

**NORTHSTAR ACADEMY, INC.**  
RICHMOND, VIRGINIA

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2023 and 2022

**NORTHSTAR ACADEMY, INC.**  
**FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2023 and 2022

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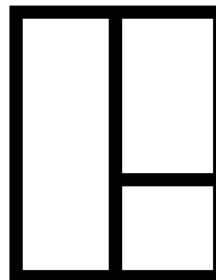
# Lane & Associates, P.C.

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## 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, 2023 and 2022, 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, 2023 and 2022, 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 12<sup>th</sup>, 2023

**NORTHSTAR ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,966,860	\$ 3,399,925
Tuition receivable, net	183,315	306,072
Contributions receivable, net	1,914,102	2,052,997
Prepaid expenses	35,781	42,206
Security deposit	-	10,721
Other current assets	33,600	7,200
Total current assets	8,133,658	5,819,121
Long-term assets		
Contributions receivable, net	2,940,636	3,042,916
Government grants receivable	165,763	845,306
Property and equipment, net	6,089,764	5,517,491
Total long-term assets	9,196,163	9,405,713
Intangible assets, net	2,880	8,349
Total assets	\$ 17,332,701	\$ 15,233,183

SEE NOTES TO FINANCIAL STATEMENTS

**NORTHSTAR ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION, CONTINUED**

June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 140,613	\$ 211,987
Accrued compensation	257,924	237,732
Accrued payroll tax	19,597	18,053
Deferred tuition revenue	192,648	151,551
Current portion long-term debt	800,000	309,584
Other payables	1,257	1,239
Total current liabilities	1,412,039	930,146
Long-term liabilities		
Note payable, net of current portion	2,100,000	2,900,000
Total long-term liabilities	2,100,000	2,900,000
Total liabilities	3,512,039	3,830,146
Net assets		
Without donor restriction		
Undesignated	8,030,008	5,336,818
Designated by the Board	120,000	125,000
	8,150,008	5,461,818
With donor restrictions		
Time-only restrictions	1,845,578	4,554,280
Purpose restrictions	3,825,076	1,386,939
	5,670,654	5,941,219
Total net assets	13,820,662	11,403,037
Total liabilities and net assets	\$ 17,332,701	\$ 15,233,183

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Tuition and fees	\$ 3,530,847	\$ -	\$ 3,530,847
Less discounts and scholarships	(247,330)	-	(247,330)
Net tuition and fees	3,283,517	-	3,283,517
Contributions	281,172	2,860,597	3,141,769
Special events revenue	136,901	-	136,901
Less cost of direct benefits to donors	(75,962)	-	(75,962)
Net revenues from special events	60,939		60,939
Books and consumables	27,119	-	27,119
Individual counseling	38,803	-	38,803
Other sources	13,406	-	13,406
Net investment return	31,208	-	31,208
Net assets released from restrictions	3,131,162	(3,131,162)	-
Total revenue and other support	6,867,326	(270,565)	6,596,761
Expenses and losses			
Expenses			
Program services			
Career Academy	647,698	-	647,698
Northstar Academy K-12	2,740,550	-	2,740,550
Total program services	3,388,248	-	3,388,248
Support services			
General administration	451,916	-	451,916
Fundraising	338,972	-	338,972
Total support services	790,888	-	790,888
Total expenses	4,179,136	-	4,179,136
Change in net assets	2,688,190	(270,565)	2,417,625
Net assets at beginning of the year	5,461,818	5,941,219	11,403,037
Net assets at end of year	<u>\$ 8,150,008</u>	<u>\$ 5,670,654</u>	<u>\$ 13,820,662</u>

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	144,083.00	-	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	\$ 5,461,818	\$ 5,941,219	\$ 11,403,037

SEE NOTES TO FINANCIAL STATEMENTS



**NORTHSTAR ACADEMY, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2023

Cash flows from operating activities		
Change in net assets		\$ 2,417,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 142,794	
Gain on sale of donated securities	287	
Donations of securities	(94,499)	
(Increase) decrease in operating assets		
Tuition receivable, net	122,757	
Contributions receivable, net	241,175	
Government grants receivable	679,543	
Prepaid expenses	6,425	
Other current assets	(26,400)	
Security deposit	10,721	
Increase (decrease) in operating liabilities		
Accounts payable	(71,374)	
Accrued compensation	20,192	
Accrued payroll tax	1,544	
Deferred tuition revenue	41,097	
Other payables	18	
	<u>18</u>	<u>1,074,280</u>
Net cash provided by operating activities		3,491,905
 Cash flows from investing activities		
Proceeds from sale of donated securities	94,212	
Purchases of property and equipment	<u>(709,598)</u>	
Net cash used by investing activities		(615,386)
 Cash flows from financing activities		
Payments on note payable	<u>(309,584)</u>	
Net cash used by financing activities		<u>(309,584)</u>
 Net increase in cash and cash equivalents		2,566,935
 Cash and cash equivalents at beginning of year		<u>3,399,925</u>
 Cash and cash equivalents at end of year		<u><u>\$ 5,966,860</u></u>

**Supplemental cash flow information:**

Paid \$78,321 in cash 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, 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	68,541	
Deposit	100,000	
Other current assets	1,500	
Security deposit	(10,721)	
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 of long-term note payable	125	
Net cash used 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		\$ 3,399,925

SEE NOTES TO FINANCIAL STATEMENTS

**NORTHSTAR ACADEMY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2023

	Program Services			Supporting Services		
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Total
Salaries and related expenses	\$ 545,805	\$ 1,984,094	\$ 2,529,899	\$ 301,247	\$ 246,051	\$ 3,077,197
Educational supplies and expenses	18,889	42,539	61,428	-	15	61,443
Lunches	3,751	79,189	82,940	50	-	82,990
Professional fees	-	25,117	25,117	74,919	25,205	125,241
Training and conferences	609	15,892	16,501	515	5,146	22,162
Technology	4,242	51,887	56,129	502	8,323	64,954
Occupancy expenses	18,871	230,470	249,341	37,496	23,121	309,958
Advertising and marketing	2,335	80,468	82,803	-	9,675	92,478
Office expenses	5,330	44,835	50,165	4,149	2,801	57,115
Direct cost of special events	-	-	-	-	75,962	75,962
Depreciation and amortization	23,005	99,425	122,430	13,177	7,187	142,794
Other expenses	24,861	86,634	111,495	19,861	11,448	142,804
Total expense by function	<u>647,698</u>	<u>2,740,550</u>	<u>3,388,248</u>	<u>451,916</u>	<u>414,934</u>	<u>4,255,098</u>
Less expenses included with revenues on the statement of activities						
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,962)</u>	<u>(75,962)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 647,698</u>	<u>\$ 2,740,550</u>	<u>\$ 3,388,248</u>	<u>\$ 451,916</u>	<u>\$ 338,972</u>	<u>\$ 4,179,136</u>

SEE NOTES TO FINANCIAL STATEMENTS

**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.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2023 and 2022

## **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**  
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*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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

**3. CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK**

As of June 30, 2023 and 2022, the Academy's balances of cash and cash equivalents were made up of the following:

Cash and cash equivalents at year end	<u>2023</u>	<u>2022</u>
Cash at bank	\$ 2,829,753	\$ 3,399,625
Cash on hand	300	300
Money market accounts at banks	<u>3,136,807</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 5,966,860</u>	<u>\$ 3,399,925</u>

Deposits at one bank are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023 the Academy's balances in bank deposits and certificates of deposit exceeded FDIC limits by \$5,716,560.

**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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, 2023 and 2022, are as follows:

Financial assets at year end	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,966,860	\$ 3,399,925
Tuition receivable, net	183,315	306,072
Contributions receivable, current	1,914,102	2,052,997
Government grants receivable, long term	165,763	845,306
Contributions receivable, long-term	2,940,636	3,042,916
Other current assets	<u>5,100</u>	<u>7,200</u>
Total financial assets	<u>11,204,276</u>	<u>9,654,416</u>
Less amounts not available for use within twelve months		
Net assets with donor restrictions	5,670,654	5,941,219
Net assets with donor restrictions expected to be met over the next 12 months	( 1,677,715)	( 2,052,997)
Board-designated net assets	120,000	125,000
Other current assets	<u>5,100</u>	<u>7,200</u>
	<u>4,118,039</u>	<u>911,214</u>
Financial assets available to meet general expenditures during the next 12 months	<u>\$ 7,057,736</u>	<u>\$ 4,252,952</u>

**NORTHSTAR ACADEMY, INC.**  
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**5. INVESTMENTS**

The Academy had only money market bank accounts at June 30, 2023.

The Academy had no investments at June 30, 2022.

For the years ended June 30, 2023 and 2022, the Academy's net investment return was made up of the following:

Net investment return	<u>2023</u>	<u>2022</u>
Interest income	\$ 31,496	\$ 5,813
Realized loss on sale of donated securities	( 288)	( 4,601)
Net investment return	<u>\$ 31,208</u>	<u>\$ 1,212</u>

**6. REVENUE RECOGNITION: CONTRACT BALANCES**

All tuition receivables and deferred revenue balances at the beginning of the fiscal years ending June 30, 2023 and 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>2023</u>	Beginning <u>of year</u>	Reduction <u>in year</u>	Increase <u>in year</u>	End <u>of year</u>
Tuition receivable	\$ 308,117	\$ (308,117)	\$ 183,315	\$ 183,315
Allowance for doubtful accounts	(2,045)	2,045	-	-
Deferred revenue	151,551	(151,551)	192,648	192,648
<u>2022</u>	Beginning <u>of year</u>	Reduction <u>in year</u>	Increase <u>in year</u>	End <u>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

**NORTHSTAR ACADEMY, INC.**  
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## 7. CONTRIBUTIONS RECEIVABLE

As of June 30, 2023 and 2022, the Academy's balances of contributions receivable were made up of the following:

Contributions receivable at year end	<u>2023</u>	<u>2022</u>
Due within one year	\$ 1,914,102	\$ 2,052,997
Due within two to five years	3,347,179	3,475,901
Discount for long term pledges at 4%	( 396,543)	( 422,985)
Allowance for doubtful pledges	( 10,000)	( 10,000)
Total contributions receivable	<u>\$ 4,854,738</u>	<u>\$ 5,095,913</u>

## 8. PROPERTY AND EQUIPMENT

Major categories of property and equipment as of June 30, 2023, 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	370,006	5-10 years
Vehicles	162,822	162,823	5 years
Leasehold Improvements	-	-	5 years
Building and improvements	<u>3,951,076</u>	<u>88,028</u>	7-39 years
Total	<u>\$ 6,710,621</u>	<u>\$ 620,857</u>	

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	324,699	5-10 years
Vehicles	162,822	158,833	5 years
Leasehold Improvements	87,789	87,789	5 years
Building and improvements	<u>3,224,902</u>	<u>-</u>	7-39 years
Total	<u>\$ 6,088,812</u>	<u>\$ 571,321</u>	

Depreciation expense was \$137,085 and \$122,123 for the years ended June 30, 2023 and 2022 respectively.

**NORTHSTAR ACADEMY, INC.**  
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**9. INTANGIBLE ASSETS**

As of June 30, 2023 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website	\$ 29,225	\$ 26,345	3 Years
Software	<u>13,303</u>	<u>13,303</u>	3-5 Years
	<u>\$ 42,528</u>	<u>\$ 39,648</u>	

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>	

Amortization expense was \$5,709 and \$9,155 for the years ended June 30, 2023 and 2022 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>
2024	\$ 800,000	\$ 2,100,000
2025	800,000	1,300,000
2026	800,000	500,000
2027	500,000	-

Total interest expense was \$78,321 and \$6,666 for the years ended June 30, 2023 and 2022 respectively. Interest expense capitalized was \$0 and \$54,067 for the years ended June 30, 2023 and 2022 respectively.

**NORTHSTAR ACADEMY, INC.**  
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## 11. CONTRIBUTION REVENUE

Contributions to the Academy during the year ended June 30, 2023 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 281,172	\$ -	\$ 281,172
Capital campaign	-	2,834,155	2,834,155
Discount for long term pledges	-	(26,442)	(26,442)
Government grant programs	-	-	-
	<u>\$ 281,172</u>	<u>\$ 2,860,597</u>	<u>\$ 3,141,769</u>

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)
Government grant programs	2,746	-	2,746
	<u>\$ 428,315</u>	<u>\$ 5,678,769</u>	<u>\$ 6,107,084</u>

## 12. OPERATING LEASES

The Academy leased office and teaching space under two short term, month to month rental arrangements until operations moved to their current location.

Total rent and lease expense for all purposes was \$35,541 and \$68,174 for the years ended June 30, 2023 and 2022 respectively.

## 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

Net assets with donor restrictions at year end	<u>2023</u>	<u>2022</u>
Scholarships	\$ -	\$ 7,500
Capital campaign	3,825,076	1,386,939
Time restricted receivables	1,843,478	3,701,474
Government grant programs	-	845,306
Other restricted funds	2,100	-
Net assets with donor restrictions	<u>\$ 5,670,654</u>	<u>\$ 5,941,219</u>

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**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>2023</u>	<u>2022</u>
Teacher of the year award	\$ 120,000	\$ 125,000

**15. ADVERTISING COSTS**

The Academy's advertising costs were \$92,478 and \$60,365 for years ended June 30, 2023 and 2022 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, 2023 the amount of scholarships awarded was \$206,094 and the amount of reduction for early registration was \$41,236. 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.

**17. NONCASH CONTRIBUTIONS**

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 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, 2023 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 \$94,499 and \$893,034 in stock contributions in the years ended June 30, 2023 and 2022 respectively.

**18. CONCENTRATION OF RECEIVABLES AND REVENUE**

Contributions receivable as of June 30, 2023 consist of two multi-year pledges from the same donor making up 86% of contributions receivable. Donations from two donors each make up 64% and 16% of donation revenue.

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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.

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 \$3,450 as of June 30, 2023, and \$37,670 as of June 30, 2022, respectively.

Tuition and fees from two school jurisdictions each make up 29% and 23% of net tuition and fees revenue in the year ended June 30, 2023.

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.

#### **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 \$69,779 and \$61,898 for the years ended June 30, 2023 and 2022, respectively.

#### **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.

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. MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through December 12<sup>th</sup>, 2023, the date which the financial statements were available to be issued.