

Academy Prep Center of St. Petersburg, Inc.

Financial Statements

May 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Academy Prep Center of St. Petersburg, Inc.
St. Petersburg, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Academy Prep Center of St. Petersburg, Inc., which comprise the statements of financial position as of May 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academy Prep Center of St. Petersburg, Inc. as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
November 18, 2019

Academy Prep Center of St. Petersburg, Inc.
 Statements of Financial Position

	May 31,	
	2019	2018
Assets		
Current assets		
Cash	\$ 538,317	\$ 550,488
Other receivables	42,083	10,820
Other current assets	32,892	32,481
Total current assets	613,292	593,789
Interest in net assets of Academy Prep Foundation, Inc.	3,296,182	3,575,824
Property and equipment, net	193,079	204,322
Total assets	\$ 4,102,553	\$ 4,373,935
 Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 13,784	\$ 35,517
Accrued expenses	20,045	67,292
Due to Academy Prep Foundation, Inc.	50	24,257
Total current liabilities	33,879	127,066
Net assets		
Without donor restrictions		
Operating	850,669	1,012,200
Investment in property and equipment	193,079	204,322
Total without donor restrictions	1,043,748	1,216,522
With donor restrictions	3,024,926	3,030,347
Total net assets	4,068,674	4,246,869
Total liabilities and net assets	\$ 4,102,553	\$ 4,373,935

Academy Prep Center of St. Petersburg, Inc.
Statement of Activities for the Year Ended May 31, 2019
With Summarized Financial Information for the Year Ended May 31, 2018

	Year Ended May 31, 2019			Summarized Comparative Totals Year Ended May 31, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, support, and other reclassifications				
Contributions and grants	\$ 597,592	\$ 119,783	\$ 717,375	\$ 705,895
Contributed goods and services	149,881	-	149,881	196,567
Contributed use of property and facilities	153,073	-	153,073	140,589
Tuition - scholarship funded	688,996	-	688,996	685,126
Special events, net of expenses of \$118,723 in 2019	655,420	-	655,420	550,477
Federal school lunch program	85,777	-	85,777	75,976
Program revenue	20,280	-	20,280	18,271
Net assets released from restrictions	97,879	(97,879)	-	-
Total revenues and other support	<u>2,448,898</u>	<u>21,904</u>	<u>2,470,802</u>	<u>2,372,901</u>
Expenses				
Program services	1,735,469	-	1,735,469	1,756,717
Management and general	434,416	-	434,416	448,864
Fundraising	360,970	-	360,970	353,688
Total expenses	<u>2,530,855</u>	<u>-</u>	<u>2,530,855</u>	<u>2,559,269</u>
Change in net assets before change in interest in net assets of Academy Prep Foundation, Inc.	(81,957)	21,904	(60,053)	(186,368)
Change in interest in net assets of Academy Prep Foundation, Inc.	<u>(90,817)</u>	<u>(27,325)</u>	<u>(118,142)</u>	<u>246,486</u>
Change in net assets	(172,774)	(5,421)	(178,195)	60,118
Net assets at beginning of year	<u>1,216,522</u>	<u>3,030,347</u>	<u>4,246,869</u>	<u>4,186,751</u>
Net assets at end of year	<u><u>\$ 1,043,748</u></u>	<u><u>\$ 3,024,926</u></u>	<u><u>\$ 4,068,674</u></u>	<u><u>\$ 4,246,869</u></u>

Academy Prep Center of St. Petersburg, Inc.
Statement of Activities
Year Ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support, and other reclassifications			
Contributions and grants	\$ 677,575	\$ 28,320	\$ 705,895
Contributed goods and services	196,567	-	196,567
Contributed use of property and facilities	140,589	-	140,589
Tuition - scholarship funded	685,126	-	685,126
Special events, net of expenses of \$120,912	550,477	-	550,477
Federal school lunch program	75,976	-	75,976
Program revenue	18,271	-	18,271
Net assets released from restrictions	156,322	(156,322)	-
Total revenues and other support	<u>2,500,903</u>	<u>(128,002)</u>	<u>2,372,901</u>
Expenses			
Program services	1,756,717	-	1,756,717
Management and general	448,864	-	448,864
Fundraising	353,688	-	353,688
Total expenses	<u>2,559,269</u>	<u>-</u>	<u>2,559,269</u>
Change in net assets before change in interest in net assets of Academy Prep Foundation, Inc.	(58,366)	(128,002)	(186,368)
Change in interest in net assets of Academy Prep Foundation, Inc.	<u>206,654</u>	<u>39,832</u>	<u>246,486</u>
Change in net assets	148,288	(88,170)	60,118
Net assets at beginning of year	<u>1,068,234</u>	<u>3,118,517</u>	<u>4,186,751</u>
Net assets at end of year	<u>\$ 1,216,522</u>	<u>\$ 3,030,347</u>	<u>\$ 4,246,869</u>

Academy Prep Center of St. Petersburg, Inc.
Statement of Functional Expenses for the Year Ended May 31, 2019
With Summarized Financial Information for the Year Ended May 31, 2018

	Year Ended May 31, 2019				Summarized Comparative Totals
	Program Services	Management and General	Fundraising	Total	Year Ended May 31, 2018
Personnel costs	\$ 997,744	\$ 261,440	\$ 265,965	\$ 1,525,149	\$ 1,499,591
Advertising	-	3,160	4,175	7,335	9,758
Bad debt	-	-	-	-	1,000
Bank fees	-	706	8,283	8,989	12,880
Books	13,310	-	-	13,310	15,538
Continuing education	1,025	-	486	1,511	5,221
Donated teacher salaries	132,906	-	-	132,906	151,331
Dues and subscriptions	-	2,337	1,931	4,268	3,247
Fit families program	18,719	-	-	18,719	19,274
Graduate support	83,767	-	-	83,767	81,026
Guidance and evaluations	4,608	-	-	4,608	14,657
Housing and meals	16,551	-	-	16,551	16,731
Insurance	17,062	6,832	10,095	33,989	35,131
Legal and accounting	-	17,550	-	17,550	16,500
Meals and entertainment	2,008	2,272	914	5,194	8,050
Miscellaneous	390	6,977	-	7,367	15,877
Other professional fees	972	40,086	5,168	46,226	58,385
Permits and fees	964	386	571	1,921	3,907
Postage	-	3,851	581	4,432	3,645
Printing and copies	-	25,349	-	25,349	29,253
Recruiting and relocation	5,831	-	-	5,831	4,986
Repairs and maintenance	43,857	17,561	25,948	87,366	97,090
Security	1,782	714	1,055	3,551	3,918
Student activities	28,749	-	-	28,749	36,461
Student meals	103,745	-	-	103,745	93,542
Supplies	12,896	23,385	18,104	54,385	65,577
Telephone	-	9,428	-	9,428	11,046
Transportation and travel	318	407	-	725	2,067
Utilities	29,907	11,975	17,694	59,576	41,851
Depreciation and amortization	63,354	-	-	63,354	60,059
Rent	155,004	-	-	155,004	141,670
	<u>\$ 1,735,469</u>	<u>\$ 434,416</u>	<u>\$ 360,970</u>	<u>\$ 2,530,855</u>	<u>\$ 2,559,269</u>

Academy Prep Center of St. Petersburg, Inc.
Statement of Functional Expenses
Year Ended May 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 1,005,742	\$ 260,816	\$ 233,033	\$ 1,499,591
Advertising	-	1,106	8,652	9,758
Bad debt	-	-	1,000	1,000
Bank fees	-	618	12,262	12,880
Books	15,538	-	-	15,538
Continuing education	-	122	5,099	5,221
Donated teacher salaries	151,331	-	-	151,331
Dues and subscriptions	150	2,452	645	3,247
Fit families program	19,274	-	-	19,274
Graduate support	81,026	-	-	81,026
Guidance and evaluations	14,657	-	-	14,657
Housing and meals	16,731	-	-	16,731
Insurance	17,636	7,061	10,434	35,131
Legal and accounting	-	16,500	-	16,500
Meals and entertainment	2,406	1,878	3,766	8,050
Miscellaneous	570	4,596	10,711	15,877
Other professional fees	4,612	47,875	5,898	58,385
Permits and fees	809	1,938	1,160	3,907
Postage	183	2,757	705	3,645
Printing and copies	-	29,131	122	29,253
Recruiting and relocation	4,986	-	-	4,986
Repairs and maintenance	48,739	19,515	28,836	97,090
Security	1,966	788	1,164	3,918
Student activities	36,461	-	-	36,461
Student meals	93,542	-	-	93,542
Supplies	15,790	32,016	17,771	65,577
Telephone	-	11,046	-	11,046
Transportation and travel	1,830	237	-	2,067
Utilities	21,009	8,412	12,430	41,851
Depreciation and amortization	60,059	-	-	60,059
Rent	141,670	-	-	141,670
	<u>\$ 1,756,717</u>	<u>\$ 448,864</u>	<u>\$ 353,688</u>	<u>\$ 2,559,269</u>

Academy Prep Center of St. Petersburg, Inc.
Statements of Cash Flows

	Year Ended May 31,	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (178,195)	\$ 60,118
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	63,354	60,059
Gain on sale of equipment	-	-
Bad debt	-	1,000
Change in interest in net assets of Academy Prep Foundation, Inc.	118,142	(246,486)
(Increase) decrease in operating assets:		
Pledges receivable	-	-
Due from Academy Prep Foundation, Inc.	-	-
Other receivables	(31,263)	10,597
Other current assets	(411)	(1,113)
(Decrease) increase in operating liabilities		
Accounts payable	(21,733)	22,986
Accrued expenses	(47,247)	4,187
Due to Academy Prep Foundation, Inc.	(24,207)	21,918
Net cash used by operating activities	<u>(121,560)</u>	<u>(66,734)</u>
Cash flows from investing activities		
Purchase of property and equipment	(52,111)	(76,711)
Distributions received from interest in net assets of Academy Prep Foundation, Inc.	161,500	158,900
Net cash provided by investing activities	<u>109,389</u>	<u>82,189</u>
Change in cash	(12,171)	15,455
Cash at beginning of year	<u>550,488</u>	<u>535,033</u>
Cash at end of year	<u>\$ 538,317</u>	<u>\$ 550,488</u>

Note A - Organization and Summary of Significant Accounting Policies

Organization and Purpose

Academy Prep Center of St. Petersburg, Inc. (Organization) was chartered as a Florida not-for-profit corporation in January 2000 and began operations July 1, 2000. However, the Organization's inaugural school year began in August 1997 under a different corporate entity. The Organization administers and operates an independent, multifaceted learning center that offers coordinated programs designed to significantly improve the probability of success of its students, which consist of economically disadvantaged children in St. Petersburg, Florida.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The Organization also offers a graduate support program that assists graduates through the challenges of high school and college, including financial assistance determined on a case by case basis.

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions. Accordingly, the Organization has classified its net assets and changes therein as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor- or grantor- imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and/or board of trustees.

Net Assets With Donor Restrictions - Net assets subject to restrictions imposed by donors or grantors. Some donor imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. If a restriction is satisfied in the same period in which the contribution is received, it is reported as support without donor restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables and Allowance

Receivables are stated at cost less an allowance for doubtful accounts. Management's determination of the allowance is based on an evaluation of past collection history. Management provides for probable uncollectable amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the related receivable.

An allowance for doubtful receivables is considered unnecessary by management as of May 31, 2019 and 2018.

Interest in Net Assets of Academy Prep Foundation, Inc.

Interest in net assets of Academy Prep Foundation, Inc. (Foundation) includes those assets held by the Foundation for which the Organization is specified as a beneficiary. These assets include endowment funds from which the Organization receives annual distributions as specified by the donor and Foundation board designated endowments from which the Organization receives annual distributions. The Foundation was not granted variance power over these funds; therefore, the Foundation must use the funds for the benefit of the school.

Amounts are recorded at the estimated fair market value of the funds held by the Foundation.

Fair Value

The Organization follows accounting guidance which defines fair value, expands disclosure requirements, and specifies a hierarchy of valuation techniques. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Organization measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

Level 2 - Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 - Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

Property and Equipment

Property and equipment are stated at cost if purchased or at estimated market value at the date of receipt if acquired by gift, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets.

Repairs and maintenance of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, costs and accumulated depreciation and amortization are eliminated from the accounts, and any resulting gain or loss is included in operations.

Property and equipment acquired with restricted contributions are considered to be owned by the Organization while used in the program for which they were purchased or in future authorized programs; however, their disposition, as well as the ownership of any proceeds therefrom, are subject to applicable restriction.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its property and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at May 31, 2019 or 2018.

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets without donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from other foundations and charitable organizations.

Contributed Services

Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets, or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, a number of other volunteers have donated significant amounts of their time to the Organization's operations. However, they are not reflected on the accompanying financial statements because they do not meet the requirements noted above.

Academy Prep Center of St. Petersburg, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Functional Expense Allocations

Costs of providing services have been detailed in the statement of functional expenses and summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses have been allocated based on utilization of personnel time and space utilized by program services and supporting services.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Income earned in furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes. The Internal Revenue Service (IRS) has determined the Organization not to be a private foundation and contributions to it qualify as charitable contribution deductions. There was no unrelated business income for the years ended May 31, 2019 and 2018.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Net assets and changes in net assets were unchanged due to these reclassifications.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. Subsequently in August 2015, FASB issued ASU 2015-14, which delayed the effective date for nonpublic entities to annual periods beginning after December 15, 2018 (the Organization's May 31, 2020 financial statements). The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Organization's May 31, 2020 financial statements); early adoption is permitted. The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements. The standards are effective for nonpublic companies for fiscal years beginning after December 15, 2020 (the Organization's May 31, 2022 financial statements). The Organization is currently evaluating the impact that adopting this guidance will have on its financial statements.

Note B - Related Organizations

The Organization and Academy Prep Center of Tampa, Inc. (APCT) (together, Schools) were established through a corporate restructuring of the Foundation. The Foundation is a funding source for the Schools and owns the land and improvements that house the educational facilities for the Schools (Note I).

Academy Prep Center of St. Petersburg, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

In addition, the Organization has interests in the net assets of the Foundation related to contributions in which the Organization was the named beneficiary (Note F).

The Foundation is in a position to influence the Schools, potentially resulting in operating outcomes that could be significantly different if the entities were autonomous.

The net amount due to the Foundation for noninterest-bearing advances as of May 31, 2019 and 2018 is \$50 and \$24,257, respectively.

Note C - Availability and Liquidity

The following represents the Organizations financial assets available to meet general expenditures over the next 12 months at May 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash and cash equivalents	\$ 538,317	\$ 550,488
Other receivables	42,083	10,820
Financial assets available to meet expenditures over the next 12 months	<u>\$ 580,400</u>	<u>\$ 561,308</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the above funds available, the Organization has approximately \$3.3 million and \$3.6 million as of May 31, 2019 and 2018, respectively, in various interests in the net assets of the Foundation related to contributions where the Organization is named beneficiary. Distributions from these funds are at the discretion of the Foundation board and could be made available upon approval to provide support for the Organization’s programs and facilities.

Note D - Credit Concentrations

The Organization maintains its cash account with a commercial bank located in the Tampa Bay region of Florida. From time to time, amounts on deposit may exceed federal insurance limits. Management believes the risk of loss is remote.

Note E - Property and Equipment

The following is a summary of property and equipment as of May 31:

	Estimated Useful Life (years)	<u>2019</u>	<u>2018</u>
Classroom furniture and equipment	3-7	\$ 397,718	\$ 384,076
Office furniture and equipment	3-7	747,890	709,421
Leasehold improvements	7-15	133,937	133,937
Library books	3	23,219	23,219
Vehicles	15	92,594	92,594
Equipment - graduate support	5	1,358	1,358
		<u>1,396,716</u>	<u>1,344,605</u>
Less: accumulated depreciation and amortization		<u>(1,203,637)</u>	<u>(1,140,283)</u>
		<u>\$ 193,079</u>	<u>\$ 204,322</u>

Note F - Interest in Net Assets of the Foundation

The Organization has various interests in the net assets of the Foundation related to contributions where the Organization is the named beneficiary and the Foundation was not granted variance power.

Amounts classified as interest in the net assets of the Foundation consist of the following at May 31:

	<u>2019</u>	<u>2018</u>
Graduate support endowment	\$ 1,858,998	\$ 1,861,504
Von Rosensteil endowment	1,042,625	1,067,444
Board designated endowment	394,559	646,876
	<u>\$ 3,296,182</u>	<u>\$ 3,575,824</u>

Graduate Support Endowment

The terms of the graduate support endowment call for annual distributions for the lesser of graduate support expenses or 6.5% of fund's fair market value at the close of the previous fiscal year.

The Foundation distributed \$121,000 and \$120,000 to the Organization related to this endowment during the years ended May 31, 2019 and 2018, respectively.

Von Rosensteil Endowment

The terms of the Von Rosensteil endowment anticipate approximately 5% of the fund's fair market value to be distributed annually to fund the social studies and history departments of the school. The spending policy for this endowment is determined each June 1 at an amount that is determined by the Foundation's board of trustees. For the 2018/2019 school year, the board of trustees adopted a spending policy of 4%.

The Foundation distributed \$40,500 and \$38,900 to the Organization related to this endowment during the years ended May 31, 2019 and 2018, respectively.

Board Designated Endowment

The terms of the board designated endowment call for distributions at the discretion of the Foundation board.

The Organization did not transfer any funds to the board designated endowment for Academy Prep Center of St. Petersburg, Inc. held by the Foundation during the years ended May 31, 2019 and 2018.

Academy Prep Center of St. Petersburg, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Note G - Fair Value Measurements

A review of fair value hierarchy classifications is conducted on an annual basis. The following table provides information about the Organization's financial instruments measured on a recurring basis as of May 31:

	Estimated Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>2019</i>				
Interest in net assets of Academy Prep Foundation, Inc.	<u>\$ 3,296,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,296,182</u>
<i>2018</i>				
Interest in net assets of Academy Prep Foundation, Inc.	<u>\$ 3,575,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,575,824</u>

The Organization records the interest in net assets held by the Foundation based on information provided by the Foundation, these are considered to be Level 3 measurements.

The Foundation classifies as Level 1 mutual funds and equity securities which are measured at fair value based on quoted market prices on an active market. The Foundation classifies as Level 2 government obligations, debt securities, commodities, and real estate funds based on market prices provided by recognized broker dealers. Additionally, fair values for beneficial interests in assets held by CFTB are based on the fair value of fund investments as reported by the CFTB. These are considered to be Level 3 measurements. The Foundation does not develop nor is it provided with the quantitative inputs used to develop the fair market values.

The following table summarizes the changes in the fair value of the Organization's Level 3 assets for the years ended May 31:

	<u>2019</u>	<u>2018</u>
Beginning balance	<u>\$ 3,575,824</u>	\$ 3,488,238
Distributions	<u>(161,500)</u>	-
Change in interest in net assets of Academy Prep Foundation, Inc.	<u>(118,142)</u>	87,586
Ending balance	<u>\$ 3,296,182</u>	\$ 3,575,824

Note H - Net Assets

Net assets with donor restrictions were as follows as of May 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Time restrictions	<u>\$ 42,083</u>	\$ 10,820
Student enrichment and programs	<u>59,166</u>	16,414
Capital improvements	<u>22,054</u>	74,165
	<u>123,303</u>	101,399
Subject to endowment spending policy and appropriation:		
Graduate support endowment	<u>1,858,998</u>	1,861,504
Von Rosensteil endowment	<u>1,042,625</u>	1,067,444
	<u>2,901,623</u>	2,928,948
	<u>\$ 3,024,926</u>	\$ 3,030,347

Academy Prep Center of St. Petersburg, Inc.
Notes to Financial Statements
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Net assets released from net assets with donor restrictions were as follows for the years ended May 31:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 10,820	\$ 22,417
Fit Families program	34,065	29,882
Capital improvements	52,111	76,711
Data analytics	-	14,250
Summer programs	883	12,456
Science text books	-	606
	<u>\$ 97,879</u>	<u>\$ 156,322</u>

Note I - In-Kind Revenue and Expense

Certain services and rent are provided to the Organization gratis or at a cost substantially less than fair market value. The difference between the actual charge and the estimated fair market value is reflected as in-kind revenue and expense in the accompanying financial statements.

Contributed Goods and Services

The Organization utilizes AmeriCorps teachers for some of its instructional services. The Organization records the estimated fair value of the services provided by these teachers as a contribution and program expense. Also included in contributed goods and services is in-kind personnel costs contributed by the Foundation. During the years ended May 31, 2019 and 2018, \$149,881 and \$196,567, respectively, was reflected as contributed goods and services and donated teacher salaries and leased personnel costs in the statements of activities and functional expenses. This includes approximately \$17,000 and \$42,000 of in-kind services contributed by the Foundation for the years ended May 31, 2019 and 2018, respectively.

Contributed Use of Property and Facilities

The Foundation owns the property and facilities on which the Organization operates. The Foundation allows the Organization use of these facilities at no charge. The Organization records the estimated fair value of the use of the property and facilities as a contribution and program expense. During each of the years ended May 31, 2019 and 2018, \$153,073 and \$140,589, respectively, was reflected as contributed use of property and facilities and rent expense in the statements of activities and functional expenses.

Note J - Tuition - Scholarship Funded

During the years ended May 31, 2019 and 2018, the Organization qualified for \$688,996 and \$685,126, respectively, of tuition scholarships. The tuition was funded entirely by scholarships awarded to the parents/guardians of the Organization's students by Step Up For Students, a private foundation, in accordance with Florida Statute 220.187, *Credits for Contributions to Nonprofit Scholarship-Funding Organizations*. For the year ended May 31, 2019, average student enrollment decreased and tuition scholarship per student increased. For the year ended May 31, 2018, average student enrollment increased and tuition scholarship per student decreased.

No tuition was collected for students who did not meet the scholarship qualifications in 2019 and 2018.

Note K - Employee Leasing and Pension Plan

The Organization leases its employees through a staff leasing company. Under the leasing arrangements, employees are eligible for a 401(k) plan in which they can contribute up to 15% of their gross compensation pretax. The Organization has agreed to make a matching contribution equal to 100% of employees' first 5% contributed. Matching contributions totaled \$20,781 and \$19,990 for the years ended May 31, 2019 and 2018, respectively. The leasing company is the sponsor of the 401(k) plan.

Note L - Subsequent Events

For the year ended May 31, 2019, management of the Organization has evaluated subsequent events through November 18, 2019, the date the financial statements were available to be issued. Management determined there were no subsequent events which would require adjustment to or disclosure in the accompanying financial statements.