



Audited Financial Statements
June 30, 2021

Independent Auditor's Report

To the Board of Directors of
Harlem Academy

Report on the Financial Statements

We have audited the accompanying financial statements of Harlem Academy (the "Academy"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

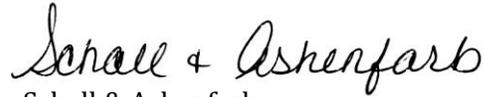
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Academy as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Academy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

November 15, 2021

HARLEM ACADEMY
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2021
(With comparative totals at June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Current assets:		
Cash and cash equivalents	\$8,838,944	\$7,049,344
Short-term pledges receivable (Note 3)	1,208,905	4,035,951
Tuition receivable, net	44,785	54,648
Prepaid expenses	37,354	55,171
Total current assets	<u>10,129,988</u>	<u>11,195,114</u>
Non-current assets:		
Long-term pledges receivable, net (Note 3)	1,590,881	1,875,185
Fixed assets, net (Note 4)	24,602,231	12,694,970
Security deposits	2,350	97,429
Cash held for endowment (Note 5)	643,522	142,992
Total non-current assets	<u>26,838,984</u>	<u>14,810,576</u>
Total assets	<u><u>\$36,968,972</u></u>	<u><u>\$26,005,690</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$111,261	\$109,900
Accrued expenses	1,418,525	145,311
Deferred tuition	44,111	28,581
Paycheck Protection Program loan (Note 6)	451,553	486,431
Total liabilities	<u>2,025,450</u>	<u>770,223</u>
Net assets:		
Without donor restrictions	<u>27,968,735</u>	<u>14,178,037</u>
With donor restrictions:		
Restricted for future programs and periods (Note 7)	6,331,265	10,914,438
Donor restricted endowment (Note 5)	643,522	142,992
Total net assets with donor restrictions	<u>6,974,787</u>	<u>11,057,430</u>
Total net assets	<u>34,943,522</u>	<u>25,235,467</u>
Total liabilities and net assets	<u><u>\$36,968,972</u></u>	<u><u>\$26,005,690</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

HARLEM ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	With Donor Restrictions			Total 6/30/21	Total 6/30/20
	Without Donor Restrictions	Future Programs and Periods	Donor Restricted Endowment		
Support and revenue:					
Program tuition and related fees	\$362,850			\$0	\$423,725
Government grants	68,167			0	85,831
Contributions	4,815,181	\$6,677,168	\$500,000	7,177,168	9,372,973
Interest income	8,036		530	530	16,975
Paycheck Protection Program forgiveness(Note 6)	486,431			486,431	0
In-kind goods and services (Note 8)	286,353			0	346,626
Net assets released from restrictions	11,260,341	(11,260,341)		(11,260,341)	0
Total support and revenue	<u>17,287,359</u>	<u>(4,583,173)</u>	<u>500,530</u>	<u>13,204,716</u>	<u>10,246,130</u>
Expenses:					
Program services	2,605,319			0	2,925,843
Supporting services:					
Management and general	360,509			0	333,899
Fundraising	530,833			0	682,009
Total supporting services	<u>891,342</u>	<u>0</u>	<u>0</u>	<u>891,342</u>	<u>1,015,908</u>
Total expenses	<u>3,496,661</u>	<u>0</u>	<u>0</u>	<u>3,496,661</u>	<u>3,941,751</u>
Change in net assets	13,790,698	(4,583,173)	500,530	(4,082,643)	6,304,379
Net assets - beginning of year	14,178,037	10,914,438	142,992	25,235,467	18,931,088
Net assets - end of year	<u>\$27,968,735</u>	<u>\$6,331,265</u>	<u>\$643,522</u>	<u>\$34,943,522</u>	<u>\$25,235,467</u>

The attached notes and auditor's report are an integral part of these financial statements.

HARLEM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	Supporting Services			Total 6/30/21	Total 6/30/20
	Program Services	Management and General	Fundraising		
Salaries	\$1,503,014	\$208,242	\$322,216	\$530,458	\$2,033,472
Employee benefits and payroll taxes	276,504	32,260	57,890	90,150	385,217
Total personnel services	<u>1,779,518</u>	<u>240,502</u>	<u>380,106</u>	<u>620,608</u>	<u>2,400,126</u>
Consultants and professional fees (including in-kind - Note 8)	11,630	37,256	10,437	47,693	59,323
Marketing and publications (including in-kind - Note 8)	14,503		94,593	94,593	109,096
Printing and supplies	32,573			0	32,573
Program technology and equipment	7,630			0	7,630
Insurance	58,303	940	3,247	4,187	62,490
Repairs and maintenance	24,279			0	24,279
Rent	429,133	9,550	28,172	37,722	466,855
Staff development	11,387	10,267		10,267	21,654
Utilities	21,399	690	1,902	2,592	23,991
Food	28,765			0	28,765
Education	175,129			0	175,129
Bad debt		30,299		30,299	30,299
Depreciation and amortization	11,070	246	727	973	12,043
Event expense				0	0
Other		30,759	11,649	42,408	44,826
Total expenses	<u><u>\$2,605,319</u></u>	<u><u>\$360,509</u></u>	<u><u>\$530,833</u></u>	<u><u>\$891,342</u></u>	<u><u>\$3,496,661</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

HARLEM ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

(With comparative totals for the year ended June 30, 2020)

	6/30/21	6/30/20
Cash flows from operating activities:		
Change in net assets	\$9,708,055	\$6,304,379
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,043	21,683
Cash received for endowment	(500,000)	0
Interest restricted to endowment	(530)	(709)
Capitalized in-kind professional services	(268,194)	(337,338)
Changes in assets and liabilities:		
Pledges receivable	3,111,350	(2,643,441)
Tuition receivable	9,863	(3,304)
Prepaid expenses	17,817	27,481
Security deposits	95,079	0
Accounts payable	1,361	105,510
Accrued expenses	1,273,214	(84,124)
Deferred tuition	15,530	(13,649)
Paycheck Protection Program loan	(34,878)	486,431
Total adjustments	3,732,655	(2,441,460)
Net cash flows provided by operating activities	13,440,710	3,862,919
Cash flows from investing activities:		
Purchase of property and equipment	(11,651,110)	(1,479,408)
Net cash used for investing activities	(11,651,110)	(1,479,408)
Cash flows from financing activities:		
Investment in endowment	500,000	0
Interest restricted to endowment	530	709
Net cash provided by financing activities	500,530	709
Net increase in cash and cash equivalents	2,290,130	2,384,220
Cash and cash equivalents - beginning of year	7,192,336	4,808,116
Cash and cash equivalents - end of year	\$9,482,466	\$7,192,336
Summary of cash and cash equivalents:		
Cash and cash equivalents	\$8,838,944	\$7,049,344
Cash held for endowment	643,522	142,992
	\$9,482,466	\$7,192,336
Supplemental data:		
Interest paid	\$0	\$0
Taxes paid	\$0	\$0
Non-cash investing activities:		
In-kind professional services	\$268,194	\$337,338

The attached notes and auditor's report are an integral part of these financial statements.

HARLEM ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Nature of Entity

Harlem Academy (the “Academy”) is an independent school (grades 1-8) that drives equity of opportunity for promising children, guiding them to thrive at the highest academic levels and one day make a mark on the world. The Academy cultivates strong family partnership and ensures its economic diversity by meeting all demonstrated need for tuition support. The Academy relentlessly adheres to the highest academic standards and works intentionally to develop habits of strong character. Offering programming from 7:30 a.m. to 6:00 p.m., the Academy’s extended hours give students time to focus on learning and overall development, while also supporting the needs of working parents.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

As a not-for-profit organization, the Academy reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. They are reflected on the financial statements as without donor restrictions.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Academy follows the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 606 for recognizing revenue from contracts with customers. The Academy has program tuition and fees revenue that fall under ASC 606. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Tuition revenue and other fees are received for children who attend classes at the school and revenue is recognized as the performance obligation is satisfied, which is based on student attendance. As the term concluded prior to the end of the fiscal year, all tuition for the semester has been recognized as income. Collection of tuition income for future programs has been recorded as deferred tuition. Tuition earned that has not been collected is reflected as a tuition receivable.

The Academy follows FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Academy's government and private grants are primarily conditional, non-exchange transactions and fall under ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Pledges that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value which is calculated using risk adjusted present value techniques. Long-term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations.

Management reviews receivables for collectability based on various factors such as historical experience, donor credit worthiness, and subsequent collections. Based on this review, management has established a reserve for potential uncollectable pledges and tuition receivables of approximately \$13,000 and \$37,000 for the years ending June 30, 2021 and 2020, respectively.

d. Cash and Cash Equivalents

The Academy considers all liquid investments, with an initial maturity of three months or less to be cash and cash equivalents.

The Academy follows ASC 230, which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

- e. Concentration of Credit Risk
Financial instruments which potentially subject the Academy to concentration of credit risk consist of cash and money market accounts which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. The Academy has not experienced any losses from these accounts due to bank failure.
- f. Fixed Assets
Purchases of equipment, furniture and fixtures that exceed predetermined levels are capitalized at cost or at fair value if donated. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Leasehold improvements that materially benefit future periods are capitalized and amortized over the life of the lease.
- g. In-kind Contributions
The Academy recognizes contributions of services that create or enhance non-financial assets or require specialized skills, are performed by those who possess those skills, and would ordinarily have to be purchased if not provided in-kind. Many individuals volunteer their time and perform a variety of services that assist the Academy with specific assistance programs, campaign solicitation, and various committee assignments. These volunteer services do not meet the criteria outlined above and have not been recognized in the financial statements.
- h. Management Estimates
The preparation of financial statements in accordance 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. Actual results could differ from those estimates.
- i. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Employee benefits and payroll taxes	Time and effort
Insurance	Time and effort & square footage
Rent	Square footage
Utilities	Square footage
Depreciation and amortization	Square footage

All other costs have been charged directly to the applicable program or supporting services.

- j. Tax Status/Accounting for Uncertainty of Income Taxes
The Academy is a not-for-profit organization and has been notified by the Internal Revenue Service that they are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a). The Academy does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2018 and later are subject to examination by applicable taxing authorities.
- k. Comparative Financial Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Academy’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.
- l. New Accounting Pronouncements
FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.
- FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.
- The Academy is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Pledges Receivable

Pledges receivable are anticipated to be collected in the following periods:

		<u>6/30/21</u>	<u>6/30/20</u>
Year ending:	June 30, 2021	\$0	\$4,035,951
	June 30, 2022	1,208,905	887,463
	June 30, 2023	823,500	761,000
	June 30, 2024	381,000	218,500
	June 30, 2025	180,000	67,500
	June 30, 2026	162,500	62,500
	June 30, 2027	<u>212,500</u>	<u>62,500</u>
		2,968,405	6,095,414
Less: present value discount (at rates between 3% and 5%)		<u>(168,619)</u>	<u>(184,278)</u>
Total		<u>\$2,799,786</u>	<u>\$5,911,136</u>

	<u>6/30/21</u>	<u>6/30/20</u>
Short-term pledges receivable	\$1,208,905	\$4,035,951
Long-term pledges receivable	<u>1,590,881</u>	<u>1,875,185</u>
Total	<u>\$2,799,786</u>	<u>\$5,911,136</u>

Total pledges receivable of approximately 70% and 49% were due from three donors at June 30, 2021 and 2020, respectively.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/21</u>	<u>6/30/20</u>
Equipment (3 years)	\$250,587	\$250,587
Leasehold improvements (2 to 5 years)	450,103	450,103
Land	9,855,832	9,855,832
Building – work in progress	<u>14,736,831</u>	<u>2,817,527</u>
	25,293,353	13,374,049
Less: accumulated depreciation	<u>(691,122)</u>	<u>(679,079)</u>
Total fixed assets, net	<u>\$24,602,231</u>	<u>\$12,694,970</u>

On February 12, 2014, the Academy purchased a plot of vacant land at 655 St. Nicholas Avenue, New York, NY and in August 2020, the Academy officially broke ground to begin building the permanent campus. Capitalized interest of approximately \$527,000 is included in Building - work in progress as of June 30, 2021 and 2020.

Note 5 - Cash Held for Endowment

The Academy began an endowment fundraising appeal to commemorate the first 8th grade graduating class in 2012. Since then, the school has continued its effort on growing this fund balance, with all donor restricted endowment contributions to be held in perpetuity.

Interpretation of Relevant Law

The Academy follows New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which the Board of Directors has interpreted as requiring certain amounts to be retained in perpetuity. Absent explicit donor stipulations to the contrary, the Academy will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Academy has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Academy classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure; therefore, they have been classified in the class of net assets with donor restrictions.

Spending Policies

In accordance with NYPMIFA, the Academy 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 Academy 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 Academy
- (7) The investment policies of the Academy
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Academy.

The Academy has not set a spending policy. The Academy holds the funds in a money market account which earns interest.

Changes in endowment net assets are as follows:

	<u>June 30, 2021</u>		
	Endowment	Endowment	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets - beginning of year	\$3,402	\$139,590	\$142,992
Contributions	0	500,000	500,000
Interest income	<u>530</u>	<u>0</u>	<u>530</u>
Endowment net assets - end of year	<u>\$3,922</u>	<u>\$639,590</u>	<u>\$643,522</u>
	<u>June 30, 2020</u>		
	Endowment	Endowment	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets - beginning of year	\$2,693	\$139,590	\$142,283
Contributions	0	0	0
Interest income	<u>709</u>	<u>0</u>	<u>709</u>
Endowment net assets - end of year	<u>\$3,402</u>	<u>\$139,590</u>	<u>\$142,992</u>

All endowment net assets are donor restricted.

Funds with Deficiencies

At various times throughout the year, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Academy to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021.

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Academy obtained a loan from the Small Business Administration (“SBA”) in the amount of \$486,431 through the Paycheck Protection Program (“PPP”).

The Academy accounts for the PPP loan as a contribution in accordance with ASC 958-605. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions of the loan that are not forgiven are payable over a five-year period, with a ten-month deferral of payment and interest accruing at 1%. The conditions for forgiveness on this loan were met during the year ended June 30, 2021 and the full amount was recognized as revenue during the year then ended.

During the year ended June 30, 2021, the Academy obtained a second PPP loan in the amount of \$451,553. Terms of the second loan are the same as described above. The loan forgiveness amount has not been determined as of the date of these financial statements; however, the Academy will recognize revenue from this loan consistent with the method used for the first loan.

Note 7 - Net Assets With Donor Restrictions – Future Programs and Periods

Activity in the donor restrictions class of net assets for future programs and periods can be summarized as follows:

	<u>June 30, 2021</u>			
			Released from	
	<u>7/1/20</u>	<u>Additions</u>	<u>Restrictions</u>	<u>6/30/21</u>
Time restricted	\$1,014,309	\$0	(\$606,702)	\$407,607
Permanent campus	9,672,738	6,490,168	(10,404,217)	5,758,689
Education	<u>227,391</u>	<u>187,000</u>	<u>(249,422)</u>	<u>164,969</u>
Total	<u>\$10,914,438</u>	<u>\$6,677,168</u>	<u>(\$11,260,341)</u>	<u>\$6,331,265</u>

	<u>June 30, 2020</u>			
			Released from	
	<u>7/1/19</u>	<u>Additions</u>	<u>Restrictions</u>	<u>6/30/20</u>
Time restricted	\$986,732	\$372,577	(\$345,000)	\$1,014,309
Permanent campus	5,395,660	5,813,848	(1,536,770)	9,672,738
Education	<u>291,037</u>	<u>151,950</u>	<u>(215,596)</u>	<u>227,391</u>
Total	<u>\$6,673,429</u>	<u>\$6,338,375</u>	<u>(\$2,097,366)</u>	<u>\$10,914,438</u>

Note 8 - In-kind Contributions

The following summarizes the in-kind contributions recognized:

	<u>June 30, 2021</u>				
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Capitalized as Fixed Assets</u>
Legal services	\$276,774	\$0	\$8,580	\$0	\$268,194
Printing	<u>9,579</u>	<u>5,096</u>	<u>0</u>	<u>4,483</u>	<u>0</u>
Total	<u>\$286,353</u>	<u>\$5,096</u>	<u>\$8,580</u>	<u>\$4,483</u>	<u>\$268,194</u>

	<u>June 30, 2020</u>				
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Capitalized as Fixed Assets</u>
Legal services	\$340,728	\$0	\$3,390	\$0	\$337,338
Printing	<u>5,898</u>	<u>0</u>	<u>0</u>	<u>5,898</u>	<u>0</u>
Total	<u>\$346,626</u>	<u>\$0</u>	<u>\$3,390</u>	<u>\$5,898</u>	<u>\$337,338</u>

Note 9 - Commitments and Contingencies

The Academy has an operating lease for the use of classrooms and office space through December 31, 2021. Future minimum payments due under the lease are \$192,429.

In the normal course of business, the Academy may be subject to proceedings, lawsuits, and other claims. These matters are subject to many uncertainties, and outcomes are not predictable with a high degree of assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters, as of June 30, 2021, cannot be ascertained. Management does not believe that there are any outstanding claims where the final outcome will have a material impact on the financial statements. Any such claims will be recorded in the period that it is deemed probable that a liability has been incurred.

Note 10 - Retirement Plan

The Academy has a voluntary, tax deferred retirement plan under Internal Revenue Code Section 403(b) covering all full-time employees. Employees may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The plan provides for an employer match of 150% with a maximum limit set at 3% of employees' salary for those who have one year or more of service with the Academy. Employer expense was approximately \$35,000 and \$44,000 for the years ended June 30, 2021 and 2020, respectively.

Note 11 - Availability and Liquidity

Financial assets are available within one year of the date of the statement of financial position for general expenditure as follows:

Cash and cash equivalents	\$8,838,944	
Short term pledges receivable	1,208,905	
Tuition receivable, net	<u>44,785</u>	
Total financial assets		\$10,092,634

Less amounts not available for general expenditures:

Amounts included as financial assets that are restricted for future programs and periods		<u>(4,740,384)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$5,352,250</u>

The Academy maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Academy operates its programs within a Board approved budget and relies on charitable contributions, grants, and earned income to fund its operations and program activities. The Academy's endowment funds are held for long-term purposes and consist of a donor-restricted endowment. These assets are not considered available for general expenditures by management.

Note 12 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Academy operates. As of the date of the financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.

Note 13 - Subsequent Events

Subsequent events have been evaluated through November 15, 2021, the date the financial statements were issued. The Academy has concluded that no other material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.