The Prentice School
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

ADVISORY TAX AUDIT

The Prentice School
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June 30, 2024 and 2023

Independent Auditor's Report

To the Board of Directors of
The Prentice School:

Opinion

We have audited the financial statements of The Prentice School (the "School"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, 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 Prentice School as of June 30, 2024, 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 audits 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 Prentice School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the School's ability to continue as a going concern within one year after the date 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 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.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in the report dated December 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Withum Smith+Brown, PC

February 6, 2025

The Prentice School
Statements of Financial Position
June 30, 2024 and 2023

	Without Donor Restriction	With Donor Restriction	2024	(Summarized) 2023
Assets				
Cash and cash equivalents	$ 6,418,217	$ 692,791	$ 7,111,008	$ 3,269,373
Accounts receivable, net	75,132	-	75,132	104,408
Unconditional promises to give	2,225,000	-	2,225,000	-
Employee retention credit receivable	1,116,925	-	1,116,925	1,116,925
Investments	3,036,088	-	3,036,088	1,900,717
Prepaid expenses and other assets	55,088	-	55,088	44,921
Property and equipment, net	5,471,165	-	5,471,165	5,023,704
Total assets	$ 18,397,615	$ 692,791	$ 19,090,406	$ 11,460,048
Liabilities and Net Assets				
Liabilities				
Deferred revenue	$ 1,134,343	$ -	$ 1,134,343	$ 892,431
Accounts payable	21,739	-	21,739	29,866
Accrued expenses	2,051	-	2,051	1,892
Accrued payroll and related benefits	236,612	-	236,612	244,068
Accrued vacation, current	34,671	-	34,671	35,252
Other liabilities	87,488	-	87,488	85,840
Total liabilities	1,516,904	-	1,516,904	1,289,349
Net assets				
Net assets without donor restriction				
Net investment in property and equipment	5,471,165	-	5,471,165	5,023,704
Board designated	289,219	-	289,219	548,209
Undesignated	11,120,327	-	8,895,327	4,429,185
Total net assets without donor restriction	16,880,711	-	14,655,711	10,001,098
Net assets with donor restrictions	-	692,791	2,917,791	169,601
Total net assets	16,880,711	692,791	17,573,502	10,170,699
Total liabilities and net assets	$ 18,397,615	$ 692,791	$ 19,090,406	$ 11,460,048

The Notes to Financial Statements are an integral part of these statements.

The Prentice School
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	Without Donor Restriction	With Donor Restriction	2024	(Summarized) 2023
Tuition and student-related revenue, net	$ 4,312,244	$ -	$ 4,312,244	$ 4,306,171
Grants and contributions	6,661,360	692,791	7,354,151	483,752
Auxiliary income	271,648	-	271,648	257,654
Special events revenue, net	152,894	-	152,894	222,099
Realized and unrealized gains	121,319	-	121,319	43,096
Interest and dividend income, net	169,169	-	169,169	59,367
Other income	600	-	600	3,099
Net assets released from restriction	169,601	(169,601)	-	-
Total support and revenues	11,858,835	523,190	12,382,025	5,375,238
Expenses				
Program services	4,286,336	-	4,286,336	3,937,771
Supporting services				
Management and general	600,139	-	600,139	676,696
Fundraising	92,747	-	92,747	106,314
Total expenses	4,979,222	-	4,979,222	4,720,781
Other income				
Employee retention credit income	-	-	-	1,116,925
Change in net assets	6,879,613	523,190	7,402,803	1,771,382
Net assets				
Beginning of year	10,001,098	169,601	10,170,699	8,399,317
End of year	$ 16,880,711	$ 692,791	$ 17,573,502	$ 10,170,699

The Notes to Financial Statements are an integral part of these statements.

The Prentice School
Statements of Functional Expenses
Year Ended June 30, 2024

	Program Services	Supporting Services				
	Instruction	General and Administrative	Development	Direct Cost of Donor Benefit	Total Supporting Services 2024	Total Expenses 2024
Salaries	$ 2,529,841	$ 298,521	$ 73,366	$ -	$ 371,887	$ 2,901,728
Payroll taxes and employee benefits	600,415	70,849	17,412	-	88,261	688,676
Total salaries and related expenses	3,130,256	369,370	90,778	-	460,148	3,590,404
Advertising and marketing	21,334	-	-	-	-	21,334
Bad debt	9,761	9,761	-	-	9,761	19,521
Bank fees	8,050	8,050	-	-	8,050	16,100
Board meeting	115	115	-	-	115	230
Books and curriculum	16,136	-	-	-	-	16,136
Direct cost of donor benefit	-	-	-	176,137	176,137	176,137
Equipment expenses	3,801	-	-	-	-	3,801
Insurance	37,552	3,863	949	-	4,813	42,365
Miscellaneous	5,837	2,918	-	-	2,918	8,755
Outside services	131,225	99,731	-	-	99,731	230,956
Payroll fees	9,113	938	230	-	1,168	10,281
Postage and shipping	988	198	790	-	988	1,976
Professional and development fees	87,416	69,933	-	-	69,933	157,349
Lease	48,174	-	-	-	-	48,174
Repairs and maintenance	105,007	-	-	-	-	105,007
Student activities	59,753	-	-	-	-	59,753
Student curriculum expenses	175,000	-	-	-	-	175,000
Supplies	30,717	-	-	-	-	30,717
Taxes, licenses and permits	8,919	8,919	-	-	8,919	17,837
Technology and utilities	131,722	26,343	-	-	26,343	158,065
Training and development	73,463	-	-	-	-	73,463
Depreciation	191,997	-	-	-	-	191,997
Total expenses	4,286,336	600,139	92,747	176,137	869,023	5,155,359
Less: Expenses included within revenues						
Direct cost of donor benefits	-	-	-	(176,137)	(176,137)	(176,137)
Total expenses included in the expense section of the statement of activities and changes in net assets	$ 4,286,336	$ 600,139	$ 92,747	$ -	$ 692,886	$ 4,979,222

The Notes to Financial Statements are an integral part of these statements.

The Prentice School
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services				
	Instruction	General and Administrative	Development	Direct Cost of Donor Benefit	Total Supporting Services 2023	Total Expenses 2023
Salaries	$ 2,482,209	$ 343,377	$ 84,389	$ -	$ 427,766	$ 2,909,975
Payroll taxes and employee benefits	554,721	76,738	18,859	-	95,597	650,318
Total salaries and related expenses	3,036,930	420,115	103,248	-	523,363	3,560,293
Advertising and marketing	17,440	-	-	-	-	17,440
Bad debt	-	6,762	-	-	6,762	6,762
Bank fees	-	267	-	-	267	267
Board meeting	-	49	-	-	49	49
Books and curriculum	14,140	-	-	-	-	14,140
Direct cost of donor benefit	-	-	-	183,333	183,333	183,333
Equipment expenses	7,463	-	-	-	-	7,463
Insurance	32,511	4,265	1,048	-	5,312	37,823
Miscellaneous	5,272	5,272	-	-	5,272	10,543
Outside services*	52,662	166,764	-	-	166,764	219,426
Payroll fees	8,398	1,162	286	-	1,447	9,845
Postage and shipping	-	433	1,732	-	2,165	2,165
Professional and development fees	178,718	24,511	-	-	24,511	203,229
Lease	46,442	-	-	-	-	46,442
Repairs and maintenance	99,199	-	-	-	-	99,199
Student activities	43,238	-	-	-	-	43,238
Supplies	26,573	-	-	-	-	26,573
Taxes, licenses and permits	-	14,083	-	-	14,083	14,083
Technology and utilities	62,727	15,682	-	-	15,682	78,409
Training and development	57,228	-	-	-	-	57,228
Depreciation	179,506	-	-	-	-	179,506
Total expenses	3,868,447	659,365	106,314	183,333	949,012	4,817,459
Less: Expenses included within revenues						
Direct cost of donor benefits	-	-	-	(183,333)	(183,333)	(183,333)
Total expenses included in the expense section of the statement of activities and changes in net assets	$ 3,937,771	$ 676,696	$ 106,314	$ -	$ 783,010	$ 4,720,781

The Notes to Financial Statements are an integral part of these statements.

The Prentice School
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating activities		
Change in net assets	$ 7,402,803	$ 1,771,382
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	191,997	179,506
Net realized and unrealized gains	(121,319)	(28,063)
Change in operating assets		
Accounts receivable	29,276	(17,004)
Employee retention credit receivable	-	(1,116,925)
Prepaid expenses and other assets	(10,167)	11,726
Unconditional promises to give	(2,225,000)	-
Change in operating liabilities		
Accounts payable	(8,127)	8,594
Accrued liabilities	159	4,848
Deferred revenue	241,912	68,050
Net cash provided by operating activities	5,501,534	882,114
Investing activities		
Purchase of property and equipment	(639,460)	(304,008)
Proceeds from sale of investments	500,000	1,688,313
Purchase of investments	(1,520,439)	(1,676,051)
Net cash used in investing activities	(1,659,899)	(291,746)
Net change in cash and cash equivalents	3,841,635	590,368
Cash and cash equivalents		
Beginning of year	3,269,373	2,679,005
End of year	$ 7,111,008	$ 3,269,373

The Notes to Financial Statements are an integral part of these statements.

1. Summary of Significant Accounting Policies

a. Nature of Operations

The Prentice School (the “School” or “Prentice”) is a private, nonprofit, co-educational, nonpublic day school (“NPS”) dedicated to providing innovative education and a nurturing environment for students with learning differences to succeed in life. Prentice continues to have their program offering invest heavily in multiple “gold standard” Dyslexia training and certification programs, such as Orton-Gillingham and Lindamood-Bell, for their teachers which is the core for the teaching excellence of the School and resulted in more positive learning outcomes, increased referrals, and student retention.

Through closely managing operating costs, tuition increases to balance inflation, successful fundraising and positive changes to its programs, Prentice has created favorable results that are expected to continue over the next few years. The School’s support consists of tuition and contributions from donors primarily located in Southern California.

b. Basis of Accounting and Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions.

The net assets of the School are reported as follows:

Net assets without donor restrictions: Net assets that are not restricted by donor-imposed stipulations and are available for the general operations of the School. Net assets without donor restrictions may be designated for specific purposes by the School or may be limited by contractual agreements with outside parties. In addition, net assets without donor restrictions includes funds designated for specific purposes by the School's board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by the actions of the School or through the passage of time. 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. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on 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 and changes in net assets as net assets released from donor restrictions.

The School records gifts of cash and other assets as with donor restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as net assets without donor restrictions in the accompanying statements of activities and changes in net assets.

c. Comparative Data

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2023 from which the summarized information was derived.

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

e. Cash and Cash Equivalents

The School considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At June 30, 2024, cash equivalents consisted primarily of investment funds.

The School maintains cash balances at U.S. banks, which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 for each institution. The School's cash balances at times exceeded federally insured limits. Any loss incurred or lack of access to such funds could have a significant adverse impact on the School's financial condition, results of operations, and cash flows.

f. Accounts Receivable

Accounts receivable consist of trade accounts arising in the normal course of business. Accounts for which no payments have been received for 30 days or in accordance with the billing cycles are considered delinquent and customary collection efforts are initiated. Accounts receivable is recorded in the accompanying statement of financial position net of allowances for current expected credit losses, which reflect management's best estimate of the amounts that will not be collected. As of June 30, 2024 and 2023, an allowance for current expected credit losses has been recorded in the amount of $15,000. Accounts receivable as of July 1, 2022 was $87,404.

g. Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts computed using a risk-free interest rate applicable to the years in which the promises are expected to be received. Conditional promises to give are not included in receivables until the conditions are met. Amounts deemed uncollectible by management are included in the allowance for uncollectible promises to give. As of June 30, 2024, the School evaluated the collectability of unconditional promises to give and determined that no allowance was deemed necessary. Uncollectible promises to give recorded as of June 30, 2024 totaling $2,225,000 are from the estate of one donor that are to be paid upon the final settlement of the estate, which is anticipated to be in fiscal year 2025. As it is sitting in an escrow account as of year-end waiting to be distributed, it is classified as net assets without donor restriction at June 30, 2024.

h. Investments

Investments consist primarily of assets invested in marketable equity and debt securities, and money-market accounts. The School accounts for investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. The following is a description of the valuation methodologies used for assets measured at fair value:

Treasury Bills: Valued at the underlying currency of each instrument. The value of the bills is determined by fair value for each bill based upon quotations obtained from national securities exchanges and over-the-counter associations.

Mutual Funds and Exchange-Traded Funds: Valued at the net asset value of shares held at year end. The value of the funds is determined by fair market value for each fund and is based upon quotations obtained from national securities exchanges and over-the-counter associations.

The realized and unrealized gain or loss on investments is reflected in the statements of activities and changes in net assets. Dividend and interest income is recorded as earned. Investment income is recognized as net assets with or without donor restrictions, depending on donor-imposed stipulations. Investments are exposed to various risks such as significant world events, interest rates, credit, and overall market volatility risks.

i. Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions, improvements, and other enhancements to property and equipment are capitalized, and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in results of operations.

Description	**Estimated Life (Years)**
Buildings	39-40
Building improvements	5-39
Furniture and fixtures	5-7
Office equipment	5-10
Computers	3-5
Textbooks	3-7

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a significant nature are capitalized.

j. Impairment of Long-Lived Assets

The School reviews long-lived assets and certain identifiable intangible assets for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment recognized is the difference between the asset’s carrying amount and fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The School has determined that there has not been any impairment of its long-lived assets as of June 30, 2024 and 2023.

k. Contributions and Grants

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Grant awards that are contributions - Grant awards that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

l. Revenue Recognition

The School recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, certain judgements are made including identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer.

The School recognizes revenue when goods or services promised are transferred to customers in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the satisfies a performance obligation, as further described below. Revenue subject to variability is constrained to an amount which will not result in a significant reversal in future periods when the contingency that creates variability is resolved.

Tuition and fees income is derived from day school services provided. Tuition revenue is recognized in the school year that scholastic services are provided. Gross tuition and fees reflects the School’s normal tuition rates for all students. Dependents of the School’s employees pay reduced tuition rates. The dependent tuition discount, the sibling discount and scholarships awarded to students are netted against gross tuition and fees. Tuition revenue is billed prior to the beginning of the academic year and is recognized ratably over the academic term to which it relates based on time elapsed. Financial and other discounts provided to students reduces the amount of revenue recognized.

Scholarships given on the basis of financial need as well as dependent tuition reductions are included in net tuition and fees in the statements of activities and changes in net assets. There was a small number of dependent students attending the School during the years ended and June 30, 2024 and 2023, respectively. For the years ended 2024 and 2023, scholarships have been netted as a component of tuition and fee revenue totaling $560,434 and $476,176, respectively.

The School has various auxiliary activities that operate on campus, including occupational and speech therapy, and tutoring services. The revenue from such activities is recognized at a point in time when the service is provided.

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference. The contribution portion is recognized as revenue with or without donor restrictions when received. Revenue from the exchange portion is recognized at a point in time when the event is held.

m. Employee retention credit receivable

During the year ended June 30, 2023, the School filed for the Employee Retention Credit ("ERC"), which is a refundable tax credit. The ERC is being treated as a conditional contribution and is recognized as revenue as qualifying expenses that give rise to the credit are incurred. The full amount of the ERC of $1,116,925 is recognized in other income in the accompanying statement of activities for the year ended June 30, 2023.

n. Deferred Revenue

Deferred revenue results from the School 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 term are deferred until the instruction commences or the applicable expenses are incurred. As of June 30, 2024 and 2023, deferred revenues were $1,134,343 and $892,431, respectively. As of July 1, 2022, deferred revenues were $824,381.

o. Contributed Nonfinancial Assets

Donated materials and other nonfinancial contributions are reflected in the accompanying financial statements at their estimated market values at date of receipt. Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In valuing the contributed nonfinancial assets, the School used donor stated prices. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. Only those amounts that meet the criteria above are recorded in the accompanying financial statements as of June 30, 2024 and 2023.

The School received donations of various noncash assets, such as materials that were used for operating activities. Contributed materials in the amounts of $27,064 and $41,194 are recorded as income and expense under grants and contributions in the statements of activities and changes in net assets for the years ended June 30,2024 and 2023, respectively.

p. Leases

The School categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. The School had no finance leases during 2024 and 2023.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the School accounts for these other services as a component of the lease.

The lease liability is initially and subsequently recognized based on the present value of future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Changes to variable lease payments due to subsequent changes in an index or rate and variable lease payments not dependent on an index or a rate are recorded as variable lease expense in the period in which they are incurred.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (less) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, the School has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the School is reasonably certain to exercise. The School recognizes short-term lease cost on a straight-line basis over the lease term.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Lease expense for the years ended June 30, 2024 and 2023 were $48,174 and $46,442, respectively. Overall leases are insignificant and thus, not capitalized.

q. Adopted Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. This update requires immediate recognition of management's estimates of current expected credit losses ("CECL"). Under the prior model, losses were recognized only as they were incurred. The new model is applicable to most financial assets and certain other instruments that are not measured at fair value through net income.

The School adopted the new standard effective July 1, 2023, using the modified retrospective approach. Comparative periods were not adjusted upon adoption and there was no adjustment to net assets needed.

r. Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and exempt from state income taxes under state law, and no provision for such income tax has been reflected in the accompanying financial statements. The School has evaluated uncertain tax positions with respect to its operations and concluded there are no such positions at June 30, 2024 and 2023. The School did not recognize any tax-related interest or penalties during the period presented in these financial statements.

The School considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability or discloses potential significant changes that management believes are more likely than not to occur upon examination by taxing authorities, including changes to the School's status as a not-for-profit entity. The School believes there are no material uncertain tax positions that require recognition or disclosure in the accompanying financial statements. Further, there are no income tax related penalties and interest included in these financial statements.

s. Compensated Absences

Full-time teaching employees earn two paid personal days a year. The School's policy is to recognize the cost of compensated absences for full-time employees when paid. The days must be used by the last day of school in June of each year. Any unused time is paid to the teaching staff in their June paycheck.

Office and support staff earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid. Accrued vacation expense as of June 30, 2024 and 2023 was $34,671 and $35,252, respectively, and is included in accrued liabilities in the statements of financial position.

t. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $21,334 and $17,440 for the years ended June 30, 2024 and 2023, respectively.

u. Fair Value Measurements

The carrying value of financial instruments in the financial statements approximates fair value.

For fair value measurements of financial assets and financial liabilities (Note 3), and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis, the School has adopted GAAP standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

GAAP establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The School's Level 1 assets include treasury bills, mutual funds and exchange traded funds.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

v. Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and detailed within the statements of functional expenses. Expenses directly attributed to a specific function are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes and employee benefits	Time and effort
Payroll fees	Time and effort
Depreciation	Square footage
Insurance	Square footage
Technology and utilities	Square footage

For certain expenses reported on the accompanying statements of functional expenses including advertising and marketing, bad debt, board meeting, books and curriculum, equipment expenses, events, miscellaneous, outside services, professional and development fees, rent, repairs and maintenance, student activities, supplies, and training and development, the cost directly attributable to program or supporting services has been allocated as such.

w. Reclassification

The financial statements for the year ended June 30, 2023 reflect certain reclassifications for accrued expenses, accrued payroll and related benefits, accrued vacation and other liabilities, which have no effect on net assets, to conform to classifications adopted June 30, 2024.

x. Subsequent Events

The School evaluated subsequent events through February 6, 2025, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. Liquidity and Availability of Resources

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	2024	2023
Financial assets		
Cash and cash equivalents	$ 7,111,008	$ 3,269,373
Accounts receivable, net	75,132	104,408
Investments	3,036,088	1,900,717
Unconditional promises to give	2,225,000	-
Employee retention credit receivable	1,116,925	1,116,925
Total financial assets available	13,564,153	6,391,423
Less		
Donor restricted financial assets	(692,791)	(169,601)
Total financial assets and liquidity resources available within one year for general expenditure	$ 12,871,362	$ 6,221,822

The School receives significant unrestricted revenue from tuition, which is ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The School receives contributions and promises to give which are restricted by donors for program use. Management of liquidity and reserves is conducted under three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The School's goal is generally to maintain financial assets to meet 4 months of operating expenses (approximately $800,000-$1,000,000). As part of the liquidity plan, excess cash is currently invested in short-term investments, such as money market accounts. The School forecasts its future cash flows, and monitors liquidity bi-monthly and monitors reserves annually during the budget review.

3. Investments

The following are the investments measured at fair value in the statements of financial position, according to the fair value hierarchy:

	Assets at Fair Value as of June 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Treasury bills	$ 1,379,851	$ -	$ -	$ 1,379,851
Exchange traded funds	620,565	-	-	620,565
Mutual funds	1,035,672	-	-	1,035,672
	$ 3,036,088	$ -	$ -	$ 3,036,088

	Assets at Fair Value as of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Exchange traded funds	$ 1,302,517	$ -	$ -	$ 1,302,517
Mutual funds	598,200	-	-	598,200
	$ 1,900,717	$ -	$ -	$ 1,900,717

4. Property and Equipment, Net

The historical costs of the School's property and equipment and related accumulated depreciation balances at June 30, 2024 and 2023 were as follows:

	2024	**2023**
Land	$ 2,806,810	$ 2,806,810
Machinery and equipment	652,242	639,445
Buildings and improvements	4,968,017	4,341,354
Furniture and fixtures	289,224	289,224
Other depreciable and amortizable assets	158,869	158,869
Property and equipment, gross	8,875,162	8,235,702
Less: Accumulated depreciation and amortization	(3,403,997)	(3,211,998)
Property and equipment, net	$ 5,471,165	$ 5,023,704

Depreciation expense related to property and equipment was $191,997 and $179,506 for the years ended June 30, 2024 and 2023.

5. Accrued Liabilities

Accounts payable and accrued expenses consisted of the following at June 30, 2024 and 2023:

	2024	2023
Payroll and taxes	$ 236,612	$ 244,068
Retirement plans contribution	87,488	85,840
Vacation	34,671	35,252
Other	2,051	1,892
	$ 360,822	$ 367,052

6. Retirement Plan

The School maintains a 401(k) plan covering substantially all regular employees and excludes highly compensated employees. Under the plan, the School makes a discretionary contribution to eligible employees up to 6% of the employees' total compensation earned for the fiscal year. These contributions are subject to a four-year forfeiture schedule if any employee terminates service prior to becoming fully vested. The School accrued contributions to the 401(k) plan for the years ended June 30, 2024 and 2023 totaling $81,400 and $79,747, respectively.

The School also maintains a 403(b) plan covering highly compensated employees. Under the Plan, the School makes a discretionary contribution to eligible employees up to 6% of the employees' total compensation earned for the fiscal year. These contributions are subject to a four-year forfeiture schedule if any employee terminates service prior to becoming fully vested. The School accrued contributions to the 403(b) plan for the years ended June 30, 2023 and 2022 totaling $6,188 and $6,093, respectively.

The employee's vested percentage in the aforementioned plans for each year of service is as follows:

Years of Service	Vested Percentage
1-2	30
2-3	50
3-4	80
After 4	100

7. Board Designated Funds

The board of directors adopted a resolution to a reserve fund for future facilities maintenance and repairs. As this reserve was established pursuant to board of director-imposed restrictions, the assets designated to this reserve are included in the School's net assets without donor restriction. The amount designated to the reserve was $289,219 and $251,140 as of June 30, 2024 and 2023, respectively.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were released from restrictions for the following purposes or periods at June 30, 2024 and 2023:

	2024	2023
Purpose restriction		
Scholarships	$ 410,000	$ 169,601
Mind master	174,151	-
Literacy	40,000	-
Security	68,640	-
	$ 692,791	$ 169,601

During the years ended June 30, 2024 and 2023, net assets with donor restrictions totaling $169,601 and $178,277, respectively, were released from restriction for the scholarship program.

9. Employee Retention Credit

The School has applied for the employee retention credit in the amount of $1,116,925. The credit was be claimed against the School's payroll tax obligations for each calendar quarter based on the qualified wages, subject to certain limitations. For the year ended June 30, 2023, the School recorded revenue totaling $1,116,925, which is included in employee retention credit income in the accompanying statement of activities and changes in net assets.

10. Contingencies

The School is subject to claims and suits arising in the ordinary course of operations. Although the outcome of these claims and suits cannot be determined at present, management estimates that any potential claims against the School not covered by insurance resulting from such litigation will not materially affect the School's financial condition.