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Audited Financial Statements

June 30, 2019

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, 2019, 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 organization'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 organization'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

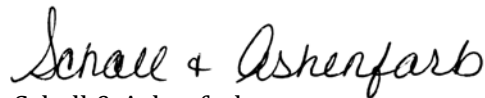
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Academy adopted Accounting Standards Update No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Academy's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 21, 2020

HARLEM ACADEMY
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2019
(With comparative totals at June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Assets		
Current assets:		
Cash and cash equivalents	\$4,665,833	\$4,020,869
Short-term pledges receivable (Note 3)	1,688,133	1,255,726
Tuition receivable, net	51,344	40,037
Prepaid expenses	82,652	11,048
Total current assets	<u>6,487,962</u>	<u>5,327,680</u>
Non-current assets:		
Long-term pledges receivable, net (Note 3)	1,579,562	2,196,218
Fixed assets, net (Note 4)	10,899,907	11,994,449
Security deposits	97,429	98,029
Cash held for endowment (Note 5)	142,283	141,575
Total non-current assets	<u>12,719,181</u>	<u>14,430,271</u>
Total assets	<u><u>\$19,207,143</u></u>	<u><u>\$19,757,951</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$4,390	\$87,149
Accrued expenses	229,435	170,895
Deferred tuition	42,230	33,106
Total liabilities	<u>276,055</u>	<u>291,150</u>
Net assets:		
Without donor restrictions	<u>12,115,376</u>	<u>13,401,589</u>
With donor restrictions:		
Restricted for future programs and periods (Note 6)	6,673,429	5,923,637
Donor restricted endowment (Note 5)	142,283	141,575
Total net assets with donor restrictions	<u>6,815,712</u>	<u>6,065,212</u>
Total net assets	<u>18,931,088</u>	<u>19,466,801</u>
Total liabilities and net assets	<u><u>\$19,207,143</u></u>	<u><u>\$19,757,951</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, 2019
(With comparative totals for the year ended June 30, 2018)

	With Donor Restrctions			Total 6/30/19	Total 6/30/18
	Without Donor Restrictions	Future Programs and Periods	Donor Restricted Endowment		
Support and revenue:					
Program income and fees	\$397,257			\$0	\$420,021
Government grants	103,171			0	98,346
Contributions	1,809,004	\$1,550,946		1,550,946	6,212,032
Interest income	11,221		\$708	708	6,203
Special events (less expenses with a direct benefit to donors) (Note 11)	863,677			0	1,047,603
In-kind goods and services (Note 7)	122,321			0	670,105
Net assets released from restrictions	801,154	(801,154)		0	0
Total support and revenue	<u>4,107,805</u>	<u>749,792</u>	<u>708</u>	<u>4,858,305</u>	<u>8,454,310</u>
Expenses:					
Program services	<u>3,014,403</u>			<u>0</u>	<u>2,950,929</u>
Supporting services:					
Management and general	340,502			0	313,319
Fundraising	<u>633,113</u>			<u>0</u>	<u>586,300</u>
Total supporting services	<u>973,615</u>	<u>0</u>	<u>0</u>	<u>973,615</u>	<u>899,619</u>
Total expenses	<u>3,988,018</u>	<u>0</u>	<u>0</u>	<u>3,988,018</u>	<u>3,850,548</u>
Change in net assets from operations	119,787	749,792	708	870,287	4,603,762
Non-operating activities:					
Write off of pledge receivable (Note 3)				0	(4,321,065)
Impairment of fixed assets (Note 4)	<u>(1,406,000)</u>			<u>0</u>	<u>0</u>
Total non-operating activities	<u>(1,406,000)</u>	<u>0</u>	<u>0</u>	<u>(1,406,000)</u>	<u>(4,321,065)</u>
Change in net assets	(1,286,213)	749,792	708	(535,713)	282,697
Net assets - beginning of year	<u>13,401,589</u>	<u>5,923,637</u>	<u>141,575</u>	<u>19,466,801</u>	<u>19,184,104</u>
Net assets - end of year	<u>\$12,115,376</u>	<u>\$6,673,429</u>	<u>\$142,283</u>	<u>\$18,931,088</u>	<u>\$19,466,801</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, 2019
(With comparative totals for the year ended June 30, 2018)

	Supporting Services			Total Supporting Services	Total 6/30/19	Total 6/30/18
	Program Services	Management and General	Fundraising			
Salaries	\$1,778,242	\$204,716	\$443,794	\$648,510	\$2,426,752	\$2,224,287
Employee benefits and payroll taxes	293,267	27,492	61,758	89,250	382,517	360,667
Total personnel services	<u>2,071,509</u>	<u>232,208</u>	<u>505,552</u>	<u>737,760</u>	<u>2,809,269</u>	<u>2,584,954</u>
Consultants and professional (including in-kind - Note 7)	51,268	39,184	4,500	43,684	94,952	194,021
Marketing and publications (including in-kind - Note 7)	14,600		46,024	46,024	60,624	33,901
Printing and supplies	48,389			0	48,389	41,265
Program technology and equipment	3,760			0	3,760	5,913
Insurance	55,369	636	2,210	2,846	58,215	54,967
Repairs and maintenance	47,273			0	47,273	41,454
Rent	390,859	4,738	16,582	21,320	412,179	410,301
Staff development	50,105	12,438		12,438	62,543	29,215
Utilities	28,422	591	1,855	2,446	30,868	30,361
Food	90,647			0	90,647	91,866
Education	144,913			0	144,913	195,613
Bad debt		10,151		10,151	10,151	14,796
Depreciation and amortization	17,289	210	733	943	18,232	18,134
Event expense			172,744	172,744	172,744	186,331
Other		40,346	23,416	63,762	63,762	82,133
Total expenses	<u>3,014,403</u>	<u>340,502</u>	<u>773,616</u>	<u>1,114,118</u>	<u>4,128,521</u>	<u>4,015,225</u>
Less: direct special event expenses netted with revenue			<u>(140,503)</u>	<u>(140,503)</u>	<u>(140,503)</u>	<u>(164,677)</u>
Total expenses for statement of activities	<u>\$3,014,403</u>	<u>\$340,502</u>	<u>\$633,113</u>	<u>\$973,615</u>	<u>\$3,988,018</u>	<u>\$3,850,548</u>

* Reclassified for comparison purposes

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, 2019**

(With comparative totals for the year ended June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Cash flows from operating activities:		
Change in net assets	(\$535,713)	\$282,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of pledge receivable (Note 3)	0	4,321,065
Depreciation and amortization	18,232	18,134
Interest restricted to endowment	(708)	(704)
Capitalized in-kind professional services	(100,183)	(650,361)
Loss on disposal of fixed assets	1,406,000	0
Changes in assets and liabilities:		
Pledges receivable	184,249	95,528
Tuition receivable	(11,307)	(17,422)
Prepaid expenses	(71,604)	(4,394)
Security deposits	600	(600)
Accounts payable	(82,759)	86,007
Accrued expenses	58,540	(4,590)
Deferred tuition	9,124	(12,940)
Total adjustments	<u>1,410,184</u>	<u>3,829,723</u>
Net cash flows provided by operating activities	<u>874,471</u>	<u>4,112,420</u>
Cash flows from investing activities:		
Purchase of property and equipment	(229,507)	(153,713)
Capitalized interest	0	(24,338)
Transfers to cash held for endowment	(708)	(704)
Net cash used for investing activities	<u>(230,215)</u>	<u>(178,755)</u>
Cash flows from financing activities:		
Repayment of loan	0	(1,412,233)
Interest restricted to endowment	708	704
Net cash provided by/(used for) financing activities	<u>708</u>	<u>(1,411,529)</u>
Net increase in cash and cash equivalents	644,964	2,522,136
Cash and cash equivalents - beginning of year	<u>4,020,869</u>	<u>1,498,733</u>
Cash and cash equivalents - end of year	<u>\$4,665,833</u>	<u>\$4,020,869</u>
Supplemental data:		
Interest paid	<u>\$0</u>	<u>\$24,338</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>
Non-cash investing activities:		
In-kind professional services	<u>\$100,183</u>	<u>\$650,361</u>

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

HARLEM ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board’s (FASB) Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 12).

Implementation of ASU 2016-14 did not require any reclassification or restatement of any opening balances related to the periods presented.

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* – represent those resources for which there are no restrictions by donors as to their use. They are reflected on the financial statement as without donor restrictions.

- *Net Assets With Donor Restrictions* – represent 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 one time events such as loss on impairment of fixed assets and the write-off of a large pledge receivable.

d. Revenue Recognition

Tuition is recognized in the period the class takes place. Amounts collected in advance are reflected as liabilities until earned.

All government grants are recognized as revenue in the period earned, which is typically when the expense allowed under the grant is incurred.

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. Contributions that contain conditions are recognized when the condition has been substantially met.

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 \$40,000 and \$38,000 for the years ending June 30, 2019 and 2018, respectively. See note 3 for details of a large write-off made during 2018.
- 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:

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

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, 2016 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, 2018, 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 January 21, 2020, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

p. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 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>6/30/19</u>	<u>6/30/18</u>
Year ending:		
June 30, 2019	\$0	\$1,255,726
June 30, 2020	1,688,133	1,038,381
June 30, 2021	907,500	708,333
June 30, 2022	470,834	400,000
June 30, 2023	<u>450,000</u>	<u>400,000</u>
Total	3,516,467	3,802,440
Less: present value discount (at rates between 4% and 5%)	<u>(248,772)</u>	<u>(350,496)</u>
Total	<u>\$3,267,695</u>	<u>\$3,451,944</u>

	<u>6/30/19</u>	<u>6/30/18</u>
Short-term pledges receivable	\$1,688,133	\$1,255,726
Long-term pledges receivable	<u>1,579,562</u>	<u>2,196,218</u>
Total	<u>\$3,267,695</u>	<u>\$3,451,944</u>

Total pledges receivable of approximately 59% and 72% were due from two large donors at June 30, 2019 and 2018, respectively.

By evaluating the collectability of receivables, a write-off was made to a multi-year pledge from a large donor during the year ended June 30, 2018. The statement of activities reflects a write-off of \$4,321,065, net of a present value discount of \$578,935 for 2018.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/19</u>	<u>6/30/18</u>
Equipment (3 years)	\$233,053	\$215,564
Leasehold improvements (2 to 5 years)	450,103	450,103
Land	9,855,832	9,855,832
Building - work in progress	<u>1,018,315</u>	<u>2,112,114</u>
	11,557,303	12,633,613
Less: accumulated depreciation	<u>(657,396)</u>	<u>(639,164)</u>
Total fixed assets - net	<u>\$10,899,907</u>	<u>\$11,994,449</u>

On February 12, 2014, the Academy purchased a plot of vacant land at 655 St. Nicholas Avenue, New York, N.Y. The School intends to develop this site to establish its permanent campus. Capitalized interest of approximately \$527,000 is included in building - work in progress as of June 30, 2019 and 2018.

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 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, 2019</u>		
	<u>Endowment Earnings</u>	<u>Endowment 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>

	<u>June 30, 2018</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets - beginning of year	\$1,281	\$139,590	\$140,871
Contributions	0	0	0
Interest income	<u>704</u>	<u>0</u>	<u>704</u>
Endowment net assets - end of year	<u>\$1,985</u>	<u>\$139,590</u>	<u>\$141,575</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, 2019.

Note 6 - 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, 2019</u>			
	<u>7/1/18</u>	<u>Additions</u>	<u>Released from 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>

	<u>June 30, 2018</u>				
	<u>7/1/17</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Write-Offs</u>	<u>6/30/18</u>
Time restricted	\$2,487,997	\$577,161	(\$265,000)	(\$1,607,022)	\$1,193,136
Permanent campus	5,303,230	3,819,000	(1,853,626)	(2,614,043)	4,654,561
Education	<u>37,750</u>	<u>185,000</u>	<u>(146,810)</u>	<u>0</u>	<u>75,940</u>
Total	<u>\$7,828,977</u>	<u>\$4,581,161</u>	<u>(\$2,265,436)</u>	<u>(\$4,221,065)</u>	<u>\$5,923,637</u>

Note 7 - In-Kind Contributions

The following summarizes the in-kind contributions recognized:

	<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>

	<u>June 30, 2018</u>				
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Capitalized as Fixed Assets</u>
Legal services	\$61,661	\$0	\$11,300	\$0	\$50,361
Architectural services – design of building	600,000	0	0	0	600,000
Printing	<u>8,444</u>	<u>4,718</u>	<u>0</u>	<u>3,726</u>	<u>0</u>
Total	<u>\$670,105</u>	<u>\$4,718</u>	<u>\$11,300</u>	<u>\$3,726</u>	<u>\$650,361</u>

Note 8 - 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 as follows:

Year ending:	June 30, 2020	\$426,605
	June 30, 2021	<u>441,937</u>
Total		<u>\$868,542</u>

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, 2019, 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 9 - 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 \$38,000 and \$35,000 for the years ended June 30, 2019 and 2018, respectively.

Note 10 - Loan Payable/Related Party Transaction

During the year ended June 30, 2014, the Academy entered into a loan with an entity that is owned by a board member. Upon execution of the promissory note dated February 12, 2014, the lender executed a mortgage, security agreement and assignment of leases. The loan was paid in full during the year ended June 30, 2018, and there was no outstanding balance as of that date.

Note 11 - Special Events

The following summarizes the special events activity:

	<u>6/30/19</u>	<u>6/30/18</u>
Event income	\$1,004,180	\$1,212,280
Less: expenses with a direct benefit to donors	<u>(140,503)</u>	<u>(164,677)</u>
	863,677	1,047,603
Less: other event expenses	<u>(32,241)</u>	<u>(21,654)</u>
Total	<u>\$831,436</u>	<u>\$1,025,949</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 are as follows:

Cash and cash equivalents	\$4,665,833	
Short term pledges receivable	1,688,133	
Tuition receivable, net	<u>51,344</u>	
Total financial assets		\$6,405,310
Less amounts not available for general expenditures:		
Amounts included as financial assets that are restricted for future programs and periods		<u>(5,093,867)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,311,443</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.