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WATERFORD INSTITUTE, INC. AND SUBSIDIARIES Consolidated Financial Statements

As of and for the Years Ended August 31, 2019 and 2018
Together with Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Waterford Institute, Inc.

We have audited the accompanying consolidated financial statements of Waterford Institute, Inc. and subsidiaries (a not-for-profit organization) (the Organization), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waterford Institute, Inc. and subsidiaries as of August 31, 2019 and 2018, 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.

Adoption of New Accounting Standards

As further described in Note 1 to the financial statements, during the year ended August 31, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. Our opinion is not modified with respect to these matters.

Tanner LLC

December 13, 2019



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of August 31,

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash	\$ 13,950,943	\$ 2,252,848
Receivables	7,111,351	10,818,230
Prepaid expenses and other assets	2,150,556	760,969
Deferred expenses	776,248	-
Property and equipment, net	240,558	73,950
Total assets	<u>\$ 24,229,656</u>	<u>\$ 13,905,997</u>
<u>Liabilities and Net Assets (Deficit)</u>		
Accounts payable	\$ 2,049,091	\$ 675,156
Accrued liabilities	2,026,275	1,593,752
Deferred revenue	23,396,342	16,852,017
Long-term debt	3,700,000	3,700,000
Total liabilities	<u>31,171,708</u>	<u>22,820,925</u>
Net assets (deficit):		
Without donor restrictions	(10,337,907)	(9,700,855)
With donor restrictions	3,395,855	785,927
Total net deficit	<u>(6,942,052)</u>	<u>(8,914,928)</u>
Total liabilities and net deficit	<u>\$ 24,229,656</u>	<u>\$ 13,905,997</u>



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Consolidated Statements of Activities

For the Years Ended August 31,

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions:		
Revenues, support, and other income:		
Contracts and grants	\$ 24,711,278	\$ 22,994,182
Contributions	4,946,270	2,612,861
Interest and other income	360	7
Total revenues, support, and other income	<u>29,657,908</u>	<u>25,607,050</u>
Net assets released from restrictions	<u>752,592</u>	<u>599,843</u>
Total revenues, support, other income, and reclassifications	<u>30,410,500</u>	<u>26,206,893</u>
Expenses:		
Salaries, wages and benefits	19,715,358	16,735,135
Professional and subcontract fees	3,926,724	2,823,473
Information technology	3,327,486	2,198,391
Business travel	2,171,189	1,410,285
Advertising and marketing	945,209	768,188
Facilities	524,221	457,958
Depreciation and amortization	58,386	60,190
Other	1,147,586	811,513
Total expenses	<u>31,816,159</u>	<u>25,265,133</u>
Increase (decrease) in net assets without donor restrictions before other changes	(1,405,659)	941,760
Foreign currency translation gain	<u>2,593</u>	<u>130,779</u>
Increase (decrease) in net assets without donor restrictions	(1,403,066)	1,072,539
Change in net assets with donor restrictions:		
Contributions	3,362,520	744,259
Net assets released from restrictions	<u>(752,592)</u>	<u>(599,843)</u>
Increase in net assets with donor restrictions	<u>2,609,928</u>	<u>144,416</u>
Increase in net assets	1,206,862	1,216,955
Net deficit, beginning of the year	(8,914,928)	(10,131,883)
Impact on net deficit from change in revenue recognition policy (see Note 1)	<u>766,014</u>	<u>-</u>
Net deficit, end of the year	<u>\$ (6,942,052)</u>	<u>\$ (8,914,928)</u>



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the Years Ended August 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,206,862	\$ 1,216,955
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	58,386	60,190
Decrease (increase) in:		
Receivables	3,706,879	(2,252,756)
Prepaid expenses and other assets	(1,404,977)	(444,955)
Deferred expenses	(10,234)	-
Increase (decrease) in:		
Accounts payable	1,373,935	331,736
Accrued liabilities	432,523	193,545
Deferred revenue	6,544,325	241,365
Net cash provided by (used in) operating activities	<u>11,907,699</u>	<u>(653,920)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(209,604)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from short-term financing	-	1,680,000
Principal payments on short-term financing	-	(1,680,000)
Proceeds from long-term debt	3,700,000	-
Principal payments on long-term debt	<u>(3,700,000)</u>	<u>(300,000)</u>
Net cash used in financing activities	-	(300,000)
Net change in cash	<u>11,698,095</u>	<u>(953,920)</u>
Cash at beginning of the year	<u>2,252,848</u>	<u>3,206,768</u>
Cash at end of the year	<u>\$ 13,950,943</u>	<u>\$ 2,252,848</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ 161,224	\$ 219,335



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

Waterford Institute, Inc. is a Delaware not-for-profit organization dedicated to delivering access to quality early education and providing academic equity for all learners through community, school, and home programs.

Consolidated Financial Statements

The consolidated financial statements include the accounts of Waterford Institute, Inc. and the following subsidiaries:

- Waterford Research Institute, LLC (the Institute), which is wholly-owned;
- Waterford Institute India, an India not-for-profit corporation, which is a 99.9% owned subsidiary;
- Waterford Research SRL, a for-profit limited liability Romanian company, which is wholly-owned;
- Waterford Holdings, LLC, a wholly-owned subsidiary;
- Project Upstart, Inc., a not-for-profit corporation under common control

Waterford Research Institute, LLC holds the operations for the United States of America. Waterford Research SRL and Waterford Institute India perform software development and testing for the Institute. Waterford Holdings, LLC holds the Institute's debt. Project Upstart, Inc. performs lobbying activities on behalf of Waterford Institute, Inc. Waterford Institute, Inc. and its subsidiaries are collectively referred to as "Waterford" or "the Organization" throughout the notes to consolidated financial statements. All material intercompany balances and transactions have been eliminated in consolidation.

Adoption of New Accounting Standards

During the year ended August 31, 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this ASU resulted in presenting net assets according to the new classifications described in the "Basis of Presentation" section below, adding disclosures about the liquidity and availability of the Organization's financial assets, and including expanded information regarding the Organization's expenses by natural and functional classification. As required, this ASU has been applied retrospectively to the fiscal year 2018 financial statements.



1. Organization and Summary of Significant Accounting Policies
Continued

Adoption of New Accounting Standards - Continued

During the year ended August 31, 2019, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made*. This update is intended to assist organizations in determining whether donations should be recorded as contributions subject to topic 958, Not-for-Profit Entities, or exchange transactions subject to other guidance, and determining whether a contribution is conditional. The adoption of this standard did not result in any significant changes to the Organization's policies pertaining to accounting for contributions. As required by this ASU, the provisions were adopted as of September 1, 2018 and no change to net assets for the year ended August 31, 2018 was required.

As of September 1, 2018, the Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using a modified retrospective approach which resulted in a decrease of net asset deficit of \$766,014 at the date of adoption. The adjustment to the net asset deficit relates to deferred commission and equipment expenses directly related to the Organization's revenue generating activities, which are now capitalized and deferred over the life of the related revenue contract. Additionally, the adoption of this ASU resulted in changes to the Organization's revenue recognition policies as outlined in the "Revenue Recognition" section below.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United State of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications, as applicable:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.



1. Organization and Summary of Significant Accounting Policies
Continued

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Waterford maintains cash in bank deposit accounts which, at times, exceed federally insured limits or are not federally insured. To date, Waterford has not experienced a material loss or lack of access to its invested cash; however, no assurance can be provided that access to Waterford's invested cash will not be impacted by adverse conditions in the financial markets.

Receivables

Receivables are comprised of trade receivables due from customers utilizing the Organization's software as well as amounts due under government contracts. Trade receivables are uncollateralized obligations due under terms requiring payment within 30 days from the invoice date. Unpaid receivables with invoice dates over 30 days past due bear interest at 1.0% per month.

Receivables are stated at the amount billed plus any accrued and unpaid interest. Accounts with invoices dated over 90 days old are considered delinquent. Interest continues to accrue on delinquent accounts until the receivable is determined to be uncollectible.

The carrying amount of receivables is reduced, as necessary, by a valuation allowance that reflects management's best estimate of specifically identified amounts that will not be collected. As of August 31, 2019 and 2018, management determined that no allowance was necessary.

Property and Equipment

Property and equipment are recorded at cost when purchased. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 15 years, or lease terms, if shorter. Maintenance, repairs, and renewals, which neither materially add to the value of the assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses from dispositions of property and equipment, if any, are reflected in the consolidated statement of activities.



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Leases

The Organization leases its facilities under operating leases. For leases that contain rent escalation or rent concession provisions, the Organization records the total rent payable for the lease term on a straight-line basis over the term of the lease. The Organization records the difference between the rent paid and the straight-line rent as part of accrued liabilities in the accompanying consolidated statement of financial position.

Deferred Revenue

Waterford records deferred revenue for payments received under contracts for which the performance obligations have not been met as of the date of the consolidated statements of financial position.

Revenue Recognition

The Organization generates revenue through contracts with third parties to use its internally developed educational software delivered as software as a service (SaaS), and for services related to the delivery and application of its software. SaaS revenue is recognized over the term of the agreement. Revenue related to services is recognized when the service is performed.

The Organization is also party to cost reimbursement and fee-for-service contracts with government agencies. Revenue related to reimbursed costs is recognized as the costs are incurred. Revenue related to reimbursements for software licenses is recognized over the term of the software's use. Fee-for-service revenue is recognized over the term of the services.

The Organization's revenue streams are reflected in the following table. The Organization has included contribution revenue to allow reconciliation with overall support and revenue in the consolidated statements of activities:

Revenue Type	Timing of Transfer	2019	2018
Government - Fee-for-service	Over time	\$ 12,557,444	\$ 12,104,451
Government - Cost reimbursement	Point in time	1,500,560	1,022,282
Government - License	Over time	85,000	616,000
Philanthropy	Point in time	8,308,790	3,357,120
School relations - License	Over time	7,757,487	7,218,418
School relations - Professional	Point in time	2,283,080	1,805,739
School relations - UPSTART program	Over time	527,707	227,292
Interest Income	Point in time	360	7
Total		\$ 33,020,428	\$ 26,351,309



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Revenue Recognition - Continued

The Organization capitalizes direct costs to obtain contracts with customers and also defers costs associated with hardware used in contract related operations. The costs remaining as of August 31, 2019 are expected to be amortized following the schedule below:

<u>Years Ending August 31:</u>	<u>Amount</u>
2020	\$ 681,650
2021	56,994
2022	26,102
2023	6,285
2024	5,217
Total	<u>\$ 776,248</u>

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

If a donor restriction expires in the same reporting period in which the support was initially recognized, that support is reported as an increase in net assets without donor restriction. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Income Taxes

Waterford Institute, Inc. is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. However, Waterford Institute, Inc. remains subject to income taxes on any unrelated business taxable income.

Waterford Institute India and Project Upstart, Inc. are not-for-profit organizations not subject to income tax.

Waterford Research Institute, LLC and Waterford Holdings, LLC are disregarded entities for income tax purposes. The operations and balances of the limited liability companies are combined with Waterford Institute, Inc. for Internal Revenue Service (IRS) reporting purposes.



1. Organization and Summary of Significant Accounting Policies
Continued

Income Taxes - Continued

Waterford Research SRL is a for-profit limited liability Romanian company subject to taxation on taxable income, if any. To date, this entity has generated net losses. No deferred tax asset associated with this entity is reflected in the statements of financial position because management does not consider realization of the tax benefit to be more likely than not.

Uncertain Tax Positions

Management of Waterford believes that it has appropriate support for the income tax positions taken and to be taken on its tax return. A liability for uncertain tax positions initially needs to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by tax authorities.

Operations in Foreign Countries

Waterford has operations or limited operations in India and Romania through foreign subsidiaries. These foreign operations consist primarily of software development and testing activities. These entities' operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which they operate. Among other risks, the operations may be subject to the risks of restrictions on transfer of funds; export duties and quotas; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations.

Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rate at the end of each reporting period. Income and expense items are translated at the weighted average exchange rates for the reporting period. Translation adjustments are included in the consolidated statements of activities.

Subsequent Events

Management has evaluated subsequent events through December 13, 2019, which is the date the consolidated financial statements were available to be issued.



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following as of August 31, 2019:

Cash	\$ 13,950,943
Receivables	7,111,351
	<hr/>
Total financial assets	21,062,294
	<hr/>
Less amounts not available to be used within one year for general expenditure:	
Net assets with donor restrictions as further described in Note 6	3,395,855
	<hr/>
Financial assets available to meet cash needs for general expenditure within one year	\$ 17,666,439
	<hr/>

The Organization regularly monitors liquidity required to meet its operating needs and other commitments using budgets and cash flow projections.

Operations are funded primarily from fees earned for services rendered, cost reimbursement contracts, and charitable donations. The Organization's receivables are due directly or indirectly from governmental entities as well as from private sources. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because the amounts are due primarily from governmental entities.

The Organization has \$3,395,855 of net assets with donor-imposed restrictions as of August 31, 2019. These funds must be used for specific programs that the Organization operates.

The consolidated statement of cash flows identifies the sources and uses of the Organization's cash that resulted in generating positive cash flows from operating activities during the year ended August 31, 2019.

3. Receivables

Receivables consisted of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Receivables from government contracts	\$ 3,882,041	\$ 7,164,120
Other trade receivables	3,229,310	3,654,110
	<hr/>	<hr/>
Total receivables	\$ 7,111,351	\$ 10,818,230
	<hr/>	<hr/>



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

4. Property and Equipment

Property and equipment consisted of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Computer equipment and software	\$ 1,247,321	\$ 1,156,562
Office furniture and equipment	150,027	110,334
Leasehold improvements	88,859	21,340
Vehicles	36,998	37,121
Total cost	1,523,205	1,325,357
Less accumulated depreciation and amortization	(1,282,647)	(1,251,407)
Property and equipment, net	<u>\$ 240,558</u>	<u>\$ 73,950</u>

5. Long-Term Debt

During December 2015, Waterford entered into a note payable agreement with a financial institution with an interest rate of 3% through December 31, 2016 and 7% for the periods thereafter. In September 2016, the note was amended to reduce the interest rate to 5.5% throughout the life of the note. Interest was due in monthly installments through December 2016. Interest payments were deferred beginning January 1, 2017, and resumed on August 1, 2017, at which time all accrued but unpaid interest was due. Monthly repayments of principal of \$50,000 began on January 1, 2018, and continue until December 31, 2019, at which point the note matures and all remaining principal and accrued, but unpaid, interest are due. Effective in November 2017, the note was amended to remove principal payments originally due during April, May and June 2018, and increase payments due in July, August and September 2018 to \$100,000. In June 2019, the note was refinanced with an interest rate of 6%, requiring monthly interest payments with the note principal payable in a lump sum at maturity on June 30, 2022. The note is secured by all assets of Waterford, and requires that Waterford meet certain financial covenants, including total customer bookings and limitations on decreases in net assets. As of August 31, 2019, management believes that Waterford was in compliance with these covenants. Failure to maintain compliance with the loan covenants could result in an increase in interest expense or a demand for repayment of the outstanding loan balance. As of August 31, 2019 and 2018, the outstanding loan balance was \$3,700,000.



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

6. Net Assets with Donor Restrictions	Net assets with donor restrictions consisted of the following as of August 31,		
		<u>2019</u>	<u>2018</u>
	Funds for UPSTART program expansion and operations	\$ 3,362,520	\$ 744,259
	Other	<u>33,335</u>	<u>41,668</u>
	Total net assets with donor restrictions	<u>\$ 3,395,855</u>	<u>\$ 785,927</u>

7. Lease Obligations Waterford leases office space and equipment under non-cancelable operating leases with terms ranging from one to five years. The Organization leases three buildings: one with a four-year term, monthly rent payments of approximately \$24,000, and a rent escalation provision based on a defined monthly schedule in the lease agreement, another with a \$3,400 monthly payment and a rent escalation provision, and another with a \$3,300 monthly payment and a rent escalation provision. Minimum future rental payments under non-cancelable operating leases are as follows:

<u>Years Ending August 31:</u>	<u>Amount</u>
2020	\$ 373,976
2021	260,210
2022	76,879
2023	53,892
2024	<u>89</u>
Total minimum future rental payments	<u>\$ 765,046</u>

Rent expense related to non-cancelable operating leases was approximately \$372,000 and \$375,000 for the years ended August 31, 2019 and 2018, respectively.



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

8. Functional Expenses

Expense Allocation

The costs of providing various programs and other activities have been presented on a functional basis as shown below for the years ended August 31:

2019	General &			Total
	Program	Administrative	Fundraising	
Salaries, wages and benefits	\$ 18,040,197	\$ 1,481,873	\$ 193,288	\$ 19,715,358
Professional and subcontract fees	3,593,081	295,146	38,497	3,926,724
Information technology	3,044,759	250,105	32,622	3,327,486
Business travel	1,986,709	163,194	21,286	2,171,189
Advertising and marketing	864,897	71,045	9,267	945,209
Facilities	479,680	39,402	5,139	524,221
Depreciation and amortization	53,426	4,388	572	58,386
Other	1,050,079	86,256	11,251	1,147,586
Total expenses	<u>\$ 29,112,828</u>	<u>\$ 2,391,409</u>	<u>\$ 311,922</u>	<u>\$ 31,816,159</u>

2018	General &			Total
	Program	Administrative	Fundraising	
Salaries, wages and benefits	15,240,224	1,259,710	235,201	\$ 16,735,135
Professional and subcontract fees	2,571,259	212,532	39,682	2,823,473
Information technology	2,002,014	165,480	30,897	2,198,391
Business travel	1,284,307	106,157	19,821	1,410,285
Advertising and marketing	699,568	57,824	10,796	768,188
Facilities	417,050	34,472	6,436	457,958
Depreciation and amortization	54,813	4,531	846	60,190
Other	739,022	61,085	11,406	811,513
Total expenses	<u>\$ 23,008,257</u>	<u>\$ 1,901,791</u>	<u>\$ 355,085</u>	<u>\$ 25,265,133</u>

Indirect costs have been allocated among the program and supporting services benefited. The Organization uses headcount to allocate indirect expenses included within each expense category noted above.

9. Retirement Plan

Waterford sponsors a defined contribution retirement plan under IRS Code Section 403(b) (the Plan). Employees of Waterford working at least 1,000 hours per year generally may participate in the Plan. Participants may make contributions to the Plan with Waterford matching up to 5% of employee compensation. Contributions by employees are limited by law. Total contributions to the Plan by Waterford for the years ended August 31, 2019 and 2018 were approximately \$408,000 and \$377,000, respectively.



WATERFORD INSTITUTE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Continued

10. Legal Matters Waterford may become involved in legal proceedings arising from the normal course of its activities. Litigation is inherently unpredictable, and depending on the nature and timing of these proceedings, an unfavorable resolution could materially affect Waterford's future consolidated results of operations, cash flows or financial position in a particular period. However, management is not aware of any matters that it believes will have a material adverse impact on Waterford's consolidated results of operations, cash flows or financial position.

11. Business and Credit Risk Concentrations Concentrations of revenues, support and other income from sources representing more than 10% of total revenues, support and other income were as follows for the years ended August 31:

	<u>2019</u>	<u>2018</u>
State of Utah	37%	45%
Donor A	15%	**

** The source did not represent more than 10% of revenues, support and other income during the year.

Concentrations of receivables due from sources representing more than 10% of total receivables were as follows as of August 31:

	<u>2019</u>	<u>2018</u>
State of Utah	54%	76%

12. Related Party Transactions The Organization received a short-term, interest free loan of \$1,680,000 from a board member, which was received and repaid in full during the year ended August 31, 2018.