

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

ACADEMY PREP CENTER OF ST. PETERSBURG, INC.

May 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditors' Report	3 - 4
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6 - 7
Statements of Functional Expenses	8 - 9
Statements of Cash Flows	10
Notes to the Financial Statements	11 - 23



RIVERO, GORDIMER & COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Academy Prep Center of St. Petersburg, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2021 and 2020 and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021 and 2020 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.

Tampa, Florida
November 15, 2021

Bucio, Gardiner & Company, P.A.

Academy Prep Center of St. Petersburg, Inc.

STATEMENTS OF FINANCIAL POSITION

May 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 365,225	\$ 724,364
Due from related organizations (note B)	155,828	-
Other receivables	2,720	910
Other current assets	19,582	17,030
Total current assets	<u>543,355</u>	<u>742,304</u>
Interest in net assets of Academy Prep Foundation, Inc. (note G)	5,440,502	3,635,012
Property and equipment, net (note E)	<u>262,830</u>	<u>234,111</u>
TOTAL ASSETS	<u><u>\$ 6,246,687</u></u>	<u><u>\$ 4,611,427</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,396	\$ 15,637
Accrued expenses	31,612	29,687
Due to related organizations (note B)	-	12,300
Total current liabilities	<u>51,008</u>	<u>57,624</u>
Note payable - PPP loan (note F)	<u>324,965</u>	<u>316,400</u>
TOTAL LIABILITIES	<u><u>375,973</u></u>	<u><u>374,024</u></u>
NET ASSETS		
Without donor restrictions		
Operating	2,132,149	1,058,183
Investment in property and equipment	262,830	234,111
Total without donor restrictions	<u>2,394,979</u>	<u>1,292,294</u>
With donor restrictions (note I)	<u>3,475,735</u>	<u>2,945,109</u>
Total net assets	<u><u>5,870,714</u></u>	<u><u>4,237,403</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,246,687</u></u>	<u><u>\$ 4,611,427</u></u>

The accompanying notes are an integral part of these statements.

Academy Prep Center of St. Petersburg, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended May 31, 2021
(With summarized comparative totals for year ended May 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
REVENUE AND SUPPORT				
Contributions and grants	\$ 1,002,984	\$ 72,500	\$ 1,075,484	\$ 714,771
Support from Academy Prep Foundation, Inc.	335,147	-	335,147	314,970
Tuition - scholarship funded (note K)	894,840	-	894,840	854,365
Special events, net of expenses of \$60,958	522,951	-	522,951	288,440
Federal school lunch program	30,702	-	30,702	80,183
Program revenue	1,198	-	1,198	22,749
Other income	9,300	-	9,300	-
Total revenue and support	2,797,122	72,500	2,869,622	2,275,478
Net assets released from restrictions	148,592	(148,592)	-	-
Total revenue, support and net assets released from restrictions	2,945,714	(76,092)	2,869,622	2,275,478
EXPENSES				
Program services	1,929,863	-	1,929,863	1,936,285
Management and general	334,233	-	334,233	369,526
Fundraising	302,206	-	302,206	300,274
Total expenses	2,566,302	-	2,566,302	2,606,085
Change in net assets from operations	379,412	(76,092)	303,320	(330,607)
Change in interest in net assets of Academy Prep Foundation, Inc.	406,873	606,718	1,013,591	499,336
PPP loan forgiveness (note F)	316,400	-	316,400	-
CHANGE IN NET ASSETS	1,102,685	530,626	1,633,311	168,729
Net assets at beginning of year	1,292,294	2,945,109	4,237,403	4,068,674
Net assets at end of year	\$ 2,394,979	\$ 3,475,735	\$ 5,870,714	\$ 4,237,403

The accompanying notes are an integral part of this statement.

Academy Prep Center of St. Petersburg, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 562,271	\$ 152,500	\$ 714,771
Support from Academy Prep Foundation, Inc.	314,970	-	314,970
Tuition - scholarship funded (note K)	854,365	-	854,365
Special events, net of expenses of \$58,854	288,440	-	288,440
Federal school lunch program	80,183	-	80,183
Program revenue	22,749	-	22,749
Total revenue and support	2,122,978	152,500	2,275,478
Net assets released from restrictions	224,364	(224,364)	-
Total revenue, support and net assets released from restrictions	2,347,342	(71,864)	2,275,478
EXPENSES			
Program services	1,936,285	-	1,936,285
Management and general	369,526	-	369,526
Fundraising	300,274	-	300,274
Total expenses	2,606,085	-	2,606,085
Change in net assets before change in interest in net assets of Academy Prep Foundation, Inc.	(258,743)	(71,864)	(330,607)
Change in interest in net assets of Academy Prep Foundation, Inc.	507,289	(7,953)	499,336
CHANGE IN NET ASSETS	248,546	(79,817)	168,729
Net assets at beginning of year	1,043,748	3,024,926	4,068,674
Net assets at end of year	\$ 1,292,294	\$ 2,945,109	\$4,237,403

The accompanying notes are an integral part of these statements.

Academy Prep Center of St. Petersburg, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2021
(With summarized comparative totals for year ended May 31, 2020)

	Program Services	Management and General	Fundraising	Total	
				2021	2020
Salaries and wages	\$ 879,330	\$ 234,218	\$ 204,482	\$ 1,318,030	\$ 1,287,093
Taxes and benefits	281,156	43,034	48,029	372,219	329,734
Total salaries and related expenses	1,160,486	277,252	252,511	1,690,249	1,616,827
Other expenses					
Advertising	-	4,370	3,047	7,417	11,290
Bank fees	-	130	3,311	3,441	3,646
Books	13,417	-	-	13,417	5,496
Continuing education	-	335	542	877	805
Donated teacher salaries	99,611	-	-	99,611	116,515
Dues and subscriptions	-	6,556	-	6,556	2,798
Fit families program	400	-	-	400	10,866
Graduate support	58,397	-	-	58,397	64,764
Guidance and evaluation	2,525	-	-	2,525	2,555
Housing and meals	16,969	-	-	16,969	14,700
Insurance	20,301	4,818	4,417	29,536	32,950
Legal and accounting	-	18,800	-	18,800	18,100
Meals and entertainment	2,231	1,965	269	4,465	5,155
Miscellaneous	3,427	-	-	3,427	7,389
Other professional fees	65,315	-	22,576	87,891	77,196
Permits and fees	1,115	265	243	1,623	2,060
Postage	8	3,252	2,587	5,847	3,450
Printing and copies	11,850	2,778	2,612	17,240	20,670
Recruiting and relocation	1,360	-	-	1,360	901
Repairs and maintenance	85,735	-	-	85,735	119,316
Security	3,819	-	-	3,819	6,040
Student activities	8,080	-	-	8,080	26,751
Student meals	38,957	-	-	38,957	97,211
Supplies	39,594	12,184	8,425	60,203	46,842
Telephone	7,022	1,528	1,666	10,216	12,710
Transportation and travel	-	-	-	-	809
Utilities	60,625	-	-	60,625	64,538
Rent	153,633	-	-	153,633	153,073
Total expenses before depreciation and amortization	1,854,877	334,233	302,206	2,491,316	2,545,423
Depreciation and amortization	74,986	-	-	74,986	60,662
Total expenses	\$ 1,929,863	\$ 334,233	\$ 302,206	\$ 2,566,302	\$ 2,606,085

The accompanying notes are an integral part of this statement.

Academy Prep Center of St. Petersburg, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 850,108	\$ 248,300	\$ 188,685	\$ 1,287,093
Taxes and benefits	235,956	53,040	40,738	329,734
Total salaries and related expenses	1,086,064	301,340	229,423	1,616,827
Other expenses				
Advertising	-	4,322	6,968	11,290
Bank fees	-	284	3,362	3,646
Books	5,496	-	-	5,496
Continuing education	-	725	80	805
Donated teacher salaries	116,515	-	-	116,515
Dues and subscriptions	-	2,798	-	2,798
Fit families program	10,866	-	-	10,866
Graduate support	64,764	-	-	64,764
Guidance and evaluation	2,555	-	-	2,555
Housing and meals	14,700	-	-	14,700
Insurance	22,133	6,141	4,676	32,950
Legal and accounting	-	18,100	-	18,100
Meals and entertainment	1,584	3,127	444	5,155
Miscellaneous	328	6,652	409	7,389
Other professional fees	35,666	-	41,530	77,196
Permits and fees	1,384	384	292	2,060
Postage	10	3,275	165	3,450
Printing and copies	13,885	3,830	2,955	20,670
Recruiting and relocation	901	-	-	901
Repairs and maintenance	119,316	-	-	119,316
Security	6,040	-	-	6,040
Student activities	26,751	-	-	26,751
Student meals	97,211	-	-	97,211
Supplies	22,755	16,486	7,601	46,842
Telephone	8,538	1,803	2,369	12,710
Transportation and travel	550	259	-	809
Utilities	64,538	-	-	64,538
Rent	153,073	-	-	153,073
Total expenses before depreciation and amortization	1,875,623	369,526	300,274	2,545,423
Depreciation and amortization	60,662	-	-	60,662
Total expenses	<u>\$ 1,936,285</u>	<u>\$ 369,526</u>	<u>\$ 300,274</u>	<u>\$ 2,606,085</u>

The accompanying notes are an integral part of this statement.

Academy Prep Center of St. Petersburg, Inc.

STATEMENTS OF CASH FLOWS

For the year ended May 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,633,311	\$ 168,729
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	74,986	60,662
Change in interest in net assets of Academy Prep Foundation, Inc.	(1,013,591)	(499,336)
PPP loan forgiveness	(316,400)	-
Decrease (increase) in operating assets		
Due from related organizations	(155,828)	-
Other receivables	(1,810)	41,173
Other current assets	(2,552)	15,862
Increase (decrease) in operating liabilities		
Accounts payable	3,759	1,853
Accrued expenses	1,925	9,642
Due to related organizations	<u>(12,300)</u>	<u>12,250</u>
Net cash provided (used) by operating activities	<u>211,500</u>	<u>(189,165)</u>
Cash flows from investing activities		
Purchase of property and equipment	(103,705)	(101,694)
Transfer (to) from interest in net assets of Academy Prep Foundation, Inc.	<u>(791,899)</u>	<u>160,506</u>
Net cash (used) provided by investing activities	<u>(895,604)</u>	<u>58,812</u>
Cash flows from financing activities		
Proceeds received from PPP loan payable	<u>324,965</u>	<u>316,400</u>
Net cash provided by financing activities	<u>324,965</u>	<u>316,400</u>
Net change in cash and cash equivalents	(359,139)	186,047
Cash and cash equivalents at beginning of year	<u>724,364</u>	<u>538,317</u>
Cash and cash equivalents at end of year	<u>\$ 365,225</u>	<u>\$ 724,364</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2021 and 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Academy Prep Center of St. Petersburg, Inc. (the "Organization") was chartered as a Florida not-for-profit corporation in January 2000 and began operations July 1, 2000. 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.

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.

2. Basis of 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:

- *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
- *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.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. New Accounting Pronouncements

During 2021, the Organization adopted ASU 2018-13, *Fair Value Measurement – Disclosure Framework, Changes to the Disclosure Requirements for Fair Value Measurement*. The Organization adopted ASU 2018-13 using both the retrospective and prospective method. The adoption of this standard primarily effected financial statement disclosures and did not result in significant changes to the Organization's accounting policies or impact its financial position, results of operations or cash flows. As such, prior period financial statements were not restated and there was no cumulative effect adjustment upon adoption.

4. 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.

5. Cash and Cash Equivalents

The Organization classifies amounts on deposit in banks and all highly liquid investments with original maturities of 90 days or less at the time of purchase as cash and cash equivalents.

6. 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, 2021 and 2020.

7. Interest in Net Assets of Academy Prep Foundation, Inc.

Interest in net assets of Academy Prep Foundation, Inc. (the "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.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. 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 from, are subject to applicable restriction.

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

The Organization receives grants from other foundations and charitable organizations.

10. 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 THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Functional Expense Allocations

Costs of providing services have been detailed in the statements 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.

12. 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, 2021 and 2020.

The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2017 remain subject to examination by federal and state taxing authorities.

13. Reclassifications

Certain amounts from the May 31, 2020 financial statements have been reclassified to conform to the current year presentation.

NOTE B - RELATED ORGANIZATIONS

The Organization and Academy Prep Center of Tampa, Inc. ("APT") were established through a corporate restructuring of the Foundation. Additionally, Academy Prep Center of Lakeland, Inc. ("APL") was founded through the Foundation. The Organization, APT, and APL (collectively "the Schools"), receive funding from the Foundation. The Foundation owns the land and improvements that house the educational facilities for the Schools.

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

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.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE B - RELATED ORGANIZATIONS - Continued

The School received the following support from the Foundation for the years ended May 31,:

	<u>2021</u>	<u>2020</u>
Contributed goods and services	\$ 49,524	\$ 41,047
Contributed use of property and facilities	153,073	153,123
Contributions - cash	<u>132,550</u>	<u>120,800</u>
	<u>\$ 335,147</u>	<u>\$ 314,970</u>

The following represents amounts due to and due from the Schools and the Foundation as of May 31:

	<u>2021</u>	<u>2020</u>
Due (to) from Academy Prep Center of Tampa, Inc.	\$ (528)	\$ (576)
Due (to) from Academy Prep Center of Lakeland, Inc.	(419)	-
Due (to) from Academy Prep Foundation, Inc.	<u>156,775</u>	<u>(11,724)</u>
Due from (to) related organizations	<u>\$ 155,828</u>	<u>\$ (12,300)</u>

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>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 365,225	\$ 724,364
Due from related organizations	155,828	-
Other receivables	<u>2,720</u>	<u>910</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 523,773</u>	<u>\$ 725,274</u>

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE C - AVAILABILITY AND LIQUIDITY - Continued

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 \$2.0 million and \$815,000 as of May 31, 2021 and 2020, respectively in interests in the net assets of the Foundation related to the board designated endowment. The spending policy of the board designated endowment allows for an annual 4% distribution of the market value of the endowment or any other amounts as approved by the Foundation board. Additionally, the Organization has approximately \$3.4 million and \$2.8 million as of May 31, 2021 and 2020, respectively in interests in the net assets of the Foundation related to other endowments that are subject to the various spending policies as described in Note G. Distributions from these funds could be made available upon approval to provide support for the Organization's programs and facilities.

NOTE D - CONCENTRATIONS OF CREDIT RISK

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. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amounts in excess of the FDIC limit totaled approximately \$130,000 and \$325,000 at May 31, 2021 and 2020, respectively. 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)	2021	2020
Classroom furniture and equipment	3 - 7	\$ 443,674	\$ 403,359
Office furniture and equipment	3 - 7	785,064	776,868
Leasehold improvements	7 - 15	250,145	149,762
Library books	3	23,219	23,219
Vehicles	5	92,594	92,594
Construction in progress	-	7,419	52,607
		<u>1,602,115</u>	<u>1,498,409</u>
Less: accumulated depreciation and amortization		<u>(1,339,285)</u>	<u>(1,264,298)</u>
		<u>\$ 262,830</u>	<u>\$ 234,111</u>

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE E - PROPERTY AND EQUIPMENT - Continued

Depreciation and amortization expense was \$74,986 and \$60,662 for the years ended May 31, 2021 and 2020, respectively.

NOTE F - PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received a \$316,400 U.S. Small Business Administration (SBA) Paycheck Protection Program ("PPP") loan for organizations who continued to pay their employees during the COVID-19 crisis (see note M). PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Organization was granted loan forgiveness in December 2020, as it fully met the requirements for loan forgiveness under the PPP program. The forgiveness has been recognized as revenue in the Statement of Activities and Changes in Net Assets for the year ended May 31, 2021.

Additionally, in April 2021, the Organization received \$324,965 as a second draw PPP loan for organizations who continued to pay their employees during the COVID-19 crisis (see note M). The Organization can apply for loan forgiveness for the amount used for payroll and other specific costs outlined in the loan agreement. The Organization plans to file for forgiveness in accordance with the terms of the agreement and anticipates the loan to be fully forgiven in 2021.

NOTE G - INTEREST IN NET ASSETS OF ACADEMY PREP FOUNDATION, INC.

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>2021</u>	<u>2020</u>
Graduate support endowment	\$ 2,109,767	\$ 1,809,119
Von Rosensteil endowment	1,312,832	1,010,806
Board designated endowment	<u>2,017,903</u>	<u>815,087</u>
	<u>\$ 5,440,502</u>	<u>\$ 3,635,012</u>

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE G - INTEREST IN NET ASSETS OF ACADEMY PREP FOUNDATION, INC. - Continued

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 \$117,600 and \$120,800 to the Organization related to this endowment during the years ended May 31, 2021 and 2020, 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 2020/2021 school year, the board of trustees adopted a spending policy of 4%.

The Foundation distributed \$40,500 and \$39,500 to the Organization related to this endowment during the years ended May 31, 2021 and 2020, respectively.

Board Designated Endowment

The terms of the board designated endowment call for distributions at the discretion of the Foundation board. During the years ended May 31, 2021 and 2020, the Organization transferred \$793,415 and \$0, respectively to the board designated endowment for Academy Prep Center of St. Petersburg, Inc. held by the Foundation.

NOTE H - FAIR VALUE MEASUREMENTS

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. |
|---------|---|

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE H - FAIR VALUE MEASUREMENTS - Continued

- 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 following is a description of the valuation methodologies used for assets measure at fair value at May 31, 2021 and 2020:

Interest in net assets of Academy Prep Foundation, Inc.: 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. 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 methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE H - FAIR VALUE MEASUREMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's significant assets measured at fair value on a recurring basis at May 31, 2021 and 2020:

<u>May 31, 2021</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Interest in net assets of Academy Prep Foundation, Inc.	<u>\$ 5,440,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,440,502</u>
<u>May 31, 2020</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Interest in net assets of Academy Prep Foundation, Inc.	<u>\$ 3,635,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,635,012</u>

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

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 3,635,012	\$ 3,296,182
Contributions	793,415	-
Distributions	(1,516)	(122,242)
Change in interest in net assets of Academy Prep Foundation, Inc.	<u>1,013,591</u>	<u>461,072</u>
Ending balance	<u>\$ 5,440,502</u>	<u>\$ 3,635,012</u>

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE I - NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Student enrichment and programs	\$ 32,500	\$ 52,500
Capital Improvements	-	56,092
	<u>32,500</u>	<u>108,592</u>
Subject to endowment spending policy and appropriation:		
Graduate support endowment	2,109,767	1,809,119
Von Rosensteel endowment	1,312,832	1,010,806
Special endowment	20,636	16,592
	<u>3,443,235</u>	<u>2,836,517</u>
	<u><u>\$ 3,475,735</u></u>	<u><u>\$ 2,945,109</u></u>

Net assets released from net assets with donor restrictions were as follows for the years ended May 31:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ -	\$ 42,083
Fit Families program	12,500	10,049
Capital improvements	96,092	65,962
Data analytics	20,000	-
Summer programs	20,000	49,117
Endowment spending	-	57,153
	<u>\$ 148,592</u>	<u>\$ 224,364</u>

NOTE J - 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.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE J - IN-KIND REVENUE AND EXPENSE

1. 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, 2021 and 2020, the Organization recognized \$149,135 and \$157,562 as contributed goods and services, donated teacher salaries, and leased personnel costs in the statements of activities and functional expenses, respectively. This includes approximately \$50,000 and \$41,000 of in-kind services contributed by the Foundation for the years ended May 31, 2021 and 2020, respectively.

2. 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, 2021 and 2020, \$153,073 and \$153,123, respectively, was reflected as contributed use of property and facilities and rent expense in the statements of activities and functional expenses.

NOTE K - TUITION - SCHOLARSHIP FUNDED

During the years ended May 31, 2021 and 2020, the Organization qualified for \$894,840 and \$854,365 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.

No tuition was collected for students who did not meet the scholarship qualifications for the years ended 2021 and 2020.

NOTE L - 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 \$27,302 and \$21,510 for the years ended May 31, 2021 and 2020, respectively. The leasing company is the sponsor of the 401(k) plan.

Academy Prep Center of St. Petersburg, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE M - RISK AND UNCERTAINTIES

In March 2020, The United States and global financial markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact the future cash flows and changes in net assets as a result of the pandemic. The related financial impact cannot be reasonably estimated at this time.

NOTE N - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to May 31, 2021 as of November 15, 2021 which is the date the financial statements were available to be issued.