

NORTHSTAR ACADEMY, INC.
RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

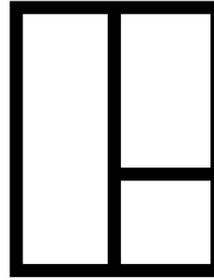
NORTHSTAR ACADEMY, INC.
FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 audit 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.

Rane & Associates, P.C.

Certified Public Accountants
Richmond, Virginia
December 15th, 2020

NORTHSTAR ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,799,621	\$ 2,194,257
Investments: certificates of deposit	497,098	280,724
Tuition receivable, net	200,458	210,149
Contributions receivable	7,500	32,500
Prepaid expenses	27,921	32,534
Other current assets	9,300	9,300
Total current assets	3,541,898	2,759,464
Long-term assets		
Investments: certificate of deposit	-	216,372
Contributions receivable	15,000	22,500
Security deposit	3,720	3,720
Property and equipment, net	1,237,648	1,289,141
Total long-term assets	1,256,368	1,531,733
Intangible assets, net	22,699	13,894
Total assets	\$ 4,820,965	\$ 4,305,091
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,559	\$ 21,189
Accrued compensation	268,544	246,499
Accrued payroll tax	40,137	37,522
Deferred tuition revenue	99,340	112,630
Note payable	488,600	-
Other payables	17,270	11,253
Total current liabilities	926,450	429,093
Long-term liabilities		
Accrued expenses	20,000	20,000
Total long-term liabilities	20,000	20,000
Total liabilities	946,450	449,093
Net assets		
Without donor restriction		
Undesignated	2,172,372	2,055,788
Designated by the Board	127,121	175,000
Invested in property and equipment, and intangible assets, net of depreciation	1,260,347	1,303,035
	3,559,840	3,533,823
With donor restrictions		
Purpose restrictions	314,675	322,175
Total net assets	3,874,515	3,855,998
Total liabilities and net assets	\$ 4,820,965	\$ 4,305,091

SEE NOTES TO FINANCIAL STATEMENTS

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

For the Year Ended June 30, 2020

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

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.**STATEMENT OF 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	8,200	-	8,200
Lunches	14,069	-	14,069
Net investment return	5,173	-	5,173
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	3,746,907	(130,076)	3,616,831
Expenses and losses			
Expenses			
Program services			
Career Academy	740,319	-	740,319
Northstar Academy K-12	2,165,251	-	2,165,251
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
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	<u>\$ 3,533,823</u>	<u>\$ 322,175</u>	<u>\$ 3,855,998</u>

SEE NOTES TO FINANCIAL STATEMENTS

NORTHSTAR ACADEMY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

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

Supplemental cash flow information:

No cash paid for interest during the year.
No cash paid for income taxes during the year.

NORTHSTAR ACADEMY, INC.**STATEMENT OF 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 sale of donated securities	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>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>(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.		

SEE NOTES TO FINANCIAL STATEMENTS

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

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

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 supplies and expenses	19,447	39,011	58,458	-	-	-	58,458
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
Advertising and marketing	4,597	38,617	43,214	-	9,008	-	52,222
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	20,946	27,099	10,173	5,313	-	42,585
Total expense by function	740,319	2,165,251	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>\$ 740,319</u>	<u>\$ 2,165,251</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.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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 without donor restriction 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.

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

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

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

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. **Revenue and Deferred Revenue:** Tuition is reported as income in the period in which the revenues are earned. All tuition is for a single year of classes and earned over time during the fiscal year. Other program revenue is earned at the point in time where the service occurs. 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.

Contributions may also result in deferred revenue if the contribution has both a significant, non-administrative condition and a right of return if the condition is not met. If both of these requirements are met then the contribution is a conditional contribution. A conditional contribution that has been received is recorded as deferred revenue until the condition is met, and one that has not been received is not recorded until the condition is met or it has been received.

- 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. **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.
- M. **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

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

3. CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

As of June 30, 2020 and 2019, the Academy's balances of cash and cash equivalents were made up of the following:

Cash and cash equivalents at year end	<u>2020</u>	<u>2019</u>
Cash at banks	\$ 2,539,010	\$ 1,934,327
Cash on hand	300	300
Money market accounts at banks	<u>260,311</u>	<u>259,630</u>
Total cash and cash equivalents	<u>\$ 2,799,621</u>	<u>\$ 2,194,257</u>

Deposits at three banks are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2020 the Academy's balances in bank deposits and certificates of deposit exceeded FDIC limits by \$2,296,418.

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, 2020 and 2019, are as follows:

Financial assets at year end	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,799,621	\$ 2,194,257
Certificates of deposit, current	497,098	280,724
Certificate of deposit, long-term	0	216,372
Tuition receivable, net	200,458	210,149
Contributions receivable, current	7,500	32,500
Contributions receivable, long-term	15,000	22,500
Other current assets	<u>9,300</u>	<u>9,300</u>
Total financial assets	<u>3,528,977</u>	<u>2,965,802</u>

NORTHSTAR ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

Less amounts not available
to be used within one year

Net assets with donor restrictions	314,675	322,175
Board-designated net assets	127,121	175,000
Other current assets	<u>9,300</u>	<u>9,300</u>
	<u>451,096</u>	<u>506,475</u>

Financial assets available to meet general expenditures during the next year	<u>\$ 3,077,881</u>	<u>\$ 2,459,327</u>
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5. INVESTMENTS

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

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.

For the years ended June 30, 2020 and 2019, the Academy's net investment return was made up of the following:

	<u>2020</u>	<u>2019</u>
Net investment return		
Interest income	\$ 918	\$ 6,716
Realized loss on sale of donated securities	<u>(496)</u>	<u>(1,543)</u>
Net investment return	<u>\$ 422</u>	<u>\$ 5,173</u>

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, 2020 and 2019.

7. CONTRIBUTIONS RECEIVABLE

As of June 30, 2020 and 2019, the Academy's balances of contributions receivable were made up of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable at year end		
Due within one year	\$ 7,500	\$ 32,500
Due within two to five years	<u>15,000</u>	<u>22,500</u>
Total contributions receivable	<u>\$ 22,500</u>	<u>\$ 55,000</u>

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8. PROPERTY AND EQUIPMENT

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

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

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>	

Depreciation expense was \$148,679 and \$146,137 for the years ended June 30, 2020 and 2019 respectively.

9. INTANGIBLE ASSETS

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

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

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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>	

Amortization expense was \$4,007 and \$2,858 for the years ended June 30, 2020 and 2019 respectively.

10. CONTRIBUTION REVENUE

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

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

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	<u>-</u>	<u>35,000</u>	<u>35,000</u>
	<u>\$ 496,744</u>	<u>\$ 35,000</u>	<u>\$ 531,744</u>

11. OPERATING LEASES

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

Year ending June 30	
2021	\$ 48,695
2022	<u>16,359</u>
Total minimum lease payments	<u>\$ 65,054</u>

Total rent expense was \$49,386 and \$50,946 for the years ended June 30, 2020 and 2019 respectively.

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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020 and 2019:

Net assets with donor restrictions at year end	<u>2020</u>	<u>2019</u>
Scholarships	\$ 22,500	\$ 30,000
Augmentative and Alternate Communication	32,175	32,175
Capital campaign	225,000	225,000
Career academy	<u>35,000</u>	<u>35,000</u>
Net assets with donor restrictions	<u>\$ 314,675</u>	<u>\$ 322,175</u>

13. NET ASSETS DESIGNATED BY THE BOARD

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

Net assets designated by the board	<u>2020</u>	<u>2019</u>
Capital campaign fund	\$ 2,121	\$ 50,000
Teacher of the year award	<u>125,000</u>	<u>125,000</u>
Net assets designated by the board	<u>\$ 127,121</u>	<u>\$ 175,000</u>

14. ADVERTISING COSTS

The Academy's advertising costs were \$9,877 and \$22,871 for years ended June 30, 2020 and 2019 respectively.

15. FINANCIAL AID

The Academy provides financial aid in the form of scholarships and tuition discounts for early registration. The amount of scholarships provided by the Academy is determined by a committee of the Academy'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, 2020 the amount of scholarships awarded was \$193,217 and the amount of reduction for early registration was \$39,719. 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.

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

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qualifying students has been met. Payments received from GRASP for financial aid totaled \$43,351 and \$24,953 for the years ended June 30, 2020 and 2019 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, 2020 consist of a multi-year pledge making up 100% 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.

18. CONCENTRATION 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 \$38,257 as of June 30, 2020, and \$3,663 as of June 30, 2019, respectively.

19. CONCENTRATION OF REVENUE

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

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

20. 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 \$64,062 and \$59,651 for the years ended June 30, 2020 and 2019, respectively.

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21. PAYCHECK PROTECTION PROGRAM

During the year, Northstar Academy was awarded an unsecured Small Business Administration loan through the Paycheck Protection Program in the amount of \$488,600. Under the terms of the CARES Act, the loan can be forgiven based on payroll, rent, and utility expenses paid or incurred during a specific period, and salary and headcount based factors. The Academy expects substantially all of the amount to be forgiven when the forgiveness application is available, but has chosen to record the amount as a loan until the forgiveness application is approved. As the Academy expects to pay any amounts not forgiven in the next year, the entire loan appears as a current liability. The loan's maturity date is April, 2022 at 1% interest.

22. COVID-19 PANDEMIC

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

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

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

23. CHANGE IN ACCOUNTING METHODS

The Academy has adopted ASU 2014-09, *Revenue from Contracts with Customers* and the associated nonprofit ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which makes changes in the way that the Academy recognizes revenue with regards to grants and fee for service revenue. Under these ASUs grants that have significant conditions must be regarded as deferred revenue until those conditions are met and the grant award is earned. There was no change in prior year amounts from the adoption of these ASUs.

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24. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements. These reclassifications had no net effect on the change in net assets in the prior year.

25. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Academy commenced a \$5 - \$8 million capital campaign to support the creation of a new campus. The new campus will be designed to provide a modern educational environment that meets the diverse needs of our students.

Management has evaluated subsequent events through December 15th, 2020, the date which the financial statements were available to be issued.