# THE NEW KEY SCHOOL, INC.
# DBA: KEY CENTER FOR LEARNING DIFFERENCES

## FINANCIAL STATEMENTS

## YEARS ENDED JULY 31, 2022 AND 2021

CPAs | CONSULTANTS | WEALTH ADVISORS

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THE NEW KEY SCHOOL, INC.
DBA: KEY CENTER FOR LEARNING DIFFERENCES
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YEARS ENDED JULY 31, 2022 AND 2021


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# INDEPENDENT AUDITORS' REPORT

Board of Directors
The New Key School, Inc.
dba: Key Center for Learning Differences
Fort Worth, Texas

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of The New Key School, Inc. dba: Key Center for Learning Differences (the School), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New Key School, Inc. as of July 31, 2022 and 2021, and the changes of 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The New Key School, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Fort Worth, Texas
February 16, 2023

**THE NEW KEY SCHOOL, INC.**
**DBA: KEY CENTER FOR LEARNING DIFFERENCES**
**STATEMENTS OF FINANCIAL POSITION**
**JULY 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 1,837,831 | $ 3,603,476 |
| Accounts Receivable, Net of Allowance for Uncollectible Amounts of $1,475 in 2022 and 2021 | 18,984 | 51,897 |
| Contributions Receivable, Net | 122,191 | 208,274 |
| Prepaid Expenses | 87,378 | 36,113 |
| Total Current Assets | 2,066,384 | 3,899,760 |
| **NONCURRENT ASSETS** | | |
| Property, Furniture, and Equipment, Net of Accumulated Depreciation | 9,154,509 | 8,022,418 |
| Intangible and Other Assets | 410,288 | 410,288 |
| Total Noncurrent Assets | 9,564,797 | 8,432,706 |
| Total Assets | $ 11,631,181 | $ 12,332,466 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable and Accrued Liabilities | $ 66,542 | $ 1,144,282 |
| Prepaid Tuition and Deposits | 233,855 | 237,314 |
| Notes Payable | 95,000 | 88,783 |
| Total Current Liabilities | 395,397 | 1,470,379 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 10,867,971 | 2,082,554 |
| With Donor Restrictions | 367,813 | 8,779,533 |
| Total Net Assets | 11,235,784 | 10,862,087 |
| Total Liabilities and Net Assets | $ 11,631,181 | $ 12,332,466 |

*See accompanying Notes to Financial Statements.*

**THE NEW KEY SCHOOL, INC.**
**DBA: KEY CENTER FOR LEARNING DIFFERENCES**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED JULY 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Tuition, Net of Financial Aid of $111,060 | $ 1,934,887 | $ - | $ 1,934,887 |
| Other Program Service Revenue | 17,507 | - | 17,507 |
| Contributions | 446,481 | 762,585 | 1,209,066 |
| Interest Income | 1,860 | - | 1,860 |
| Other Income | 3,000 | - | 3,000 |
| EANS Grant | 404,298 | - | 404,298 |
| Satisfaction of Donor Restrictions | 9,174,305 | (9,174,305) | - |
| Total Support and Revenue | 11,982,338 | (8,411,720) | 3,570,618 |
| **OPERATING EXPENSES** | | | |
| Program Expenses: | | | |
| Salaries and Related Benefits | 1,738,409 | - | 1,738,409 |
| Educational Expenses | 820,699 | - | 820,699 |
| General and Administrative Expenses | 358,263 | - | 358,263 |
| Fundraising | 211,186 | - | 211,186 |
| Total Operating Expenses | 3,128,557 | - | 3,128,557 |
| **NONOPERATING ACTIVITIES** | | | |
| Loss on Sales of Property | (68,364) | - | (68,364) |
| **CHANGE IN NET ASSETS** | 8,785,417 | (8,411,720) | 373,697 |
| Net Assets - Beginning of Year | 2,082,554 | 8,779,533 | 10,862,087 |
| **NET ASSETS - END OF YEAR** | $ 10,867,971 | $ 367,813 | $ 11,235,784 |

*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 |
| Other Program Service Revenue | 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 |
| **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 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 FUNCTIONAL EXPENSES**
**YEAR ENDED JULY 31, 2022**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and Related Benefits | $ 1,738,409 | $ 159,613 | $ 89,375 | $ 1,987,397 |
| Professional Fees | 62,542 | 127,744 | 24,750 | 215,036 |
| Curriculum Development | 37,981 | - | - | 37,981 |
| Supplies | 115,584 | 38,234 | 2,458 | 156,276 |
| Printing, Publications, and Artwork | 16,860 | 3,810 | 4,269 | 24,939 |
| Direct Student Services | 3,197 | - | - | 3,197 |
| Student Dietary Expenses | 1,913 | 104 | 104 | 2,121 |
| Postage, Shipping, and Delivery | 684 | 193 | 1,124 | 2,001 |
| Telephone | 19,292 | 1,048 | 1,048 | 21,388 |
| Occupancy | 22,709 | 1,234 | 1,234 | 25,177 |
| Equipment and Technology Expense | 4,030 | 219 | 5,150 | 9,399 |
| Taxes and Licenses | 18,860 | 1,025 | 1,025 | 20,910 |
| Bank Fees | 12,757 | 693 | 693 | 14,143 |
| Insurance | 26,193 | 1,423 | 1,423 | 29,039 |
| Travel | 303 | - | - | 303 |
| Utilities Expense | 50,652 | 2,752 | 2,752 | 56,156 |
| Classroom Materials | 30,315 | - | - | 30,315 |
| Equipment Lease and Maintenance | 96,995 | 5,269 | 5,269 | 107,533 |
| Membership Dues and Subscriptions | 4,918 | 267 | 267 | 5,452 |
| Advertising | - | - | 25,070 | 25,070 |
| Depreciation and Amortization | 214,651 | 11,661 | 11,661 | 237,973 |
| Miscellaneous Expense | 55,448 | 2,690 | 4,605 | 62,743 |
| Professional Development and Planning | 13,754 | 284 | 3,968 | 18,006 |
| Miscellaneous Educational | 6,222 | - | - | 6,222 |
| KSALT Expenses | 4,839 | - | - | 4,839 |
| Capital Campaign | - | - | 24,941 | 24,941 |
| Total Expenses | $ 2,559,108 | $ 358,263 | $ 211,186 | $ 3,128,557 |

*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 |
| Occupancy | 91,408 | 3,089 | 1,722 | 96,219 |
| Supplies | 50,978 | 33,821 | - | 84,799 |
| KSALT Expenses | 83,022 | - | - | 83,022 |
| Miscellaneous Educational | 25,664 | 46,307 | - | 71,971 |
| Capital Campaign | - | - | 70,440 | 70,440 |
| Classroom Materials | 31,598 | - | - | 31,598 |
| Equipment Lease and Maintenance | 26,151 | 826 | 551 | 27,528 |
| Miscellaneous Expense | 21,062 | 5,554 | - | 26,616 |
| Utilities Expense | 22,547 | 712 | 475 | 23,734 |
| Bank Fees | 22,647 | - | - | 22,647 |
| Insurance | 18,665 | 3,074 | 220 | 21,959 |
| Professional Development and Planning | 12,600 | - | 5,035 | 17,635 |
| Curriculum Development | 17,011 | - | - | 17,011 |
| Advertising | - | - | 16,018 | 16,018 |
| Telephone | 4,989 | 3,742 | 3,742 | 12,473 |
| Printing, Publications, and Artwork | 7,402 | 1,851 | - | 9,253 |
| Equipment and Technology Expense | 7,657 | 713 | - | 8,370 |
| Depreciation and Amortization | 435 | 6,676 | - | 7,111 |
| Membership Dues and Subscriptions | 5,753 | - | - | 5,753 |
| 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 |
| Interest Expense | 271 | 181 | - | 452 |
| Travel | 33 | 81 | 210 | 324 |
| 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**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED JULY 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase in Net Assets | $ 373,697 | $ 2,381,127 |
| Adjustments to Reconcile Increase in Net Assets to | | |
| Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 237,973 | 7,111 |
| Loss on Sales of Property | 68,364 | 305,608 |
| Gifts Restricted for Long-Term Purposes | - | (2,273,535) |
| Paycheck Protection Program Loan Forgiveness | - | (318,800) |
| Effect of Changes in Assets and Liabilities: | | |
| Accounts Receivable | 32,913 | (45,862) |
| Contributions Receivable | 86,083 | 543,580 |
| Prepaid Expenses | (51,265) | (1,062) |
| Accounts Payable | (1,071,523) | (83,133) |
| Prepaid Tuition Deposits | (3,459) | (235,196) |
| Net Cash Provided (Used) by Operating Activities | (327,217) | 279,838 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Property, Furniture, and Equipment | (1,438,428) | (5,536,036) |
| Net Cash Used by Investing Activities | (1,438,428) | (5,536,036) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Principal Payments of Notes Payable | - | (9,720) |
| Gifts Restricted for Long-Term Purposes | - | 2,273,535 |
| Net Cash Provided by Financing Activities | - | 2,263,815 |
| **NET CHANGE IN CASH** | (1,765,645) | (2,992,383) |
| Cash - Beginning of Year | 3,603,476 | 6,595,859 |
| **CASH - END OF YEAR** | $ 1,837,831 | $ 3,603,476 |
| **SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES** | | |
| Addition of Property through Accounts and Retainage Payable | $ - | $ 1,084,795 |
| Interest Paid | $ - | $ 452 |

*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 (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.

## 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.

### 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 $5,000, 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.

The opening and closing balances of the School's tuition receivable and deferred tuition are as follows:

| | Accounts Receivable | Deferred Revenue |
|---|---|---|
| Balance - August 1, 2020 | $ 6,035 | $ 472,510 |
| Net Change | 45,862 | (235,196) |
| Balance - July 31, 2021 | 51,897 | 237,314 |
| Net Change | (32,913) | (3,459) |
| Balance - July 31, 2022 | $ 18,984 | $ 233,855 |

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. The School had a cost-reimbursement grant agreement with a government agency in the amount of $582,081. During the year ended July 31, 2022, the School recognized $404,298 of revenue on this grant agreement by incurred eligible cost which met the conditions. No fund was received in advance on the remaining $177,783 conditional promise.

## 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, 2022 and 2021.

### 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, 2022 and 2021.

### 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 (90%), general and administrative (5%) 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.

### Reclassifications

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 changes in net assets.

### Subsequent Events

Subsequent events have been evaluated through February 16, 2023, 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.

## 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, 2022 and 2021, available within one year of the statements of financial position date.

| | 2022 | 2021 |
|---|---|---|
| Cash | $ 1,837,831 | $ 987,302 |
| Accounts Receivable, Net | 18,984 | 51,897 |
| Contributions Receivable | 98,377 | - |
| Subtotal | 1,955,192 | 1,039,199 |
| Less: Restricted for Specific Purpose | (367,813) | - |
| Total | $ 1,587,379 | $ 1,039,199 |

## 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, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| 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 CONTRIBUTIONS RECEIVABLE

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.

At July 31, 2022, contributions receivable are expected to be received as follows:

| Year Ending July 31, | Amount |
|---|---|
| 2023 | $ 98,377 |
| 2024 | 15,000 |
| 2025 | 10,000 |
| Total | 123,377 |
| Less: Present Value Discount of 1.4% | (1,186) |
| Total | $ 122,191 |

## NOTE 5 PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment were composed of the following as of July 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Building | $ 8,328,920 | $ - |
| Land | 800,000 | - |
| Equipment | 365,486 | 355,563 |
| Land Improvements | 100,447 | - |
| Vehicles | 46,307 | - |
| Furniture and Fixtures | 43,584 | 25,669 |
| Books | 1,790 | 1,790 |
| Leasehold Improvements | - | 120,711 |
| Art and School Décor | - | 5,000 |
| Construction in Progress | - | 7,860,083 |
| Total Property, Furniture, and Equipment | 9,686,534 | 8,368,816 |
| Less: Accumulated Depreciation | (532,025) | (346,396) |
| Net Property, Furniture, and Equipment | $ 9,154,509 | $ 8,022,420 |

## 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, 2022 and 2021, the amount due on this note was $95,000 and $88,783.

## NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at July 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Purpose Restricted: | | |
| Key School Academic Language Therapy Program | $ 84,384 | $ 24,240 |
| Curriculum Development | 82,972 | - |
| Research Analyst | 78,272 | 79,773 |
| Marketing and Advertising | 63,165 | - |
| Financial Aid | 40,008 | 13,388 |
| Technology | 15,986 | 17,843 |
| Music | 1,640 | 4,000 |
| Capital Campaign | 1,386 | 8,469,143 |
| Key Core Online | - | 5,000 |
| Founders Pathway | - | 166,146 |
| Total Restricted Net Assets | $ 367,813 | $ 8,779,533 |

## NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended July 31, 2022 and 2021, net assets released from restrictions were as follows:

| | 2022 | 2021 |
|---|---|---|
| Purpose Restriction Accomplished: | | |
| Capital Campaign | $ 8,717,806 | $ 70,440 |
| Founders Pathway | 166,146 | - |
| Key School Academic Language Therapy Program | 154,857 | 82,268 |
| Financial Aid | 105,392 | 62,280 |
| Marketing and Advertising | 11,835 | - |
| Scholarship | 5,668 | - |
| Key Core Online | 5,000 | - |
| Music | 2,360 | - |
| Curriculum Development | 1,884 | - |
| Technology | 1,857 | 7,657 |
| Research Analyst | 1,500 | 23,683 |
| Others | - | 129 |
| Total | $ 9,174,305 | $ 246,457 |

## 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.