THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED JULY 31, 2021 AND 2020 (RESTATED)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The New Key School, Inc. (DBA Key Center for Learning Differences)
Fort Worth, Texas

We have audited the accompanying financial statements of The New Key School, Inc. (DBA Key Center for Learning Differences) (a nonprofit corporation) (the School), which comprise the statements of financial position as of July 31, 2021 and 2020, and 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.

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 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 auditors' 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 School'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 School'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.

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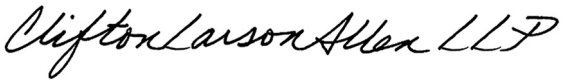
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of July 31, 2021 and 2020, 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 10 to the financial statements, certain errors resulting in overstatement of amounts previously reported for promises to give and net assets as of July 2019, were discovered by management of the School during the current year. Accordingly, amounts reported for promises to give and net assets have been restated in the 2019 financial statements, and an adjustment has been made to promises to give and net assets as of July 31, 2019, to correct the error. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Fort Worth, Texas
June 15, 2022

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2021 AND 2020 (RESTATED)

	2021	(As Restated) 2020
ASSETS		
CURRENT ASSETS		
Cash and Interest Bearing Deposits	$ 987,302	$ 651,352
Accounts Receivable, Net of Allowance for Uncollectible Amounts	51,897	6,035
Current Portion of Promises to Give	157,960	278,341
Prepaid Expenses	36,113	35,051
Total Current Assets	1,233,272	970,779
PROPERTY, FURNITURE, AND EQUIPMENT		
Property, Furniture, and Equipment, Net of Accumulated Depreciation	8,022,418	1,714,306
OTHER ASSETS		
Intangible and Other Assets	410,288	410,288
Noncurrent Portion of Promises to Give, Net of Present Value Discount	50,314	473,513
Designated and Restricted Cash	2,616,174	5,944,507
Total Other Assets	3,076,776	6,828,308
Total Assets	$ 12,332,466	$ 9,513,393
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 1,144,282	$ 142,620
Prepaid Tuition and Deposits	237,314	472,510
Current Portion of Notes Payable	88,783	76,598
Total Current Liabilities	1,470,379	691,728
NOTES PAYABLE (Less Current Portion)	-	340,705
Total Liabilities	1,470,379	1,032,433
NET ASSETS		
Without Donor Restrictions	2,082,554	1,784,599
With Donor Restrictions	8,779,533	6,696,361
Total Net Assets	10,862,087	8,480,960
Total Liabilities and Net Assets	$ 12,332,466	$ 9,513,393

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Tuition, Net of Financial Aid of $87,044	$ 1,399,510	$ -	$ 1,399,510
Books, Meals, and Fees	200,183	-	200,183
Contributions	690,807	2,329,629	3,020,436
Fundraising Events, Net of Direct Costs of $702	32,579	-	32,579
Interest Income	3,277	-	3,277
Other Income	1,500	-	1,500
Paycheck Protection Program Loan Forgiveness	318,800	-	318,800
Satisfaction of Donor Restrictions	246,457	(246,457)	-
Total Support and Revenue	2,893,113	2,083,172	4,976,285
OPERATING EXPENSES			
Program Expenses:			
Salaries and Related Benefits	1,153,897	-	1,153,897
Educational Expenses	523,112	-	523,112
General and Administrative Expenses	345,679	-	345,679
Fundraising	266,862	-	266,862
Total Operating Expenses	2,289,550	-	2,289,550
NONOPERATING ACTIVITIES			
Loss on Sales of Property	(305,608)	-	(305,608)
CHANGE IN NET ASSETS	297,955	2,083,172	2,381,127
Net Assets - Beginning of Year	1,784,599	6,696,361	8,480,960
NET ASSETS - END OF YEAR	$ 2,082,554	$ 8,779,533	$ 10,862,087

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020 (RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Tuition, Net of Financial Aid of $86,000	$ 1,402,273	$ -	$ 1,402,273
Books, Meals, and Fees	179,231	-	179,231
Contributions	128,531	3,564,827	3,693,358
Fundraising Events, Net of Direct Costs of $9,196	27,385	-	27,385
Interest Income	17,027	-	17,027
Other Income	2,500	-	2,500
Satisfaction of Donor Restrictions	285,818	(285,818)	-
Total Support and Revenue	2,042,765	3,279,009	5,321,774
EXPENSES			
Program Expenses:			
Salaries and Related Benefits	1,444,278	-	1,444,278
Educational Expenses	565,313	-	565,313
General and Administrative Expenses	310,434	-	310,434
Fundraising	215,389	-	215,389
Total Expenses	2,535,414	-	2,535,414
NONOPERATING ACTIVITIES			
Impairment of Property and Equipment - See Note 6	(515,201)	-	(515,201)
CHANGE IN NET ASSETS	(1,007,850)	3,279,009	2,271,159
Net Assets - Beginning of Year	2,792,449	3,417,352	6,209,801
NET ASSETS - END OF YEAR	$ 1,784,599	$ 6,696,361	$ 8,480,960

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and Related Benefits	$ 1,153,897	$ 150,060	$ 167,495	$ 1,471,452
Professional Fees	65,923	86,238	-	152,161
Curriculum Development	17,011	-	-	17,011
Supplies	50,978	33,821	-	84,799
Printing, publications and artwork	7,402	1,851	-	9,253
Direct Student Services	5,142	-	-	5,142
Student Dietary Expenses	1,200	1,800	-	3,000
Postage, shipping and delivery	954	954	954	2,862
Telephone	4,989	3,742	3,742	12,473
Occupancy	91,408	3,089	1,722	96,219
Equipment and Technology Expense	7,657	713	-	8,370
Bank Fees	22,647	-	-	22,647
Insurance	18,665	3,074	220	21,959
Travel	33	81	210	324
Utilities Expense	22,547	712	475	23,734
Classroom Materials	31,598	-	-	31,598
Equipment lease and maintenance	26,151	826	551	27,528
Membership dues and subscriptions	5,753	-	-	5,753
Advertising	-	-	16,018	16,018
Depreciation and amortization	435	6,676	-	7,111
Interest expense	271	181	-	452
Miscellaneous Expense	21,062	5,554	-	26,616
Professional Development and Planning	12,600	-	5,035	17,635
Miscellaneous Educational	25,664	46,307	-	71,971
KSALT Expenses	83,022	-	-	83,022
Capital Campaign	-	-	70,440	70,440
Total Expenses	$ 1,677,009	$ 345,679	$ 266,862	$ 2,289,550

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and Related Benefits	$ 1,444,278	$ 205,271	$ 147,652	$ 1,797,201
Professional Fees	40,082	35,329	-	75,411
Curriculum Development	2,190	-	-	2,190
Supplies	48,880	31,252	-	80,132
Printing, publications and artwork	4,833	1,208	-	6,041
Direct Student Services	11,179	-	-	11,179
Student Dietary Expenses	3,262	4,892	-	8,154
Postage, shipping and delivery	855	854	854	2,563
Telephone	5,649	4,238	4,238	14,125
Occupancy	88,835	2,972	1,704	93,511
Equipment and Technology Expense	60,638	479	-	61,117
Bank Fees	19,908	-	-	19,908
Insurance	16,352	2,693	192	19,237
Travel	170	3,007	1,080	4,257
Utilities Expense	22,700	717	478	23,895
Classroom Materials	56,630	-	-	56,630
Equipment lease and maintenance	42,892	1,355	903	45,150
Membership dues and subscriptions	4,214	-	-	4,214
Advertising	-	-	15,293	15,293
Depreciation and amortization	487	6,869	-	7,356
Interest expense	2,302	1,534	-	3,836
Miscellaneous Expense	3,518	7,764	34	11,316
Professional Development and Planning	71,064	-	-	71,064
Miscellaneous Educational	20,626	-	-	20,626
KSALT Expenses	38,047	-	-	38,047
Fundraising Expenses	-	-	3,215	3,215
Capital Campaign	-	-	39,746	39,746
Total Expenses	$ 2,009,591	$ 310,434	$ 215,389	$ 2,535,414

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$ 2,381,127	$ 2,271,159
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	7,111	7,356
Loss on Sales of Property	305,608	-
Impairment of Long Lived Assets	-	515,201
Gifts Restricted for Long-Term Purposes	(2,273,535)	(3,258,144)
Paycheck Protection Program Loan Forgiveness	(318,800)	-
Effect of Changes in Assets and Liabilities:		
Accounts Receivable	(45,862)	(74,751)
Promises to Give	543,580	(266,937)
Prepaid Expenses	(1,062)	9,387
Accounts Payable	(83,133)	71,742
Prepaid Tuition Deposits	(235,196)	194,861
Net Cash Provided (Used) by Operating Activities	279,838	(530,126)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Furniture, and Equipment	(5,536,036)	(490,657)
Net Cash Used by Investing Activities	(5,536,036)	(490,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Notes Payable	(9,720)	(99,155)
Proceeds from Issuance of Notes Payable	-	318,800
Gifts Restricted for Long-Term Purposes	2,273,535	3,258,144
Net Cash Provided by Financing Activities	2,263,815	3,477,789
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,992,383)	2,457,006
Cash and Cash Equivalents - Beginning of Year	6,595,859	4,138,853
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,603,476	$ 6,595,859
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Addition of Property through Accounts and Retainage Payable	$ 1,084,795	$ -
Interest Paid	$ 452	$ 3,836
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and Interest Bearing Deposits	$ 987,302	$ 651,352
Designated and Restricted Cash	2,616,174	5,944,507
Total Cash and Cash Equivalents	$ 3,603,476	$ 6,595,859

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The New Key School, Inc. (DBA Key Center for Learning Differences), Inc. (the School) is a duly registered nonprofit corporation of the state of Texas.

The School utilizes specialized curriculum, teaching methodologies and other proprietary information to provide ongoing education to students in Kindergarten through 12th grade that have exhibited signs of learning differences or learning disabilities.

The School obtains its support from tuition, fees, and donations from the general public.

The New Key School, Inc. has an additional program to educate the community in the area of learning differences:

- The Key School Academic Language Therapy (KSALT) program offers in-depth multi-sensory structured training for individuals interested in working with children or adults having dyslexia or related disorders.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition or construction of long-lived assets are released when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for donor purposes, to permanent endowment, or for other long-term purposes are excluded from this definition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of billings for tuition and education related fees, and are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of accounts receivable. Accounts receivable at June 30, 2021, 2020 and 2019 were $51,897, $6,035 and $59,805, respectively.

Promises to Give

The School records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The School determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property, Furniture, and Equipment

The School capitalizes all expenditures for property, furniture, and equipment in excess of $1,000, or if donated, at fair value on the date of donation. Purchased property, furniture, and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property, furniture, and equipment donated with restrictions regarding its use and contributions of cash to acquire such assets are reported as restricted support. Absent any donor stipulations, these restrictions expire when the assets are acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Intangible Assets

Goodwill and indefinite-live intangibles are not amortized, but are evaluated for impairment annually or when indicators of a potential impairment are present. Impairment testing of goodwill is performed separately from impairment testing of indefinite-lived intangibles. The annual evaluation for impairment of goodwill and indefinite-lived intangibles is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. The School believes such assumptions are also comparable to those that would be used by other marketplace participants.

Revenue Recognition

Tuition and fees are recognized as revenues over time in the period during which the academic services are rendered. Tuition and fees received in advance of services to be rendered are recorded as deferred revenues. Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition revenues are reported at established rates, net of financial assistance provided by the School.

Other fees such as books and meals are recognized as revenue at a point in time when products or services are delivered.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Consequently, at July 31, 2021, contributions of $1,705,000, have not been recognized in the accompanying statement of activities because the conditions depending upon the school raising additional contributions that will be matched dollar-for-dollar have not yet been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The School reports contributions with donor-imposed restrictions as restricted support; however, donor-imposed restricted contributions whose restrictions are met in the same year are reported as net assets without donor restrictions support. When a donor 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 statement of activities as net assets released from restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Taxes

The School is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and is not considered to be a private foundation; accordingly, no provision for federal income taxes is included in the accompanying financial statements. The School is also exempt from state of Texas franchise taxes.

The School believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The School did not pay or incur any tax related penalties or interest during the years ended July 31, 2021 and 2020.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The School records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended July 31, 2021 and 2020.

Functional Allocation of Expenses

The costs of providing program, fundraising, and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited. Certain costs, such as maintenance of building, utilities, and rent, have been allocated among the functional categories of expense is based on the estimated square footage occupied by program services (95%), general and administrative (3%) and fundraising (2%). Payroll has been allocated based on the percentage of total staff that serve in that function program services (80%), general and administrative (15%) and fundraising (5%). Certain other expenses were based on actual usage. Other expenses were allocated based on Management’s estimates of their knowledge of the School’s operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to use estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. These estimates are based upon management's best knowledge of current events and actions the School may undertake in the future. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Concentration of Credit and Market Risk

Concentration of credit and market risk consists primarily of cash and accounts receivable. The School places its cash with quality financial institutions and, by policy, attempts to limit the amount of exposure to any one financial institution. Amounts occasionally exceed Federal insurance limits; however, the School actively monitors the financial condition of these institutions, and has not experienced any losses relating to such balances.

Two donors and three donors comprised 23% and 66% of total contribution revenue for the years ended July 31, 2021 and 2020, respectively.

Reclassification

Certain reclassifications of amount previously reported have been made to the accompanying financial statements to maintain consistency between years presented. The reclassifications had no impact on previously reported net assets and change in net assets.

Subsequent Events

Subsequent events have been evaluated through June 15, 2022, the date that these financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.

Change in Accounting Principle

The School has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended. The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The School adopted ASU 2014-09 under the full retrospective approach. The effect on the School's statements of financial position at July 31, 2020, as a result of implementing ASU 2014-09, is as follows:

Accounts Receivable:		
As previously presented, as of June 30, 2020	$	134,556
Implementation of ASU 606		(128,521)
Accounts Receivable, as presented	$	6,035
Prepaid Tuition and Deposits:		
As previously presented, as of June 30, 2020	$	601,031
Implementation of ASU 606		(128,521)
Prepaid Tuition and Deposits, as presented	$	472,510

NOTE 2 LIQUIDITY AND AVAILABILITY

The School manages its cash available to meet general expenditures following guiding principles:

- Operating within a prudent range of financial soundness and stability.
- Maintaining adequate liquid assets, and

The following reflects the School's financial assets as July 31, 2021 and 2020, available within one year of the statements of financial position date.

	2021	2020
Cash and Interest Bearing Deposits	$ 987,302	$ 651,352
Accounts Receivable, Net	51,897	6,035
Financial assets available within one year to meet cash needs for general expenditures within one year	$ 1,039,199	$ 657,387

Restricted cash in the amount of $2,616,174 are funds that have been donated specifically for the capital campaign and are as such restricted and therefore unavailable for general expenditure. Additionally, the promise to give on the statement of financial position are also funds restricted to the capital campaign and are unavailable for general expenditure.

NOTE 3 INTANGIBLE ASSETS

In 2005, the School acquired various assets and assumed various liabilities of a predecessor organization, Key School, Inc. (the Seller), by agreeing to a total purchase price of $600,000, to be paid in a combination of cash and notes payable upon the accomplishment of certain objectives by the Seller. At that time, the School recognized only the cash payments made according to the terms of the agreement, which resulted in $277,000 of assets being recorded and $33,000 of goodwill, representing the cost of deferred revenue recorded by the organization.

In 2015, in connection with an amendment to the original agreement, the School recorded an additional note payable for the remaining unpaid balance of the agreed upon purchase price, resulting in recognition of additional goodwill of $377,288.

Components of the acquisition recorded in the statements of financial position as of July 31, 2021 and 2020 are as follows:

	2021	2020
Goodwill Recognized for 2006 Purchase	$ 33,000	$ 33,000
Additional Goodwill Recognized July 31, 2015	377,288	377,288
Total	$ 410,288	$ 410,288

NOTE 4 PROMISES TO GIVE

The School recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the statements of activities. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discount rate has been imputed at 1.40% which approximates the inflation rate from the Department of Labor. At July 31, 2021 and 2020, present value discount applied on long term pledges was $1,186 and $31,721, respectively.

At July 31, 2021, promises to give are expected to be received as follows:

Year Ending July 31,	Amount
2022	$ 157,960
2023	26,500
2024	15,000
2025	10,000
Total	209,460
Less: Present Value Discount on Long-Term Pledges	(1,186)
Net Promises to Give	$ 208,274

NOTE 5 PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment were composed of the following as of July 31, 2021 and 2020:

	2021	2020
Equipment	$ 355,563	$ 264,358
Leasehold Improvements	120,711	120,711
Furniture and Fixtures	25,669	25,669
Art & School Décor	5,000	5,000
Books	1,790	1,790
Land	-	800,000
Construction in Progress	7,860,083	836,065
Total Property, Furniture, and Equipment	8,368,816	2,053,593
Less: Accumulated Depreciation	346,398	339,287
Net Property, Furniture, and Equipment	$ 8,022,418	$ 1,714,306

During the year ended July 31, 2021, the School sold its Land at Morrison Drive. The Land had a cost of $800,000 and a final sales price, including fees, for $494,392, resulting a loss from sales of property of $305,608.

In addition, the School purchased a property at John White & Cook Lane for $3,700,000 and entered into a construction agreement in the amount of $4,085,089 for the purpose to build a new school building. As of July 31, 2021, amount incurred in this construction agreement was $2,837,131. Both of these amounts were included in construction in progress at July 31, 2021.

NOTE 6 NOTES PAYABLE

As described in Note 3, the School assumed a note payable of $400,000 related to the purchase of the School from its Founder. This note payable was restructured during 2015 to consist of 80 monthly payments of $5,000 beginning August 2015. Because the agreement does not require interest, the School has recognized a discount on the note of $22,712, based on an imputed interest rate of 1.75%, resulting in a note payable of $377,288. As of July 31, 2021 and 2020, the amount due on this note was $88,793 and $98,503.

PPP Loan

On May 4, 2020, the School received a loan from Pegasus Bank in the amount of $318,800 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). In March 2021, the School was notified that all principal and interest under the PPP Loan had been forgiven in full.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at July 31, 2021 and 2020:

	2021	(As Restated) 2020
Purpose Restricted:		
Capital Campaign	$ 8,469,143	$ 6,525,261
Training and Resources	-	60,000
Key Core Online	5,000	-
Music	4,000	-
Founders Pathway	166,146	-
Student Financial Aid for Students with Significant Need	13,388	-
Research Analyst	79,773	53,455
Technology	17,843	-
Parent Group	-	1,387
Key School Academic Language Therapy Program	24,240	56,258
Total Restricted Net Assets	$ 8,779,533	$ 6,696,361

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended July 31, 2021 and 2020, net assets released from restrictions were as follows:

	2021	2020
Purpose Restriction accomplished:		
Key School Academic Language Therapy Program	$ 82,268	$ 37,309
Capital Campaign	70,440	71,467
Financial Aid	62,280	56,494
Research Analyst	23,683	37,247
Technology	7,657	15,133
Others	129	8,168
Strategic Planning	-	60,000
Total Restricted Net Assets	$ 246,457	$ 285,818

NOTE 8 RETIREMENT PLAN

The School maintains a deferred compensation plan (the Plan) whereby the employees may contribute a portion of their earnings to the Plan. The employees are fully vested upon entrance to the Plan. The Plan does not permit School contributions.

NOTE 9 RISKS AND UNCERTAINTIES

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to New Key School, COVID-19 may impact various parts of its fiscal 2022 operations and financial results, student activities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred prior to year-end and are still developing.

NOTE 10 RESTATEMENT OF PLEDGES RECEIVABLE AND NET ASSETS

During the 2021 audit of the School, management discovered a conditional pledge made in 2019 in the amount of $500,000 was recognized as contribution revenue prior to barriers for that condition being met. As a result, both Promise to Give and Net Assets were overstated in the financial statements as of July 31, 2020 and 2019. The effect of the restatement is as follows:

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Current Portion of Promises to Give	$ 528,341	$ (250,000)	$ 278,341
Noncurrent Portion of Promises to Give	723,513	(250,000)	473,513
Net Assets with Donor Restrictions - at August 1, 2019	3,917,352	(500,000)	3,417,352