

NORTHSTAR ACADEMY
RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

For the Years Ended June 30, 2015 and 2014

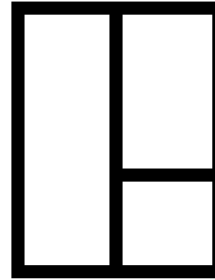
NORTHSTAR ACADEMY, INC.
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Northstar Academy
Richmond, Virginia

We have audited the accompanying financial statements of the Northstar Academy which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northstar Academy as of June 30, 2015 and 2014, 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.

Rame & Associates, P.C.

Certified Public Accountants
Richmond, Virginia
October 28, 2015

NORTHSTAR ACADEMY
STATEMENT OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,141,556	\$ 1,100,615
Tuition receivable	157,193	161,543
Contributions receivable	7,500	30,206
Prepaid expenses	12,402	23,258
Other assets	12,226	41,510
Special Total current assets	1,330,877	1,357,132
Long-term assets		
Certificate of deposit	206,032	203,415
Contributions receivable	15,000	22,500
Total long-term assets	221,032	225,915
Property and equipment, net	1,146,048	1,118,009
Intangible assets, net	22,613	29,450
Total assets	\$ 2,720,570	\$ 2,730,506
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 28,624	\$ 21,184
Accrued compensation	181,339	124,279
Accrued payroll tax	12,716	13,423
Deferred tuition revenue	97,755	125,540
Other payables	14,650	2,000
Current portion long-term debt	38,682	37,051
Total current liabilities	373,766	323,477
Long-term liabilities		
Notes payable, net of current portion	107,994	147,318
Total liabilities	481,760	470,795
Net assets		
Unrestricted	2,003,956	1,963,338
Temporarily restricted	234,854	296,373
Total net assets	2,238,810	2,259,711
Total liabilities and net assets	\$ 2,720,570	\$ 2,730,506

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Tuition and fees	\$ 2,192,599	\$	\$ 2,192,599
Less discounts and scholarships	<u>(195,709)</u>	<u>-</u>	<u>(195,709)</u>
Net tuition and fees	1,996,890	-	1,996,890
Contributions	250,796	90,142	340,938
Special events, net of \$13,054 costs	29,916	-	29,916
Books and consumables	13,029	-	13,029
Individual counseling	30,568	-	30,568
Other sources	9,056	-	9,056
Lunches	15,716	-	15,716
Interest and dividend income	7,921	-	7,921
Rental income	7,823	-	7,823
Recovery of uncollectible accounts	2,460	-	2,460
Net assets released from restrictions	<u>151,661</u>	<u>(151,661)</u>	<u>-</u>
Total revenue and other support	<u>2,515,836</u>	<u>(61,519)</u>	<u>2,454,317</u>
Expenses and losses			
Expenses			
Program services	2,008,058		2,008,058
Support services			
General administration	258,658	-	258,658
Fundraising	<u>208,502</u>	<u>-</u>	<u>208,502</u>
Total support services	<u>467,160</u>	<u>-</u>	<u>467,160</u>
Total expenses	<u>2,475,218</u>	<u>-</u>	<u>2,475,218</u>
Change in net assets	40,618	(61,519)	(20,901)
Net assets at beginning of the year	<u>1,963,338</u>	<u>296,373</u>	<u>2,259,711</u>
Net assets at end of year	<u>\$ 2,003,956</u>	<u>\$ 234,854</u>	<u>\$ 2,238,810</u>

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF ACTIVITIES
For the year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Tuition and fees	\$ 1,931,293	\$ -	\$ 1,931,293
Less discounts and scholarships	(170,520)	-	(170,520)
Net tuition and fees	1,760,773	-	1,760,773
Contributions	161,315	277,500	438,815
Special events, net of \$22,863 costs	88,202	-	88,202
Books and consumables	14,264	-	14,264
Individual counseling	24,753	-	24,753
Other sources	10,681	-	10,681
Lunches	16,048	-	16,048
Interest and dividend income	3,770	-	3,770
Rental income	6,802	-	6,802
Recovery of uncollectible accounts	969	-	969
Net assets released from restrictions	43,922	(43,922)	-
Total revenue and other support	2,131,499	233,578	2,365,077
Expenses and losses			
Expenses			
Program services	1,570,373		1,570,373
Support services			
General administration	450,119	-	450,119
Fundraising	179,279	-	179,279
Total support services	629,398	-	629,398
Total expenses	2,199,771	-	2,199,771
Change in net assets	(68,272)	233,578	165,306
Net assets at beginning of the year	2,031,610	62,795	2,094,405
Net assets at end of year	\$ 1,963,338	\$ 296,373	\$ 2,259,711

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities		
Change in net assets		\$ (20,901)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	\$ 74,630	
Reinvested interest on certificate of deposit	(2,617)	
(Increase) decrease in operating assets		
Tuition receivable	4,350	
Contributions receivable	30,206	
Prepaid expenses	10,856	
Other assets	29,284	
Increase (decrease) in operating liabilities		
Accounts payable	7,440	
Accrued compensation	57,060	
Accrued payroll tax	(707)	
Deferred tuition revenue	(27,785)	
Other payables	12,650	195,367
Net cash provided by operating activities		174,466
Cash flows from investing activities		
Purchases of property and equipment	(92,407)	
Purchases of intangible assets	(3,425)	
Net cash used by investing activities		(95,832)
Cash flows from financing activities		
Payment of long-term note payable	(37,693)	
Net cash used by financing activities		(37,693)
Net increase in cash and cash equivalents		40,941
Cash and cash equivalents at beginning of year		1,100,615
Cash and cash equivalents at end of year		\$ 1,141,556

Supplemental cash flow information:

Cash paid during the year for interest was \$6,570

No income taxes paid during the year.

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

Cash flows from operating activities		
Change in net assets		\$ 165,306
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	\$ 61,091	
Reinvested interest on certificate of deposit	(2,722)	
(Increase) decrease in operating assets		
Other investments	363	
Tuition receivable	9,477	
Contributions receivable	94	
Prepaid expenses	19,051	
Other assets	(40,750)	
Increase (decrease) in operating liabilities		
Accounts payable	3,560	
Accrued compensation	17,252	
Accrued payroll tax	8,720	
Deferred tuition revenue	34,630	
Other payables	(720)	
Sales tax payable	(7,668)	
	<u>102,378</u>	
Net cash provided by operating activities		267,684
Cash flows from investing activities		
Purchases of property and equipment	(41,996)	
Purchases of intangible assets	<u>(17,726)</u>	
Net cash used by investing activities		(59,722)
Cash flows from financing activities		
Payment of long-term note payable	<u>(35,596)</u>	
Net cash used by financing activities		<u>(35,596)</u>
Net increase in cash and cash equivalents		172,366
Cash and cash equivalents at beginning of year		<u>928,249</u>
Cash and cash equivalents at end of year		<u>\$ 1,100,615</u>

Supplemental cash flow information:

Cash paid during the year for interest was \$8,649
No income taxes paid during the year.

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related expenses				
Salaries	\$ 1,299,543	\$ 170,043	\$ 128,923	\$ 1,598,509
Employee benefits	54,142	9,236	7,120	70,498
Payroll taxes	108,321	12,518	10,688	131,527
Total	1,462,006	191,797	146,731	1,800,534
Advertising	18,069	-	8,873	26,942
Bank service charges	237	208	78	523
Classroom expenses	17,345	-	-	17,345
Conference and memberships	8,960	1,475	2,220	12,655
Therapists	32,453	-	-	32,453
Depreciation and amortization	63,436	7,463	3,731	74,630
Grounds and maintenance	38,302	361	27	38,690
Insurance	9,981	3,762	-	13,743
Interest expense	5,913	657	-	6,570
Licenses and taxes	2,216	628	200	3,044
Lunches	40,896	-	-	40,896
Occupancy expense	46,605	1,570	776	48,951
Office	52,802	7,309	1,040	61,151
Printing and marketing	-	-	4,303	4,303
Professional fees	33,273	23,401	28,985	85,659
Student enrichment	23,516	-	-	23,516
Teacher development	43,492	-	-	43,492
Technology	83,847	5,413	6,812	96,072
Transportation & travel	10,452	69	57	10,578
Other	14,257	14,545	4,670	33,472
Total expenses	<u>\$ 2,008,058</u>	<u>\$ 258,658</u>	<u>\$ 208,502</u>	<u>\$ 2,475,218</u>

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related expenses				
Salaries	\$ 1,027,677	\$ 242,070	\$ 106,240	\$ 1,375,986
Employee benefits	41,076	13,715	2,311	57,102
Payroll taxes	97,595	18,073	8,886	124,554
Total	1,166,348	273,858	117,437	1,557,643
Advertising	10,036	-	23,973	34,009
Bank service charges	273	478	1,941	2,692
Classroom expenses	28,178	-	-	28,178
Conference and memberships	2,413	5,173	474	8,061
Therapists	31,071	-	-	31,071
Depreciation and amortization	51,927	6,109	3,055	61,091
Grounds and maintenance	41,026	-	-	41,026
Insurance	16,172	1,801	851	18,824
Interest expense	-	8,649	-	8,649
Licenses and taxes	144	-	44	188
Lunches	31,968	417	-	32,385
Occupancy expense	41,083	4,833	2,417	48,333
Office	14,564	41,618	1,624	57,806
Printing and marketing	1,387	1,715	2,406	5,509
Professional fees	15,894	44,532	8,190	68,616
Student enrichment	19,704	26	-	19,730
Teacher development	32,587	-	-	32,587
Technology	56,988	13,943	2,554	73,485
Transportation & travel	6,915	1,118	-	8,034
Other	1,693	45,847	14,315	61,855
Total expenses	<u>\$ 1,570,373</u>	<u>\$ 450,119</u>	<u>\$ 179,279</u>	<u>\$ 2,199,771</u>

SEE NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Northstar Academy, Inc. (the Academy) is a not-for-profit organization that operates a school for children in the metropolitan Richmond area with broad learning challenges. The Academy operates in Henrico County, Virginia and accepts students from surrounding counties. The Academy is funded through tuition fees for service, contributions and corporate grants.

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. This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned and expenses are recognized when incurred.
- B. **Basis of Presentation:** The Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include resources that can be used currently for the general operations of the Academy.

Temporarily restricted net assets are net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Academy and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

Permanently restricted net assets include contributions restricted by donor designation that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Academy.

- C. **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.
- D. **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."

- E. **Tuition Receivable:** Tuition receivable is 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 tuition receivable. 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.
- F. **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 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.
- G. **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.
- H. **Contributions:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

Unconditional promises to give are recorded when pledged.

Conditional promises to give are recognized when the required conditions are substantially met. A conditional promise is considered unconditional if the possibility that the condition will not be met is remote.

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.

The Academy has elected to record bad debts on pledged contributions receivable using the direct write-off method. Generally accepted accounting principles require

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

that the allowance method be used to recognize bad debts; however the effect of using the direct write-off method is not materially different from the amount that would have been obtained under the allowance method. It is the Academy's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected.

- I. **Deferred Revenue:** Deferred revenue for unrestricted operations results from the Academy recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school year are deferred until the instruction commences.
- J. **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. The Academy believes that it has appropriate support for any tax positions taken, and, accordingly, does not have any uncertain tax positions that are material to the financial statements. The Academy's Forms 990 remain subject to examination for tax years 2011 through 2013.
- K. **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.

3. CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

As of June 30, 2015, the Academy's balances of cash and cash equivalents were made up of the following:

Cash at banks	\$ 888,188
Cash on hand	300
Money market accounts at banks	<u>253,068</u>
Total cash and cash equivalents	<u>\$ 1,141,556</u>

Deposits at two banks are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015 the Academy's balances in bank deposits exceeded FDIC limits by \$594,220.

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Tuition receivable is presented on the financial statements net of the allowance for doubtful accounts. The balance of the allowance for doubtful accounts was \$7,524 and \$8,640 for the years ended June 30, 2015 and 2014

5. CONTRIBUTIONS RECIEVABLE

Unconditional contributions receivable at June 30, 2015 consisted of the remaining \$22,500 portion of a \$75,000 pledge, payable as follows:

Due within one year	\$ 7,500
Due within two to five years	<u>15,000</u>
	<u><u>\$ 22,500</u></u>

6. PROPERTY AND EQUIPMENT

Major categories of property and equipment as of June 30, 2015, including their accumulated depreciation and depreciable lives were as follows:

	Cost	Accumulated Depreciation	Lives
Furniture and equipment	\$ 240,603	\$ 128,663	5-10 years
Vehicles	61,335	61,335	5 years
Land	255,685	0	Indefinite
Building and improvements	<u>1,185,817</u>	<u>407,394</u>	7-39 years
Total	<u><u>\$ 1,743,440</u></u>	<u><u>\$ 597,392</u></u>	

Depreciation expense was \$64,368 and \$55,665 for the years ended June 30, 2015 and 2014.

The building and land are pledged to the bank as collateral for the loan (see note 9).

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

As of June 30, 2015 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website redesign	\$ 17,766	\$ 8,587	5 Years
Tagline development	5,200	2,513	5 Years
Marketing video	16,725	6,314	3 Years
Loan costs	<u>750</u>	<u>414</u>	8 Years
	<u>\$ 40,441</u>	<u>\$ 17,828</u>	

Amortization expense was \$10,262 and \$5,426 for the years ended June 30, 2015 and 2014.

8. CONTRIBUTION REVENUE

Contributions to the Academy during the year ended June 30, 2015 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Annual giving	\$ 132,677	\$ -	\$ 132,677
Scholarship fund	118,119	-	118,119
Technology	-	3,737	3,737
Career academy	-	86,405	86,405
	<u>\$ 250,796</u>	<u>\$ 90,142</u>	<u>\$ 340,938</u>

Contributions to the Academy during the year ended June 30, 2014 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Annual giving	\$ 63,295	\$ -	\$ 63,295
Scholarship fund	-	30,000	30,000
Literacy program	15,000-	-	15,000
Career academy	-	247,500	247,500
	<u>\$ 78,295</u>	<u>\$ 277,500</u>	<u>\$ 355,795</u>

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

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9. OPERATING LEASES

The Academy leases computer equipment under several operating leases. The following is a schedule by years of future minimum lease payments:

Year ending June 30	
2016	\$ 34,209
2017	19,224
2018	<u>2,926</u>
Total minimum lease payments	<u>\$ 56,359</u>

Total lease expense was \$53,807 and \$52,795 for the year ending June 30, 2015 and 2014.

10. NOTES PAYABLE

In February of 2011, the Academy refinanced its long-term debt which consisted of a note payable obtained in 2001 to purchase its building. The original balance of the new loan was \$300,000. The terms of the loan are that the Academy will make monthly payments of principal and interest of \$3,680 with a fixed annual interest rate of 4.15%. The loan bears a maturity date of February 5, 2019. The long-term note is secured by a deed of trust on the Academy's real estate.

Future maturities of long term notes payable are:

Year ending June 30	
2016	\$ 38,682
2017	40,305
2018	42,009
2019	<u>25,680</u>
	<u>\$ 146,676</u>

11. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30, 2015:

Scholarships	\$ 22,500
Technology	3,737
Transition program	<u>208,617</u>
Total temporarily restricted net assets	<u>\$ 234,854</u>

12. 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's Board of Directors 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, 2015 the amount of scholarships awarded was \$53,500 and the amount of reduction for early registration was \$54,090. For the year ended June 30, 2014 the amount of scholarships awarded was \$35,300 and the amount of reduction in tuition for early registration was \$52,200.

The Academy is a participant in the scholarship program that is overseen by the Great Aspirations Scholarship Program, Inc. (GRASP), an independent not-for-profit organization that provides financial aid for students in need. The academy solicits contributions to GRASP that are designated by the donor to be used for Northstar Academy students who meet specific financial need criteria. GRASP makes financial aid awards to the Academy upon the presentation of evidence that the need criteria for the qualifying students has been met. Donor-directed payments received from GRASP for financial aid totaled \$88,119 and \$83,020 for the years ended June 30, 2015 and 2014. These amounts are included in the gross tuition reported on the financial statements.

The Academy solicits donations to GRASP in the current year that will be paid for tuition in the next school year. During the year ended June 30, 2015, GRASP received \$73,247 in contributions that are designated to support Northstar students who meet the need criteria in the 2015-16 school year.

13. NONCASH CONTRIBUTIONS

A substantial number of volunteers have donated significant amounts of their time to the Academy and its programs; 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.

14. ALLOCATION OF JOINT COSTS

During the year ended June 30, 2015, the Academy incurred joint costs of \$436,565 for salaries, facilities, supplies, technology and other expenses that included fundraising activities. These costs have been allocated as follows: \$347,004 to program services, \$61,743 to management and administrative services, and \$27,818 to fundraising expenses.

During the year ended June 30, 2014, the Academy incurred joint costs of \$381,647 for salaries, facilities, supplies, technology and other expenses that included fundraising activities. These costs have been allocated as follows: \$210,356 to program services, \$138,920 to management and administrative services, and \$32,371 to fundraising expenses.

15. CONCENTRATION OF CONTRIBUTIONS RECEIVABLE

Contribution receivable as of June 30, 2015 consists of the remaining 3 years of a ten-year pledge making up 100% of contributions receivables.

Contributions receivable as of June 30, 2014 included the remaining balance of a ten-year pledge making up 58% of contributions receivables, and a grant receivable from a donor making up 36% of contributions receivables.

16. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Academy to credit risk are primarily student accounts receivable. The Academy extends unsecured credit plans to parents or guardians of students. Student accounts 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 accounts receivable past due more than ninety days as of June 30, 2015 and June 30, 2014 were \$28,666 and \$50,751.

17. RELATED PARTIES

The Academy purchases insurance policies through an agent who is the spouse of the Head of School of the Academy. Premiums paid during the year ended June 30, 2015 were \$143,623. The Academy's use of this insurance agency predates the marriage of the Head of School.

The Academy leases computer equipment under operating leases from a company the president of which is a member of the Academy's Board of Directors. Amounts paid to this company during the year ended June 30, 2015 was \$53,088.

18. RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2015, the date which the financial statements were available to be issued.