

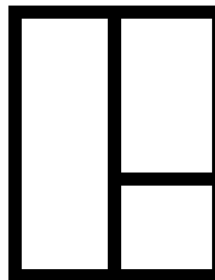
NORTHSTAR ACADEMY, INC.
RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

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
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, 2022 and 2021, 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, 2022 and 2021, 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
January 8th, 2023

NORTHSTAR ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,399,925	\$ 2,380,756
Investments: certificates of deposit	-	502,004
Tuition receivable, net	306,072	331,255
Contributions receivable, net	2,052,997	159,833
Prepaid expenses	42,206	110,746
Deposit on building	-	100,000
Security deposit	10,720	-
Other current assets	7,200	8,700
Total current assets	5,819,120	3,593,294
Long-term assets		
Contributions receivable, net	3,042,916	741,333
Government grants receivable	845,306	940,285
Security deposit	-	3,720
Property and equipment, net	5,517,492	1,167,705
Total long-term assets	9,405,714	2,853,043
Intangible assets, net	8,349	13,904
Total assets	\$ 15,233,183	\$ 6,460,241

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION, CONTINUED

June 30, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 211,987	\$ 23,552
Accrued compensation	237,732	286,124
Accrued payroll tax	18,053	40,492
Deferred tuition revenue	151,551	126,515
Current portion long-term debt	309,584	-
Other payables	1,239	14,262
Total current liabilities	930,146	490,945
Long-term liabilities		
Accrued expenses	-	20,000
Note payable, net of current portion	2,900,000	-
Total long-term liabilities	2,900,000	20,000
Total liabilities	3,830,146	510,945
Net assets		
Without donor restriction		
Undesignated	5,336,818	3,732,025
Designated by the Board	125,000	125,000
	5,461,818	3,857,025
With donor restrictions		
Time-only restrictions	4,554,280	940,285
Purpose restrictions	1,386,939	1,151,986
	5,941,219	2,092,271
Total net assets	11,403,037	5,949,296
Total liabilities and net assets	\$ 15,233,183	\$ 6,460,241

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Tuition and fees	\$ 2,884,496	\$ -	\$ 2,884,496
Less discounts and scholarships	(199,707)	-	(199,707)
Net tuition and fees	2,684,789	-	2,684,789
Contributions	425,569	5,678,769	6,104,338
Government grants	2,746	-	2,746
Special events revenue	144,083	-	144,083
Less cost of direct benefits to donors	(72,734)	-	(72,734)
Net revenues from special events	71,349		71,349
Books and consumables	15,082	-	15,082
Individual counseling	69,584	-	69,584
Other sources	18,949	-	18,949
Net investment return	1,212	-	1,212
Gain on disposal of assets	400,657	-	400,657
Net assets released from restrictions	1,829,821	(1,829,821)	-
Total revenue and other support	5,519,758	3,848,948	9,368,706
Expenses and losses			
Expenses			
Program services			
Career Academy	664,066	-	664,066
Northstar Academy K-12	2,505,066	-	2,505,066
Total program services	3,169,132	-	3,169,132
Support services			
General administration	373,309	-	373,309
Fundraising	372,524	-	372,524
Total support services	745,833	-	745,833
Total expenses	3,914,965	-	3,914,965
Change in net assets	1,604,793	3,848,948	5,453,741
Net assets at beginning of the year	3,857,025	2,092,271	5,949,296
Net assets at end of year	<u>\$ 5,461,818</u>	<u>\$ 5,941,219</u>	<u>\$ 11,403,037</u>

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	8,779	-	8,779
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 CASH FLOWS
For the Year Ended June 30, 2022

Cash flows from operating activities		
Change in net assets		\$ 5,453,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 131,278	
Early withdrawal penalty on investments	1,615	
Gain on sale of property and equipment	(400,657)	
Loss on sale of donated securities	4,601	
Donations of securities	(893,034)	
(Increase) decrease in operating assets		
Tuition receivable, net	25,183	
Contributions receivable, net	(4,194,747)	
Government grants receivable	94,979	
Prepaid expenses	68,540	
Deposit on building	100,000	
Other current assets	1,500	
Security deposit	(10,720)	
Increase (decrease) in operating liabilities		
Accounts payable	188,435	
Accrued compensation	(48,392)	
Accrued payroll tax	(22,439)	
Deferred tuition revenue	25,036	
Other payables	(13,023)	
Accrued expenses	(20,000)	(4,961,845)
Net cash provided by operating activities		491,896
Cash flows from investing activities		
Proceeds from sale of donated securities	888,433	
Sales of investments	500,388	
Purchases of property and equipment	(2,164,668)	
Proceeds from sale of property and equipment	1,302,995	
Net cash provided by investing activities		527,148
Cash flows from financing activities		
Proceeds from borrowing on note payable	125	
Net cash provided by financing activities		125
Net increase in cash and cash equivalents		1,019,169
Cash and cash equivalents at beginning of year		2,380,756
Cash and cash equivalents at end of year		<u>\$ 3,399,925</u>

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.
STATEMENT OF CASH FLOWS, CONTINUED
For the Year Ended June 30, 2022

Supplemental cash flow information:

Cash paid \$6,666 in interest during the year.

Capitalized \$54,067 in interest during the year.

No cash paid for income taxes during the year.

Acquired property and equipment totaling \$5,354,737 for cash and a \$3,209,000 note.

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-debt revenue, PPP	(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	(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		<u>\$ 2,380,756</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, 2022

	Program Services			Supporting Services		
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Total
Salaries and related expenses	\$ 499,508	\$ 1,923,874	\$ 2,423,382	\$ 256,747	\$ 231,154	\$ 2,911,283
Educational supplies and expenses	26,256	27,834	54,090	-	-	54,090
Lunches	155	58,063	58,218	-	-	58,218
Professional fees	-	51,111	51,111	46,789	102,500	200,400
Training and conferences	265	8,936	9,201	2,574	275	12,050
Technology	1,118	70,290	71,408	921	9,047	81,376
Occupancy expenses	94,739	164,446	259,185	24,808	8,793	292,786
Advertising and marketing	2,097	54,424	56,521	-	3,844	60,365
Office expenses	16,222	20,623	36,845	1,713	1,084	39,642
Direct cost of special events	-	-	-	-	72,734	72,734
Depreciation and amortization	18,476	95,882	114,358	11,280	5,640	131,278
Other expenses	5,230	29,583	34,813	28,477	10,187	73,477
Total expense by function	<u>664,066</u>	<u>2,505,066</u>	<u>3,169,132</u>	<u>373,309</u>	<u>445,258</u>	<u>3,987,699</u>
Less expenses included with revenues on the statement of activities						
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,734)</u>	<u>(72,734)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 664,066</u>	<u>\$ 2,505,066</u>	<u>\$ 3,169,132</u>	<u>\$ 373,309</u>	<u>\$ 372,524</u>	<u>\$ 3,914,965</u>

SEE NOTES TO FINANCIAL STATEMENTS

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.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

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 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 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, 2022 and 2021

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 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.
- 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, 2022 and 2021

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.

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. This discount is an estimate and it is at least reasonably possible that it will change in the near term.

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 the valuation allowance 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 overdue accounts, delinquency, and uncollectable amounts on an account by account basis. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021

3. CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

As of June 30, 2022 and 2021, the Academy's balances of cash and cash equivalents were made up of the following:

Cash and cash equivalents at year end	<u>2022</u>	<u>2021</u>
Cash at bank	\$ 3,399,625	\$ 2,120,000
Cash on hand	300	300
Money market accounts at banks	-	260,456
Total cash and cash equivalents	<u>\$ 3,399,925</u>	<u>\$ 2,380,756</u>

Deposits at one bank are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2022 the Academy's balances in bank deposits and certificates of deposit exceeded FDIC limits by \$3,149,625.

4. LIQUIDITY AND AVAILABILITY

The Academy manages its cash needs by keeping all available cash in a single bank account. Financial assets available for general expenditure, that is without donor-imposed or internal designations limiting their use, within one year of June 30, 2022 and 2021, are as follows:

Financial assets at year end	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,399,925	\$ 2,380,756
Certificates of deposit, current	-	502,004
Tuition receivable, net	306,072	331,255
Contributions receivable, current	2,052,997	159,833
Government grants receivable, long term	845,306	940,285
Contributions receivable, long-term	3,042,916	741,333
Deposits	10,720	100,000
Other current assets	7,200	8,700
Total financial assets	<u>9,665,136</u>	<u>5,164,166</u>

Less amounts not available for use within twelve months

Net assets with donor restrictions	5,941,219	2,092,271
Net assets with donor restrictions expected to be met over the next 12 months	(2,052,997)	(1,314,757)
Board-designated net assets	125,000	125,000
Other current assets	7,200	8,700
	<u>4,020,422</u>	<u>911,214</u>
Financial assets available to meet general expenditures during the next 12 months	<u>\$ 5,644,714</u>	<u>\$ 4,252,952</u>

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

5. INVESTMENTS

The Academy had no investments at June 30, 2022.

The Academy's investments at June 30, 2021 consisted of two short term CDs valued at \$502,004.

For the years ended June 30, 2022 and 2021, the Academy's net investment return was made up of the following:

Net investment return	<u>2022</u>	<u>2021</u>
Interest income	\$ 5,813	\$ 5,080
Realized loss on sale of donated securities	(4,601)	(867)
Net investment return	<u>\$ 1,212</u>	<u>\$ 4,213</u>

6. REVENUE RECOGNITION: CONTRACT BALANCES

All tuition receivables and deferred revenue balances at the beginning of the fiscal year ending June 30, 2022 were received and recognized during the fiscal year and the allowance for doubtful accounts was not adjusted. The beginning and ending contract balances were as follows:

<u>2022</u>	<u>Beginning of year</u>	<u>Reduction in year</u>	<u>Increase in year</u>	<u>End of year</u>
Tuition receivable	\$ 333,300	\$ (333,300)	\$ 308,117	\$ 308,117
Allowance for doubtful accounts	(2,045)	-	-	(2,045)
Deferred revenue	126,515	(126,515)	151,551	151,551
<u>2021</u>	<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

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

7. CONTRIBUTIONS RECEIVABLE

As of June 30, 2022 and 2021, the Academy's balances of contributions receivable were made up of the following:

Contributions receivable at year end	<u>2022</u>	<u>2021</u>
Due within one year	\$ 2,052,997	\$ 159,833
Due within two to five years	3,475,901	751,333
Discount for long term pledges at 4%	(422,985)	-
Allowance for doubtful pledges	(10,000)	(10,000)
Total contributions receivable	<u>\$ 5,095,913</u>	<u>\$ 901,166</u>

The Academy received a conditional promise to give for \$250,000 during the fiscal year ended June 30, 2022. Payment is contingent upon raising \$250,000 in other contributions towards the current capital campaign after the grant award and before May 2023 with no more than 50% from private foundations. As of June 30, 2022 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, 2022, including their accumulated depreciation and depreciable lives were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Lives</u>
Land	\$ 2,184,471	\$ -	Indefinite
Furniture and equipment	412,252	324,698	5-10 years
Vehicles	162,822	158,833	5 years
Leasehold Improvements	87,789	87,789	5 years
Building and improvements	3,241,477	-	7-39 years
Total	<u>\$ 6,088,811</u>	<u>\$ 571,320</u>	

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	1,424,231	665,199	7-39 years
Total	<u>\$ 2,461,716</u>	<u>\$ 1,294,011</u>	

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

Depreciation expense was \$122,123 and \$154,069 for the years ended June 30, 2022 and 2021 respectively.

9. INTANGIBLE ASSETS

As of June 30, 2022 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website	\$ 29,225	\$ 21,002	3 Years
Software	<u>13,303</u>	<u>13,177</u>	3-5 Years
	<u>\$ 42,528</u>	<u>\$ 34,179</u>	

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>	

Amortization expense was \$9,155 and \$8,795 for the years ended June 30, 2022 and 2021 respectively.

10. 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. Northstar has pledged to the creditor that the Academy 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:

Years ending June 30	<u>Minimum Principal Payments</u>	<u>Maximum Principal Balance</u>
2023	\$ 309,584	\$ 2,900,000
2024	800,000	2,100,000
2025	800,000	1,300,000
2026	800,000	500,000
2027	500,000	-

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

Total interest expense was \$6,666 and \$0 for the years ended June 30, 2022 and 2021 respectively. Interest expense capitalized was \$54,067 and \$0 for the years ended June 30, 2022 and 2021 respectively.

11. CONTRIBUTION REVENUE

Contributions to the Academy during the year ended June 30, 2022 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 425,569	\$ -	\$ 425,569
Capital campaign	-	6,101,754	6,101,754
Discount for long term pledges	-	(422,985)	(422,985)
Allowance for doubtful pledges	-	-	-
Government grant programs	<u>2,746</u>	<u>-</u>	<u>2,746</u>
	<u>\$ 428,315</u>	<u>\$ 5,678,769</u>	<u>\$ 6,107,084</u>

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>

12. OPERATING LEASES

The Academy leases office and teaching space under two short term, month to month rental arrangements until the location it purchased during the current fiscal year is placed in service.

Total rent and lease expense for all purposes was \$68,174 and \$61,773 for the years ended June 30, 2022 and 2021 respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022 and 2021:

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

Net assets with donor restrictions at year end	<u>2022</u>	<u>2021</u>
Scholarships	\$ 7,500	\$ 15,000
Augmentative and Alternate Communication	-	31,181
Capital campaign	1,386,939	1,105,805
Time restricted receivables	3,701,474	-
Government grant programs	<u>845,306</u>	<u>940,285</u>
Net assets with donor restrictions	<u>\$ 5,941,219</u>	<u>\$ 2,092,271</u>

14. 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>2022</u>	<u>2021</u>
Teacher of the year award	\$ 125,000	\$ 125,000

15. ADVERTISING COSTS

The Academy's advertising costs were \$60,365 and \$44,304 for years ended June 30, 2022 and 2021 respectively.

16. 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, 2022 the amount of scholarships awarded was \$167,107 and the amount of reduction for early registration was \$32,600. 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.

17. 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. The Academy received goods and services donated during the year ended June 30, 2022 for sale at auction during the annual special event that were included in special event revenue on the financial statements. Fair market value for these goods and services were based on the retail price or comparable purchase value in the Richmond, VA area. The Academy received \$893,034

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

and \$135,720 in stock contributions in the years ended June 30, 2022 and 2021 respectively.

18. CONCENTRATION OF RECEIVABLES AND REVENUE

Contributions receivable as of June 30, 2022 consist of one multi-year pledge making up 68% of contributions receivable. Donations from two donors each make up 57% and 12% of donation revenue.

Contributions receivable as of June 30, 2021 consist of two multi-year pledges making up 49% and 27% of contributions receivable. Donations from two donors each make up 26% and 14% of donation revenue.

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 \$37,670 as of June 30, 2022, and \$12,563 as of June 30, 2021, respectively.

Tuition and fees from two school jurisdictions each make up 38% and 28% of net tuition and fees revenue in the year ended June 30, 2022.

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.

19. 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 \$61,898 and \$65,935 for the years ended June 30, 2022 and 2021, respectively.

20. 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.

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

21. 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.

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.

22. 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.

23. CHANGE IN PRESENTATION

Due to recent events, including an expanded IRS auditing program, management has changed its estimate of when amounts from the ERC program are likely to be received. Prior year classification of the government grants receivable balance sheet line item have changed. This change will have no other effects on the Academy's financial statements.

24. MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 8th, 2023, the date which the financial statements were available to be issued.