

NORTHSTAR ACADEMY, INC.
RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

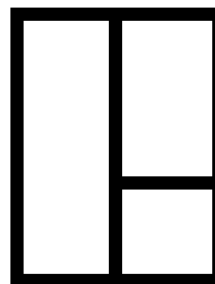
NORTHSTAR ACADEMY, INC.
FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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Lane & Associates, P.C.

Certified Public Accountants and
Management Consultants
2839 Hathaway Road
Richmond, Virginia 23225
(804) 272-7421 • FAX (804) 330-7004



Members • American
Institute of Certified Public
Accountants • Virginia
Society of Certified Public
Accountants

Meda S. Lane, CPA
Christopher English, CPA CGMA

Elizabeth P. Morris, CPA
Troy C. Schofield, CPA
Martha E. Cloe, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Northstar Academy, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Northstar Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years 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 Northstar Academy as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Northstar Academy 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'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, including omissions, 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'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'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.

Rame & Associates, P.C.

Certified Public Accountants
Richmond, Virginia
December 16, 2021

NORTHSTAR ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,380,756	\$ 2,799,621
Investments: certificates of deposit	502,004	497,098
Tuition receivable, net	331,255	200,458
Contributions receivable, net	159,833	7,500
Government grants receivable	940,285	-
Prepaid expenses	110,746	27,921
Deposit on building	100,000	-
Other current assets	8,700	9,300
Total current assets	4,533,579	3,541,898
Long-term assets		
Contributions receivable, net	741,333	15,000
Security deposit	3,720	3,720
Property and equipment, net	1,167,705	1,237,648
Total long-term assets	1,912,758	1,256,368
Intangible assets, net	13,904	22,699
Total assets	\$ 6,460,241	\$ 4,820,965

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION, CONTINUED

June 30, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 23,552	\$ 12,559
Accrued compensation	286,124	268,544
Accrued payroll tax	40,492	40,137
Deferred tuition revenue	126,515	99,340
Note payable	-	488,600
Other payables	14,262	17,270
Total current liabilities	490,945	926,450
Long-term liabilities		
Accrued expenses	20,000	20,000
Total long-term liabilities	20,000	20,000
Total liabilities	510,945	946,450
Net assets		
Without donor restriction		
Undesignated	2,550,416	2,172,372
Designated by the Board	125,000	127,121
Invested in property and equipment, and intangible assets, net of depreciation	1,181,609	1,260,347
	3,857,025	3,559,840
With donor restrictions		
Time restrictions	940,285	-
Purpose restrictions	1,151,986	314,675
	2,092,271	314,675
Total net assets	5,949,296	3,874,515
Total liabilities and net assets	\$ 6,460,241	\$ 4,820,965

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Tuition and fees	\$ 2,832,793	\$ -	\$ 2,832,793
Less discounts and scholarships	(230,290)	-	(230,290)
Net tuition and fees	2,602,503	-	2,602,503
Contributions	670,154	1,067,500	1,737,654
Government grants	488,600	940,285	1,428,885
Books and consumables	17,354	-	17,354
Individual counseling	26,817	-	26,817
Other sources	7,641	-	7,641
Lunches	1,138	-	1,138
Net investment return	4,213	-	4,213
Net assets released from restrictions	230,189	(230,189)	-
Total revenue and other support	4,048,609	1,777,596	5,826,205
Expenses and losses			
Expenses			
Program services			
Career Academy	722,198	-	722,198
Northstar Academy K-12	2,295,956	-	2,295,956
Total program services	3,018,154	-	3,018,154
Support services			
General administration	331,646	-	331,646
Fundraising	401,624	-	401,624
Total support services	733,270	-	733,270
Total expenses	3,751,424	-	3,751,424
Change in net assets	297,185	1,777,596	2,074,781
Net assets at beginning of the year	3,559,840	314,675	3,874,515
Net assets at end of year	<u>\$ 3,857,025</u>	<u>\$ 2,092,271</u>	<u>\$ 5,949,296</u>

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

	Without donor Restrictions	With donor Restrictions	Total
Revenue and other support			
Tuition and fees	\$ 3,013,040	\$ -	\$ 3,013,040
Less discounts and scholarships	(232,937)	-	(232,937)
Net tuition and fees	2,780,103	-	2,780,103
Contributions	616,436	35,000	651,436
Books and consumables	17,855	-	17,855
Individual counseling	24,350	-	24,350
Other sources	6,408	-	6,408
Lunches	10,202	-	10,202
Net investment return	422	-	422
Rental income	3,880	-	3,880
Recovery of bad debts written off	2,737	-	2,737
Net assets released from restrictions	42,500	(42,500)	-
Total revenue and other support	3,504,893	(7,500)	3,497,393
Expenses and losses			
Expenses			
Program services			
Career Academy	748,699	-	748,699
Northstar Academy K-12	2,154,197	-	2,154,197
Total program services	2,902,896	-	2,902,896
Support services			
General administration	313,288	-	313,288
Fundraising	262,692	-	262,692
Total support services	575,980	-	575,980
Total expenses	3,478,876	-	3,478,876
Change in net assets	26,017	(7,500)	18,517
Net assets at beginning of the year	3,533,823	322,175	3,855,998
Net assets at end of year	\$ 3,559,840	\$ 314,675	\$ 3,874,515

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2021

Cash flows from operating activities		
Change in net assets		\$ 2,074,781
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	\$ 162,863	
Forgiveness of PPP debt revenue	(488,600)	
Reinvested interest on certificate of deposit	(4,907)	
Loss on sale of donated securities	867	
Donations of securities	(135,720)	
(Increase) decrease in operating assets		
Tuition receivable, net	(130,797)	
Contributions receivable, net	(878,666)	
Government grants receivable	(940,285)	
Prepaid expenses	(82,825)	
Deposit on building	(100,000)	
Other current assets	600	
Increase (decrease) in operating liabilities		
Accounts payable	10,993	
Accrued compensation	17,580	
Accrued payroll tax	355	
Deferred tuition revenue	27,175	
Other payables	(3,008)	(2,544,375)
Net cash used by operating activities		(469,594)
Cash flows from investing activities		
Proceeds from sale of donated securities	134,854	
Purchases of property and equipment	(84,125)	
Net cash provided by investing activities		50,729
Net decrease in cash and cash equivalents		(418,865)
Cash and cash equivalents at beginning of year		2,799,621
Cash and cash equivalents at end of year		\$ 2,380,756

Supplemental cash flow information:

No cash paid for interest during the year.

No cash paid for income taxes during the year.

NORTHSTAR ACADEMY, INC.**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2020

Cash flows from operating activities		
Change in net assets		\$ 18,517
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 152,686	
Donations of securities	496	
Reinvested interest on certificate of deposit	(49,277)	
(Increase) decrease in operating assets		
Tuition receivable, net	9,691	
Contributions receivable	32,500	
Prepaid expenses	4,613	
Increase (decrease) in operating liabilities		
Accounts payable	(8,630)	
Accrued compensation	22,045	
Accrued payroll tax	2,615	
Deferred tuition revenue	(13,290)	
Other payables	6,017	
		<u>159,466</u>
Net cash provided by operating activities		177,983
Cash flows from investing activities		
Proceeds from sale of donated securities	48,781	
Purchases of property and equipment	(97,188)	
Purchases of intangible assets	(12,812)	
		<u>(61,219)</u>
Net cash used by investing activities		(61,219)
Cash flows from financing activities		
Proceeds of long-term note payable	488,600	
		<u>488,600</u>
Net cash used by financing activities		488,600
Net increase in cash and cash equivalents		605,364
Cash and cash equivalents at beginning of year		<u>2,194,257</u>
Cash and cash equivalents at end of year		<u>\$ 2,799,621</u>

Supplemental cash flow information:

No cash paid for interest during the year.

No cash paid for income taxes during the year.

NORTHSTAR ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services			Supporting Services		
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Total
Salaries and related expenses	\$ 536,278	\$ 1,842,161	\$ 2,378,439	\$ 242,893	\$ 208,425	\$ 2,829,757
Educational supplies and expenses	17,432	24,554	41,986	-	-	41,986
Lunches	44	28,504	28,548	-	-	28,548
Professional fees	-	27,932	27,932	41,676	156,000	225,608
Training and conferences	4,587	14,670	19,257	39	775	20,071
Technology	3,951	63,438	67,389	638	11,792	79,819
Occupancy expenses	97,862	111,897	209,759	19,751	6,134	235,644
Advertising and marketing	543	37,980	38,523	-	5,781	44,304
Office expenses	15,177	18,365	33,542	2,442	1,078	37,062
Depreciation and amortization	42,178	102,582	144,760	12,069	6,034	162,863
Other expenses	4,146	23,873	28,019	12,138	5,605	45,762
Total expense by function	\$ 722,198	\$ 2,295,956	\$ 3,018,154	\$ 331,646	\$ 401,624	\$ 3,751,424

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services			Supporting Services		
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Total
Salaries and related expenses	\$ 559,750	\$ 1,761,448	\$ 2,321,198	\$ 244,913	\$ 169,573	\$ 2,735,684
Educational supplies and expenses	13,035	33,087	46,122	-	-	46,122
Lunches	34	42,334	42,368	-	-	42,368
Professional fees	1,300	33,880	35,180	32,970	55,811	123,961
Training and conferences	5,188	10,379	15,567	398	2,147	18,112
Technology	2,919	40,533	43,452	3,875	9,417	56,744
Occupancy expenses	83,728	73,380	157,108	13,456	4,266	174,830
Advertising and marketing	6,455	16,496	22,951	-	3,604	26,555
Office expenses	16,645	33,704	50,349	2,478	2,024	54,851
Depreciation and amortization	52,496	85,162	137,658	10,019	5,009	152,686
Other expenses	7,149	23,794	30,943	5,179	10,841	46,963
Total expense by function	\$ 748,699	\$ 2,154,197	\$ 2,902,896	\$ 313,288	\$ 262,692	\$ 3,478,876

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

1. NATURE OF 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 campuses, an academic campus 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 the Virginia Association of Independent Specialized Education Facilities. The Academy is licensed to serve 12 of the 13 disability categories identified by the Individuals with Disabilities Education Act. The Academy is also licensed by the Virginia Department of Education.

By welcoming this wide variety of students, the Academy represents the broader community and offers our 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 organization'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting:** The financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP) for not-for-profit entities. This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned and expenses are recognized when incurred. The significant accounting and reporting policies used by the Academy are described subsequently to enhance the usefulness and understandability of the financial statements.
- B. **Basis of Presentation:** Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a teacher award fund.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions and net losses on endowment investments reduce that net asset class.

- C. **Revenue and Revenue Recognition:** 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 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 session occurs. Students are expected to pay some or all of the tuition before classes start and pay the entire balance during the fiscal year. The timing of cash collection and revenue recognition may result in deferred revenue when a customer pays for classes or sessions in the next fiscal year. The transaction price is predetermined when the contract is entered into by the customer and there are no variable prices.
- D. **Contributions:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase net assets with donor restrictions, either temporarily or permanently depending on the nature of the 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 restriction and reported in the Statement of Activities as net assets released from restrictions.

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

Unconditional promises to give are recorded when pledged.

Conditional promises to give are recognized when all non-administrative barriers preventing the Academy from being entitled to the promised assets have been overcome. Conditional promises to give that have their conditions satisfied in the period they are promised are recorded as unconditional.

Contributions of donated non-cash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

The Academy records promises to give as the amounts pledged. Generally accepted accounting principles require that promises to give not expected to be received within one year of the date of the financial statements be recorded as the present value of the expected future cash flows; however the effect of recording the amount pledged is not materially different from the amount that would have been recorded using the present value.

Pledge receivables expected to be received within one year of the date of the financial statements are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a reduction to pledges receivable.

- E. Cash and Cash Equivalents: Cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.
- F. Certificates of Deposit: Certificates of deposit held for investment that are not debt securities are included in investments, and are measured at cost rather than at fair value. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments."
- G. Tuition Receivable: The Academy has tuition receivables due to outstanding tuition amounts due. Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management makes decisions regarding over due accounts, delinquency, and uncollectable amounts on an account by account basis. Balances that are still outstanding after management has used reasonable

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

collection efforts are written off through a charge to the valuation allowance and a reduction to tuition receivable and the valuation account is adjusted at each year end. Because of the inherent uncertainties in estimating the allowance for uncollectible tuition, it is at least reasonably possible that the estimates used will change within the near term.

- H. Advertising Costs: The Academy capitalizes videos intended for marketing and advertising use, and amortizes those assets over their expected useful lives. The Academy expenses all other advertising costs when incurred
- I. Property and Equipment: Property and equipment are stated at cost if purchased and at fair value if donated. The Academy capitalizes additions of property and equipment in excess of \$1,000 cost or fair value, if donated. Depreciation or amortization is provided over the estimated useful lives of the respective assets on a straight-line basis. It is at least reasonably possible that estimates of remaining useful lives will change in the near term. Routine repairs and maintenance are expensed as incurred.
- J. Intangible Assets: Intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. It is at least reasonably possible that estimates of remaining useful lives will change in the near term.
- K. Income Taxes: The Academy is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private Foundation. However, income from certain activities not directly related to the Academy's tax-exempt purpose could be subject to taxation as unrelated business income.
- L. Allocation of Functional Expenses: The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.
- M. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

3. CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

As of June 30, 2021 and 2020, the Academy's balances of cash and cash equivalents were made up of the following:

Cash and cash equivalents at year end	<u>2021</u>	<u>2020</u>
Cash at banks	\$ 2,120,000	\$ 2,539,010
Cash on hand	300	300
Money market accounts at banks	<u>260,456</u>	<u>260,311</u>
Total cash and cash equivalents	<u>\$ 2,380,756</u>	<u>\$ 2,799,621</u>

Deposits at three banks are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021 the Academy's balances in bank deposits and certificates of deposit exceeded FDIC limits by \$1,882,461.

4. LIQUIDITY AND AVAILABILITY

The Academy manages its cash needs by keeping the majority of its current assets in cash at several banks for general use, and by owning two certificates of deposit. Financial assets available for general expenditure, that is without donor-imposed or internal designations limiting their use, within one year of June 30, 2021 and 2020, are as follows:

Financial assets at year end	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,380,756	\$ 2,799,621
Certificates of deposit, current	502,004	497,098
Tuition receivable, net	331,255	200,458
Contributions receivable, current	159,833	7,500
Government grants receivable, current	940,285	-
Contributions receivable, long-term	741,333	15,000
Deposits	100,000	-
Other current assets	<u>8,700</u>	<u>9,300</u>
Total financial assets	<u>5,164,166</u>	<u>3,528,977</u>

Less amounts not available for use within twelve months

Net assets with donor restrictions	2,092,271	314,675
Net assets with donor restrictions expected to be met over the next 12 months	(1,314,757)	-
Board-designated net assets	125,000	127,121
Other current assets	<u>8,700</u>	<u>9,300</u>
	<u>911,214</u>	<u>451,096</u>
Financial assets available to meet general expenditures during the next 12 months	<u>\$ 4,252,952</u>	<u>\$ 3,077,881</u>

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

5. INVESTMENTS

The Academy's investments at June 30, 2021 consisted of two short term CDs valued at \$502,004. These CDs were held at a bank with no cash deposits included in the Academy's FDIC limit calculation.

The Academy's investments at June 30, 2020 consisted of two short term CDs valued at \$497,098. These CDs were held at a bank with no cash deposits included in the Academy's FDIC limit calculation.

For the years ended June 30, 2021 and 2020, the Academy's net investment return was made up of the following:

Net investment return	<u>2021</u>	<u>2020</u>
Interest income	\$ 5,080	\$ 918
Realized loss on sale of donated securities	(867)	(496)
Net investment return	<u>\$ 4,213</u>	<u>\$ 422</u>

6. REVENUE RECOGNITION: CONTRACT BALANCES

All tuition receivables and deferred revenue balances at the beginning of the fiscal year ending June 30, 2021 were received and recognized during the fiscal year and the allowance for doubtful accounts was adjusted. The beginning and ending contract balances were as follows:

	<u>Beginning of year</u>	<u>Reduction in year</u>	<u>Increase in year</u>	<u>End of year</u>
Tuition receivable	\$ 203,903	\$ (203,903)	\$ 333,300	\$ 333,300
Allowance for doubtful accounts	(3,445)	1,400	-	(2,045)
Deferred revenue	99,340	(99,340)	126,515	126,515

7. CONTRIBUTIONS RECEIVABLE

As of June 30, 2021 and 2020, the Academy's balances of contributions receivable were made up of the following:

Contributions receivable at year end	<u>2021</u>	<u>2020</u>
Due within one year	\$ 159,833	\$ 7,500
Due within two to five years	751,333	15,000
Allowance for doubtful pledges	(10,000)	-
Total contributions receivable	<u>\$ 901,166</u>	<u>\$ 22,500</u>

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The Academy has a conditional promise to give for \$500,000 due in the fiscal year ending June 30, 2022. Payment is contingent upon raising \$500,000 in other contributions towards the current capital campaign after May 20, 2021 with no more than 50% from private foundations. As of June 30, 2021 Northstar had not met this requirement and the grant had not yet been recorded.

8. PROPERTY AND EQUIPMENT

Major categories of property and equipment as of June 30, 2021, including their accumulated depreciation and depreciable lives were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Lives</u>
Land	\$ 255,685	\$ -	Indefinite
Furniture and equipment	531,189	397,353	5-10 years
Vehicles	162,822	146,924	5 years
Leasehold Improvements	87,789	84,535	5 years
Building and improvements	<u>1,424,231</u>	<u>665,199</u>	7-39 years
Total	<u>\$ 2,461,716</u>	<u>\$ 1,294,011</u>	

Major categories of property and equipment as of June 30, 2020, including their accumulated depreciation and depreciable lives were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Lives</u>
Land	\$ 255,685	\$ -	Indefinite
Furniture and equipment	454,563	321,266	5-10 years
Vehicles	162,822	133,617	5 years
Leasehold Improvements	87,789	66,904	5 years
Building and improvements	<u>1,416,732</u>	<u>618,156</u>	7-39 years
Total	<u>\$ 2,377,591</u>	<u>\$ 1,139,943</u>	

Depreciation expense was \$154,069 and \$148,679 for the years ended June 30, 2021 and 2020 respectively.

9. INTANGIBLE ASSETS

As of June 30, 2021 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website	\$ 25,625	\$ 12,101	3 Years
Software	<u>13,303</u>	<u>12,923</u>	3-5 Years
	<u>\$ 38,928</u>	<u>\$ 25,024</u>	

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As of June 30, 2020 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website	\$ 25,625	\$ 3,559	3 Years
Software	<u>13,303</u>	<u>12,670</u>	3-5 Years
	<u>\$ 38,928</u>	<u>\$ 16,229</u>	

Amortization expense was \$8,795 and \$4,007 for the years ended June 30, 2021 and 2020 respectively.

10. CONTRIBUTION REVENUE

Contributions to the Academy during the year ended June 30, 2021 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 640,154	\$ -	\$ 640,154
Career academy	30,000	-	30,000
Capital campaign	-	1,077,500	1,077,500
Allowance for doubtful pledges	-	(10,000)	(10,000)
Government grant programs	<u>488,600</u>	<u>940,285</u>	<u>1,428,885</u>
	<u>\$ 1,158,754</u>	<u>\$ 2,007,785</u>	<u>\$ 3,166,539</u>

Contributions to the Academy during the year ended June 30, 2020 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 616,435	\$ -	\$ 616,435
Career academy	-	35,000	35,000
	<u>\$ 616,435</u>	<u>\$ 35,000</u>	<u>\$ 651,435</u>

11. OPERATING LEASES

The Academy leases office and teaching space under a 5 year operating lease. The following is a schedule by years of future minimum lease payments:

Year ending June 30	
2022	<u>\$ 16,359</u>
Total minimum lease payments	<u>\$ 16,359</u>

Total rent expense was \$48,695 and \$49,386 for the years ended June 30, 2021 and 2020 respectively.

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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021 and 2020:

Net assets with donor restrictions at year end	<u>2021</u>	<u>2020</u>
Scholarships	\$ 15,000	\$ 22,500
Augmentative and Alternate Communication	31,181	32,175
Capital campaign	1,105,805	225,000
Career academy	-	35,000
Government grant programs	<u>940,285</u>	<u>-</u>
Net assets with donor restrictions	<u>\$ 2,092,271</u>	<u>\$ 314,675</u>

13. NET ASSETS DESIGNATED BY THE BOARD

Of the total net assets without donor restrictions, certain net assets are subject to board designations that make them unavailable for general expenditure without board approval. The designated net assets include:

Net assets designated by the board	<u>2021</u>	<u>2020</u>
Capital campaign fund	\$ -	\$ 2,121
Teacher of the year award	<u>125,000</u>	<u>125,000</u>
Net assets designated by the board	<u>\$ 125,000</u>	<u>\$ 127,121</u>

14. ADVERTISING COSTS

The Academy's advertising costs were \$27,666 and \$9,877 for years ended June 30, 2021 and 2020 respectively.

15. 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 customer and information from an independent service that assesses the amount that a customer can afford. For the year ended June 30, 2021 the amount of scholarships awarded was \$183,144 and the amount of reduction for early registration was \$47,146. For the year ended June 30, 2020 the amount of scholarships awarded was \$193,217 and the amount of reduction for early registration was \$39,719.

The Academy is a participant in a scholarship program overseen by the Great Aspirations Scholarship Program, Inc.(GRASP), an independent not-for-profit organization that provides financial aid for students in need. GRASP awards scholarships under the Educational Incentive Tax Credit (EITC) program, which scholarships are given to qualifying students who meet specific financial need criteria. GRASP makes financial aid

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awards to the Academy upon the presentation of evidence that the need criterion for the qualifying students has been met. The GRASP program ended in 2021. Payments received from GRASP for financial aid totaled \$0 and \$43,351 for the years ended June 30, 2021 and 2020 respectively. These amounts are included in the gross tuition reported on the financial statements.

16. NONCASH CONTRIBUTIONS

A substantial number of volunteers 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 these services do not meet the criteria for recognition as contributed services under generally accepted accounting principles.

17. CONCENTRATION OF RECEIVABLES AND REVENUE

Contributions receivable as of June 30, 2021 consist of two multi-year pledges making up 49% and 27% of contributions receivable.

Contributions receivable as of June 30, 2020 consist of a multi-year pledge making up 100% of contributions receivable.

Financial instruments that potentially subject the Academy to credit risk include student tuition receivable. The Academy extends unsecured credit plans to parents or guardians of students. Student tuition receivable represent amounts due for tuition and fees from parents or guardians of students. Amounts are past due when not paid by the end of the following month. Student tuition receivable past due more than ninety days were \$12,563 as of June 30, 2021, and \$38,257 as of June 30, 2020, respectively.

Tuition and fees from two school jurisdictions each make up 24% and 22% of net tuition and fees revenue in the year ended June 30, 2021.

Tuition and fees from two school jurisdictions each make up 18% and 15% of net tuition and fees revenue in the year ended June 30, 2020.

18. EMPLOYEE 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 expense was \$65,935 and \$64,062 for the years ended June 30, 2021 and 2020, respectively.

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19. PAYCHECK PROTECTION PROGRAM

During November 2020 Northstar Academy was awarded an unsecured Small Business Administration loan through the Paycheck Protection Program in the amount of \$488,600. Under the terms of the CARES Act, the loan can be forgiven based on payroll, rent, and utility expenses paid or incurred during a specific period, and salary and headcount based factors. The entire amount was forgiven during the fiscal year ended June 30, 2021 and is reported as unrestricted government grant revenue.

20. EMPLOYEE RETENTION TAX CREDIT

The Academy qualified for participation in the Employee Retention Tax Credit (ERC) program, also under the CARES Act and its revisions. Under this program an organization can apply for refundable tax credits based on quarterly employee wages and health insurance payments. The organization currently expects \$899,137 in credits to be received during the next fiscal year.

Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Academy's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Academy.

21. COVID-19 PANDEMIC

On January 30, 2020 the World Health Organization announced a global health emergency due to a new strain of coronavirus and the risks to the international community. The full impact of the COVID-19 emergency continues to evolve as of the date of this report.

Northstar Academy's operations are heavily dependent on private and public donations from individuals, foundations, corporations, and congregations as well as voluntary enrollment by private citizens and local public school districts. The outbreak of COVID 19 may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation may depress donations and enrollment during the next fiscal year. As a result, this may hinder our ability to advance our mission and our financial condition and liquidity may be negatively impacted for the next fiscal year. The outbreak has not had a significant effect on tuition due to the implementation of remote learning services.

Management is actively monitoring the effects of the pandemic on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak, the Organization is not able to estimate the full effects on future financial results.

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22. SUBSEQUENT EVENTS AND MANAGEMENT'S REVIEW

Subsequent to June 30, 2021, the Academy purchased a building for approximately \$4.5 million with a \$3,600,000 unsecured, nonrevolving pledge loan at 2.52% maturing January 31, 2027. Northstar has pledged to the creditor that the Academy will not enter into other liens, pledges, or encumbrances on the building and there are loan covenants that must be met.

Management has evaluated subsequent events through December 16, 2021, the date which the financial statements were available to be issued.