



Audited Financial Statements

June 30, 2020

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, 2020, 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 the Academy as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Academy's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2020. 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

November 18, 2020

HARLEM ACADEMY
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020

(With comparative totals at June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
Assets		
Current assets:		
Cash and cash equivalents	\$7,049,344	\$4,665,833
Short-term pledges receivable (Note 3)	4,035,951	1,688,133
Tuition receivable, net	54,648	51,344
Prepaid expenses	55,171	82,652
Total current assets	<u>11,195,114</u>	<u>6,487,962</u>
Non-current assets:		
Long-term pledges receivable, net (Note 3)	1,875,185	1,579,562
Fixed assets, net (Note 4)	12,694,970	10,899,907
Security deposits	97,429	97,429
Cash held for endowment (Note 5)	142,992	142,283
Total non-current assets	<u>14,810,576</u>	<u>12,719,181</u>
Total assets	<u><u>\$26,005,690</u></u>	<u><u>\$19,207,143</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$109,900	\$4,390
Accrued expenses	145,311	229,435
Deferred tuition	28,581	42,230
Paycheck Protection Program loan (Note 6)	486,431	0
Total liabilities	<u>770,223</u>	<u>276,055</u>
Net assets:		
Without donor restrictions	<u>14,178,037</u>	<u>12,115,376</u>
With donor restrictions:		
Restricted for future programs and periods (Note 7)	10,914,438	6,673,429
Donor restricted endowment (Note 5)	142,992	142,283
Total net assets with donor restrictions	<u>11,057,430</u>	<u>6,815,712</u>
Total net assets	<u>25,235,467</u>	<u>18,931,088</u>
Total liabilities and net assets	<u><u>\$26,005,690</u></u>	<u><u>\$19,207,143</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, 2020
(With comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions		Total	Total 6/30/20	Total 6/30/19
		Future Programs and Periods	Donor Restricted Endowment			
Support and revenue:						
Program tuition and related fees	\$423,725			\$0	\$423,725	\$397,257
Government grants	85,831			0	85,831	103,171
Contributions	3,034,598	\$6,338,375		6,338,375	9,372,973	3,359,950
Interest income	16,266		\$709	709	16,975	11,929
Special events (less expenses with a direct benefit to donors) (Note 11)				0	0	863,677
In-kind goods and services (Note 8)	346,626			0	346,626	122,321
Net assets released from restrictions	2,097,366	(2,097,366)		(2,097,366)	0	0
Total support and revenue	6,004,412	4,241,009	709	4,241,718	10,246,130	4,858,305
Expenses:						
Program services	2,925,843			0	2,925,843	3,014,403
Supporting services:						
Management and general	333,899			0	333,899	340,502
Fundraising	682,009			0	682,009	633,113
Total supporting services	1,015,908	0	0	0	1,015,908	973,615
Total expenses	3,941,751	0	0	0	3,941,751	3,988,018
Change in net assets from operations	2,062,661	4,241,009	709	4,241,718	6,304,379	870,287
Non-operating activities:						
Impairment of fixed assets (Note 4)				0	0	(1,406,000)
Total non-operating activities	0	0	0	0	0	(1,406,000)
Change in net assets	2,062,661	4,241,009	709	4,241,718	6,304,379	(535,713)
Net assets - beginning of year	12,115,376	6,673,429	142,283	6,815,712	18,931,088	19,466,801
Net assets - end of year	\$14,178,037	\$10,914,438	\$142,992	\$11,057,430	\$25,235,467	\$18,931,088

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, 2020

(With comparative totals for the year ended June 30, 2019)

	Supporting Services			Total Supporting Services	Total 6/30/20	Total 6/30/19
	Program Services	Management and General	Fundraising			
Salaries	\$1,788,835	\$198,432	\$472,647	\$671,079	\$2,459,914	\$2,426,752
Employee benefits and payroll taxes	288,716	26,885	69,616	96,501	385,217	382,517
Total personnel services	<u>2,077,551</u>	<u>225,317</u>	<u>542,263</u>	<u>767,580</u>	<u>2,845,131</u>	<u>2,809,269</u>
Consultants and professional (including in-kind - Note 8)	19,862	31,608	14,689	46,297	66,159	94,952
Marketing and publications (including in-kind - Note 8)	6,859		56,821	56,821	63,680	60,624
Printing and supplies	41,308			0	41,308	48,389
Program technology and equipment	3,679			0	3,679	3,760
Insurance	55,723	1,050	3,068	4,118	59,841	58,215
Repairs and maintenance	24,747			0	24,747	47,273
Rent	394,522	8,777	25,892	34,669	429,191	412,179
Staff development	23,909	355		355	24,264	62,543
Utilities	26,336	731	2,286	3,017	29,353	30,868
Food	55,212			0	55,212	90,647
Education	176,203			0	176,203	144,913
Bad debt		34,378		34,378	34,378	10,151
Depreciation and amortization	19,932	443	1,308	1,751	21,683	18,232
Event expense			22,096	22,096	22,096	172,744
Other		31,240	13,586	44,826	44,826	63,762
Total expenses	<u>2,925,843</u>	<u>333,899</u>	<u>682,009</u>	<u>1,015,908</u>	<u>3,941,751</u>	<u>4,128,521</u>
Less: direct special event expenses netted with revenue				0	0	(140,503)
Total expenses for statement of activities	<u>\$2,925,843</u>	<u>\$333,899</u>	<u>\$682,009</u>	<u>\$1,015,908</u>	<u>\$3,941,751</u>	<u>\$3,988,018</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, 2020**

(With comparative totals for the year ended June 30, 2019)

	6/30/20	6/30/19 *
Cash flows from operating activities:		
Change in net assets	\$6,304,379	(\$535,713)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,683	18,232
Interest restricted to endowment	(709)	(708)
Capitalized in-kind professional services	(337,338)	(100,183)
Loss on disposal of fixed assets	0	1,406,000
Changes in assets and liabilities:		
Pledges receivable	(2,643,441)	184,249
Tuition receivable	(3,304)	(11,307)
Prepaid expenses	27,481	(71,604)
Security deposits	0	600
Accounts payable	105,510	(82,759)
Accrued expenses	(84,124)	58,540
Deferred tuition	(13,649)	9,124
Paycheck Protection Program loan	486,431	0
Total adjustments	(2,441,460)	1,410,184
Net cash flows provided by operating activities	3,862,919	874,471
Cash flows from investing activities:		
Purchase of property and equipment	(1,479,408)	(229,507)
Net cash used for investing activities	(1,479,408)	(229,507)
Cash flows from financing activities:		
Interest restricted to endowment	709	708
Net cash provided by financing activities	709	708
Net increase in cash and cash equivalents	2,384,220	645,672
Cash and cash equivalents - beginning of year	4,808,116	4,162,444
Cash and cash equivalents - end of year	\$7,192,336	\$4,808,116
Summary of cash and cash equivalents:		
Cash and cash equivalents	\$7,049,344	\$4,665,833
Cash held for endowment	142,992	142,283
	\$7,192,336	\$4,808,116
Supplemental data:		
Interest paid	\$0	\$0
Taxes paid	\$0	\$0
Non-cash investing activities:		
In-kind professional services	\$337,338	\$100,183

* - Reclassified for comparison purposes

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

HARLEM ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

Effective July 1, 2019, the Academy adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the Academy adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Academy evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Academy applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

For contributions, the Academy evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Academy to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both standards resulted in no significant changes in the way the Academy recognizes revenue.

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. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Academy's ongoing services. Non-operating activities consist of a one-time loss on impairment of fixed assets.

d. Revenue Recognition

The Academy has adopted Topic 606 using the modified retrospective method applied to all contracts after July 1, 2019 and continues to use legacy GAAP for all contracts before July 1, 2019.

The Academy has the following types of revenue that fall under Topic 606, program tuition and fees. 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.

Contributions 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.

The Academy's government and private grants are primarily conditional, non-exchange transactions and fall under Topic 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.

e. 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.

f. 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.

g. Pledges Receivable

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.

h. Allowance for Doubtful Accounts

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 \$37,000 and \$40,000 for the years ending June 30, 2020 and 2019, respectively.

i. 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.

j. 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 tasks 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.

k. 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.

l. Expense Allocations

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:

<u>Expense</u>	<u>Method of Allocation</u>
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

m. 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, 2017 and later are subject to examination by applicable taxing authorities.

n. 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, 2019, from which the summarized information was derived.

o. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 18, 2020, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or further disclosure in the financial statements have been made.

p. **New Accounting Pronouncement**

FASB issued Accounting Standards Update (“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.

FASB issued (“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.

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>6/30/20</u>	<u>6/30/19</u>
Year ending:	June 30, 2020	\$0	\$1,688,133
	June 30, 2021	4,035,951	907,500
	June 30, 2022	887,463	470,834
	June 30, 2023	761,000	450,000
	June 30, 2024	218,500	0
	June 30, 2025	67,500	0
	June 30, 2026	62,500	0
	June 30, 2027	<u>62,500</u>	<u>0</u>
Total		6,095,414	3,516,467
Less: present value discount (at rates between 3% and 5%)		<u>(184,278)</u>	<u>(248,772)</u>
Total		<u>\$5,911,136</u>	<u>\$3,267,695</u>

	<u>6/30/20</u>	<u>6/30/19</u>
Short-term pledges receivable	\$4,035,951	\$1,688,133
Long-term pledges receivable	<u>1,875,185</u>	<u>1,579,562</u>
Total	<u>\$5,911,136</u>	<u>\$3,267,695</u>

Total pledges receivable of approximately 49% and 60% were due from three large donors at June 30, 2020 and 2019, respectively.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/20</u>	<u>6/30/19</u>
Equipment (3 years)	\$250,587	\$233,053
Leasehold improvements (2 to 5 years)	450,103	450,103
Land	9,855,832	9,855,832
Building – work in progress	<u>2,817,527</u>	<u>1,018,315</u>
	13,374,049	11,557,303
Less: accumulated depreciation	<u>(679,079)</u>	<u>(657,396)</u>
Total fixed assets - net	<u>\$12,694,970</u>	<u>\$10,899,907</u>

On February 12, 2014, the Academy purchased a plot of vacant land at 655 St. Nicholas Avenue, New York, N.Y. The School is in the process of developing this site to establish its permanent campus. Capitalized interest of approximately \$527,000 is included in building - work in progress as of June 30, 2020 and 2019.

During the year ended June 30, 2019, the School discontinued use of the pro bono architect used to develop plans for the school building. It was determined that the plans developed by the former architects were no longer going to be used and that the previously capitalized fees be fully written off as an impairment loss. As a result, the June 30, 2019 financial statements reflect an impairment loss of \$1,406,000.

Note 5 - Cash Held for Endowment

The Academy began a fundraising appeal to commemorate the first 8th grade graduating class. All funds received for this appeal are being held in perpetuity as a donor restricted endowment

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, 2020</u>		
	<u>Endowment</u>	<u>Endowment</u>	
	<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>
	<u>June 30, 2019</u>		
	<u>Endowment</u>	<u>Endowment</u>	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets - beginning of year	\$1,985	\$139,590	\$141,575
Contributions	0	0	0
Interest income	<u>708</u>	<u>0</u>	<u>708</u>
Endowment net assets - end of year	<u>\$2,693</u>	<u>\$139,590</u>	<u>\$142,283</u>

All endowment net assets are donor restricted.

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 NYPMIFA requires the Academy to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020.

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Academy obtained a loan from the SBA in the amount of \$486,431 through the Paycheck Protection Program. 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 that are not forgiven will be payable over a two-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The Academy expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution, however, will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

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, 2020</u>			
	<u>7/1/19</u>	<u>Additions</u>	Released from <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>

	<u>June 30, 2019</u>			
	<u>7/1/18</u>	<u>Additions</u>	Released from <u>Restrictions</u>	<u>6/30/19</u>
Time restricted	\$1,193,136	\$138,596	(\$345,000)	\$986,732
Permanent campus	4,654,561	896,674	(155,575)	5,395,660
Education	<u>75,940</u>	<u>515,676</u>	<u>(300,579)</u>	<u>291,037</u>
Total	<u>\$5,923,637</u>	<u>\$1,550,946</u>	<u>(\$801,154)</u>	<u>\$6,673,429</u>

Note 8 - In-Kind Contributions

The following summarizes the in-kind contributions recognized:

	<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>

	<u>June 30, 2019</u>				
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Capitalized as Fixed Assets</u>
Legal services	\$113,796	\$0	\$13,613	\$0	\$100,183
Printing	<u>8,525</u>	<u>0</u>	<u>0</u>	<u>8,525</u>	<u>0</u>
Total	<u>\$122,321</u>	<u>\$0</u>	<u>\$13,613</u>	<u>\$8,525</u>	<u>\$100,183</u>

Note 9 - Commitments & Contingencies

The Academy has an operating lease for the use of classrooms and office space through June 30, 2021. Future minimum payments due under the lease are \$441,937.

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, 2020, 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 claim 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). 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 \$44,000 and \$38,000 for the years ended June 30, 2020 and 2019, respectively.

Note 11 - Special Events

The Academy holds an annual spring benefit fundraising event. The event planned for April 2020 was cancelled due to the pandemic discussed in Note 13.

The following summarizes the special events activity for the year ended June 30, 2019:

	<u>6/30/19</u>
Event income	\$1,004,180
Less: expenses with a direct benefit to donors	<u>(140,503)</u>
	863,677
Less: other event expenses	<u>(32,241)</u>
Total	<u>\$831,436</u>

Note 12 - 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	\$7,049,344	
Short term pledges receivable	4,035,951	
Tuition receivable, net	<u>54,648</u>	
Total financial assets		\$11,139,943

Less amounts not available for general expenditures:

Amounts included as financial assets that are restricted for future programs and periods	<u>(9,039,253)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,100,690</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 13 - Other Matters

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Since then, the pandemic has led to quarantines, facility closures, and travel and logistics restrictions that have hurt workforces, economies, and financial markets. These events could adversely affect the Academy by potentially impacting the funding it receives; limiting program operations; depressing demand for its services; and disrupting its students, staff, and suppliers. As of the date of these financial statements, the potential impact of these events on the Academy cannot be quantified.