



Northstar Academy, Inc.

Financial Report

June 30, 2024

Northstar Academy, Inc.

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Independent Auditor's Report

To the Board of Directors
Northstar Academy, Inc.
Glen Allen, Virginia

Opinion

We have audited the accompanying financial statements of Northstar Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northstar Academy, Inc. as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northstar Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northstar Academy Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northstar Academy Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northstar Academy Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
November 7, 2024



Financial Statements

Northstar Academy, Inc.
Statement of Financial Position
June 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 8,131,740
Tuition receivables, net	308,394
Pledges receivable, net (Note 3)	669,311
Prepaid expenses	37,850
Other current assets	33,000
	9,180,295
Total current assets	9,180,295

PROPERTY AND EQUIPMENT

Buildings and improvements	3,445,834
Land	2,193,801
Vehicles	162,822
Furniture and equipment	412,252
Construction in progress	2,526,865
	8,741,574
Accumulated depreciation	(732,974)
	8,008,600
Total property and equipment, net	8,008,600

OTHER ASSETS

Pledges receivable, net (Note 3)	919,903
Intangible assets, net (Note 6)	2,520
	922,423
Total other assets	922,423
Total assets	\$ 18,111,318

Northstar Academy, Inc.
Statement of Financial Position
June 30, 2024

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 428,208
Accrued expenses	303,362
Deferred tuition revenue	159,273
Current portion of notes payable (Note 4)	800,000
Total current liabilities	1,690,843

LONG-TERM LIABILITIES

Notes payable, less current portion (Note 4)	1,300,000
Total liabilities	2,990,843

NET ASSETS

Without donor restrictions (Note 8)	
Undesignated	9,120,014
Designated by the Board	211,214
Total net assets without donor restrictions	9,331,228

With donor restrictions (Note 7)	
Time-only restrictions	1,764,030
Purpose restrictions	4,025,217
Total net assets with donor restrictions	5,789,247

Total net assets	15,120,475
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Total liabilities and net assets	\$ 18,111,318
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Northstar Academy, Inc.

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	\$ 3,875,928	\$ -	\$ 3,875,928
Less financial aid	(280,059)	-	(280,059)
Net tuition and fees	3,595,869	-	3,595,869
Contributions	544,708	-	544,708
Other program revenue	37,450	-	37,450
Special events revenue	118,932	-	118,932
Less cost of direct benefits to donors	(56,300)	-	(56,300)
In-kind contributions	19,518	-	19,518
Total operating revenues	4,260,177	-	4,260,177
OPERATING EXPENSES			
Program services	3,495,426	-	3,495,426
Management and general	474,601	-	474,601
Fundraising	314,164	-	314,164
Total operating expenses	4,284,191	-	4,284,191
Change in net assets, operating	(24,014)	-	(24,014)
NON-OPERATING INCOME (EXPENSE)			
Contributions, capital campaign	-	985,599	985,599
Net assets released from restrictions, capital	867,006	(867,006)	-
Interest income	275,082	-	275,082
Miscellaneous income	4,376	-	4,376
Change in net assets, non-operating	1,146,464	118,593	1,265,057
Change in net assets	1,122,450	118,593	1,241,043
NET ASSETS, Beginning	8,208,778	5,670,654	13,879,432
NET ASSETS, Ending	\$ 9,331,228	\$ 5,789,247	\$ 15,120,475

Northstar Academy, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Supporting Services		
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Total
Salaries and related expenses	\$ 608,662	\$ 2,068,356	\$ 2,677,018	\$ 374,641	\$ 241,916	\$ 3,293,575
Educational supplies and expenses	24,754	47,474	72,228	-	-	72,228
Lunches	16,363	65,455	81,818	-	-	81,818
Professional fees	-	16,551	16,551	50,028	11	66,590
Training and conferences	1,012	22,658	23,670	1,255	986	25,911
Technology	4,992	46,960	51,952	1,219	4,103	57,274
Occupancy expenses	36,117	195,224	231,341	22,893	10,030	264,264
Advertising and marketing	14,000	60,420	74,420	-	6,567	80,987
Office expenses	3,864	55,890	59,754	1,319	3,842	64,915
Direct cost of special events	-	-	-	-	56,300	56,300
Depreciation and amortization	19,975	78,271	98,246	7,116	7,116	112,478
Other expenses	16,740	91,688	108,428	16,130	39,593	164,151
Total expense by function	746,479	2,748,947	3,495,426	474,601	370,464	4,340,491
Less expenses included with revenues on the statement of activities	-	-	-	-	(56,300)	(56,300)
Direct benefit to donors	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 746,479	\$ 2,748,947	\$ 3,495,426	\$ 474,601	\$ 314,164	\$ 4,284,191

The Notes to Financial Statements are an integral part of this statement.

Northstar Academy, Inc.

Statement of Cash Flows

Year Ended June 30, 2024

OPERATING ACTIVITIES

Change in net assets	\$ 1,241,043
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	112,478
Contributions restricted for long-term purposes	(985,599)
Decrease (increase) in operating assets:	
Tuition receivable, net	(125,079)
Contributions receivable, net	3,265,524
Employee retention credit receivable	224,533
Prepaid expenses	(2,069)
Other current assets	600
Increase (decrease) in operating liabilities:	
Accounts payable	287,595
Accrued compensation	24,584
Deferred tuition revenue	(33,375)
Net cash and cash equivalents provided by operating activities	<u>4,010,235</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(2,030,954)</u>
Net cash and cash equivalents used in investing activities	<u>(2,030,954)</u>

FINANCING ACTIVITIES

Contributions restricted for long-term purposes	985,599
Principal payments on long-term debt	<u>(800,000)</u>
Net cash and cash equivalents used in financing activities	<u>185,599</u>

Net change in cash and cash equivalents 2,164,880

CASH AND CASH EQUIVALENTS, Beginning 5,966,860

CASH AND CASH EQUIVALENTS, Ending \$ 8,131,740

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

Note 1 – Nature and Mission of the Organization

Northstar Academy, Inc. (the “Academy”) is a nonprofit private school promoting educational excellence and career opportunities for students with disabilities who have academic, physical, or social challenges. The Academy has two programs: an academic program serving Kindergarten-12th grade and a Career Academy providing job skills training. The Academy operates in Henrico County, Virginia and accepts students from surrounding counties and cities. The Academy is funded through tuition fees for service, contributions, and grants.

The Academy is accredited by the Virginia Association of Independent Schools and licensed by the Virginia Department of Education. The Academy is also licensed to serve 12 of the 13 disability categories identified by the Individuals with Disabilities Education Act.

By welcoming this wide variety of students, the Academy represents the broader community and offers students opportunities to learn from one another. The Academy is recognized for educating a student population of diverse abilities, using strategies and a research-backed curriculum to motivate students to reach their highest aspirations.

Management and general activities include the functions necessary to provide support for the Academy’s program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Academy are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis.

Basis of Presentation

The Academy reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction. The net assets classes are summarized as follows:

- Net assets without donor restrictions consist of unrestricted funds. The unrestricted funds include revenue and expenses used currently for the general operations of the Academy. These net assets may be designated for specific purposes by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- Net assets with donor restrictions include contributions with donor-imposed restrictions that may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or that may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

Cash and Cash Equivalents

The Academy considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Academy's financial assets, potentially subject to credit risk, include cash and cash equivalents and tuition receivables. At times, the Academy may have cash and cash equivalents at a financial institution in excess of insured limits. The Academy places its cash and cash equivalents with a financial institution whose credit rating is monitored by management to minimize the concentration of credit risk.

Tuition Receivables

The Academy's tuition receivables are obligations primarily from families and school systems. Such receivables are unsecured and subject to credit risk. The receivables are presented net of an allowance for credit losses. Management determines the allowance for credit losses by regularly evaluating individual receivables and considering a student's financial condition, credit history, current economic conditions, and reasonable supportable forecasts. Receivables are written off after all reasonable collection efforts have been made. The Academy believes all receivables to be fully collectible and, accordingly, no allowance for credit losses has been recorded.

Pledges Receivable

Pledges receivable are recognized as revenue in the period pledged. Pledges receivable are recorded at net realizable value if expected to be collected within one year and at present value of their estimated future cash flows if expected to be collected in more than one year. The allowance for doubtful pledges is based upon management's assessment of historical and expected net collection. Pledges receivable are charged against the allowance when deemed to be uncollectible.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Donated items are recorded at fair market value at the date of contribution. The Academy capitalizes additions of property and equipment in excess of \$1,000 cost or fair value, if donated. Depreciation is computed using the straight-line method and provided over the estimated useful life of each class of depreciable assets, generally 5 years for vehicles, 5 to 10 years for furniture and equipment, and 7 to 39 for buildings and improvements. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Betterments and renewals are capitalized.

Intangible Assets

Intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years for website and software.

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code*. In addition, the Academy qualifies for charitable contributions under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Academy is subject to tax on any unrelated business income that it may generate.

The Academy follows generally accepted accounting principles regarding “Accounting for Uncertain Tax Positions.” This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Academy’s financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Academy has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2024.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated on a square footage basis. Additionally, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses are allocated based on estimates of time and usage.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Operating Results

Operating activities in the statement of activities illustrate a measure of how the Academy is maintaining the resources available for its “current operations.” Operations reflect all transactions increasing or decreasing net assets except those of a capital nature. Net assets released from restrictions which satisfy an operating purpose are also classified as operating.

Advertising and Marketing Costs

The Academy expenses advertising and marketing costs as they are incurred. During the year ended June 30, 2024, advertising and marketing expenses were \$80,987.

Revenue and Revenue Recognition

Tuition and Program Fees

The Academy is required to recognize revenue under a contractual model when a pre-identified performance obligation has been satisfied. Revenue from tuition and program fees are recognized ratably over the class period or at a point in time when singular sessions are held. Class years always begin and end during a single fiscal year although some summer

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

school class periods cross fiscal years. All other program revenues, such as tutoring, therapy, or after-school care, are recognized at the point in time when the classes state and pay the entire balance during the fiscal year. The timing of cash collection and revenue recognition may result in deferred revenue when a family or school system pays for classes or sessions in the next fiscal year. The transaction price is predetermined when the contract is entered into by the family or school system and there are no variable prices. Total revenue recognized at a point in time was \$198,868 and revenue recognized over time was \$3,833,442 during the year ended June 30, 2024.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions are reported as net assets with donor restrictions until the restrictions are met or as restricted in perpetuity. At the time purpose or time restrictions are met, they are reported as net assets released from restrictions, including when the restrictions are satisfied in the same period as the receipt of the contribution.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

Contributions of donated non-cash assets are recorded at their estimated fair values in the period received. A number of volunteers may have donated significant amounts of their time to the Academy and its programs including both operations of the school and the Career Academy; however, these donated services are not reflected in the financial statements since the recognition criteria under accounting standards were not met. The Academy received goods and services donated during the year ended June 30, 2024 for sale at auction during the annual special event that were included in other revenues on the statement of activities.

Deferred Revenue

The timing of cash collection and revenue recognition may result in deferred revenues when a family or school system pays for classes or sessions in the next fiscal year. Revenue is recognized either at the starting date or ratably over the time of the classes or sessions.

Financial Aid

The Academy provides financial aid in the form of scholarships and tuition discounts for early registration. The amount of scholarships provided by the Academy is determined by a committee of the Academy based on financial need of the family and information from an independent service that assesses the amount that a family can afford. For the year ended June 30, 2024, the amount of scholarships awarded was \$223,780 and the amount of discounts for early registration was \$56,279.

Adoption of FASB ASC 326

Effective July 1, 2023, the Academy adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Academy adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held.

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

Financial assets held by the Academy that are subject to ASU 2016-13 are tuition receivables. The adoption of this ASU did not have a material impact on the Academy's financial statements but did change how an allowance for credit losses is determined.

Note 3 – Pledges Receivable

Pledges receivable at June 30, 2024 consisted of the following:

Receivable in less than one year	\$	696,363
Receivable in one to five years		1,039,167
		1,735,530
Less allowance for uncollectible pledges		(10,000)
		1,725,530
Less discount to present value		(136,316)
	\$	1,589,214

Note 4 – Note Payable

During the year ended June 30, 2022, the Academy purchased a building for approximately \$4.5 million with an unsecured, nonrevolving pledge loan at 2.52%, maturing January 31, 2027. The maximum balance of the loan is \$3,600,000. The Academy has pledged to the creditor that they will not enter into other liens, pledges, or encumbrances on the building, to keep a depository account open with the lender, and the proceeds from the sale or refinance of the building are pledged to the loan. There are no fixed payments on the loan nor fixed interest amounts but there are loan covenants that must be met, specifically maximum principal balances each January as follows for the years ending June 30:

	Minimum Principal Payments	Maximum Principal Balance
2025	\$ 800,000	\$ 1,300,000
2026	800,000	500,000
2027	500,000	-

Total interest expense was \$65,730 for the year ended June 30, 2024. The note payable agreement contains covenants which include a debt to tangible net worth ratio. At June 30, 2024, the Academy was in compliance with the covenant.

Note 5 – Line of Credit

In June 2023, the Academy obtained a \$1,800,000 line of credit with SouthState Bank. Outstanding balances on this line of credit accrue interest at a rate of 6.00%. Accrued interest is payable monthly. Final payment of principal and interest is due on June 28, 2028. There was no balance outstanding on the line of credit as of June 30, 2024.

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

Note 6 – Intangible Assets

As of June 30, 2024 the Academy’s intangible assets consisted of the following:

	Cost	Accumulated Amortization
Website	\$ 29,225	\$ 26,705
Software	11,697	11,697
	\$ 40,922	\$ 38,402

Amortization expenses was \$360 for the year ended June 30, 2024.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024:

Subject to expenditure for Specified Purpose:	
Capital campaign	\$ 4,021,573
Time restricted receivables	1,764,030
Other restricted funds	3,644
	\$ 5,789,247

Note 8 – Net Assets with Board Designations

Net assets without donor restrictions include certain net assets subject to board designations that make them unavailable for general expenditure without board approval. Net assets designated by the board as of June 30, 2024 include:

Teacher of the year award	\$ 119,925
Asset Renewal	91,289
	\$ 211,214

Note 9 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024, are:

Cash and cash equivalents	\$ 8,131,740
Tuition receivable, net	308,394
Contributions receivable due within one year	669,311
	9,109,445
Less amounts unavailable for general expenditure within one year	
Donor restricted net assets	5,789,247
Board-designated net assets	211,214
Amount available for general expenditure within one year	\$ 3,108,984

Northstar Academy, Inc.
Notes to Financial Statements
June 30, 2024

The Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Academy maintains a line of credit mentioned in Note 5. Finally, the board designated net assets could be made available by action of the Board of Directors, if necessary. Management and the Board of Directors regularly monitor liquidity needs of the Academy.

Note 10 – Retirement Plan

The Academy provides retirement benefits to its employees through a defined contribution plan covering all full-time employees. The Academy made matching contributions of up to 4% of eligible employees' salary to the plan. Participants may elect to make contributions to the plan up to the maximum prescribed by law. Total retirement expenses were \$69,087 for the year ended June 30, 2024.

Note 11 – Concentration of Receivables and Revenue

Contributions from one donor accounted for 19.7% of contributions received during the year ended June 30, 2024.

Financial instruments that potentially subject the Academy to credit risk include student tuition receivables. The Academy extends unsecured credit plans to parents or guardians of students. Student tuition receivables represent amounts due for tuition and fees from parents or guardians of students. Amounts are considered past due when not paid by the end of the following month.

Tuition and fees from two school jurisdictions made up roughly 77% of net tuition and fees revenue during the year ended June 30, 2024.

Note 12 – Subsequent Events

Management has evaluated subsequent events through November 7, 2024, the date which the financial statements were available for issue.