Financial Statements and Independent Auditor's Report

The Cooper Institute

For the years ended June 30, 2020 and 2019

LGT
LANE GORMAN TRUBITT, LLC
Accountants & Advisors
2626 Howell Street, Ste 700
Dallas, Texas 75204
P: 214-871-7500
E: askus@lgt-cpa.com
www.lgt-cpa.com

THE COOPER INSTITUTE

JUNE 30, 2020 AND 2019

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LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report

To the Board of Trustees
The Cooper Institute

Report on the Financial Statements

We have audited the accompanying financial statements of The Cooper Institute (the "Institute"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis-of-Matter – Global Pandemic

As discussed in Note 7 to the financial statements, the World Health Organization has characterized COVID-19 as a pandemic. While the Institute expects this matter to negatively impact its results, the extent of the impact of COVID-19 on the Institute's operational and financial performance will depend on future developments. Our opinion is not modified with respect to that matter.

Lane Gorman Trubitt, LLC

Dallas, Texas
November 6, 2020

The Cooper Institute
STATEMENTS OF FINANCIAL POSITION
June 30,

	2020	2019
ASSETS		
Cash and cash equivalents	$ 191,129	$ 515,727
Accounts receivable	165,126	291,986
Prepaids and deposits	104,454	106,385
Property and equipment, net	4,128,614	4,846,711
Beneficial interest in investments held by community foundation	12,682,577	12,332,610
TOTAL ASSETS	$ 17,271,900	$ 18,093,419
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 94,755	$ 202,008
Accrued payroll	133,619	111,385
Note payable	388,000	-
Deferred revenue	557,420	613,845
Total liabilities	1,173,794	927,238
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without donor restrictions	4,544,832	5,115,431
With donor restrictions	11,553,274	12,050,750
Total net assets	16,098,106	17,166,181
TOTAL LIABILITIES AND NET ASSETS	$ 17,271,900	$ 18,093,419

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

The Cooper Institute
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	Total 2019
SUPPORT AND REVENUE				
Contributions, net	$ 1,490,311	$ 31,100	$ 1,521,411	$ 499,221
Epidemiology and clinical application	64,126	-	64,126	67,363
Youth fitness	2,099,880	-	2,099,880	2,567,581
Certification	-	-	-	69,163
Rental income	515,727	-	515,727	510,055
Special event	719,900	-	719,900	641,750
Less: costs of direct benefits to donors	(28,288)	-	(28,288)	(26,363)
Net special event revenue	691,612	-	691,612	615,387
Total support and revenue	4,861,656	31,100	4,892,756	4,328,770
Net assets released from restrictions	771,000	(771,000)	-	-
Total support and revenue, net of releases	5,632,656	(739,900)	4,892,756	4,328,770
EXPENSES				
Program services				
Certification	-	-	-	165,121
Public education	471,814	-	471,814	209,785
Research	1,203,115	-	1,203,115	1,350,747
Youth education	2,703,743	-	2,703,743	2,854,132
Total program services	4,378,672	-	4,378,672	4,579,785
Supporting services				
Management and general	1,529,165	-	1,529,165	1,741,481
Fundraising	260,654	-	260,654	324,660
Total supporting services	1,789,819	-	1,789,819	2,066,141
Total program and supporting expenses	6,168,491	-	6,168,491	6,645,926
Change in net assets from operating activities	(535,835)	(739,900)	(1,275,735)	(2,317,156)
NON-OPERATING INCOME				
Investment income (loss)				
Investment losses, net	-	-	-	(684,829)
Income (loss) from beneficial interest in investments held by community foundation	(34,764)	242,424	207,660	1,203,475
Change in net assets from non-operating income	(34,764)	242,424	207,660	518,646
CHANGE IN NET ASSETS	(570,599)	(497,476)	(1,068,075)	(1,798,510)
NET ASSETS, beginning of year	5,115,431	12,050,750	17,166,181	18,964,691
NET ASSETS, end of year	$ 4,544,832	$ 11,553,274	$ 16,098,106	$ 17,166,181

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

The Cooper Institute
STATEMENTS OF CASH FLOWS
Years Ended June 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,068,075)	$ (1,798,510)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	777,143	769,094
Net realized and unrealized loss on investments	-	847,520
Change in beneficial interest in investments held by community foundation	(207,660)	(1,203,475)
Contributions considered to be financing activities	(50,000)	(50,000)
Contributions restricted for the endowment	(10,100)	(5,000)
Changes in operating assets and liabilities:		
Accounts receivable	126,860	154,567
Prepaids and deposits	1,931	(13,397)
Distributions from beneficial interest in investments held by community foundation	1,125,000	1,500,000
Accounts payable	(107,253)	(100,419)
Accrued payroll	22,234	(51,078)
Deferred revenue	(56,425)	(1,018,768)
Net cash provided by (used in) operating activities	553,655	(969,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(167,488)
Contributions to beneficial interest in investments held by community foundation	(1,267,307)	-
Proceeds from sales of investments	-	1,517,976
Purchases of property and equipment	(59,046)	(272,026)
Net cash (used in) provided by investing activities	(1,326,353)	1,078,462
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	388,000	-
Receipt of contributions restricted for purchasing of computer equipment and software	50,000	50,000
Receipt of contributions restricted for the endowment	10,100	5,000
Net cash provided by financing activities	448,100	55,000
Net increase (decrease) in cash and cash equivalents	(324,598)	163,996
CASH AND CASH EQUIVALENTS, beginning of year	515,727	351,731
CASH AND CASH EQUIVALENTS, end of year	$ 191,129	$ 515,727
Supplemental cash flow information		
Transfer of investments to community foundation as beneficial interest in investments	$ -	$ 12,629,135

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

NATURE OF BUSINESS

The Cooper Institute (the "Institute") is a nonprofit, tax-exempt organization established to conduct research, education, and advocacy to increase the understanding of the relationship between living habits and health. The Institute, based in Dallas, Texas, is supported by contributions and grants from individuals, companies, private foundations, and governmental entities; and by fees charged for consulting, product licenses, and professional services. The Institute's programs consist primarily of the following activities:

Certification: An NCCA-accredited program that certifies exercise professionals for personal training. These exercise professionals use the knowledge from this program to improve health in their communities and lead others in achieving their physical activity goals.

Public Advocacy: The Institute serves as a trusted voice and resource to the public on the importance of healthy lifestyle choices through education about key research affecting public health. This enhances public awareness and solutions to improve physical activity and other healthy choices as well as creating healthier environments.

Research: Provides evidence-based, scientific research on the impact of physical fitness through The Cooper Center Longitudinal Study ("CCLS"). The CCLS is the largest and longest running observational study with measured cardiorespiratory fitness in the world.

Youth Education: The Institute is home to FitnessGram, an evidence-based youth fitness assessment and software. FitnessGram supports youth awareness of health-related fitness and evaluates the success of physical activity programming. FitnessGram powers two initiatives, The NFL Play 60 FitnessGram Project ("NFL Play 60") and Healthy Zone School Program. NFL Play 60 is a program supported by the NFL Foundation, which encourages students to be physically active at least 60 minutes per day. Through the Healthy Zone School Program, the Institute partners with the United Way of Metropolitan Dallas to support and recognize schools that are fighting childhood obesity and to assist in creating healthy school environments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by the Institute in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Newly Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU') 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Institute adopted ASU 2018-08 effective July 1, 2019. The adoption of this accounting standard did not have a material impact on the Institute's financial position or changes in its net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets and support and revenue, expenses, investment income, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be met by actions of the Institute and/or the passage of time. Other donor-imposed stipulations that will never lapse require the funds to be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted revenues whose restrictions are met in the same reporting period are reported as support and revenue without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There are no unconditional promises to give as of June 30, 2020 and 2019.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less except for securities held in the investment portfolio. The Institute maintains its cash balances in financial institutions located in Dallas, Texas, which at times may exceed federally insured limits.

Cash and securities maintained through a registered securities dealer are insured up to $500,000 by the Securities Investor Protection Corporation ("SIPC"). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Excess securities bonds are also held by the financial institution to cover any losses from fraud and negligence which may be incurred in excess of the amounts insured by the SIPC. Balances held in accounts may still at times exceed insured limits.

The Institute has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are generally recorded at the invoiced amount or the amount of reimbursable costs incurred. The Institute considers receivables to be fully collectible based on its assessment of the current status of individual accounts and current economic conditions; accordingly no allowance for doubtful accounts is required. If accounts are determined to be delinquent or become uncollectible, they will be charged to operations at that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are carried at cost as of the date of acquisition or fair market value as of the date of donation, less accumulated depreciation. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on a straight-line basis. The Institute's policy is to expense repairs and maintenance and all items under $5,000.

The Institute reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that it may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, based upon undiscounted cash flows of the long-lived asset over the remaining life, the carrying value of the long-lived asset will be reduced by the estimated shortfall of discounted cash flows.

Beneficial Interest in Investments Held by Community Foundation

During 2019, the Institute transferred assets from Westwood Holdings Group, Inc. ("Westwood") and established an endowment and a non-endowment fund (collectively, the "Funds") under the Communities Foundation of Texas ("CFT"). The Institute granted variance power to CFT, which allows CFT to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFT's Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Funds are held and invested by CFT for the Institute's benefit and are reported at fair value in the accompanying statements of financial position, with distributions and changes in fair value recognized in the accompanying statement of activities and changes in net assets and detailed in Note 3 to the financial statements.

Distributions from the endowment fund held by CFT will be determined using a spending rate established annually by the CFT Board of Trustees. The funds available for distribution are determined by multiplying the endowment spending rate by the average market value of the investments made by CFT during the most recent sixteen quarters, and the calculation is performed annually. The spending rate for the years ended June 30, 2020 and 2019 is 4.5% of the average of the most recent 16 quarter's market value. The Institute may request to redeem the corpus of the endowment fund with documentation demonstrating a two-thirds Executive Committee approval of such request. There are no restrictions on distributions from the non-endowment fund.

Revenue Recognition

Revenue is recognized on conditional promises to give when the conditions are substantially met. Contributions and grants are considered to be available for general purposes unless restricted by the donor for specific purposes, such as research projects or capital acquisitions. Royalty income, included within youth fitness revenue in the accompanying statement of activities and change in net assets, is classified as deferred revenue in the accompanying statements of financial position and is recognized as revenue when the software generating the royalty is implemented, and each month as the monthly services are provided. Rental income is recognized as revenue over the life of the lease agreement.

Contributed Services

Contributed services are reflected in the accompanying financial statements at the fair market value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Any services that meet the criteria for recognition under GAAP are recorded in the accompanying statement of activities and changes in net assets. For the years ended June 30, 2020 and 2019, the Institute received $- and $13,179, respectively, of professional services, which are included as contributions in the accompanying statement of activities and changes in net assets in accordance with GAAP.

Advertising

The Institute expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2020 and 2019 were $55,687 and $130,517, respectively, and are included in supporting expenses in the accompanying statement of activities and changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities and changes in net assets and detailed in Note 13 to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined on a reasonable basis that is consistently applied. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Facilities and maintenance	Square footage
Professional services	Estimated usage
Stipends	Time and effort
Advertising and marketing	Estimated usage
Depreciation	Square footage
Other	Estimated usage

Income Taxes

The Institute is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, the Institute has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. For the years ended June 30, 2020 and 2019, the Institute had no net unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Institute's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Institute's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the accompanying financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014- 09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Various subsequent accounting standards updates have been issued by the FASB that clarify, modify, or expand the guidance for Topic 606. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*: *Deferral of the Effective Date*, which deferred the effective date of Topic 606 by one year, such that the amendments in Topic 606 were effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. In June 2020, in response to concerns regarding the implementation of Topic 606 in the midst of the COVID-19 pandemic, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provided certain entities that had not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606 with an additional one-year deferral of the implementation of Topic 606. The guidance set forth in Topic 606 is now effective for the Institute for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a capital or operating lease. However, unlike current GAAP – which requires only capital leases to be recognized on the statement of financial position– Topic 842 will require both capital and operating leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of Topic 842, as amended, by one year. Additionally, in June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which further deferred the effective date of Topic 842, as amended, by one additional year. The guidance set forth in Topic 842 is now effective for the Institute for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted.

The Institute is currently assessing the impact these recent accounting pronouncements will have on its financial statements.

2. LIQUIDITY

The Institute regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing activities of research, education, and consultation as well as the services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Institute anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Although the Institute does not intend to spend endowment earnings, except otherwise approved as part of the annual budget process, those amounts could be made available if necessary with board approval. The Institute also has a $350,000 line of credit available to meet short-term needs. Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2020	2019
Cash and cash equivalents	$ 191,129	$ 515,727
Accounts receivable	165,126	291,986
Non-endowment beneficial interest in investments held by CFT without donor restrictions	1,144,303	399,733
Endowment spending-rate distributions and appropriations	522,675	637,000
	$ 2,023,233	$ 1,844,446

3. FAIR VALUE MEASUREMENTS

In determining fair value, the Institute uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, GAAP establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Institute's financial instruments. The inputs are summarized in three levels as outlined below:

Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.

Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs – Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the measurement falls in its entirety is determined based on the lowest level input that is significant. The Institute's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

Beneficial interest in investments held by community foundation: The fair value of the Institute's beneficial interest in investments held by CFT is based on the fair value of the fund investments as reported by CFT. CFT values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of CFT, which includes private placements and other securities for which prices are not readily available, are determined by the management of CFT and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for the investments. These are considered to be Level 3 measurements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is recognized on the actual date of the event or change in circumstance that caused the transfer in accordance with the Institute's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended June 30, 2020 and 2019 there were no significant transfers among levels.

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

3. FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, are as follows:

	Level 1	Level 2	Level 3	Total
2020:				
Beneficial interest in investments held by community foundation	$ -	$ -	$ 12,682,577	$ 12,682,577
Total assets in the fair value hierarchy	$ -	$ -	$ 12,682,577	$ 12,682,577

	Level 1	Level 2	Level 3	Total
2019:				
Beneficial interest in investments held by community foundation	$ -	$ -	$ 12,332,610	$ 12,332,610
Total assets in the fair value hierarchy	$ -	$ -	$ 12,332,610	$ 12,332,610

The following is a reconciliation of the beginning and ending balance of assets measured at fair value for the year ended June 30, 2020:

Beneficial interest in investments held by community foundation, June 30, 2019	$ 12,332,610
Endowment fund	
Realized and unrealized gain	240,126
Interest and investment income	49,059
Investment management fees	(46,761)
	242,424
Non-endowment fund	
Realized and unrealized gain	(34,329)
Interest and investment income	1,696
Investment management fees	(2,131)
	(34,764)
Transfers to community foundation	1,267,307
Distributions received	(1,125,000)
Total beneficial interest in investments held by community foundation, June 30, 2020	$ 12,682,577

The following is a reconciliation of the beginning and ending balance of assets measured at fair value for the year ended June 30, 2019:

Investments Held With Westwood	
Investments held at Westwood, June 30, 2018	$ 14,827,143
Realized and unrealized loss on investments held by Westwood	(847,520)
Interest and investment income	210,924
Investment management fees	(48,233)
	(684,829)
Less in-kind management fee	(13,179)
Transfers to operating cash	(1,500,000)
Transfers to community foundation	(12,629,135)
Investments held at Westwood, June 30, 2019	$ -

3. FAIR VALUE MEASUREMENTS (Continued)

Beneficial Interests in Investments Held by Community Foundation	
Transfers from Westwood	$ 12,629,135
Endowment fund	
Realized and unrealized gain	1,176,443
Interest and investment income	13,367
Investment management fees	(17,551)
	1,172,259
Non-endowment fund	
Realized and unrealized gain	310
Interest and investment income	39,621
Investment management fees	(8,715)
	31,216
Distributions received	(1,500,000)
Total beneficial interest in investments held by community foundation, June 30, 2019	$ 12,332,610

Beneficial interests in investments held by community foundation are comprised of the following at June 30:

	2020	2019
Endowment fund	$ 10,472,550	$ 10,292,300
Non-endowment fund	2,210,027	2,040,310
	$ 12,682,577	$ 12,332,610

4. ENDOWMENTS

The Institute's endowments consist of funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments).

As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Institute has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not subject to permanent donor imposed restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Institute and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Institute
(7) The investment policies of the Institute.

4. ENDOWMENTS (Continued)

As of June 30, 2020, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 9,130,142	$ 9,130,142
Earnings related to donor restricted endowment funds	-	2,408,132	2,408,132
Endowment net assets	$ -	$ 11,538,274	$ 11,538,274

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	$ -	$ 11,922,750	$ 11,922,750
Endowment investment return:			
Interest and dividends, net	-	2,298	2,298
Realized and unrealized gains and losses, net	-	240,126	240,126
Total endowment investment return	-	242,424	242,424
Contributions	-	10,100	10,100
Appropriation of endowment for expenditure	-	(637,000)	(637,000)
Endowment net assets, June 30, 2020	$ -	$ 11,538,274	$ 11,538,274

As of June 30, 2019, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 9,120,042	$ 9,120,042
Earnings related to donor restricted endowment funds	-	2,802,708	2,802,708
Endowment net assets	$ -	$ 11,922,750	$ 11,922,750

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	$ 2,390,351	$ 12,467,654	$ 14,858,005
Endowment investment return:			
Interest and dividends, net	16,716	182,868	199,584
Realized and unrealized gains and losses, net	18,025	311,208	329,233
Total endowment investment return	34,741	494,076	528,817
Contributions	-	5,000	5,000
Appropriation of endowment for expenditure	(2,425,092)	(1,043,980)	(3,469,072)
Endowment net assets, June 30, 2019	$ -	$ 11,922,750	$ 11,922,750

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020 and 2019.

4. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which asset returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year a target rate of 5% of its endowment fund's fair value at the fiscal third quarter-end preceding the fiscal year in which the distribution is planned. The Institute's policy also permits additions to or drawdowns of board-designated funds to achieve target cash balances in operating accounts. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment risk.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2020	2019
Trade accounts receivable	$ 1,300	$ 951
Royalty receivable	102,194	202,459
Other receivable	61,632	88,576
	$ 165,126	$ 291,986

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Useful Life	2020	2019
Buildings and improvements	15 - 33 years	$ 6,170,741	$ 6,150,501
Computer equipment and software	5 years	3,564,084	3,525,278
Laboratory equipment	5 years	103,077	103,077
Office equipment	5 years	346,873	346,873
		10,184,775	10,125,729
Less accumulated depreciation		(7,965,511)	(7,188,368)
		2,219,264	2,937,361
Land	Not applicable	1,909,350	1,909,350
Total property and equipment, net		$ 4,128,614	$ 4,846,711

7. GLOBAL PANDEMIC

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine and social distancing requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to the Institute beginning in March 2020, resulting in the temporary closure of the Institute's administrative offices and decrease in youth fitness revenue as a result of school closures. Subsequent to year-end, the Institute's annual special event, the Legacy Award Dinner, was postponed indefinitely due to risks associated with COVID-19. Net revenue from the special event was $691,612 and $615,387 for the years ended June 30, 2020 and 2019, respectively. While the Institute expects this matter to impact its results, the extent of the impact of the COVID-19 on the Institute's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions and the impact of the COVID-19 on overall demand for the Institute's services, all of which are highly uncertain and cannot be predicted.

8. NOTES PAYABLE

On May 5, 2020, the Institute received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from Comerica Bank, for an aggregate principal amount of $388,000. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon the Institute's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and interest on mortgage obligations, and covered utility payments incurred by the Institute. The Institute intends to use the proceeds for purposes consistent with the PPP. The Institute intends to apply for forgiveness of the PPP loan with respect to these covered expenses. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. If the PPP loan is not forgiven, commencing on December 1, 2020, the Institute will be required to pay monthly principal payments of $21,556 plus interest at a rate of 1.0% per annum, with all unpaid principal and accrued interest due on May 1, 2022. If any portion of the principal and/or accrued interest is forgiven by the lender, then upon such forgiveness, the remaining balance of the PPP loan will be re-amortized over (i) the remaining term of the PPP loan or (ii) 18 months, as lender may decide in its sole discretion, with the entire unpaid principal and accrued interest due on May 1, 2022. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default. While the Institute currently believes that its use of the PPP loan proceeds will meet the conditions for forgiveness of the loan, the Institute cannot guarantee that it will be eligible for forgiveness of the PPP loan, in whole or in part.

9. LINE OF CREDIT

The Institute maintains a revolving line of credit with a bank with a maximum available balance of $500,000, with maturity being on demand to the order of the bank. The principal balance on the line of credit is payable on demand with interest at prime to accrue and be paid monthly. The prime rate was 3.25% and 5.50% at June 30, 2020 and 2019, respectively. The line of credit is secured by all items deposited by the Institute in any account of the bank. No amounts were outstanding on this line of credit at June 30, 2020 or 2019.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Research and dissemination	$ 15,000	$ 128,000
Earnings related to donor restricted endowment funds	2,408,132	2,802,708
Total funds restricted for time and purpose	2,423,132	2,930,708
Scientific chair endowment funds	5,224,739	5,214,639
Other endowment funds restricted as to corpus	3,905,403	3,905,403
Total donor restricted endowment funds held in perpetuity	9,130,142	9,120,042
Total net assets with donor restrictions	$ 11,553,274	$ 12,050,750

11. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the year ended June 30:

	2020	2019
Research and dissemination	$ 134,000	$ 70,000
Fundraising	-	50,000
Investment income from scientific chair endowment fund	637,000	1,043,980
	$ 771,000	$ 1,163,980

12. RENTAL INCOME

The Institute receives rental income from owned and leased property. Rental income for the year ended June 30, 2020 was $515,727 of which $511,982 was from related parties. Rental income for the year ended June 30, 2019 was $510,055 of which was entirely from related parties.

Future minimum rents under signed rental agreements with related parties are as follows for the years ending June 30:

	Related Party	Total
2021	$ 450,450	$ 459,438
2022	450,450	455,693
2023	450,450	450,450
2024	450,450	450,450
2025	450,450	450,450
Thereafter	-	-
	$ 2,252,250	$ 2,266,481

13. FUNCTIONAL EXPENSES

Functional expenses are as follows for the year ended June 30:

	2020						
	Program Services			Supporting Services			
	Public Education	Research	Youth Education	Management and General	Fundraising	Cost of Goods Sold	Total
Salaries and benefits	$ 413,777	$ 896,885	$ 975,956	$ 833,394	$ 146,539	$ -	$ 3,266,551
Facilities and maintenance	1,047	80,743	77,622	336,826	13,168	-	509,406
Professional services	56	156,193	640,429	80,424	8	-	877,110
Stipends	-	7,056	298,375	-	-	-	305,431
Advertising and marketing	2,594	8,139	29,818	360	14,776	-	55,687
Cost of direct benefits to donors	-	-	-	-	-	28,288	28,288
Depreciation	-	15,334	632,073	126,635	3,101	-	777,143
Other	54,340	38,765	49,470	151,526	83,062	-	377,163
Total expenses	471,814	1,203,115	2,703,743	1,529,165	260,654	28,288	6,196,779
Costs of direct benefits to donors	-	-	-	-	-	(28,288)	(28,288)
	$ 471,814	$ 1,203,115	$ 2,703,743	$ 1,529,165	$ 260,654	$ -	$ 6,168,491

	2019							
	Program Services				Supporting Services			
	Certification	Public Education	Research	Youth Education	Management and General	Fundraising	Cost of Goods Sold	Total
Salaries and benefits	$ 56,163	$ 173,298	$ 981,098	$ 840,848	$ 692,309	$ 175,838	$ -	$2,919,554
Facilities and maintenance	1,240	13	75,189	86,012	343,879	13,822	-	520,155
Professional services	57,541	13,500	200,205	965,668	402,071	244	-	1,639,229
Stipends	-	-	-	216,752	-	-	-	216,752
Advertising and marketing	20,270	5,294	27,700	49,604	912	26,737	-	130,517
Cost of direct benefits to donors	-	-	-	-	-	-	26,363	26,363
Depreciation	271	-	13,724	616,078	135,603	3,418	-	769,094
Other	29,636	17,680	52,831	79,170	166,707	104,601	-	450,625
Total expenses	165,121	209,785	1,350,747	2,854,132	1,741,481	324,660	26,363	6,672,289
Costs of direct benefits to donors	-	-	-	-	-	-	(26,363)	(26,363)
	$ 165,121	$ 209,785	$1,350,747	$2,854,132	$ 1,741,481	$ 324,660	$ -	$6,645,926

14. RETIREMENT PLAN

The Institute sponsors a 403(b) annuity plan, which is available to all regular employees after meeting certain eligibility requirements. The plan provides for contributions by the employees up to a certain percentage of their compensation. The Institute makes matching contributions up to a certain percentage of the employees' contributions. The Institute made matching contributions of approximately $160,948 and $104,285 for the years ended June 30, 2020 and 2019, respectively.

15. RELATED PARTY TRANSACTIONS

The Institute is a separate and independent entity located at The Cooper Aerobics Center in Dallas, Texas, which includes the Institute, Cooper Clinic, Cooper Medical Imaging LLP, Cooper Concepts, Inc., Cooper Wellness Consulting dba Cooper Consulting Partners, Cooper Corporate Solutions, and Cooper Aerobics Enterprises, Inc. The Cooper Aerobics Enterprises, Inc. includes the following entities: Cooper Fitness Center, Cooper Hotel, Cooper Spa, and Cooper Wellness Program.

Dr. Kenneth H. Cooper, the founder and a principal owner of the for-profit entities located at the Cooper Aerobics Center, served as Chairman of the Board of Trustees of the Institute until October 2011. Prior to the Board meeting in June 2017, he resigned as a voting member of the Board and was appointed Chairman Emeritus, an honorary and non-voting member. He also assumed the title of Institute Founder; whose duties include assisting the Chairman of the Board and CEO of the Institute. In June 2017, Dr. Tyler Cooper, son of Dr. Kenneth H. Cooper, and also a principal owner of the for-profit entities, was elected to the Board of Trustees as a voting member.

In June 2014, The Cooper Institute and the other entities of the Cooper Aerobics Center entered into an agreement for the purpose of formalizing collaborative efforts among the entities. This arrangement furthers the research and education mission of The Cooper Institute for the benefit of the public. As the primary source of research data utilized in the Cooper Center Longitudinal Study (CCLS) Database is from the medical records of patients seen by the Cooper Clinic, the agreement was needed to document Institute ownership, rights and obligations of the parties, joint use, and communications about education and research activities. Although there is no financial component to the agreement, there can be the need to reimburse any party for costs incurred for the benefit of the other party and any such transactions are recorded in the financial statements and described below.

Revenues from related parties are earned by the Institute for providing goods and services. Payments are received for supplies related to the CCLS database maintenance, consulting of a programmer, and office lease space. Total payments received from all related parties were approximately $585,200 and $584,300 for the years ended June 30, 2020 and 2019, respectively.

The Institute shares some common expenses with related entities of The Cooper Aerobics Center and as a result regularly reimburses those entities for such purchases on a pro rata basis. Employee recognition events, a campus wellness program, and waste disposal are typical and recurring shared expenses. There are other miscellaneous purchases from related parties. Payments to the Cooper Aerobics Center were approximately $69,100 and $68,000 for the years ended June 30, 2020 and 2019, respectively. Total payments to all related parties were approximately $179,500 and $264,500 for the years ended June 30, 2020 and 2019, respectively.

Significant related party transactions for the years ended June 30, 2020 and 2019 are described below.

<u>Cooper Clinic</u>

Payments received from the Cooper Clinic for leasing medical office space and services of a programmer for electronic medical records amounted to approximately $555,200 and $558,200 for the years ended June 30, 2020 and 2019, respectively. Included in the total support and revenue from the Cooper Clinic are payments for leasing the Institute's Hunt Building which totaled approximately $496,100 and $499,100 for the years ended June 30, 2020 and 2019, respectively.

The Cooper Clinic provides medical exams, the services of an information technology manager and is reimbursed pro rata for a shared computer network. The total payments made by the Institute to the Clinic were approximately $48,100 and $71,600 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, accounts payable includes approximately $1,900 and $1,300, respectively, due to the Cooper Clinic.

15. RELATED PARTY TRANSACTIONS (Continued)

Cooper Concepts

The Institute recognized revenue of approximately $20,400 and $20,300 related to office lease space from Cooper Concepts, Inc. for the years ended June 30, 2020 and 2019, respectively.

Board Members

An Institute board member is related to the Chairman of the Board and CEO of Dell, Inc., a publicly traded company. The Institute purchased Dell computers, equipment, and support plans which totaled approximately $26,400 and $38,900 for the years ended June 30, 2020 and 2019, respectively.

Westwood Holdings, a publicly traded company, managed investments for the Institute during the year ended June 30, 2019. An Institute board member is the CEO of Westwood. Investment management fees net of a contributed service reduction totaled approximately $35,100 for the year ended June 30, 2019. As noted above in Note 1, in January 2019 the Institute moved investments from Westwood to the CFT. There were no funds held with Westwood for the year ended June 30, 2020.

The Institute utilizes Foley Gardere, a subsidiary of Foley & Lardner LLP, for legal services. An Institute board member is a partner of Foley & Lardner. Legal fees paid to Foley Gardere totaled approximately $25,200 and $32,500 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, respectively, the Institute owed Foley Gardere approximately $5,400 and $4,600, which is included in the accounts payable in the accompanying statements of financial position.

The Institute received contributions of approximately $672,700 and $626,200 from members of the Board and other affiliated parties for the years ended June 30, 2020 and 2019, respectively.

16. COMMITMENTS AND CONCENTRATIONS

Royalties receivable from one software publisher represent 62% and 69% of total accounts receivable at June 30, 2020 and 2019, respectively. Revenue from this publisher represents 21% and 37% of total support and revenue for the years ended June 30, 2020 and 2019, respectively.

Contract revenue from one customer represent 12% of total support and revenue for the year ended June 30, 2020. Contract revenue from two customers represent 22% of total support and revenue for the year ended June 30, 2019.

Payables to one vendor for software development and support totaled 14% of the Institute's total outstanding accounts payable at June 30, 2019. There were no vendor concentrations at June 30, 2020.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2020, which is the date the financial statements were available to be issued.

On October 21, 2020, the Institute signed a new line of credit agreement which supersedes the existing Line of credit (Note 9) in its entirety. The new line of credit has a reduced maximum available balance of $350,000, with maturity being on demand to the order of the bank. Accrued and unpaid interest is payable monthly, in arrears, on the first business day of each month from the date made until the balance is paid in full. The loan agreement requires compliance with certain financial and non-financial covenants; (1) maintain, at all times, a tangible net worth of not less than fifteen million dollars tested on an annual basis, (2) reduce the outstanding principal balance to $0.00 for period of 30 consecutive days each fiscal year, (3) keep all of its principal bank accounts with the Bank.