New Hope Academy, Inc.

Financial Statements
For the Year Ended June 30, 2022

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For the Year Ended June 30, 2022

Contents

BLANKENSHIP

Independent Auditor's Report

Board of Trustees
New Hope Academy, Inc.

Opinion
We have audited the financial statements of New Hope Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in its net assets and its cash flows for the year 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 (GAAS). 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 the School 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.

Emphasis of Matter
As discussed in note 14 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 the School's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the School'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 the School'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
July 28, 2023

New Hope Academy, Inc.
Statement of Financial Position
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 46,304
Restricted cash	363,294
Accounts receivable	6,514
Investments	313,651
Pledges receivable, current portion	229,000
Total current assets	958,763
Cash restricted for long-term assets	1,404,814
Pledges receivable, net of current portion	52,000
Investments, noncurrent	269,649
Finance lease right-of-use assets, net	23,503
Property and equipment, net	1,678,454
Total assets	**$ 4,387,183**
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 44,921
Accrued expenses	1,808
Finance lease liability, current portion	7,834
Deferred revenues	35,115
Total current liabilities	89,678
Finance lease liability, net of current portion	15,741
Total liabilities	105,419
Net assets	
Without donor restrictions	1,942,738
With donor restrictions	2,339,026
Total net assets	4,281,764
Total liabilities and net assets	**$ 4,387,183**

New Hope Academy, Inc.
Statement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Tuition revenue			
Tuition and fees	$ 2,729,152	$ -	$ 2,729,152
Less: financial aid and scholarships	(1,528,100)	-	(1,528,100)
Total tuition revenue	1,201,052	-	1,201,052
Contributions of financial and other assets	1,454,355	666,029	2,120,384
Contributions of nonfinancial assets	25,777	-	25,777
Rental income	25,950	-	25,950
Investment gain (loss), net	(33,651)	-	(33,651)
PPP loan forgivness	900,007	-	900,007
Other revenues	114,256	-	114,256
Net assets released from restrictions	141,293	(141,293)	-
Total support and revenues	3,829,039	524,736	4,353,775
Expenses			
Program services	1,910,400	-	1,910,400
Management and general	584,048	-	584,048
Fundraising	542,167	-	542,167
Total expenses	3,036,615	-	3,036,615
Change in net assets	792,424	524,736	1,317,160
Net assets, beginning of year	1,150,314	1,814,290	2,964,604
Net assets, end of year	**$ 1,942,738**	**$ 2,339,026**	**$ 4,281,764**

New Hope Academy, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program services	Management and general	Fundraising	Total
Functional Expenses				
Salaries and wages	$ 1,114,058	$ 317,665	$ 289,708	$ 1,721,431
Employee benefits	115,770	33,011	30,106	178,887
Payroll taxes	71,770	20,465	18,664	110,899
Accounting	-	19,078	-	19,078
ACORN program	15,100	-	-	15,100
Advancement	-	56,354	156,431	212,785
Amortization	6,424	940	470	7,834
Benevolence	10,114	-	-	10,114
Classroom	73,744	-	-	73,744
Counseling	41,000	-	-	41,000
Depreciation	60,272	8,820	4,410	73,502
Insurance	11,118	4,960	1,026	17,104
Interest	941	-	-	941
Legal fees	-	80	-	80
Lunch	86,229	-	-	86,229
Office	11,162	72,560	27,908	111,630
Occupancy	215,108	40,333	13,444	268,885
Professional development	4,936	-	-	4,936
Recruiting	44,730	9,782	-	54,512
Sports	1,280	-	-	1,280
Trips	26,644	-	-	26,644
Total functional expenses	**$ 1,910,400**	**$ 584,048**	**$ 542,167**	**$ 3,036,615**

New Hope Academy, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2022

Cash and cash equivalents, and restricted cash, beginning of year	$	1,430,372
Cash flows from operating activities		
Change in net assets		1,317,160
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		73,502
Amortization of right-of-use assets		7,834
Bad debt expense		8,157
Contributions restricted for long-term assets		(436,316)
Unrealized investment (gain) loss, net		33,651
Paycheck protection program loan forgiveness		(900,007)
Change in:		
Accounts receivable		(5,177)
Pledges receivable		(59,500)
Accounts payable		4,740
Accrued expenses		(6,561)
Deferred revenues		35,115
Net cash provided (used) by operating activities		72,598
Cash flows from investing activities		
Purchases of property and equipment		(153,606)
Sale of investments		36,500
Net cash provided (used) by investing activities		(117,106)
Cash flows from financing activities		
Contributions restricted for long-term assets		436,316
Payments on finance lease liability		(7,768)
Net cash provided (used) by financing activities		428,548
Net change in cash and cash equivalents		384,040
Cash and cash equivalents, end of year	**$**	**1,814,412**
Reconciliation to statement of financial position		
Cash and cash equivalents	$	46,304
Restricted cash		363,294
Cash restricted for long-term assets		1,404,814
	$	**1,814,412**
Supplemental disclosures of cash flow information		
Cash payments for interest expense	$	941
Contributions of nonfinancial assets	$	25,777
Right-of-use assets obtained in exchange for finance lease obligation	$	39,171

Note 1. **Summary of Significant Accounting Policies**

Nature of Activities

New Hope Academy, Inc. (the School) was founded in Tennessee as a non-profit corporation on May 31, 1996. The School is a private, Christ-centered community school which exists to serve low-income families by establishing a solid Biblical worldview, instilling vision, confirming hope, and preparing each young person for a life of service. This is accomplished by establishing, developing, and promoting all aspects of spiritual, educational, and social activities within the Franklin, Tennessee and surrounding communities. For the year ended June 30, 2022, the School served students from Pre-K through 6th Grade. Approximately one-half of the 220 seats each year are reserved for scholarship students based solely on financial need. Support is primarily through tuition and fees for services rendered and through donor contributions.

Management

The School is managed by a Board of Trustees (the Board) elected by the current Trustees. Each Trustee is entitled to one vote on all voting matters. The Headmaster also serves on the Board as a non-voting member. While major policies and decisions are determined by the Board, the day-to-day management is delegated to and performed by the Headmaster employed by the Board.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be designated for specific purposes by action of the Board of Trustees.
>
> Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are released from restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The School considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents. Restricted cash consists of funds received with donor-imposed restrictions.

Note 1. **Summary of Significant Accounting Policies**

Accounts Receivable

Accounts receivable consist primarily of non-interest-bearing amounts due for tuition and educational programs. An allowance for uncollectible receivables is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. At year-end, management has determined that receivables are collectible, and no allowance is deemed necessary.

Unconditional Promises to Give

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due in future periods are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows, net of allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon the School's analysis of past collection experience and other judgmental factors. At year end an allowance for uncollectible pledges receivable was not considered necessary. In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Investments

Investments in exchange traded funds with readily determined fair values and investments in debt securities are reported at fair value in the statement of financial position. Investment income and realized and unrealized gains and losses are included in the statement of activities. If quoted market values are not available, then fair values are estimated using pricing models. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met during the reporting period in which the income and gains are recognized. Donations of investment securities are recorded as revenue at fair value, if readily determinable, on the date of donation.

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are unobservable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

Note 1. **Summary of Significant Accounting Policies**

Fair Value Measurements
If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Where quoted prices of investments are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded funds and money market funds. If quoted market prices are not available, the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows, and are classified within Level 2 of the valuation hierarchy. Level 2 securities include corporate bonds. Securities without readily available market data are classified as Level 3.

The School’s investments in exchange traded funds are valued at the net asset value of shares held at year end based on a quoted price in an active market. Money market funds are valued at the closing price reported on the active market on which the funds are traded. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities and include basing value on yields currently available on comparable securities of issuers with similar credit ratings.

No changes in the valuation methodology were made during the year.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School's valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Property and Equipment
Property and equipment are recorded at cost, or, if donated, at the estimated fair value at the date of donation. The School’s capitalization policy is to capitalize expenditures in excess of $2,500. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 39 years. Expenditures for repairs and maintenance are charged to expenses as incurred.

Note 1. **Summary of Significant Accounting Policies**

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset, representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The School early adopted Topic 842 on July 1, 2021, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period financial statements. Under this transition provision, the School has applied Topic 842 to reporting periods beginning on July 1, 2021.

The School elected the "package of practical expedients" under the transition guidance within Topic 842, in which the School does not reassess (1) the historical lease classifications, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The School has not elected to adopt the "hindsight" practical expedient and, therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2021.

The School determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the School obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The School also considers whether its service arrangements include the right to control the use of an asset.

The School made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2021, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the School made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Note 1. **Summary of Significant Accounting Policies**

Leases (New Accounting Standard Adopted in 2022)

The School has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the School, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

The School has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable for machinery and equipment. The risk free rate is the rate of a zero coupon US Treasury instrument for the same period of time as the lease term.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the School's finance leases of $39,171 at July 1, 2021. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Donor-restricted contributions are reported as increases to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges receivable and are recorded at their net realizable value.

Student tuition and educational fees are recorded as revenues during the period the related academic services are rendered. Student tuition and educational fees received or receivable in advance of services to be rendered are recorded as deferred revenues.

The School recognizes revenue from special events when the event takes place.

Contributions of Nonfinancial Assets (New Accounting Standard Adopted in 2022)

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item separate from contributions of cash or other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. Adoption of this ASU had no impact on net assets.

Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated fair values when received based on estimated purchase prices of similar materials and equipment. Contributions of donated services that create or enhance nonfinancial 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 fair values in the period received based on current rates for similar services.

Note 1. **Summary of Significant Accounting Policies**

Contributions of Nonfinancial Assets (New Accounting Standard Adopted in 2022)
Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in fundraising and special projects. However, these services do not meet the requirements above and have not been recorded.

Functional Expense Allocation
Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that are allocated consist of salary and related expenses which have been allocated based on time and effort. Occupancy, depreciation and amortization, insurance, and office expenses have been allocated on a square footage basis.

Additional Service Revenues
The School recognizes revenue received from the ACORN early life program, aftercare program, summer camps, and lunch program as additional service revenue. The amount received during the year was $83,653.

Income Taxes
The School is a not for profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold as to whether the tax positions would be sustained, based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainty, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions include, but are not limited to, the tax-exempt status of the School and determination of whether income is subject to unrelated business income tax. However, the School has determined that such tax positions do not result in an uncertainty requiring recognition. The School is no longer subject to Internal Revenue Service examinations for the years prior to 2019.

Advertising Costs
Advertising costs, if any, are expensed in the year in which they are incurred. No advertising cost were incurred during the year.

Paycheck Protection Program Loan
On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The School received two loans in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loans and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loans or any portion thereof are formally discharged; or 2) proceeds can be treated as conditional contributions where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The School has elected to treat these loans as conditional contributions. The loans were forgiven on July 23, 2021, and February 11, 2022.

Note 2. **Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets		
Cash and cash equivalents	$	46,304
Restricted cash		363,294
Accounts receivable		6,514
Pledges receivable		281,000
Cash restricted for long-term assets		1,404,814
Investments		583,300
Total financial assets at year-end		2,685,226
Less amounts not available to be used within one year		
Net assets with donor restrictions		(2,339,026)
Financial assets available to meet cash needs for general expenditures within one year	**$**	**346,200**

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing educational services, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3. **Pledges Receivable**

Pledges receivable are scheduled to be received as follows:

Receivable in less than one year	$	229,000
Receivable in one to two years		52,000
Pledges receivable	**$**	**281,000**

Management has determined that the discounts relating to the long-term contributions and pledges receivable are immaterial to the financial statements.

Note 4. **Endowment Fund**

The School has established an endowment fund, the Blue Skies Endowment (Endowment), which is governed by the Board of Trustees and an Endowment Committee. The purpose of the Endowment is to provide scholarships to students from single parent homes. Scholarships are awarded prior to May 31st each year on a general basis to the School to offset general pooled education costs and are not awarded to a specific student. The spending policy of the Endowment is based on the asset size of the investment portfolio with a maximum of four scholarships to be funded in any one year. A scholarship is equal to the annual tuition price for a full-time student.

Note 4. **Endowment Fund**

Distributions are at the discretion of the Endowment Committee if the portfolio asset size falls below the original investment of $200,000. An annual gift not to exceed $1,000 is also awarded to the School from the Endowment prior to August 15th each year.

The overall investment policy of the Endowment is to achieve long-term growth without undue risk and to exceed inflation over time. To achieve this objective, investments are limited to equity securities, fixed income securities, and cash and cash equivalents. Investment in any one company is not to exceed 5% of the market value of the portfolio or 5% of the market value of that security with the exception of donated stock.

The approved asset allocation is as follows:

Equities	30% - 50%
Fixed income/cash	50% - 70%

Endowment assets by type as of year-end are as follows:

Cash and money market	$	138,067
Corporate bonds		20,200
Exchange traded funds		247,911
Endowment total investments	**$**	**406,178**

The following is a schedule of changes in Endowment activity for the year:

Endowment, beginning of year	$	344,126
Contributions		132,059
Withdrawals		(36,500)
Investment income (loss)		(31,119)
Investment fees		(2,388)
Endowment, end of year	**$**	**406,178**

Endowment investments are included in investments on the statement of financial position.

The Board of Trustees of the School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that the School classify as net assets with donor restrictions to be held in perpetuity (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as being held for a specific purpose until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 4. **Endowment Fund**

In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The purposes of the School and the donor-restricted endowment fund
- The general economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the School
- The needs of the beneficiaries of the donor-restricted funds
- The spending rules adopted by the Board of Trustees

Note 5. **Investments**

The following tables set forth the categories of investments measured at fair value on a recurring basis, by level within the fair value hierarchy.

	Level 1	**Level 2**	**Level 3**	**Total**
Exchange traded funds	$ 247,911	$ -	$ -	$ 247,911
Corporate bonds	-	20,200	-	20,200
Cash and money market	315,189	-	-	315,189
Investments at fair value	**$ 563,100**	**$ 20,200**	**$ -**	**$ 583,300**

Note 6. **Property and Equipment**

Property and equipment consist of the following:

Land	$ 661,500
Buildings	2,547,058
Facility improvements	41,486
Furniture and fixtures	94,829
Vehicle	10,000
Construction-in-progress	124,099
Equipment	166,212
	3,645,184
Less: accumulated depreciation	(1,966,730)
Property and equipment, net	**$ 1,678,454**

Note 7. **Leases**

The School leases office equipment under a finance lease agreement with a term of five years and an interest rate of 0.30%. The School's finance lease generally does not contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows:

Finance lease cost – amortization of right-of-use assets	$	7,834
Finance lease cost – interest on lease liabilities		134
Total lease cost	**$**	**7,968**

Supplemental statement of financial position information related to leases are as follows:

Finance leases		
Equipment	$	39,171
Accumulated amortization		(15,668)
Finance lease, right-of-use assets, net	**$**	**23,503**
Finance lease liabilities, current portion	$	7,834
Finance lease liabilities, net of current portion		15,741
Total finance lease liabilities	**$**	**23,575**
Weighted-average remaining lease term		
Finance leases		3.00 years
Weighted-average discount rate		
Finance leases		0.31%

Future undiscounted cash flows for the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows:

Years ending December 31,		
2023	$	7,896
2024		7,896
2025		7,896
Total lease payments		23,688
Less imputed interest		(113)
Total present value of lease liabilities	**$**	**23,575**

Note 8. **Line of Credit**

The School had a revolving line of credit agreement with a bank which provided that it could borrow up to $200,000 at the bank's prime rate plus 0.50%, with a minimum rate of 3.25%. The credit agreement expired on May 12, 2022 and was not renewed.

Note 9. **Net Assets with Donor Restrictions**

The School has received contributions from donors with the stipulation that such contributions are to be used for specified purposes.

Net assets with donor restrictions are as follows:

Benevolence fund	$	5,113
Endowment fund		406,178
Dining hall capital campaign		1,685,814
Expanding Hope		201,040
School van fund		20,000
Sixth grade trip		20,881
Net assets with donor restrictions	**$**	**2,339,026**

Note 10. **Special Events**

The School sponsored several events during the year to raise additional funds for its activities. Special events revenue is included in contributions on the statement of activities.

Special events, net of direct benefits to donors, are as follows:

Special events revenue	$	483,296
Less: direct benefit to donors		(139,990)
	$	**343,306**

Note 11. **Contributions of Nonfinancial Assets**

Contributions of nonfinancial assets are as follows:

Fundraising	$	5,785
Meals		17,392
After school program services		600
Music equipment		2,000
	$	**25,777**

Unless otherwise noted, the School did not recognize any contributions of nonfinancial assets with donor-imposed restrictions.

Note 12. **PPP Loan Forgiveness**

The School received PPP loans in April of 2020 and February 2021 that totaled $900,007. The loans were forgiven on July 23, 2021, and February 11, 2022, and were recognized in income during the year.

Note 13. **Concentrations and Related Party Transactions**

The School has cash balances at financial institutions that at times may exceed federally insured limits. As of year end, $1,528,964 was in excess of federally insured limits.

At year end 77% of pledges receivable were due to the School from three donors.

The School provides financial aid and scholarships for students solely on financial need. The dependents of certain employees and board members meet such need requirements. Financial aid and scholarships for those dependents were $223,200. Additionally, teacher and staff tuition discounts totaled $75,300 for the fiscal year.

Note 14. **Restatement of Net Assets**

The School has restated its previously issued 2021 financial statements to correct an error related to pledges receivable. The total increase to net assets at July 1, 2021 was $221,500.

Following is a summary of the restatement for 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets as of July 1, 2021	$ 1,150,314	$ 1,592,790	$ 2,743,104
Restatement of net assets	-	221,500	221,500
Net assets as of July 1, 2021, as restated	**$ 1,150,314**	**$ 1,814,290**	**$ 2,964,604**

Note 15. **Subsequent Events**

The School evaluated subsequent events through July 28, 2023, the date on which the financial statements were available to be issued.

On July 6, 2022, the School entered into a $2,000,000 note payable to be used for facility improvements. Monthly payments of interest only are due through January 6, 2024. Payments of fixed principal and interest begin thereafter through the maturity date of July 6, 2037. The note is secured by property and leasehold improvements of the School and bears interest at a rate that adjusts every 60 months with a minimum rate of 2%.

In conjunction with the note above, on July 6, 2022, the School entered into a $200,000 line of credit that matures on July 6, 2024, and bears interest at a minimum rate of 2%. This line of credit is to be used for facility improvements and is secured by the property and leasehold improvements of the School.