Accrued payroll expenses	**62,716**	(39,108)
Accrued vacation	**(65,695)**	(51,963)
Refundable advance	**1,254,168**	-
Net cash provided by (used in) operating activities	**343,364**	(606,358)
Cash flows from investing activities:		
Purchase of property and equipment	**(4,266)**	(26,873)
Purchases of investments	**(5,579,540)**	(6,082,848)
Proceeds from sale of investments	**5,458,241**	6,397,429
Net cash (used in) provided by investing activities	**(125,565)**	287,708
Net increase (decrease) in cash and cash equivalents	**217,799**	(318,650)
Cash and cash equivalents:		
Beginning	**803,501**	1,122,151
Ending	**$ 1,021,300**	$ 803,501

See notes to financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: The Council for a Strong America (the Council) was incorporated as a nonprofit organization under the laws of the District of Columbia in 1995 to increase investments in children and families. The Council is comprised of five projects—Fight Crime: Invest in Kids; Ready Nation; Mission: Readiness; Shepherding the Next Generation; and Champions for America's Future—and operates under these names.

The Council has an affiliate political action entity, Fight Crime: Invest in Kids Action, which is a nonprofit organization under Section 501(c)(4) of the Internal Revenue Code. The entity is dormant as of and for the year ended December 31, 2020. The only financial activity is an interest bearing cash account, which includes approximately $125,000 at December 31, 2020. This entity is not consolidated with the Council, as it does not meet the criteria prescribed in generally accepted accounting principles.

A Summary of the Council's significant accounting policies follows:

Basis of presentation: The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the ASC, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net assets without donor restrictions: Net assets without donor restrictions include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Council.

Net assets with donor restrictions: Net assets with donor restrictions include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Council and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents: Cash and cash equivalents consist of checking and savings accounts with initial maturities of three months or less.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, the Council maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Promises to give: Promises to give are recorded at their net realizable value, which approximates fair value. Promises to give that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at their readily determinable fair value. Interest and dividends, unrealized and realized gains and losses are included in investment income, net of related investment fees, on the statement of activities. Investments acquired by gift are recorded at their fair value at the date of the gift. The Council's policy is to liquidate all gifts of investments as soon as possible after the gift.

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Property and equipment: Acquisitions of property and equipment of more than $1,000 are capitalized at cost. Depreciation and amortization are recorded on the straight-line method over the assets' useful lives, generally three years. Leasehold improvements are amortized over the shorter of the useful life or the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Valuation of long-lived assets: Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: The Council has entered into lease agreements for rental space. The lease agreements provide for a period of free rent and escalated payments over the life of the leases. One lease also contains provisions for a leasehold improvements allowance, and these improvements and the related allowance are amortized over the life of the lease. Rent expense is recognized on a straight-line basis over the term of the lease. The difference between the expense and the cash payments is reported as deferred rent.

Income taxes: The Council is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Council is not a private foundation. Income from certain activities not directly related to the Council's exempt purpose, less applicable deductions, is subject to taxation as unrelated business income. For the year ended December 31, 2020, the Council had no net unrelated business income.

Management evaluated the Council's tax positions and concluded that the Council has taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Council is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorizes for years before 2017.

Paycheck Protection Program loan: The Council received proceeds from the Paycheck Protection Program (PPP) during the year ended December 31, 2020. The Council recognized the funds as a refundable advance and is presented as a liability on the accompanying statement of financial position. The Council will reduce the refundable advance balance and recognize revenue (other income) once the forgiveness conditions have been substantially met. The funds are considered to be conditional contribution under FASB 958-605 as they include a right of return and a barrier. The Council considers the conditions to be substantially met once forgiveness determination has been received, The Council elected this treatment as the Council expects to meet the PPP's eligibility criteria for forgiveness.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions and grants: Unconditional contributions and grants are recorded as revenue in the year notification is received from the donor. Donor restricted contributions and grants are recognized as support without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. If the donor stipulation for contributions and grants is met in the year notification is received, contributions and grants are classified as net assets without donor restrictions in the accompanying financial statements. Conditional contributions and grants are recognized when all conditions are realized or as a qualifying expenses are incurred. There were no conditional grants as of December 31, 2020 with amounts due in future years.

Advertising: The Council expenses advertising costs as incurred. Advertising expense was $21,193 for the year ended December 31, 2020.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited using salaries for each function as the allocation base. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the Council and are unallocated on the statement of activities.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on the previously reported change in the assets or net assets.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function; specifically, the lack of 2019 footnote information, a breakout of donor restricted activities in the statement of activities for 2019 and a 2019 statement of functional expenses by program. Such information presented does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Council’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Adoption of recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made.* This new standard clarifies the scope and the accounting guidance for contributions received. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU has different effective dates for a resource recipients and resource providers. Where the Council is a resource recipient, the ASU was adopted in 2019. Where the Council is a resource provider, the ASU was adopted for the year ended December 31, 2020. The Council has adopted this amendment on a modified prospective basis with minimal effect on the financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The ASU was adopted by the Council in 2020. The adoption of this ASU has no significant impact on the Council.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the Codification Topic 840, Leases. Under ASU 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Council is in the process of evaluating the impact of this new guidance on the financial statements.

Subsequent Events: The Council has evaluated subsequent events through September 2, 2021, the date on which the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

The Council regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Council has various sources of liquidity at its disposal, including cash, receivables and investments. As of December 31, 2020, the following financial assets are available to meet annual operating needs of the 2021 fiscal year:

Cash and cash equivalents	$ 1,021,300
Promises to give, net	4,105,532
Investments	4,800,380
	9,927,212
Less:	
Promises to give not expected to be collected within a year	(1,041,688)
Financial assets with donor restrictions for time and purpose	(7,528,780)
	$ 1,356,744

The Council manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to donor restrictions will continue to be met

The Council's process of liquidity management requires the maintenance of sufficiently liquid financial assets in order to readily meet general expenditures and obligations as they become due. Management periodically reviews the Council's liquid asset needs and adjusts the cash and cash equivalent balances as necessary.

Note 3. Promises to Give

As of December 31, 2020, the Council had promises to give outstanding of $4,229,896. All amounts are expected to be collected within two years. Promises due beyond 2021 have been recorded at the present value of the estimated cash flows, using a discount rate of 2.15%.

A summary of promises to give along with a schedule of anticipated receipts by year is as follows:

Less than one year	$ 3,063,844
One to five years	1,055,515
Total promises to give	4,119,359
Less:	
Allowance for doubtful accounts	-
Discount on non-current receivables	(13,827)
Promises to give, net	$ 4,105,532

Note 4. Investments

Investments at December 31, 2020, consist of the following:

Certificates of deposit	$ 1,636,112
Mutual funds	1,237,548
Cash and equivalents	1,926,720
	$ 4,800,380

Net investment income for the year ended December 31, 2020, consists of the following:

Interest and dividends	$ 54,630
Unrealized and realized gains, net	56,208
Investment fees	(14,087)
	$ 96,751

Note 5. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Note 5. Fair Value Measurements (Continued)

In determining the appropriate levels, the Council performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 assets held by the Council at December 31, 2020. There were no liabilities subject to fair value measurements at December 31, 2020.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets:				
Certificates of deposit	$ -	$ 1,636,112	$ -	$ 1,636,112
Mutual funds	1,237,548	-	-	1,237,548
Investments held at fair value	$ 1,237,548	$ 1,636,112	$ -	2,873,660
Investments held at cost				1,926,720
				$ 4,800,380

The Council holds investments in certificates of deposit, which have quoted prices in active markets for similar but not for identical assets, and therefore are considered Level 2 items. The fair value of the mutual funds are determined based on quoted prices in active markets and are thus classified as Level 1 items.

Note 6. Property and Equipment

Property, equipment and accumulated depreciation at December 31, 2020, are summarized as follows:

Equipment	$ 207,471
Leasehold improvements	638,211
	845,682
Less accumulated depreciation and amortization	(706,425)
	$ 139,257

Depreciation and amortization expense totaled $78,801 for the year ended December 31, 2020.

Note 7. Refundable Advance

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Council applied for the PPP loan with the Small Business Administration (SBA) and received $1,254,168 during the year ended December 31, 2020. The PPP loan has a maturity date of April 22, 2022, with payment terms to be established if the loan is not fully forgiven. The loan can be prepaid at any time without penalty.

Because the Council believes that it meets the requirements forgiveness, the funds are considered to be conditional contribution under FASB 958-605 as they include a right of return and a barrier. At December 31, 2020, the PPP funds were recognized as a refundable advance of $1,254,168 on the statement of financial position. On January 22, 2021 the Council received full forgiveness of the PPP loan.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions include funds only available for program activities or general support designated for future years. Amounts were released from restrictions during the year ended December 31, 2020, due to time restrictions ending or satisfaction of purpose restrictions.

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

	Balance December 31, 2019 (As Restated)	Additions	Releases	Balance December 31, 2020
Purpose restriction:				
Early childhood	$ 2,500	$ -	$ -	$ 2,500
Time restrictions:				
Early childhood	7,045,772	4,964,000	5,110,412	6,899,360
Health	1,037,017	-	805,244	231,773
K-16	981,394	158,000	525,397	613,997
PTI	271,874	-	192,257	79,617
Other	611,621	225,822	94,222	743,221
	$ 9,950,178	$ 5,347,822	$ 6,727,532	$ 8,570,468

Note 9. Commitments and Contingencies

Leases: On September 27, 2011, the Council amended its existing office space lease for its headquarters in Washington, D.C. The lease provides for initial rental payments of $41.50 per square foot fixed, annual escalations in base rent by 4% each year, and the Council is responsible for its pro-rata share of real estate taxes and operating expenses. Rent payments approximated $37,000 per month during the year ended December 31, 2020. The lease provides rent abatements for half of the first five months and an abatement of $15,000 for the 24th month of the term of the lease. The lease expires on November 30, 2022.

Subsequent to year end, the Council entered into a new office space lease for its headquarters in Washington, D.C. The lease provides for initial rental payments of $38,156 with annual escalations in base rent by 4% each year, and the Council is responsible for its pro-rata share of real estate taxes and operating expenses. The lease commences on May 1, 2022, with rent abatements for the first 20 months of the lease. The lease expires on December 2033. After 110 months, the lease can be terminated but is subject to a penalty payment of $557,600. A tenant improvement allowance totaling $345,204 was allotted by the landlord for the space.

The Council has six other noncancelable operating leases for office space in California, Illinois, Pennsylvania, Michigan and Colorado, with various expiration dates through November 2022. Monthly payments range from $400 to $2,369 per month with annual rent escalation ranging from 0% to 4%.

Note 9. Commitments and Contingencies (Continued)

A tenant improvement allocation totaling $316,210 was allotted by the landlord for the Washington, D.C. space. The value of the rent abatements, fixed annual increases, and tenant improvement allowance have been deferred and will be recognized ratably over the term of the lease on a straight-line basis. The liability totaled $307,935 at December 31, 2020.

Total rent expense, including operating costs, for the year ended December 31, 2020, totaled $539,225.

Following is a summary of future minimum rental payments required under the lease agreements:

Years ending December 31:	
2021	$ 642,936
2022	594,535
2023	-
2024	488,888
2025	508,444
Thereafter	4,871,112
	$ 7,105,915

COVID-19 pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which the Council operates. While the Council has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to the Council. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

During the year ended December 31, 2020, the Council obtained a PPP loan to supplement cash flow for operating expenses, mainly payroll costs. There were no other significant operational changes due to the COVID-19 pandemic.

Note 10. Retirement Plan

The Council sponsors a 403(b) tax-deferred annuity plan (the Plan) covering employees that work more than 1,000 hours per year. The Plan provides for discretionary employer matching and non-elective contributions. Contributions are allocated pro-rata based on a uniform percentage of employee compensation. Employees automatically contribute 2% of their annual salary to the Plan. During the year ended December 31, 2020, the Council matched all contributions up to 3% and an additional 50% for contributions between 3 and 5%. Total retirement plan expense for the year ended December 31, 2020, was $162,695.

Note 11. Prior Period Adjustments

During the year ended December 31, 2020, there were errors identified in the 2019 release of net assets for time restricted donor contributions. Opening balances for certain time restricted donor programs in Note 8 were also restated. The errors were corrected by restating beginning net assets with donor restrictions and beginning net assets without donor restrictions as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:			
January 1, 2020 as previously reported	$ 990,614	$ 9,399,638	$ 10,390,252
Correction of net asset release activity during 2019	(550,540)	550,540	-
January 1, 2020, as restated	$ 440,074	$ 9,950,178	$ 10,390,252
Impact on changes in net assets for the year ended December 31, 2019	$ (550,540)	$ 550,540	$ -

As the December 31, 2019 financial statements are presented as summarized comparative information and the error resulted in a misclassification between net assets without donor restrictions and net assets with donor restrictions, there is no impact to the ending total net assets for year ending December 31, 2019 as previously reported.