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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED JULY 31, 2020 AND 2019

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The New Key School, Inc. (DBA Key Center for Learning Difference
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, 2020 and 2019, 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 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 the School as of July 31, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
February 26, 2021

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Interest Bearing Deposits	$ 651,352	$ 1,206,418
Accounts Receivable, Net of Allowance for Uncollectible Amounts	134,556	59,805
Current Portion of Promises to Give	528,341	485,583
Prepaid Expenses	35,051	44,438
Total Current Assets	1,349,300	1,796,244
PROPERTY, FURNITURE, AND EQUIPMENT		
Property, Furniture, and Equipment, Net of Accumulated Depreciation	1,714,306	1,746,206
OTHER ASSETS		
Intangible and Other Assets	410,288	410,288
Noncurrent Portion of Promises to Give, Net of Present Value Discount	723,513	499,334
Designated and Restricted Cash	5,944,507	2,932,435
Total Other Assets	7,078,308	3,842,057
Total Assets	$ 10,141,914	$ 7,384,507
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 142,620	$ 70,878
Prepaid Tuition and Deposits	601,031	406,170
Current Portion of Notes Payable	76,598	99,397
Total Current Liabilities	820,249	576,445
NOTES PAYABLE (Less Current Portion)	340,705	98,261
Total Liabilities	1,160,954	674,706
NET ASSETS		
Without Donor Restrictions		
Undesignated	1,784,599	2,792,449
Total Without Donor Restrictions	1,784,599	2,792,449
With Donor Restrictions		
Purpose	7,196,361	3,917,352
Total With Donor Restrictions	7,196,361	3,917,352
Total Net Assets	8,980,960	6,709,801
Total Liabilities and Net Assets	$ 10,141,914	$ 7,384,507

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Tuition, Net of Financial Aid	$ 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
OPERATING 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 Operating Expenses	2,535,414	-	2,535,414
NONOPERATING ACTIVITIES			
Impairment of Property and Equipment - See Note 6	(515,201)	-	(515,201)
Total Nonoperating Expenses	(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	3,917,352	6,709,801
NET ASSETS - END OF YEAR	$ 1,784,599	$ 7,196,361	$ 8,980,960

See accompanying Notes to Financial Statements.

THE NEW KEY SCHOOL, INC. (DBA KEY CENTER FOR LEARNING DIFFERENCES)
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Tuition, Net of Financial Aid	$ 1,475,094	$ -	$ 1,475,094
Books, Meals, and Fees	191,287	-	191,287
Contributions	136,387	5,181,997	5,318,384
Fundraising Events, Net of Direct Costs of $8,940	30,769	-	30,769
Interest Income	14,843	-	14,843
Other Income	191	-	191
Satisfaction of Donor Restrictions	1,963,954	(1,963,954)	-
Total Support and Revenue	3,812,525	3,218,043	7,030,568
EXPENSES			
Program Expenses:			
Salaries and Related Benefits	1,265,644	-	1,265,644
Educational Expenses	523,987	-	523,987
General and Administrative Expenses	427,320	-	427,320
Fundraising	314,884	-	314,884
Total Expenses	2,531,835	-	2,531,835
CHANGE IN NET ASSETS	1,280,690	3,218,043	4,498,733
Net Assets - Beginning of Year	1,511,759	699,309	2,211,068
NET ASSETS - END OF YEAR	$ 2,792,449	$ 3,917,352	$ 6,709,801

See accompanying Notes to Financial Statements.

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

	Program Services	Management and General	Fundraising	2020 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 maitnenance	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
Bad Debt Expense	-	-	-	-
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)
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JULY 31, 2019

	Program Services	Management and General	Fundraising	2019 Total
Salaries and Related Benefits	$ 1,265,644	$ 301,609	$ 124,781	$ 1,692,034
Professional Fees	49,197	19,907	-	69,104
Curriculum Development	2,463	-	-	2,463
Supplies	44,635	29,167	-	73,802
Printing, publications and artwork	6,083	1,521	-	7,604
Direct Student Services	6,057	-	-	6,057
Student Dietary Expenses	1,214	1,703	-	2,917
Postage, shipping and delivery	877	876	876	2,629
Telephone	5,022	3,766	3,766	12,554
Occupancy	86,644	2,856	1,704	91,204
Equipment Expense	35,788	4,048	-	39,836
Bank Fees	17,140	-	-	17,140
Insurance	13,472	2,219	158	15,849
Travel	330	824	2,143	3,297
Utilities Expense	23,943	756	504	25,203
Classroom Materials	46,932	-	-	46,932
Equipment lease and maitnenance	43,990	1,389	927	46,306
Membership dues and subscriptions	3,721	-	-	3,721
Advertising	29,035	-	-	29,035
Depreciation and amortization	35,842	30,436	-	66,278
Interest expense	4,889	3,259	-	8,148
Miscellaneous Expense	1,235	10,021	-	11,256
Professional Development and Planning	24,695	-	-	24,695
Miscellaneous Educational	40,783	-	-	40,783
Bad Debt Expense	-	12,963	-	12,963
Fundraising Expenses	-	-	13,023	13,023
Capital Campaign	-	-	167,002	167,002
Total Expenses	$ 1,789,631	$ 427,320	$ 314,884	$ 2,531,835

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$ 2,271,159	$ 4,498,733
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	7,356	66,278
Bad Debt Expense	-	12,963
Present Value Discount on Long-Term Promises to Give	31,721	(7,222)
Impairment of Long Lived Assets	515,201	-
Gifts Restricted for Long-Term Purposes	(3,258,144)	(4,069,638)
Effect of Changes in Assets and Liabilities:		
Accounts Receivable	(74,751)	290,557
Promises to Give	(266,937)	(893,139)
Prepaid Expenses	9,387	(12,196)
Accounts Payable	71,742	28,488
Prepaid Tuition Deposits	194,861	(270,255)
Net Cash Used by Operating Activities	(498,405)	(355,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Furniture, and Equipment	(490,657)	(1,599,930)
Net Cash Used by Investing Activities	(490,657)	(1,599,930)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Notes Payable	(99,155)	(103,441)
Proceeds from Issuance of Notes Payable	318,800	-
Change in Cash Held for Long-Term Purposes:		
Proceeds From Gifts Restricted for Long-Term Purposes	3,226,423	4,076,860
Net Cash Provided by Financing Activities	3,446,068	3,973,419
INCREASE IN CASH AND CASH EQUIVALENTS	2,457,006	2,018,058
Cash and Cash Equivalents - Beginning of Year	4,138,853	2,120,795
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,595,859	$ 4,138,853
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	$ 3,836	$ 8,148
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	$ 651,352	$ 1,206,418
Restricted Cash	111,100	147,350
Cash Restricted for Capital Improvements	5,833,407	2,785,085
Total Cash and Cash Equivalents	$ 6,595,859	$ 4,138,853

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.

During the fiscal year ended July 31, 2019, the New Key School, Inc. created two additional programs 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.
- The Key Navigation & Training Institute (KNTI) seeks to empower families, students, and educators across the community, by providing professional development, resources, and strategies to support individuals with learning differences.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, the School reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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. Cash which has been restricted by donors for specific purposes or delineated by the Board for specific purposes is shown as restricted cash in the statement of financial position.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and 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 of long-lived assets are recognized as restricted revenue when received and released from restrictions 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.

Revenue Recognition

Tuition, fees, and other charges for the services provided by the School are recorded in the period in which they are earned. Tuition revenue is presented net of financial aid provided to students of approximately $86,000 and $60,000 for the years ended July 31, 2020 and 2019, respectively.

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, 2020, contributions approximating $2,575,000, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met. Of the total conditional contributions, $2,275,000 depend on raising additional contributions that will be matched dollar-for-dollar. In addition, $300,000 of contributions depend on the School breaking ground on their new school building by June 2022.

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 year ended July 31, 2020 and 2019.

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, 2020 and 2019.

Advertising Costs

Advertising costs are expensed as incurred and approximated $15,290 and $29,035 during the years ended July 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of providing program, fundraising, and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States 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. As of July 31, 2020, the School had approximately $6,344,099 in excess of federal insurance limits.

Three donors comprised 66% of total contribution revenue for the year ended July 31, 2020. Additionally, three donors comprised 48% of total contribution revenue for the year ended July 31, 2019.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made.* This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 for contributions received beginning August 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not result in any changes to the opening balances of the consolidated financial statements.

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the School had not issued their financial statements as of the date of this ASU, they elected to defer and adopt the guidance for Topic 606 for annual reporting periods beginning after December 15, 2019.

NOTE 2 LIQUIDITY AND AVAILABILITY

The New Key School, Inc. manages its cash available to meet general expenditures following guilding principles:

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

General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The following reflects The New Key School Inc.'s financial assets as of the balance sheet date, available within one year of the balance sheet date.

	2020	2019
Cash and Interest Bearing Deposits	$ 651,352	$ 1,206,418
Accounts Receivable, Net of Allowance for Uncollectible Amounts	134,556	59,805
Financial assets available within one year to meet cash needs for general expenditures within one year	$ 785,908	$ 1,266,223

Restricted cash in the amount of $5,944,507 are funds that have been donated specifically for the capital campaign and are as such restricted and therefore unavailable for general expenditure. Additionally, the pledge receivables 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 statement of financial position are as follows:

	2020	2019
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 ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from the families of students relating to tuition, books, meals, and fees and are presented net of an allowance for uncollectible amounts of approximately $1,475 and $9,000 for the years ended July 31, 2020 and 2019, respectively. Bad debt expense for the years ended July 31, 2020 and 2019 was $-0- and $12,963, respectively, and was included as components of program, general and administrative, and fundraising expenses in the accompanying statement of activities.

NOTE 5 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 statement 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 from January 1, 2020 to December 31, 2020, with a rate of 2.3% applied to all prior year pledges. At July 31, 2020, a total discount present value discount applied on long term pledges was $31,721.

At July 31, 2020, promises to give are expected to be received as follows:

Year Ending July 31,	Amount
2021	$ 528,341
2022	514,089
2023	122,850
2024	108,295
2025	10,000
Thereafter	-
Total	1,283,575
Less: Present Value Discount on Long-Term Pledges	(31,721)
Net Promises to Give	$ 1,251,854

NOTE 6 PROPERTY, FURNITURE, AND EQUIPMENT

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

	2020	2019
Books	$ 1,790	$ 1,790
Furniture and Fixtures	25,669	25,669
Equipment	264,358	264,358
Land	800,000	800,000
Leasehold Improvements	120,711	120,711
Art & School Décor	5,000	5,000
Construction in Progress	836,065	860,609
Total Property, Furniture, and Equipment	2,053,593	2,078,137
Less: Accumulated Depreciation	339,287	331,931
Net Property, Furniture, and Equipment	$ 1,714,306	$ 1,746,206

NOTE 6 PROPERTY, FURNITURE, AND EQUIPMENT (CONTINUED)

Due to their relatively short useful life, books are generally expensed as acquired. Depreciation expense of $7,356 and $66,278 for the years ended July 31, 2020 and 2019, respectively, is included as a component of program, general and administrative, and fundraising expenses in the accompanying statement of activities.

As described in Note 14, the School made the decision to move the location on which their new school building will be constructed on. During the years ended July 31, 2019 and 2020, construction in process costs on the previous building site were considered to be sunk costs and written off as impaired assets at July 31, 2020. The value of these assets written off was $515,201.

NOTE 7 PREPAID TUITION AND DEPOSITS

The amount recorded as prepaid tuition and deposits in the accompanying financial statements relates to fees and tuition paid by families of students for the school year beginning in August 2020. As of July 31, 2020 and 2019, the balances of prepaid tuition and deposits were $601,031 and $406,170, respectively.

NOTE 8 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, 2020 and 2019, the amount due on this note was $98,503 and $156,230, respectively.

In May 2016, the School entered into a note payable with a bank to purchase certain computer equipment. The note had an original principal balance of $173,930 and bears interest at a rate of 7.675%. In 2017, $3,107 of additional computer equipment was added to the original note, bearing interest at a rate of 10.517%. The note was paid off in full during the year ended July 31, 2020 and no longer carries any outstanding balance.

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 original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. 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. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

NOTE 8 NOTES PAYABLE (CONTINUED)

These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 4, 2020 to October 19, 2020, is the time that a business has to spend their PPP Loan funds.

The future maturities related to these agreements for years ending July 31 are as follows:

Year Ending July 31,	Principal
2021	$ 76,598
2022	253,981
2023	86,724
Thereafter	-
Total	$ 417,303

The liability is presented in the accompanying financial statements as follows as of July 31:

	2020	2019
Current Portion of Note Payable	$ 76,598	$ 99,397
Note Payable (Less Current Portion)	340,705	98,261
Total	$ 417,303	$ 197,658

NOTE 9 PURPOSE RESTRICTED NET ASSETS AND BOARD DESIGNATED NET ASSETS

The School had net assets designated for the following purposes as of July 31:

	2020	2019
Purpose Restricted:		
Marketing Plan	$ -	$ 6,168
Capital Campaign	6,275,261	2,958,001
Empowerment and Resource Center	60,000	60,000
Key Navigation & Training Institute	750,000	750,000
Student Financial Aid for Students with Significant Need	-	13,394
Research Analyst	53,455	40,702
Technology	-	15,133
Parent Group	1,387	1,387
Board of Directors	-	2,000
Key School Academic Language Therapy Program	56,258	70,567
Total Restricted Net Assets	$ 7,196,361	$ 3,917,352

NOTE 10 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 11 BUILDING LEASE

The School's activities are conducted in a commercial building that has been modified for classrooms and offices. The original lease for the building expired June 30, 2020 and was subsequently extended from July 2020 to June 2021. Minimum lease payments during the year ended July 31, 2021 equal $78,100.

For the years ended July 31, 2020 and 2019, rent expense was approximately $85,200 and $85,200, respectively.

NOTE 12 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain costs, such as maintenance of building, utilities, and rent, have been allocated among the functional categories of expense on the SoA. Allocation 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 organization's operations.

NOTE 13 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 2021 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 14 SUBSEQUENT EVENTS

On December 18, 2020, NKS entered into an agreement to purchase a new location in order to build their new school building from N&N Real Estate Investments, Inc. The total price to purchase this land is $3,700,000; of which, a $50,000 escrow payment has been paid as of the February 26, 2021. Additionally, as part of this agreement, NKS is also selling their previously purchased land to N&N Real Estate Investments, Inc. for $500,000, making the net cost to NKS $3,200,000.

In October 2020, it was noted that NKS entered into a verbal agreement with the Founder's beneficiary of the Note Payable described in Note 8 to postpone all payments regarding this Payout from October 2020 through July 2021 in order to help NKS with cash flow in FY2021.

Management has evaluated subsequent events through February 26, 2021, the date on which the financial statements were available to be issues.