COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORTS, AND SINGLE AUDIT

JUNE 30, 2021 AND 2020

COMMUNITY EDUCATION BUILDING CORP.
AND SUBSIDIARIES
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JUNE 30, 2021 AND 2020

Independent Auditors' Report

To the Board of Directors
Community Education Building Corp.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Education Building Corp. (a nonprofit organization) and subsidiaries which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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

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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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Education Building Corp. and subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information - Management's Discussion and Analysis

Community Education Building Corp. has presented the management's discussion and analysis on pages 5 through 7 to supplement the basic consolidated financial statements. Such information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, however, the Organization considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain

To the Board of Directors
Community Education Building Corp.

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of Community Education Building Corp.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of Community Education Building Corp.'s 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 Community Education Building Corp.'s internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

October 14, 2021
Wilmington, Delaware

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMMUNITY EDUCATION BUILDING CORP.
AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

As management of the Community Education Building Corp. (hereinafter "CEB"), we offer readers of CEB's financial statements this narrative overview of the financial activities of CEB for the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with CEB's audited financial statements, which begin on page 9.

The mission of the CEB is to build the best educational support system possible that allows every student who we serve an equitable opportunity to be successful. CEB's innovative educational model creates educational equity for traditionally underserved students by removing barriers that cause inequitable access to learning, creating opportunities for students, investing in stable families, and enabling academic excellence by freeing schools to focus on teaching and learning. In doing so students will have the network, confidence, and skills necessary to succeed in school and be prepared for steps beyond K-12.

Net assets decreased by $472,964 during the year ended June 30, 2021. During the year ended June 30, 2021, contributions with donor-imposed restrictions resulting from the 2018 Continuing Support Agreement with Longwood Foundation[1] (hereinafter "CSA") totaled $975,450. The CSA and its ongoing impact to CEB's financial statements is explained in detail below. The increase in Longwood's commitment resulted from present value adjustments to the pledge receivable. Net assets without donor restrictions increased by $3,163,746, due primarily to the change in value of an interest rate hedge derivative contract, while net assets with donor restrictions decreased by $3,636,710, due primarily to the corresponding impact to pledge receivable balances from the CSA. The chart below identifies the financial activities contributing to the $472,964 decrease in net assets.

	2021	2020
CHANGE IN NET ASSETS FROM OPERATIONS		
Revenue and Support		
Contribution Revenue	$ 2,911,999	$ 2,212,586
Food Service Income	775,485	891,696
Rental Income	2,511,133	2,741,097
Total Revenue and Support (Forwarded)	6,198,617	5,845,379
Operating Expenses	(5,526,534)	(4,719,635)
	672,083	1,125,744
Depreciation of Property and Equipment	(1,145,047)	(1,061,526)
Change in Net Assets from Operations (Forwarded)	(472,964)	64,218

[1] The Longwood Foundation is a private, non-operating foundation formed in Delaware which is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

	2021	2020
Change in Net Assets from Operations (From Previous Page)	$ (472,964)	$ 64,218
CHANGE IN NET ASSETS FROM BOND DEBT SERVICE AND ASSOCIATED PLEDGE RECEIVABLE ACTIVITY		
Revenue from Contributions Received or Pledged for Debt Service	975,450	1,052,255
Increase (Decrease) in Pledge from Interest Rate Swap Derivative	(2,325,462)	3,252,482
Interest Expense	(975,450)	(1,052,255)
Gain (Loss) on Interest Rate Swap Derivative	2,325,462	(3,252,482)
Change in Net Assets from Bond Debt Service and Associated Pledge Receivable Activity	-	-
TOTAL CHANGE IN NET ASSETS	$ (472,964)	$ 64,218

Subsequent to the close of the June 30, 2021 fiscal year, the CEB has fully executed two new lease agreements, with a third pending. All three agreements are with mission aligned organizations who support the core work of the CEB's legacy school partners. The leases will add approximately 81,000 square feet of rented space, increasing building capacity to 95%, and adding an estimated $1.4 million to annual rental income once fully annualized.

2018 Continuing Support Agreement

In November 2018, the CEB entered into a Continuing Support Agreement with the Longwood Foundation. The CSA addressed CEB's debt obligations resulting from a debt refinancing of start-up and infrastructure improvement expenses incurred by CEB in transforming a commercial office building into an educational space for up to 1,800 students[2], all as more thoroughly described in Notes 1, 5, 6, 8 and 9 of the Financial Statements. The CSA commits Longwood to (1) making annual grants to CEB in amounts equal to the debt service of the refinanced debt ($31,860,000 at the time of refinance) until such debt is fully satisfied and; (2) standing behind all obligations resulting from fluctuations in the swap agreements used as a hedge against interest rate changes on the bond. Under the terms of the CSA, the CEB agreed to use those grants solely to satisfy the refinanced start-up and infrastructure improvement debt service obligations.

[2] In February 2012, Bank of America donated this center city Wilmington office building to the CEB. The donated office building was repurposed and renovated into a facility offering turnkey, Class A space for several charter schools with capacity to serve 1,800 students. The renovations and anticipated operating revenue shortfall were financed with funds borrowed by CEB and guaranteed by Longwood.

2018 Continuing Support Agreement - Continued

The CSA prohibits the CEB from disposing of the building or assuming additional debt obligations without the approval of both Longwood and Capital One, whose approval may not be unreasonably withheld. The CSA imposes no additional operating or financial covenants on the CEB beyond standard reporting requirements.

The CSA represents a unique collaborative initiative between Longwood and CEB. Through the CSA, Longwood continues its historical commitment of supporting organizations focused on improving public education and reaffirmed its support of, and long-term commitment to, CEB. The CSA functions to relieve CEB of its start-up and infrastructure improvement debt obligations. With no mortgage lien on its capital assets as a result of the refinancing and Longwood's guarantee of the refinanced obligations, CEB will utilize all future revenue and philanthropic contributions from other sources exclusively for operations, programming initiatives and capital investments aimed at bringing enhanced educational opportunity and equity to underserved children in the City of Wilmington. Management believes that by relieving CEB of its debt obligations, the CSA has placed CEB in a significantly enhanced position to serve CEB's schools, students, and families and ensured CEB's long-term financial sustainability. CEB is privileged to have Longwood's long-term commitment and its encouragement to use CEB's enhanced financial capacity to expand its base of philanthropic partners and to judiciously leverage additional borrowings in pursuit of its mission.

This financial report is designed to provide a general overview of CEB's finances to the users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to the VP of Finance and Operations, Community Education Building, 1200 North French Street, Wilmington, DE 19801.

CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 1,840,259	$ 1,639,142
Cash - Restricted for Debt Service	1,787,024	1,659,151
Accounts and Grants Receivable	320,240	119,528
Contribution Receivable - Debt Service	369,112	496,647
Contribution Receivable - Other	-	66,666
Deposits and Prepaid Expenses	13,000	24,000
TOTAL CURRENT ASSETS	4,329,635	4,005,134
OTHER ASSETS		
Cash - Tenant Deposits	9,418	9,418
Contribution Receivable - Debt Service (Net of Current Portion)	30,562,254	34,094,569
Property and Equipment (Net)	33,669,034	34,171,862
TOTAL OTHER ASSETS	64,240,706	68,275,849
TOTAL ASSETS	$ 68,570,341	$ 72,280,983
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 606,776	$ 324,819
Current Maturities of Long-Term Debt	1,245,943	1,203,264
TOTAL CURRENT LIABILITIES	1,852,719	1,528,083
OTHER LIABILITIES		
Deposits Payable	9,418	9,418
Long-Term Debt (Net of Current Maturities)	27,687,886	28,924,738
Derivative Contract - Interest Rate Swap	3,562,743	5,888,205
TOTAL OTHER LIABILITIES	31,260,047	34,822,361
TOTAL LIABILITIES	33,112,766	36,350,444
NET ASSETS		
Without Donor Restrictions		
Net Asset Deficit from Interest Rate Swap Liability	(3,562,743)	(5,888,205)
Other Net Assets Without Donor Restrictions	6,188,833	5,350,549
Total Net Assets Without Donor Restrictions	2,626,090	(537,656)
With Donor Restrictions	32,831,485	36,468,195
TOTAL NET ASSETS	35,457,575	35,930,539
TOTAL LIABILITIES AND NET ASSETS	$ 68,570,341	$ 72,280,983

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

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT FROM OPERATIONS			
Contributions and Grants	$ 2,509,118	$ 1,378,331	$ 3,887,449
Food Service Income	775,485	-	775,485
Rental Income	2,511,133	-	2,511,133
	5,795,736	1,378,331	7,174,067
Net Assets Released from Restrictions	2,689,579	(2,689,579)	-
TOTAL REVENUE AND SUPPORT FROM OPERATIONS	8,485,315	(1,311,248)	7,174,067
EXPENSES			
Program Services	6,580,582	-	6,580,582
Supporting Services			
General and Administrative	883,023	-	883,023
Fundraising and Development	183,426	-	183,426
Total Supporting Services	1,066,449	-	1,066,449
TOTAL EXPENSES	7,647,031	-	7,647,031
CHANGE IN NET ASSETS FROM OPERATIONS	838,284	(1,311,248)	(472,964)
OTHER SUPPORT AND REVENUE			
Gain on Derivative Contract	2,325,462	-	2,325,462
Decrease in Pledges Receivable from Gain on Derivative Contract	-	(2,325,462)	(2,325,462)
TOTAL OTHER SUPPORT AND REVENUE	2,325,462	(2,325,462)	-
CHANGE IN NET ASSETS	3,163,746	(3,636,710)	(472,964)
NET ASSETS - Beginning of Year	(537,656)	36,468,195	35,930,539
NET ASSETS - End of Year	$ 2,626,090	$ 32,831,485	$ 35,457,575

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

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT FROM OPERATIONS			
Contributions and Grants	$ 1,985,893	$ 1,278,948	$ 3,264,841
Food Service Income	891,696	-	891,696
Rental Income	2,741,097	-	2,741,097
	5,618,686	1,278,948	6,897,634
Net Assets Released from Restrictions	2,736,668	(2,736,668)	-
TOTAL REVENUE AND SUPPORT FROM OPERATIONS	8,355,354	(1,457,720)	6,897,634
EXPENSES			
Program Services	5,790,876	-	5,790,876
Supporting Services			
General and Administrative	859,338	-	859,338
Fundraising and Development	183,202	-	183,202
Total Supporting Services	1,042,540	-	1,042,540
TOTAL EXPENSES	6,833,416	-	6,833,416
CHANGE IN NET ASSETS FROM OPERATIONS	1,521,938	(1,457,720)	64,218
OTHER SUPPORT AND REVENUE			
Loss on Derivative Contract	(3,252,482)	-	(3,252,482)
Increase in Pledges Receivable from Loss on Derivative Contract	-	3,252,482	3,252,482
TOTAL OTHER SUPPORT AND REVENUE	(3,252,482)	3,252,482	-
CHANGE IN NET ASSETS	(1,730,544)	1,794,762	64,218
NET ASSETS - Beginning of Year	1,192,888	34,673,433	35,866,321
NET ASSETS - End of Year	$ (537,656)	$ 36,468,195	$ 35,930,539

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

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021			
	Program Services	General and Administrative	Fundraising and Development	Total
Salaries	$ 876,765	$ 445,732	$ 146,263	$ 1,468,760
Payroll Taxes	66,224	31,863	6,908	104,995
Employee Benefits	67,236	69,196	26,253	162,685
Total Salaries and Related Expenses	1,010,225	546,791	179,424	1,736,440
Depreciation	1,132,337	11,679	1,031	1,145,047
Library Subscriptions	-	43,525	-	43,525
Equipment	7,474	77	7	7,558
Facilities Rent	25,382	262	23	25,667
Food Services	486,635	-	-	486,635
Insurance	269,039	2,775	245	272,059
Interest	964,622	9,950	878	975,450
Janitorial	302,859	3,124	276	306,259
Legal and Accounting Fees	-	80,288	-	80,288
Occupancy	477,400	4,924	434	482,758
Office Expense	58,483	603	53	59,139
Professional Contract Services	686,773	165,020	-	851,793
Professional Development	-	2,047	-	2,047
Repairs and Maintenance	724,720	7,475	660	732,855
Security	277,600	2,863	253	280,716
Supplies	33,458	345	30	33,833
Systems - Technology	122,428	1,263	111	123,802
Travel	1,147	12	1	1,160
TOTAL EXPENSES	$ 6,580,582	$ 883,023	$ 183,426	$ 7,647,031

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

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020			
	Program Services	General and Administrative	Fundraising and Development	Total
Salaries	$ 702,059	$ 445,732	$ 146,263	$ 1,294,054
Payroll Taxes	55,762	33,419	7,841	97,022
Employee Benefits	82,248	67,640	25,320	175,208
Total Salaries and Related Expenses	840,069	546,791	179,424	1,566,284
Depreciation	1,049,717	10,859	950	1,061,526
Library Subscriptions	-	43,289	-	43,289
Equipment	2,905	30	3	2,938
Facilities Rent	66,065	797	70	66,932
Food Services	676,440	-	-	676,440
Insurance	231,224	2,723	238	234,185
Interest	1,040,115	11,163	977	1,052,255
Janitorial	405,595	4,196	367	410,158
Legal and Accounting Fees	-	34,948	-	34,948
Occupancy	326,739	3,674	321	330,734
Office Expense	78,723	814	71	79,608
Professional Contract Services	197,436	147,164	-	344,600
Professional Development	-	43,971	-	43,971
Repairs and Maintenance	524,303	5,422	475	530,200
Security	277,413	2,870	251	280,534
Supplies	21,878	87	8	21,973
Systems - Technology	39,171	405	35	39,611
Travel	13,083	135	12	13,230
TOTAL EXPENSES	$ 5,790,876	$ 859,338	$ 183,202	$ 6,833,416

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

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (472,964)	$ 64,218
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	1,145,047	1,061,526
(Gain) Loss on Derivative Contract	(2,325,462)	3,252,482
Amortization of Loan Origination Fees in Interest Expense	12,341	12,657
Changes in Assets and Liabilities		
Accounts and Grants Receivable	(200,712)	352,373
Contribution Receivable - Debt Service	3,659,850	(2,014,142)
Contribution Receivable - Other	66,666	66,667
Deposits and Prepaid Expenses	11,000	2,996
Accounts Payable and Accrued Expenses	215,553	(104,786)
Deposits Payable	-	3,000
NET CASH FROM OPERATING ACTIVITIES	2,111,319	2,696,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(575,815)	(917,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,206,514)	(1,072,446)
NET CHANGE IN CASH AND RESTRICTED CASH	328,990	706,885
CASH AND RESTRICTED CASH - Beginning of Year	3,307,711	2,600,826
CASH AND RESTRICTED CASH - End of Year	$ 3,636,701	$ 3,307,711
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash Paid for Interest	$ 965,612	$ 1,039,598
Noncash Investing and Financing Activities		
Property and Equipment Acquisitions Included in Accounts Payable	$ 174,264	$ 107,860

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

NOTE 1: NATURE OF ACTIVITIES

The Community Education Building Corp. (CEB), a not-for-profit organization, was founded in 2012 and is located in Wilmington, Delaware. CEB's vision is to help all students attending its tenant schools to be fully prepared for educational advancement or career, and to become lifelong learners. Its mission is to transform urban K-12 public education through collaborative partnerships with its tenant schools and others, including funders like the Longwood Foundation.

CEB's innovative model seeks to use all of its resources to bring educational opportunity and equity to all children by: 1) providing schools with a safe and inviting place to learn and work; 2) offering co-location and shared services that save valuable financial and human capital resources; 3) integrating student and family supports to help students come to school ready to learn; 4) serving as a catalyst for collaboration and innovation for educational excellence among our partners; and 5) advocating for our schools, students, and families to promote equitable educational opportunity.

PS#5, LLC is a wholly owned subsidiary formed exclusively to further the purposes of CEB. Community Education Building Realty Corp. is a Delaware corporation formed exclusively to further the purposes of CEB. The above entities are collectively referred to as the Organization.

The vision of the Organization was made possible by the generosity of Bank of America and the Longwood Foundation. In 2012, Bank of America donated its center city Wilmington, Delaware office building to the Organization for the purpose of transforming it into a home for high-performing charter schools with an emphasis on providing world class K-12 public education for Wilmington's children. With financing obtained by the Organization, including proceeds from a tax-exempt conduit financing issued by the City of Wilmington, the building was repurposed into a facility offering turn-key space to a number of charter schools serving up to 1,800 students.

In December 2018, the Organization refinanced its original debt obligations associated with its infrastructure transformation (Note 8). Building on its commitment to public education and the nonprofit community, the Longwood Foundation believed the Organization's impact would be enhanced if the Organization was relieved of its debt service obligations required under the refinance, so that those funds could be redirected to a host of additional supports, both capital and programmatic, serving the Organization's tenant schools and their students. As such, the Longwood Foundation entered into a Continuing Support Agreement with the Organization. In accordance with that agreement, the Longwood Foundation will guarantee the Organization's refinanced bond debt and meet all debt service obligations over the life of the refinanced debt (Note 6). The Longwood Foundation will provide grant proceeds to the Organization annually to support the payment of interest and principal required by the Organization's bond payable debt obligations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader. The consolidated financial statements and notes are representations of management, who is responsible for their integrity and objectivity.

Principles of Consolidation - The consolidated financial statements include the accounts of Community Education Building Corp., PS#5, LLC, and Community Education Building Realty Corp. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are referred to as the Organization.

Basis of Accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP).

Cash and Cash Equivalents - For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments, available for current use, with an initial maturity of three months or less to be cash equivalents.

Restricted cash held for long-term purposes is presented separately in the consolidated statements of financial position. As a condition of its financing agreements, the Organization is required to maintain a separate account to receive support donor-restricted for debt service (Note 6). Use of funds from this account is limited to debt service. This account is presented as restricted cash - debt service in the consolidated statements of financial position.

***Receivables and Credit Policies* -** Accounts receivable are stated at net realizable value. Accounts receivable consist primarily of noninterest-bearing amounts due for tenant rents and food service income. The Organization determines an allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of June 30, 2021 and 2020, there was no allowance.

Operating and Non-Operating Classification - Support, revenue, and expenses are classified in the consolidated statements of activities as operating and non-operating. The operating classification includes contribution revenue, rental income, food service fee income, and other income and expenses of operating the Organization. The non-operating classification includes the change in value of the interest rate swap agreement and corresponding impacts to the pledge receivable balance from that change in value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Contributions Receivable **-** The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Organization evaluates the need allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment - Property and equipment with an estimated useful life in excess of one year are capitalized at cost if purchased and at fair market value if donated. The Organization capitalizes all expenditures for property and equipment in excess of $5,000. Depreciation expense is provided using the straight-line method over the estimated useful lives of the respective assets (generally five to seven years for equipment and furniture and thirty-nine years for buildings). Upon retirement or disposition of property and equipment, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Derivative Financial Instruments **-** The Organization holds derivative financial instruments for the purpose of hedging the risks of certain identifiable transactions. The Organization uses an interest-rate swap to mitigate interest-rate risk on its long-term debt (Note 8). The related liability or asset is reported at fair value in the consolidated statements of financial position, and unrealized gains or losses are included in the consolidated statements of activities as other support and revenue.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

> *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

***Revenue and Revenue Recognition* -** Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises, that is, those with a measurable performance barrier and a right to return, are not recognized until the conditions on which they depend have been substantially met. Contributions subject to donor- or grantor-imposed restrictions are recorded as net assets with donor restrictions and are reclassified as net assets without donor restrictions when the donor- or grantor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

Food service income is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements, including 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 consolidated statements of financial position.

Rental income is earned ratably over the life of the agreement.

The Organization's operations do not include revenue classified as contracts with customers by U.S. GAAP. Therefore, there were no contract assets, accounts receivable, or contract liabilities reportable as of the beginning or end of the years ended June 30, 2021 and 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue and Revenue Recognition - Continued

Volunteers may contribute time to the Organization's program service activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. The Organization recognizes donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2021 and 2020.

Income Taxes - Community Education Building Corp. is a not-for-profit entity that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal, state or local income tax in the accompanying consolidated financial statements. In addition, Community Education Building Corp. has been determined by the Internal Revenue Service to be a "private operating foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

PS#5, LLC is a limited liability company which is wholly owned and operated by Community Education Building Corp. and, therefore, made no provision for federal, state, or local income tax in the accompanying consolidated financial statements.

Community Education Building Realty Corp. is a corporation which is wholly owned and operated by Community Education Building Corp. Community Education Building Realty Corp. had no financial activity during the years ended June 30, 2021 and 2020, and, therefore, made no provision for federal, state, or local income tax in the accompanying consolidated financial statements.

The Organization adheres to ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2018, 2019 and 2020 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

Functional Allocation of Expenses **-** The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Advertising Costs* -** The costs of advertising are expensed as incurred. There were no advertising expenses during the years ended June 30, 2021 and 2020.

Loan Origination Fees - Loan origination fees represent costs incurred in connection with obtaining long-term financing. In accordance with FASB ASC 835-50, *Imputation of Interest*, the Organization presents debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of loan origination fees is calculated using the straight-line method over the term of the related financing agreement and is included in interest expense on the consolidated statements of functional expenses.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

***Financial Instruments and Credit Risk* -** The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured amounts. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations supportive of the Organization’s mission.

***Reclassifications* -** Certain reclassifications have been made to the prior year statement of activities to conform to the presentation of the current year financial statements. These reclassifications had no effect on previously reported change in net assets or total net assets.

NOTE 3: AVAILABILITY AND LIQUIDITY

The Organization’s short-term liquidity plan is to maintain readily available resources, including operating cash, to cover expenses as they come due. The Organization’s goal is to maintain 90 days of working capital.

In July 2019, the Organization entered into a revolving demand note credit agreement with a financial institution to borrow up to $1,000,000 (Note 10). The line of credit could be used by the Organization in the event of a liquidity need.

NOTE 3: AVAILABILITY AND LIQUIDITY - CONTINUED

The following reflects the Organization's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the consolidated statements of financial position date.

	2021	2020
Financial Assets as of June 30		
Cash	$ 1,840,259	$ 1,639,142
Cash - Restricted for Debt Service	1,787,024	1,659,151
Cash - Tenant Deposits	9,418	9,418
Accounts and Grants Receivable	320,240	119,528
Total Financial Assets as of June 30	3,956,941	3,427,239
Less: Amounts Not Available for General Expenditures Within a Year		
Donor Restricted - Purpose Restricted for Debt Service	(1,787,024)	(1,659,151)
Deposits Payable Held in Cash	(9,418)	(9,418)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,160,499	$ 1,758,670

NOTE 4: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following is a summary of cash and restricted cash as reported on the consolidated statements of cash flows:

	2021	2020
Cash	$ 1,840,259	$ 1,639,142
Cash - Restricted for Debt Service	1,787,024	1,659,151
Cash - Tenant Deposits	9,418	9,418
	$ 3,636,701	$ 3,307,711

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of June 30:

	2021	2020
Subject to Expenditure for Specified Purpose		
Purpose Restricted for Debt Service		
Longwood Foundation Support for		
Obligations of Long-Term Debt	$ 32,718,390	$ 36,250,367
Purpose Restricted for Program Initiatives		
Behavioral Health Initiatives	340	86,666
WAVE Program	112,755	131,162
Total Purpose Restricted for Program Initiatives	113,095	217,828
Total Net Assets with Donor Restrictions	$ 32,831,485	$ 36,468,195

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contribution Receivable - Debt Service - As of June 30, 2021 and 2020, contributions receivable by the Organization for debt service were the result of a commitment from the Longwood Foundation to provide the support needed to service its long-term debt (Note 8). On November 29, 2018, the Organization entered into the Continuing Support Agreement with the Longwood Foundation. On December 27, 2018, the Organization entered into the Guaranty Agreement with the Longwood Foundation and Capital One Municipal Funding/Capital One, N.A. (hereinafter collectively referred to as Capital One). Under the terms of the agreements, the Longwood Foundation unconditionally guarantees, as a primary obligor, the prompt payment and performance of the Organization’s bonds payable long-term debt and any obligations of the Organization under its interest rate swap agreement.

Covenants associated with the agreements restrict the Organization’s ability to incur additional long-term debt without the approval of Capital One.

The Longwood Foundation will provide grant proceeds to the Organization annually to support the payment of interest and principal required by the Organization’s debt obligations.

NOTE 6: CONTRIBUTIONS RECEIVABLE - CONTINUED

Contribution Receivable - Debt Service - Continued

As a result of the terms of the Agreement, the carrying amount of contributions receivable reflect the present value of the Organization's obligations from its bonds payable long-term debt. The Organization uses as a discount rate, the effective interest rate on the guaranteed long-term debt. As a result, the carrying amount of the contributions receivable will at all times equal the outstanding principal balance of its bonds payable long-term debt increased by the fair value of its interest rate swap liability and reduced for any cash deposits on hand received from the Longwood Foundation under the terms of this funding commitment.

Contribution Receivable - Other - Other contributions receivable include a pledge expected to be received during the years ended June 30, 2021 and 2020, that was restricted by the donor for behavioral health initiatives.

Contributions receivable appears as follows in the consolidated statements of financial position:

	2021	2020
Contributions Receivable - Debt Service	$ 369,112	$ 496,647
Contribution Receivable - Other	-	66,666
Contributions Receivable - Debt Service (Net of Current Portion)	30,562,254	34,094,569
Total Contributions Receivable	$ 30,931,366	$ 34,657,882

With respect to the contribution receivable from the Longwood Foundation, the timing of expected current and future payments is based on the future maturities of the bond payable debt. Therefore, the amounts in the chart represent cash flows discounted at rates consistent with the bonds payable. Other contributions receivable are expected to be collected over the next fiscal year and have not been discounted due to its immaterial effect on the consolidated financial statements.

Contributions receivable are expected to be collected as follows:

	2021	2020
Contributions Receivable		
Within One Year	$ 369,112	$ 563,313
In One to Five Years	5,404,464	5,219,339
After Five Years	25,157,790	28,875,230
	30,931,366	34,657,882
Allowance for Uncollectable Accounts	-	-
Total Contributions Receivable	$ 30,931,366	$ 34,657,882

NOTE 6: CONTRIBUTIONS RECEIVABLE - CONTINUED

Contribution Receivable - Other - Continued

The amounts reflected in the chart above are net of a present value discount that is estimated based on the future interest costs of the bond payable long-term debt. The estimated present value discount as of June 30, 2021 and 2020, was $8,992,532 and $9,941,841, respectively.

NOTE 7: PROPERTY AND EQUIPMENT

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

	2021	2020
Land and Land Improvements	$ 2,665,252	$ 2,665,252
Building	36,307,161	36,116,695
Construction in Progress	399,897	329,826
Office Furniture, Vehicles and Equipment	1,703,959	1,322,276
	41,076,269	40,434,049
Less: Accumulated Depreciation	7,407,235	6,262,187
Property and Equipment - Net	$ 33,669,034	$ 34,171,862

NOTE 8: LONG-TERM DEBT

Series 2018 City of Wilmington, Delaware Revenue Bond - Under a Bond Purchase and Loan Agreement among the Organization, the City of Wilmington, Delaware (City/Issuer), and Capital One (Bondholder), dated December 2018, the City issued its Revenue Bond (Community Education Building Corp. Project) Series 2018, in the principal amount of $30,760,000 (Series 2018 Bond) which was purchased by Capital One. The Organization entered into a promissory note payable to the City in the aggregate amount of the Series 2018 Bond. The City transferred and assigned to Capital One its rights under the promissory note.

The proceeds of the Series 2018 Bond issuance were used by the Organization to refinance its existing debt.

The unpaid principal balance of the Series 2018 Bond bears interest calculated at 79% of 30-day LIBOR (adjusted monthly) plus 0.82%. The Series 2018 Bond required payment of interest only through February 2020. Commencing on March 2, 2020, monthly principal plus interest payments are due with a final payment of all unpaid principal plus accrued interest payable on December 27, 2038, the maturity date of the Series 2018 Bond. The initial monthly

NOTE 8: LONG-TERM DEBT - CONTINUED

Series 2018 City of Wilmington, Delaware Revenue Bond - Continued - principal payment of $99,459 increases annually per the terms of the agreement. The effective interest rate of the Series 2018 Bond as of June 30, 2021 and 2020, was 0.90% and 0.96%, respectively. The outstanding balance of the Series 2018 Bond as June 30, 2021 and 2020, was $29,155,648 and $30,362,162, respectively. The Series 2018 Bond is guaranteed by the Longwood Foundation and is included in the terms of the Guaranty Agreement (Note 6).

Long-Term debt consisted of the following as of June 30:

	2021	2020
Series 2018 Bond	$ 29,155,648	$ 30,362,162
Unamortized Loan Origination Fees	(221,819)	(234,160)
Total Long-Term Debt	$ 28,933,829	$ 30,128,002

As of June 30, 2021, future maturities of long-term debt consisted of the following:

2022	$ 1,245,943
2023	1,286,660
2024	1,328,707
2025	1,372,128
2026	1,416,969
Thereafter	22,505,241
	$ 29,155,648

Financing agreements include the following commitments, covenants, and restrictions with respect to the Series 2018 Bond:

- The Organization and the Longwood Foundation shall not amend, terminate, or waive any terms of their Continuing Support Agreement without prior written consent of Capital One (Note 6).
- The Organization shall not dispose or transfer the facility without the approval of Capital One, approval of which cannot be unreasonably withheld.
- The Longwood Foundation must maintain certain financial covenants and meet certain financial reporting requirements.

NOTE 9: DERIVATIVE CONTRACTS - INTEREST RATE SWAP

In the normal course of business, the Organization is subject to risk from adverse fluctuations in interest rates. The Organization manages this risk through the use of interest rate swap derivative instruments. The Organization does not use derivative instruments for trading or speculative purposes. The Organization's interest rate swap derivative contracts are recognized in the consolidated financial statements at fair value.

As of June 30, 2021 and 2020, the Organization was party to an interest rate swap agreement with Capital One. The outstanding notional amount and maturity of the agreement correlate to the outstanding principal balance and maturity date of the Series 2018 Bond (Note 8). The interest rate swap agreement is a pay fixed/receive variable that will require the Organization to pay the difference between the fixed rate and variable rate identified in the agreement if the fixed rate exceeds the variable rate. The Organization will be entitled to receive the difference between the fixed rate and variable rate stated in the agreement if the variable rate exceeds the fixed rate. The fixed rate per the agreement is 2.37%. The variable rate per the agreement is 79% of the 30-day LIBOR. A security interest in the derivative contract was assigned to Capital One. The fair value of the interest rate swap derivative contract presented as a liability in the consolidated statements of financial position as of June 30, 2021 and 2020, was a liability of $3,562,743 and $5,888,205, respectively.

For the years ended June 30, 2021 and 2020, gains/(losses) on derivative contracts were $2,325,462 and ($3,252,482), respectively.

NOTE 10: LINE OF CREDIT

In July 2019, the Organization entered into a revolving demand note credit agreement with a financial institution to borrow up to $1,000,000. There have been no borrowings on the credit line through the date the financial statements were available to be issued. The effective interest rate of the line of credit is the one-month LIBOR plus 1.90%.

NOTE 11: FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements Disclosures*, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

NOTE 11: FAIR VALUE MEASUREMENTS - CONTINUED

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2021 and 2020, the derivative contract - interest rate swap of the Organization was categorized in Level 2, as the fair value is calculated as the difference between the fixed rate according to the interest rate swap agreement and the variable rate the debt carries.

NOTE 12: FUNCTIONALIZED EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 13: LEASES

Lessee Leasing Arrangements - The Organization leases athletic and gymnasium space. Leases in effect as of June 30, 2021, expire at times through August 2021. Rental expense for the years ended June 30, 2021 and 2020, totaled $25,667 and $46,932, respectively.

The Organization leases parking lot space on a year to year basis. Rental expense for the years ended June 30, 2021 and 2020, totaled $0 and $20,000, respectively.

NOTE 13: LEASES - CONTINUED

Future minimum lease payments required under lease arrangements as the lessee are:

2022	$ 3,667
Total	$ 3,667

Lessor Leasing Arrangements - As of June 30, 2021, the Organization had three lease agreements with charter schools and an education based nonprofit organization to occupy portions of the Organization's building. The leases contain options to renew for periods that are aligned with the tenant's charter renewals by the Delaware Department of Education. During the year ended June 30, 2021, two tenants exercised their renewal option and agreed to extend the lease terms for a five-year period through June 30, 2024.

Future minimum lease payments to be received as of June 30, 2021, are as follows:

2022	$ 2,953,534
2023	3,041,541
2024	3,080,088
Total	$ 9,075,163

NOTE 14: PENSION PLAN

The Organization has a 403(b) plan covering all eligible employees. The Organization makes a dollar for dollar matching contribution of 3%. The employee can voluntarily contribute a percentage of their annual compensation with contributions limited as defined by the IRS. Total pension expense amounted to $15,261 and $15,597 for the years ended June 30, 2021 and 2020, respectively.

NOTE 15: RELATED-PARTY TRANSACTIONS

Members of the Organization’s board of directors are the president and a member of the board of directors of the Longwood Foundation. The Longwood Foundation’s representation on the Organization’s board of directors does not constitute a majority of the Organization’s governing board. As disclosed in these notes to the consolidated financial statements, the Longwood Foundation has committed to providing continued support to the Organization.

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

To the Board of Directors
Community Education Building Corp.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Community Education Building Corp. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Education Building Corp.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Education Building Corp.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Education Building Corp.'s internal control.

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

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To the Board of Directors
Community Education Building Corp.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Education Building Corp.'s consolidated 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 determination of consolidated financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

October 14, 2021
Wilmington, Delaware

SINGLE AUDIT

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

To the Board of Directors
Community Education Building Corp.

Report on Compliance for Each Major Federal Program

We have audited Community Education Building Corp.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Education Building Corp.'s major federal programs for the year ended June 30, 2021. Community Education Building Corp.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Community Education Building Corp.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations,* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Education Building Corp.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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To the Board of Directors
Community Education Building Corp.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Education Building Corp.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Education Building Corp. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Community Education Building Corp. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Education Building Corp.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Education Building Corp.'s 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Community Education Building Corp.

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.

Belfint, Lyons & Shuman, P.A.

October 14, 2021
Wilmington, Delaware

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Pass-Through Programs			
U.S. Department of Agriculture			
Delaware State Department of Education			
Child Nutrition Cluster			
Summer Food Service Program	10.559	$ 775,485	$ -
U.S. Department of Treasury			
New Castle County, Delaware			
Coronavirus Relief Fund	21.019	368,780	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,144,265	$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Education Building Corp. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified	
Internal Control Over Financial Reporting:		
• Material Weaknesses Identified?	___ Yes	_x_ No
• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?	___ Yes	_x_ None Reported
Noncompliance Material to Financial Statements Noted?	___ Yes	_x_ No

Federal Awards

Internal Control Over Major Programs:		
• Material Weaknesses Identified?	___ Yes	_x_ No
• Significant Deficiencies Identified that are not Considered to be Material Weaknesses?	___ Yes	_x_ None Reported
Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified	
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)?	___ Yes	_x_ No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.559	Summer Food Service Program

Dollar Threshold Used to Distinguish between Type A and Type B Programs:	$ 750,000	
Auditee Qualified as Low-Risk Auditee?	_x_ Yes	___ No

II. FINANCIAL STATEMENT FINDINGS

No Current Year Findings

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Current Year Findings

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2021

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Prior Year Findings