

THE INTERNATIONAL ACADEMY OF HOPE



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2023 AND 2022

THE INTERNATIONAL ACADEMY OF HOPE

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements.....	7-11



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The International Academy of Hope

Opinion

We have audited the financial statements of The International Academy of Hope ("IHOPE"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of The International Academy of Hope as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended are 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 IHOPE 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 IHOPE's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





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 IHOPE'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 IHOPE'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.

Mayer Hoffman McCann CPAs

New York, NY
January 26, 2024

THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Note 2C)	\$ 302,052	\$ 628,669
Tuition receivable, net (Note 2D)	12,727,994	13,781,986
Pledges receivable, net (Note 4)	262,420	292,919
Prepaid expenses and other assets	475,046	415,720
Due from affiliates (Note 6A)	1,229,594	-
Operating lease right-of-use assets (Note 7)	44,752,765	18,228
Property and equipment, net (Notes 2E and 5)	2,436,706	2,419,347
TOTAL ASSETS	\$ 62,186,577	\$ 17,556,869
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,003,302	\$ 265,859
Accrued pension	181,644	168,932
Accrued salary	565,403	558,890
Accrued vacation	203,549	157,667
Due to affiliates (Note 6A)	-	103,187
Note payable (Note 6B)	-	3,450,000
Deferred revenue (Notes 2D and 2F)	24,275	5,850
Operating lease liability (Note 7)	44,910,953	18,228
TOTAL LIABILITIES	46,889,126	4,728,613
CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions	15,253,135	12,820,030
With donor restrictions (Note 11)	44,316	8,226
TOTAL NET ASSETS	15,297,451	12,828,256
TOTAL LIABILITIES AND NET ASSETS	\$ 62,186,577	\$ 17,556,869

The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
REVENUE AND SUPPORT						
Tuition (Note 2D)	\$ 20,665,128	\$ -	\$ 20,665,128	\$ 16,278,067	\$ -	\$ 16,278,067
Contributions (Note 2G)	16,462	111,824	128,286	532,955	36,000	568,955
Paycheck Protection Program (Note 9)	-	-	-	770,945	-	770,945
Other income	-	-	-	83,459	-	83,459
Loss on asset disposal (Note 5)	-	-	-	(171,333)	-	(171,333)
Net assets released from restrictions (Note 11)	<u>75,734</u>	<u>(75,734)</u>	<u>-</u>	<u>76,340</u>	<u>(76,340)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>20,757,324</u>	<u>36,090</u>	<u>20,793,414</u>	<u>17,570,433</u>	<u>(40,340)</u>	<u>17,530,093</u>
EXPENSES (Note 2H)						
Program services	15,330,810	-	15,330,810	11,057,429	-	11,057,429
Management and general	2,940,861	-	2,940,861	2,532,709	-	2,532,709
Fundraising	<u>52,548</u>	<u>-</u>	<u>52,548</u>	<u>63,282</u>	<u>-</u>	<u>63,282</u>
TOTAL EXPENSES	<u>18,324,219</u>	<u>-</u>	<u>18,324,219</u>	<u>13,653,420</u>	<u>-</u>	<u>13,653,420</u>
CHANGE IN NET ASSETS	2,433,105	36,090	2,469,195	3,917,013	(40,340)	3,876,673
Net assets - beginning of year	<u>12,820,030</u>	<u>8,226</u>	<u>12,828,256</u>	<u>8,903,017</u>	<u>48,566</u>	<u>8,951,583</u>
NET ASSETS - END OF YEAR	<u>\$ 15,253,135</u>	<u>\$ 44,316</u>	<u>\$ 15,297,451</u>	<u>\$ 12,820,030</u>	<u>\$ 8,226</u>	<u>\$ 12,828,256</u>

The accompanying notes are an integral part of these financial statements.

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Year Ended June 30, 2023			Year Ended June 30, 2022				
	Program Services	Management and General	Fundraising	Total 2023	Program Services	Management and General	Fundraising	Total 2022
Salaries	\$ 9,836,358	\$ 780,477	\$ -	\$ 10,616,835	\$ 7,152,349	\$ 683,441	\$ -	\$ 7,835,790
Payroll taxes and employee benefits (Note 10)	1,970,964	156,388	-	2,127,352	1,624,006	138,543	-	1,762,549
Total salaries and related costs	11,807,322	936,865	-	12,744,187	8,776,355	821,984	-	9,598,339
Contracted services	809,503	12,993	-	822,496	243,976	13,187	-	257,163
Management support services (Note 6A)	-	1,240,170	52,548	1,292,718	-	1,034,604	44,531	1,079,135
Professional fees	804,306	172,377	-	976,683	129,738	223,906	-	353,644
Program recreational and supplies	203,911	8,357	-	212,268	179,948	14,391	-	194,339
Food	1,078	1,344	-	2,422	667	104	-	771
Transportation	356	345	-	701	354	710	-	1,064
Office and equipment expense	128,004	47,511	-	175,515	125,761	60,760	-	186,521
Staff development	72,985	17,756	-	90,741	65,538	3,830	-	69,368
Occupancy (Note 7)	681,673	-	-	681,673	877,314	-	-	877,314
Repairs and maintenance	548,992	473	-	549,465	509,076	40,982	-	550,058
Insurance	102,895	60,016	-	162,911	17,619	45,855	-	63,474
Utilities	30,836	-	-	30,836	83,778	-	-	83,778
Telephone	3,471	29,879	-	33,350	2,288	11,786	-	14,074
Information technology	20,861	14,793	-	35,654	22,203	9,157	-	31,360
Depreciation and amortization (Note 5)	45,266	207,322	-	252,588	22,814	116,674	-	139,488
Interest (Note 6B)	-	113,313	-	113,313	-	134,179	-	134,179
Bad debt	69,351	-	-	69,351	-	-	-	-
Bank fee	-	63,166	-	63,166	-	600	-	600
Miscellaneous	-	14,181	-	14,181	-	-	18,751	18,751
TOTAL EXPENSES	\$ 15,330,810	\$ 2,940,861	\$ 52,548	\$ 18,324,219	\$ 11,057,429	\$ 2,532,709	\$ 63,282	\$ 13,653,420

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,469,195	\$ 3,876,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	252,588	139,488
Loss on disposal of property and equipment	-	171,333
Bad debt expense	69,351	-
Reduction in carrying amount of right-of-use assets - operating lease	158,188	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Tuition receivable	984,641	5,115,237
Pledges receivable	30,499	(292,919)
Prepaid expenses and other assets	(59,326)	(14,527)
Due from affiliates	(1,229,594)	-
Other receivables	-	80,870
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	737,443	(551,177)
Accrued salaries and other benefits	65,107	(83,312)
Due to affiliates	(103,187)	(5,126,362)
Refundable advances	-	(770,945)
Deferred revenue	18,425	(18,050)
Operating lease liability	-	(57,639)
Net Cash Provided by Operating Activities	3,393,330	2,468,670
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(269,947)	(1,867,381)
Net Cash Used in Investing Activities	(269,947)	(1,867,381)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(3,450,000)	(550,000)
Net Cash Used in Financing Activities	(3,450,000)	(550,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(326,617)	51,289
Cash and cash equivalents - beginning of year	628,669	577,380
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 302,052	\$ 628,669
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 113,313	\$ 134,179
Operating ROU assets obtained in exchange for new operating lease liabilities	\$ 44,870,474	\$ -

The accompanying notes are an integral part of these financial statements.

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The International Academy of Hope (the “Academy”) was formed during 2013 for the purpose of serving as a non-public, non-profit school and an educational institution for children with a brain injury and/or brain-based disorders. The Academy was granted a provisional three-year charter from the Regents of the University of New York on October 22, 2013. The Academy is currently in the process of renewing its charter and being licensed by the New York City Department of Education (the “NYCDOE”).

The International Center of Hope (the “Center”) was formed during fiscal 2016 for the purpose of advancing the mission of the Academy by preventing, identifying, treating and eventually curing the number one cause of death and disability for American youth, pediatric acquired brain injury, as well as other brain-based disorders. After receiving approval from the Board of Trustees and the New York State Attorney General’s Office, the Academy and Center entered into a transaction whereby all of the Center’s assets and liabilities were transferred to the Academy. Effective July 1, 2021, the Center ceased operations, with the Certificate of Incorporation of the Academy being the Certificate of Incorporation of the surviving entity without any amendments or changes. Subsequent to the effective date of the transfer, the business of the combined corporations is conducted through the Academy as the surviving organization. The Center was dissolved effective June 12, 2023.

The accompanying financial statements reflect the activities of the Academy. The Academy is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has an equivalent exemption from income tax at the state and local levels. IHOPE is supported primarily by tuition income.

IHOPE is a part of the Young Adult Institute, Inc. (“YAI”) Network, which is a network of non-profit agencies operating programs and services for children and adults with developmental disabilities throughout New York City, Hudson Valley, Long Island and California. YAI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Effective March 1, 2018, IHOPE entered into a management agreement with YAI to undertake, on its behalf, functions in regard to business and administrative services of IHOPE. Effective July 1, 2019, YAI became the sole member of the Academy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** – IHOPE’s financial statements are prepared on the accrual basis of accounting. IHOPE adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. ***Basis of Net Asset Presentation*** – IHOPE maintains its net assets under the following classes:

Without Donor Restrictions – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of IHOPE’s operations over which the Board of Directors has discretionary control.

With Donor Restrictions – This represents net assets subject to donor-imposed stipulations that will be met by actions of IHOPE or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

C. ***Cash and Cash Equivalents*** – IHOPE considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents.

D. ***Tuition and Allowance for Uncollectible Receivables*** – Tuition receivable is comprised of student fees and tuition owed from the NYCDOE. Such an estimate is based upon assessments performed by IHOPE or upon agreements entered into with the student’s parents, and subject to executed stipulation agreements with the NYCDOE. Interest is not accrued or recorded on outstanding balances.

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Year Ended June 30, 2023			Year Ended June 30, 2022				
	Program Services	Management and General	Fundraising	Total 2023	Program Services	Management and General	Fundraising	Total 2022
Salaries	\$ 9,836,358	\$ 780,477	\$ -	\$ 10,616,835	\$ 7,152,349	\$ 683,441	\$ -	\$ 7,835,790
Payroll taxes and employee benefits (Note 10)	1,970,964	156,388	-	2,127,352	1,624,006	138,543	-	1,762,549
Total salaries and related costs	11,807,322	936,865	-	12,744,187	8,776,355	821,984	-	9,598,339
Contracted services	809,503	12,993	-	822,496	243,976	13,187	-	257,163
Management support services (Note 6A)	-	1,240,170	52,548	1,292,718	-	1,034,604	44,531	1,079,135
Professional fees	804,306	172,377	-	976,683	129,738	223,906	-	353,644
Program recreational and supplies	203,911	8,357	-	212,268	179,948	14,391	-	194,339
Food	1,078	1,344	-	2,422	667	104	-	771
Transportation	356	345	-	701	354	710	-	1,064
Office and equipment expense	128,004	47,511	-	175,515	125,761	60,760	-	186,521
Staff development	72,985	17,756	-	90,741	65,538	3,830	-	69,368
Occupancy (Note 7)	681,673	-	-	681,673	877,314	-	-	877,314
Repairs and maintenance	548,992	473	-	549,465	509,076	40,982	-	550,058
Insurance	102,895	60,016	-	162,911	17,619	45,855	-	63,474
Utilities	30,836	-	-	30,836	83,778	-	-	83,778
Telephone	3,471	29,879	-	33,350	2,288	11,786	-	14,074
Information technology	20,861	14,793	-	35,654	22,203	9,157	-	31,360
Depreciation and amortization (Note 5)	45,266	207,322	-	252,588	22,814	116,674	-	139,488
Interest (Note 6B)	-	113,313	-	113,313	-	134,179	-	134,179
Bad debt	69,351	-	-	69,351	-	-	-	-
Bank fee	-	63,166	-	63,166	-	600	-	600
Miscellaneous	-	14,181	-	14,181	-	-	18,751	18,751
TOTAL EXPENSES	\$ 15,330,810	\$ 2,940,861	\$ 52,548	\$ 18,324,219	\$ 11,057,429	\$ 2,532,709	\$ 63,282	\$ 13,653,420

**THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IHOPE determines whether an allowance for uncollectible accounts should be provided for tuition receivable. Such estimate is based on management’s assessment of the aged basis of its receivables, current economic conditions, collections subsequent to year-end and historical experience. As of June 30, 2023 and 2022, IHOPE determined that an allowance of approximately \$670,000 and \$725,000, respectively, was necessary for tuition receivable.

Service revenue from tuition and fees is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which IHOPE expects to be entitled in exchange for providing the contracted services. Service revenue is recognized after the services are performed or after IHOPE has completed its portion of the contract. Receivables are due in full when performance obligations are satisfied.

Tuition and fees are recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided.

The beginning and ending contract balances related were as follows as of June 30:

	2023	2022	2021
Tuition receivable, net	<u>\$ 12,727,994</u>	<u>\$ 13,781,986</u>	<u>\$ 18,897,223</u>
Deferred revenue	<u>\$ 24,275</u>	<u>\$ 5,850</u>	<u>\$ 23,900</u>

- E. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by IHOPE provided its cost is \$5,000 or more and its useful life is greater than one year.
- F. **Deferred Revenue** – IHOPE receives deposits and prepayments in advance from students of the upcoming school year. These deposits are recorded as liabilities and are applied against the students’ tuition in the period in which they are earned. All deposits are expected to be earned in the next fiscal year.
- G. **Contributions** – Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. IHOPE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions are nonexchange transactions and are accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Contributions are recognized when barriers within the contract are overcome, and there is no right of return/release from obligation.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in greater than one year are recorded at the net present value of the estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

- H. **Functional Expenses** – The costs of providing program and supporting services of IHOPE have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the program and supporting services benefited. The expenses that are allocated include depreciation and amortization, which is allocated on a prorated basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

IHOPE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maintain a balanced budget. IHOPE has various sources of liquidity at its disposal, including cash and cash equivalents and tuition receivables that provide funding for operations and expenditures as needed. IHOPE strives to maintain liquid financial assets sufficient to cover expenditures. Tuition revenue from funders is expected to cover most expenses. In addition, as noted in Note 1, YAI is the sole member of IHOPE, which can aid if there are unanticipated shortfalls.

Financial assets available for general expenditure, within one year of the statements of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 302,052	\$ 628,669
Tuition receivable, net	12,727,994	13,489,067
Pledge receivables to be collected in less than one year	80,000	110,000
Net assets with donor restrictions	<u>(44,316)</u>	<u>(8,226)</u>
	<u>\$ 13,065,730</u>	<u>\$ 14,219,510</u>

NOTE 4 – PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts expected to be collected in:		
Less than one year	\$ 80,00	\$ 110,000
One to five years	<u>204,343</u>	<u>204,780</u>
	284,343	314,780
Discount to present value at 1.26% to 2.89%	<u>(21,923)</u>	<u>(21,861)</u>
	<u>\$ 262,420</u>	<u>\$ 292,919</u>

Pledges receivable are related to capital campaign for leasehold improvement work for the site and the school which has been completed. There are no implicit time restrictions on the related capital campaign pledges receivable due to be collected in future years.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 1,424,422	\$ 1,417,916	4 - 6 years
Equipment, furniture and fixtures	1,410,281	1,197,386	3 - 5 years
Construction in progress	<u>50,546</u>	<u>-</u>	
	2,885,249	2,615,302	
Less: accumulated depreciation and amortization	<u>(448,543)</u>	<u>(195,955)</u>	
	<u>\$ 2,436,706</u>	<u>\$ 2,419,347</u>	

Depreciation and amortization expense amounted to \$252,588 and \$139,488 for the years ended June 30, 2023 and 2022, respectively. During the year ended June 30, 2022, property, plant and equipment with a cost of a \$354,737 and accumulated depreciation of \$183,404 was disposed of, resulting in a loss of \$171,333, which is included in the statement of activities. There were no disposals during the year ended June 30, 2023. The construction in progress project was completed in July 2023.

**THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – RELATED-PARTY TRANSACTIONS

A. IHOPE entered into a management agreement with YAI effective March 1, 2018 to provide management services which include, but are not limited to: accounting and financial operations, administrative and program support, human resources, education and training, information technology, and general management. For the years ended June 30, 2023 and 2022, IHOPE incurred a management services charge of \$1,292,718 and \$1,079,135, respectively. As of June 30, 2022, IHOPE has a liability of \$99,376 for advances for operating costs and for operating costs paid by YAI on IHOPE's behalf.

As of June 30, 2022, due to affiliates consist of \$99,376 to YAI and \$3,811 to Manhattan Start Academy ("MSA"). There were no due to affiliates as of June 30, 2023. As of June 30, 2023, due from affiliates consists of \$1,229,594 due from YAI relating to advances made to cover operational costs.

IHOPE, MSA and Premier Healthcare, Inc. ("PHC") have a sibling affiliation in the YAI network, whereby YAI is sole member of the organizations. IHOPE received advances for operating costs during the year ended June 30, 2022.

B. YAI is the sole member of IHOPE. IHOPE borrowed on the YAI and its Affiliates line of credit to fund operations during 2022. Proceeds from the line of credit amounted to \$3,450,000 as of June 30, 2022 which is reflected as note payable in the statement of financial position. The amount of \$3,450,000 was paid in full during the year ended June 30, 2023. Interest amounted to \$113,313 and \$134,179 for the years ended June 30, 2023 and 2022, respectively. The line of credit is collateralized by YAI's accounts receivable and matures in April 2024. The line of credit has provisions for debt covenants under YAI and its Affiliates on a consolidated base, YAI and its Affiliates, on a consolidated base was not in compliance as of both June 30, 2023 and 2023. YAI has requested covenant waivers, which are pending approval as of January xx, 2024.

NOTE 7 – OPERATING LEASES

During the year ended June 30, 2023, IHOPE had two new property leases for an office space, and a retail space. Payments for the lease commenced on May 1, 2023, and will end on April 30, 2053. As of June 30, 2023 and 2022, the right-of-use ("ROU") asset had a balance of \$44,752,765 and \$18,228, as shown in the statements of financial position; the lease liability totaled \$44,910,953 and \$18,228 as shown in the statements of financial position.

The lease liabilities were calculated utilizing IHOPE's incremental borrowing rate of 3.25% for leases of vehicles and equipment in effect at the initial adoption date of July 1, 2020, and incremental borrowing rate of 7.36% for leases of real property in effect at the lease commencement date of May 1, 2023.

For the years subsequent to June 30, 2023, the future minimum rentals under lease agreements are as follows:

	<u>Real Property</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
2024	\$ 3,140,905	\$ 5,280	\$ 3,146,185
2025	3,140,905	5,280	3,146,185
2026	3,140,905	3,520	3,144,425
2027	3,140,905	-	3,140,905
2028	3,203,896	-	3,203,896
Thereafter	<u>106,410,106</u>	<u>-</u>	<u>106,410,106</u>
Total lease payment	122,177,622	14,080	122,191,702
Less: Present value discount	<u>(77,280,139)</u>	<u>(610)</u>	<u>(77,280,749)</u>
	<u>\$ 44,897,483</u>	<u>\$ 13,470</u>	<u>\$ 44,910,953</u>

Rent expense for the years ended June 30, 2023 and 2022 amounted to \$681,673 and \$466,746, respectively.

**THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 – OPERATING LEASES (Continued)

The following table summarizes the weighted-average remaining lease term and weight-average discount rate for the years ended June 30:

Weighted-average remaining lease term in years:

	2023	2022
Operating leases	358 months	44 months

Weighted-average discount rate:

	2023	2022
Operating leases	7.36%	3.25%

NOTE 8 – CONTINGENCIES

- A. IHOPE believes it has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

- B. There are various legal proceedings currently pending against the IHOPE. While it is not feasible to predict or determine with certainty the outcome of each case, it is the opinion of management in consultation with legal counsel that the outcomes will not have a material adverse effect on the accompanying financial statements.

NOTE 9 – REFUNDABLE ADVANCES

In April 2021, IHOPE received total proceeds in the amount of \$1,431,867 under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period.

In accounting for the terms of the PPP loan, IHOPE is guided by FASB ASC 958-605 as a conditional contribution. For the year ended June 30, 2022, IHOPE incurred sufficient qualifying expenses and met other conditions for forgiveness and accordingly, recorded grant income of \$770,945 in the accompanying statement of activities. In November 2021, the PPP loan and accrued interest were forgiven in full.

NOTE 10 – RETIREMENT PLAN

On January 1, 2019, IHOPE adopted the YAI Network Affiliates 403(b) Plan (the “Plan”) with matching contributions from IHOPE effective July 1, 2019. Contributions to the Plan are based on amounts determined in accordance with the Internal Revenue Code Section 415. For the years ended June 30, 2023 and 2022, retirement expense amounted to \$129,076 and \$116,351, respectively.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

IHOPE’s net assets with donor restrictions consist of donor restricted contributions of \$44,316 and \$8,226 as of June 30, 2023 and 2022, respectively. Net assets are released from donor restrictions by incurring costs and satisfying restricted purposes. There were \$75,734 and \$76,340 of releases from restriction during the years ended June 30, 2023 and 2022, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through January 26, 2024, the date the financial statements were available to be issued.