

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

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2019 and 2018

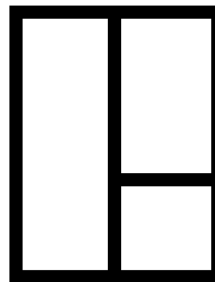
**NORTHSTAR ACADEMY, INC.**  
**FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

**TABLE OF CONTENTS**

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Statements of Functional Expenses	8
<b>NOTES TO FINANCIAL STATEMENTS</b>	10

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Northstar Academy, Inc. which comprise the statements of financial position as of June 30, 2019 and 2018 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 Northstar Academy, Inc. as of June 30, 2019 and 2018, 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  
November 5<sup>th</sup>, 2019

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

June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,194,257	\$ 1,769,023
Investments: certificate of deposit	280,724	277,959
Tuition receivable, net	210,149	232,961
Contributions receivable	32,500	62,500
Prepaid expenses	32,534	24,515
Other current assets	9,300	10,200
Total current assets	2,759,464	2,377,158
Long-term assets		
Investments: certificate of deposit	216,372	213,821
Contributions receivable	22,500	30,000
Security deposit	3,720	6,440
Property and equipment, net	1,289,141	1,346,387
Total long-term assets	1,531,733	1,596,648
Intangible assets, net	13,894	3,939
Total assets	\$ 4,305,091	\$ 3,977,745
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 21,189	\$ 7,523
Accrued compensation	246,499	225,533
Accrued payroll tax	37,522	34,865
Deferred tuition revenue	112,630	48,320
Other payables	11,253	10,867
Total current liabilities	429,093	327,108
Long-term liabilities		
Accrued expenses	20,000	20,000
Total long-term liabilities	20,000	20,000
Total liabilities	449,093	347,108
Net assets		
Without donor restriction		
Undesignated	2,055,788	1,703,060
Designated by the Board	175,000	125,000
Invested in property and equipment, net of depreciation	1,303,035	1,350,326
	3,533,823	3,178,386
With donor restrictions		
Purpose restrictions	322,175	452,251
Total net assets	3,855,998	3,630,637
Total liabilities and net assets	\$ 4,305,091	\$ 3,977,745

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and other support			
Tuition and fees	\$ 3,150,025	\$ -	\$ 3,150,025
Less discounts and scholarships	(235,592)	-	(235,592)
Net tuition and fees	2,914,433	-	2,914,433
Contributions	496,744	35,000	531,744
Special events revenue	145,635	-	145,635
Less cost of direct benefits to donors	(58,427)	-	(58,427)
Net revenues from special events	87,208	-	87,208
Books and consumables	16,400	-	16,400
Individual counseling	34,420	-	34,420
Other sources	6,625	-	6,625
Lunches	14,069	-	14,069
Interest and finance charge income	8,292	-	8,292
Rental income	4,131	-	4,131
Recovery of bad debts written off	1,053	-	1,053
Net assets released from restrictions	165,076	(165,076)	-
Total revenue and other support	3,748,451	(130,076)	3,618,375
Expenses and losses			
Expenses			
Program services			
Career Academy	740,384	-	740,384
Northstar Academy K-12	2,165,186	-	2,165,186
Total program services	2,905,570	-	2,905,570
Support services			
General administration	287,451	-	287,451
Fundraising	198,449	-	198,449
Total support services	485,900	-	485,900
Total expenses	3,391,470	-	3,391,470
Losses			
Loss on disposal of assets	1,544	-	1,544
Total expenses and losses	3,393,014	-	3,393,014
Change in net assets	355,437	(130,076)	225,361
Net assets at beginning of the year	3,178,386	452,251	3,630,637
Net assets at end of year	\$ 3,533,823	\$ 322,175	\$ 3,855,998

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2018

	Without donor Restrictions	With donor Restrictions	Total
Revenue and other support			
Tuition and fees	\$ 2,851,921	\$ -	\$ 2,851,921
Less discounts and scholarships	(187,034)	-	(187,034)
Net tuition and fees	2,664,887	-	2,664,887
Contributions	458,281	224,616	682,897
Special events revenue	121,424	-	121,424
Less cost of direct benefits to donors	(58,027)	-	(58,027)
Net revenues from special events	63,397	-	63,397
Books and consumables	15,208	-	15,208
Individual counseling	27,095	-	27,095
Other sources	9,984	-	9,984
Lunches	14,115	-	14,115
Interest and finance charge income	7,399	-	7,399
Rental income	3,160	-	3,160
Gain on disposal of assets	151	-	151
Recovery of bad debts written off	1,597	-	1,597
Net assets released from restrictions	261,765	(261,765)	-
Total revenue and other support	3,527,039	(37,149)	3,489,890
Expenses and losses			
Expenses			
Program services			
Career Academy	714,134	-	2,698,113
Northstar Academy K-12	1,983,979	-	2,698,113
Total program services	2,698,113	-	5,396,226
Support services			
General administration	297,561	-	297,561
Fundraising	221,387	-	221,387
Total support services	518,948	-	518,948
Total expenses	3,217,061	-	3,217,061
Losses			
Loss on disposal of assets	9,981	-	9,981
Total expenses and losses	3,227,042	-	3,227,042
Change in net assets	299,997	(37,149)	262,848
Net assets at beginning of the year	2,878,389	489,400	3,367,789
Net assets at end of year	\$ 3,178,386	\$ 452,251	\$ 3,630,637

SEE NOTES TO FINANCIAL STATEMENTS

**NORTHSTAR ACADEMY, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2019

Cash flows from operating activities		
Change in net assets		\$ 225,361
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 148,995	
Loss on disposal of equipment	1,543	
Donations of securities	(88,497)	
Reinvested interest on certificate of deposit	(5,316)	
(Increase) decrease in operating assets		
Tuition receivable, net	22,812	
Contributions receivable	37,500	
Prepaid expenses	(8,019)	
Other current assets	900	
Security deposit	2,720	
Increase (decrease) in operating liabilities		
Accounts payable	13,666	
Accrued compensation	20,966	
Accrued payroll tax	2,657	
Deferred tuition revenue	64,310	
Other payables	386	
	<u>386</u>	<u>214,623</u>
Net cash provided by operating activities		439,984
Cash flows from investing activities		
Purchases of property and equipment	(88,891)	
Purchases of intangible assets	(12,813)	
Proceeds from sale of donated securities	86,954	
	<u>86,954</u>	
Net cash used by investing activities		<u>(14,750)</u>
Net increase in cash and cash equivalents		425,234
Cash and cash equivalents at beginning of year		<u>1,769,023</u>
Cash and cash equivalents at end of year		<u><u>\$ 2,194,257</u></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 CASH FLOWS**

For the Year Ended June 30, 2018

Cash flows from operating activities		
Change in net assets		\$ 262,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 143,819	
Gain on disposal of equipment	(151)	
Loss on disposal of equipment	9,981	
Donations of securities	(113,319)	
Reinvested interest on certificate of deposit	(4,504)	
(Increase) decrease in operating assets		
Tuition receivable, net	(97,779)	
Contributions receivable	9,665	
Prepaid expenses	(4,338)	
Deposit	49,585	
Other current assets	(300)	
Security deposit	2,926	
Increase (decrease) in operating liabilities		
Accounts payable	(24,444)	
Accrued compensation	15,095	
Accrued payroll tax	(151)	
Deferred tuition revenue	(18,105)	
Other payables	5,937	(26,083)
Net cash provided by operating activities		236,765
Cash flows from investing activities		
Purchases of property and equipment	(278,551)	
Purchases of investments	(276,141)	
Proceeds from sale of donated securities	111,165	
Proceeds from sale of equipment	2,250	
Net cash used by investing activities		(441,277)
Net decrease in cash and cash equivalents		(204,512)
Cash and cash equivalents at beginning of year		1,973,535
Cash and cash equivalents at end of year		\$ 1,769,023
Supplemental cash flow information:		
No cash paid for interest during the year.		
No cash paid for income taxes during the year.		

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2019

	Program Services			Supporting Services			
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Direct Benefits to Donors	Total
Salaries and related expenses	\$ 530,705	\$ 1,678,755	\$ 2,209,460	\$ 233,529	\$ 158,079	\$ -	\$ 2,601,068
Educational expenses	18,673	36,618	55,291	-	-	-	55,291
Lunches	504	63,662	64,166	-	-	-	64,166
Professional fees	430	40,604	41,034	30,679	7,385	-	79,098
Training and conferences	5,552	33,078	38,630	287	3,049	-	41,966
Technology	5,487	33,159	38,646	835	11,861	-	51,342
Occupancy expenses	83,951	88,155	172,106	6,791	1,039	-	179,936
Marketing and student recruitment	5,436	41,696	47,132	-	9,008	-	56,140
Office expenses	17,085	49,217	66,302	3,569	1,763	-	71,634
Direct cost of special events	-	-	-	-	-	58,428	58,428
Depreciation and amortization	66,408	80,047	146,455	1,588	952	-	148,995
Other expenses	6,153	20,195	26,348	10,173	5,313	-	41,834
Total expense by function	740,384	2,165,186	2,905,570	287,451	198,449	58,428	3,449,898
Less expenses included with revenues on the statement of activities							
Direct benefits to donors	-	-	-	-	-	(58,428)	(58,428)
Total expenses included in the expense section on the statement of activities	<u>\$ 740,384</u>	<u>\$ 2,165,186</u>	<u>\$ 2,905,570</u>	<u>\$ 287,451</u>	<u>\$ 198,449</u>	<u>\$ -</u>	<u>\$ 3,391,470</u>

SEE NOTES TO FINANCIAL STATEMENTS

**NORTHSTAR ACADEMY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2018

	Program Services			Supporting Services			
	Career Academy	Northstar Academy K-12	Total	Management and General	Fundraising	Direct Benefits to Donors	Total
Salaries and related expenses	\$ 491,553	\$ 1,539,645	\$ 2,031,198	\$ 237,670	\$ 183,183	\$ -	\$ 2,452,051
Educational expenses	20,083	30,200	50,283	-	-	-	50,283
Lunches	477	47,381	47,858	-	-	-	47,858
Professional fees	1,746	35,317	37,063	25,228	7,700	-	69,991
Training and conferences	14,442	24,455	38,897	2,803	650	-	42,350
Technology	10,611	49,464	60,075	176	4,434	-	64,685
Occupancy expenses	81,292	89,625	170,917	14,049	4,653	-	189,619
Marketing and student recruitment	4,983	29,858	34,841	88	10,673	-	45,602
Office expenses	16,238	45,567	61,805	3,574	395	-	65,774
Direct cost of special events	-	-	-	-	-	58,027	58,027
Depreciation and amortization	59,846	71,377	131,223	8,397	4,199	-	143,819
Other expenses	12,863	21,090	33,953	5,576	5,500	-	45,029
Total expense by function	714,134	1,983,979	2,698,113	297,561	221,387	58,027	3,275,088
Less expenses included with revenues on the statement of activities							
Direct benefits to donors	-	-	-	-	-	(58,027)	(58,027)
Total expenses included in the expense section on the statement of activities	<u>\$ 714,134</u>	<u>\$ 1,983,979</u>	<u>\$ 2,698,113</u>	<u>\$ 297,561</u>	<u>\$ 221,387</u>	<u>\$ -</u>	<u>\$ 3,217,061</u>

SEE NOTES TO FINANCIAL STATEMENTS

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

## **1. NATURE OF ORGANIZATION**

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

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

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

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

Net Assets With Donor Restrictions: Net assets subject to donor or grantor 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. The Academy currently has no perpetual donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending upon the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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. 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

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

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 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.
- 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 support with donor restrictions that increases net assets with donor restrictions. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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.

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

The Academy has elected to record bad debts on pledged contributions receivable using the direct write-off method. Generally accepted accounting principles require 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. **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.
- 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. **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.
- M. **Functionalized 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.
- N. **Change in Accounting Principles:** The Academy adopted FASB ASU No. 2016-14 in the year ended June 30, 2019. The new standards change the following aspects of the consolidated financial statements:
  - The unrestricted net asset class has been renamed net assets without donor restrictions;

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions; and
- The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 4)

The June 30, 2018 financial statements have been revised to reflect these new disclosures. There were no changes in net assets for the earlier year.

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

As of June 30, 2019 and 2018, the Academy's balances of cash and cash equivalents were made up of the following:

Cash and cash equivalents at year end	<u>2019</u>	<u>2018</u>
Cash at banks	\$ 1,934,327	\$ 1,510,242
Cash on hand	300	300
Money market accounts at banks	<u>259,630</u>	<u>258,481</u>
Total cash and cash equivalents	<u>\$ 2,194,257</u>	<u>\$ 1,769,023</u>

Deposits at three banks are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019 the Academy's balances in bank deposits and certificates of deposit exceeded FDIC limits by \$1,691,054.

### 4. LIQUIDITY AND AVAILABILITY

The Academy manages its cash needs by keeping the majority of its current assets in cash at several banks for general use, and by owning two certificates of deposit. Financial assets available for general expenditure, that is without donor-imposed or internal designations limiting their use, within one year of June 30, 2019 and 2018, are as follows:

Financial assets at year end	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,194,257	\$ 1,769,023
Certificate of deposit, current	280,724	277,959
Certificate of deposit, long-term	216,372	213,821
Tuition receivable, net	210,149	232,961
Contributions receivable, current	32,500	62,500
Contributions receivable, long-term	22,500	30,000
Other current assets	<u>9,300</u>	<u>10,200</u>
Total financial assets	<u>2,965,802</u>	<u>2,596,464</u>



**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

Less amounts not available  
to be used within one year

Net assets with donor restrictions	257,176	262,835
Contributions receivable, long-term	22,500	30,000
Other current assets	<u>9,300</u>	<u>10,200</u>
	<u>288,976</u>	<u>303,035</u>

Financial assets available to meet general expenditures during the next year	<u>\$ 2,667,826</u>	<u>\$ 2,293,429</u>
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## 5. INVESTMENTS

The Academy's investments at June 30, 2019 consisted of a short term CD valued at \$280,724 and a long term CD valued at \$216,372. These CDs were included in the Academy's FDIC limit calculation.

The Academy's investments at June 30, 2018 consisted of a short term CD valued at \$277,959 and a long term CD valued at \$213,821. These CDs were included in the Academy's FDIC limit calculation.

## 6. 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 \$3,445 for each of the years ended June 30, 2019 and 2018.

## 7. CONTRIBUTIONS RECEIVABLE

As of June 30, 2019 and 2018, the Academy's balances of contributions receivable were made up of the following:

Contributions receivable at year end	<u>2019</u>	<u>2018</u>
Due within one year	\$ 32,500	\$ 62,500
Due within two to five years	<u>22,500</u>	<u>30,000</u>
Total contributions receivable	<u>\$ 55,000</u>	<u>\$ 92,500</u>

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

## 8. PROPERTY AND EQUIPMENT

Major categories of property and equipment as of June 30, 2019, 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	407,386	276,923	5-10 years
Vehicles	162,822	113,319	5 years
Leasehold Improvements	87,788	49,274	5 years
Building and improvements	<u>1,386,314</u>	<u>571,338</u>	7-39 years
Total	<u>\$ 2,299,995</u>	<u>\$ 1,010,854</u>	

Major categories of property and equipment as of June 30, 2018, 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	332,539	213,336	5-10 years
Vehicles	162,822	93,022	5 years
Leasehold Improvements	87,789	31,643	5 years
Building and improvements	<u>1,372,270</u>	<u>526,717</u>	7-39 years
Total	<u>\$ 2,211,105</u>	<u>\$ 864,718</u>	

Depreciation expense was \$146,137 and \$136,542 for the years ended June 30, 2019 and 2018 respectively.

## 9. INTANGIBLE ASSETS

As of June 30, 2019 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website redesign	\$ 30,579	\$ 17,766	5 Years
Tagline development	5,200	5,200	5 Years
Marketing video	16,725	16,725	3 Years
Career Academy website	5,275	5,275	3 Years
Software	<u>13,303</u>	<u>12,222</u>	3-5 Years
	<u>\$ 71,082</u>	<u>\$ 57,188</u>	

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

As of June 30, 2018 the Academy's intangible assets consisted of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Lives</u>
Website redesign	\$ 17,766	\$ 17,766	5 Years
Tagline development	5,200	5,200	5 Years
Marketing video	16,725	16,725	3 Years
Career Academy website	5,275	4,103	3 Years
Software	<u>13,303</u>	<u>10,536</u>	3-5 Years
	<u>\$ 58,269</u>	<u>\$ 54,330</u>	

Amortization expense was \$2,858 and \$7,277 for the years ended June 30, 2019 and 2018 respectively.

## 10. CONTRIBUTION REVENUE

Contributions to the Academy during the year ended June 30, 2019 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 496,744	\$ -	\$ 496,744
Career academy	-	35,000	35,000
	<u>\$ 496,744</u>	<u>\$ 35,000</u>	<u>\$ 531,744</u>

Contributions to the Academy during the year ended June 30, 2018 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Annual giving	\$ 458,281	\$ -	\$ 458,281
Scholarship fund	-	37,500	37,500
Computer lab	-	34,616	34,616
Teacher training	-	15,000	15,000
Career academy	-	137,500	137,500
	<u>\$ 458,281</u>	<u>\$ 224,616</u>	<u>\$ 682,897</u>

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

### 11. OPERATING LEASES

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

Year ending June 30	
2020	\$ 47,550
2021	48,695
2022	<u>16,359</u>
Total minimum lease payments	<u>\$ 112,604</u>

Total rent expense was \$50,946 and \$61,677 for the years ended June 30, 2019 and 2018 respectively.

### 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

Net assets with donor restrictions at year end	<u>2019</u>	<u>2018</u>
Scholarships	\$ 30,000	\$ 37,500
Augmentative and Alternate Communication	32,175	37,635
Computer lab	-	34,616
Teacher training	-	15,000
Capital campaign	225,000	225,000
Career academy	<u>35,000</u>	<u>102,500</u>
Net assets with donor restrictions	<u>\$ 322,175</u>	<u>\$ 452,251</u>

### 13. NET ASSETS DESIGNATED BY THE BOARD

Of the total net assets without donor restrictions, certain net assets are subject to board designations that make them unavailable for general expenditures within one year of the statement of financial position date without board approval. The designated net assets include:

Net assets designated by the board	<u>2019</u>	<u>2018</u>
Capital campaign fund	\$ 50,000	\$ 50,000
Teacher of the year award	<u>125,000</u>	<u>75,000</u>
Net assets designated by the board	<u>\$ 175,000</u>	<u>\$ 125,000</u>

### 14. ADVERTISING COSTS

The Academy's advertising costs were \$22,871 and \$14,739 for years ended June 30, 2018 and 2019 respectively.

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

**15. FINANCIAL AID**

The Academy provides financial aid in the form of scholarships and tuition discounts for early registration. The amount of scholarships provided by the Academy is determined by a committee of the Academy'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, 2019 the amount of scholarships awarded was \$194,960 and the amount of reduction for early registration was \$40,632. For the year ended June 30, 2018 the amount of scholarships awarded was \$157,010 and the amount of reduction for early registration was \$30,024.

The Academy is a participant in a scholarship program overseen by the Great Aspirations Scholarship Program, Inc.(GRASP), an independent not-for-profit organization that provides financial aid for students in need. GRASP awards scholarships under the Educational Incentive Tax Credit (EITC) program, which scholarships are given to qualifying students who meet specific financial need criteria. GRASP makes financial aid awards to the Academy upon the presentation of evidence that the need criterion for the qualifying students has been met. Payments received from GRASP for financial aid totaled \$24,953 and \$14,780 for the years ended June 30, 2019 and 2018 respectively. These amounts are included in the gross tuition reported on the financial statements.

**16. NONCASH CONTRIBUTIONS**

A substantial number of volunteers have donated significant amounts of their time to the Academy and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services under generally accepted accounting principles.

**17. CONCENTRATION OF CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2019 consist of a multi-year pledge making up 55%, and a one-year pledge making up 45% of contributions receivable.

Contributions receivable as of June 30, 2018 consist of a multi-year pledge making up 41%, and two one-year pledges making up 59% of contributions receivable.

**18. CONCENTRATION OF CREDIT RISK OF STUDENT RECEIVABLES**

Financial instruments that potentially subject the Academy to credit risk include 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 were \$3,663 as of June 30, 2019, and \$1,011 as of June 30, 2018, respectively.

**NORTHSTAR ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended June 30, 2019 and 2018

**19. CONCENTRATION OF REVENUE**

Tuition and fees from two school jurisdictions each make up 14% of net tuition and fees revenue in the year ended June 30, 2019.

Tuition and fees from two school jurisdictions make up 14% and 11% of net tuition and fees revenue in the year ended June 30, 2018.

**20. EMPLOYEE RETIREMENT PLAN**

The Academy provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Starting in the year ended June 30, 2019 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 \$59,651 and \$39,575 for the years ended June 30, 2019 and 2018, respectively.

**21. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 5<sup>th</sup>, 2019, the date which the financial statements were available to be issued.