

# ▶ **Manhattan Star Academy**

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

**YEARS ENDED JUNE 30, 2023 AND 2022**

**THE MANHATTAN STAR ACADEMY**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
The Manhattan Star Academy

### **Opinion**

We have audited the financial statements of The Manhattan Star Academy ("MSA"), which comprise of 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 Manhattan Star Academy as of June 30, 2023 and 2022, 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.

### **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 MSA 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 MSA'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.

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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 MSA'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 MSA'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 MANHATTAN STAR ACADEMY  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 10)	\$ 224,793	\$ 378,122
Tuition receivable, net (Note 2D)	15,620,527	14,312,547
Pledges receivable (Note 2H)	92,644	-
Prepaid expenses and other assets	238,210	290,517
Operating lease right-of-use assets (Note 7)	14,707,872	16,276,539
Property and equipment, net (Notes 2E and 4)	854,840	1,119,138
<b>TOTAL ASSETS</b>	<b>\$ 31,738,886</b>	<b>\$ 32,376,863</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 446,402	\$ 269,918
Accrued salaries and other benefits	748,298	877,714
Other liabilities (Note 6A)	3,191,222	4,049,124
Note payable (Note 5A)	3,000,000	3,000,000
Deferred revenue (Note 2F)	421,467	664,363
Lease liability (Notes 7)	16,403,968	17,913,694
<b>TOTAL LIABILITIES</b>	<b>24,211,357</b>	<b>26,774,813</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>NET ASSETS (Note 2B)</b>		
Without donor restrictions	7,361,872	5,566,781
With donor restrictions	165,657	35,269
<b>TOTAL NET ASSETS</b>	<b>7,527,529</b>	<b>5,602,050</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,738,886</b>	<b>\$ 32,376,863</b>

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

**THE MANHATTAN STAR ACADEMY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>REVENUE AND SUPPORT</b>		
Tuition (Note 2D)	\$ 17,108,860	\$ 14,834,256
Contributions (Note 2H)	58,272	54,727
Paycheck Protection Program (Note 9)	-	581,232
Net assets released from restrictions (Notes 2H and 12)	4,734	3,750
Other income (Note 6B)	123,804	1,018,261
<b>TOTAL REVENUE AND SUPPORT</b>	<b>17,295,670</b>	<b>16,492,226</b>
<b>EXPENSES</b> (Note 2I)		
Educational services	12,922,633	11,366,221
Management and general	2,539,063	2,276,501
Fundraising expenses	38,883	44,139
<b>TOTAL EXPENSES</b>	<b>15,500,579</b>	<b>13,686,861</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>1,795,091</b>	<b>2,805,365</b>
Contributions with donor restrictions (Notes 2H and 12)	135,122	21,743
Net assets released from restrictions (Notes 2H and 12)	(4,734)	(3,750)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>130,388</b>	<b>17,993</b>
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>1,925,479</b>	<b>2,823,358</b>
Net assets - beginning of year	5,602,050	2,778,692
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 7,527,529</b>	<b>\$ 5,602,050</b>

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

	Year Ended June 30, 2023				Year Ended June 30, 2022			
	Educational Services	Management and General	Fundraising	Total 2023	Educational Services	Management and General	Fundraising	Total 2022
Salaries	\$ 7,949,024	\$ 676,333	\$ -	\$ 8,625,357	\$ 6,621,082	\$ 627,624	\$ -	\$ 7,248,706
Payroll taxes and employee benefits (Note 11)	1,549,852	137,260	-	1,687,112	1,345,955	149,580	-	1,495,535
Total salaries and related costs	9,498,876	813,593	-	10,312,469	7,967,037	777,204	-	8,744,241
Contracted services	125,877	53,966	-	179,843	231,585	7,536	-	239,121
Management support services (Note 6A)	-	982,914	38,883	1,021,797	-	959,336	40,162	999,498
Program recreational and supplies	139,548	-	-	139,548	81,021	-	-	81,021
Food	7,749	1,678	-	9,427	189	167	-	356
Transportation	1,177	867	-	2,044	1,547	124	-	1,671
Professional fees	7,770	97,439	-	105,209	26,183	69,440	-	95,623
Occupancy (Note 7)	1,986,822	188,134	-	2,174,956	1,976,344	187,341	-	2,163,685
Insurance	-	44,757	-	44,757	-	39,688	-	39,688
Repairs and maintenance	277,758	19,309	-	297,067	287,183	19,857	-	307,040
Telephone	5,619	30,978	-	36,597	6,413	16,602	-	23,015
Utilities	207,267	-	-	207,267	232,464	-	-	232,464
Office and equipment expense	94,081	34,840	-	128,921	78,324	37,421	-	115,745
Information technology	24,700	15,483	-	40,183	38,471	10,123	-	48,594
Staff development	41,934	18,371	-	60,305	102,996	3,306	-	106,302
Bad debt (Note 2D)	163,238	-	-	163,238	-	-	-	-
Depreciation and amortization (Note 4)	334,804	-	-	334,804	334,752	-	-	334,752
Mortgage and capital interest (Note 5A)	-	188,065	-	188,065	1,712	101,455	-	103,167
Miscellaneous	5,413	48,669	-	54,082	-	46,901	3,977	50,878
<b>TOTAL EXPENSES</b>	<b>\$ 12,922,633</b>	<b>\$ 2,539,063</b>	<b>\$ 38,883</b>	<b>\$ 15,500,579</b>	<b>\$ 11,366,221</b>	<b>\$ 2,276,501</b>	<b>\$ 44,139</b>	<b>\$ 13,686,861</b>

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

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,925,479	\$ 2,823,358
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	334,804	334,752
Non-cash interest expense (amortization of deferred financing costs)	-	1,712
Bad debt	163,238	-
Reduction in carrying amount of right-of-use assets – operating leases	58,941	122,545
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Tuition receivable	(1,471,218)	(3,637,904)
Pledges receivables	(92,644)	-
Prepaid expenses and other assets	52,307	521,384
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	176,484	73,028
Accrued salaries and other benefits	(129,416)	(83,977)
Other liabilities	(857,902)	(38,284)
Refundable advances	-	(581,232)
Deferred revenue	(242,896)	230,158
<b>Net Cash Used in Operating Activities</b>	<b>(82,823)</b>	<b>(234,460)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(70,506)	(206,228)
<b>Net Cash Used in Investing Activities</b>	<b>(70,506)</b>	<b>(206,228)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal repayments on loan	-	(126,436)
<b>Net Cash Used in Financing Activities</b>	<b>-</b>	<b>(126,436)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(153,329)</b>	<b>(567,124)</b>
Cash and cash equivalents - beginning of year	378,122	945,246
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 224,793</b>	<b>\$ 378,122</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<b>\$ 188,065</b>	<b>\$ 101,455</b>

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



**THE MANHATTAN STAR ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The Manhattan Star Academy (“MSA”) offers a continuum of care for school-age children with a diverse range of diagnoses, including global developmental delays, autism spectrum disorders and speech and language disorders. MSA offers a dynamic school environment that encourages students to build on each other’s strengths and to learn from one another. MSA was incorporated in June 1998 and began operations on July 1, 2010.

MSA is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is supported primarily by tuition income. MSA has an equivalent exemption from income tax at the state and local levels.

MSA is an independent agency that is 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. Effective July 1, 2019, YAI became the sole corporate member of MSA.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ***Basis of Accounting and Use of Estimates*** – MSA’s financial statements are prepared on the accrual basis of accounting. MSA 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 reporting period. Actual results could differ from those estimates.
- B. ***Basis of Net Assets Presentation*** – MSA 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 MSA’s operations over which the Board of Trustees has discretionary control.
- With Donor Restrictions – This represents net assets subject to donor-imposed stipulations that will be met by actions of MSA 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*** – MSA 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 consists of unpaid tuition balances. Interest is not accrued or recorded on outstanding balances. MSA 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, MSA determined that an allowance of \$916,530 and \$753,292, respectively, was necessary for tuition receivable. MSA did not write off any accounts receivable for the years ended June 30, 2023 and 2022.
- 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 MSA provided its cost is \$5,000 or more and its useful life is greater than one year.
- F. ***Deferred Revenue*** – MSA receives deposits and prepayments from students in advance 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.

**THE MANHATTAN STAR ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. **Revenue Sources and Recognition** – Service revenue is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which MSA expects to be entitled in exchange for providing the contracted services. Service revenue from tuition and fees is recognized after the services are performed or after MSA 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.

H. **Contributions** – Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. MSA reports gifts of cash and other assets as net assets with donor restrictions 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 accounted for under Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

I. **Functional Expenses** – The costs of providing program and supporting services of MSA 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 occupancy and maintenance, which are allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

J. **Prior Period Revenue** – There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in tuition revenue for the year ended June 30, 2022 is an increase of \$453,108 of prior year revenues relating to such adjustments. There were none for the year ended June 30, 2023.

K. **Reclassification** – Certain items in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2023.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

MSA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maintain a balanced budget. MSA 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. The financial assets available to meet general expenditures over the next 12 months were as follows as of June 30:

	2023	2022	
Cash and cash equivalents	\$ 224,793	\$ 378,122	
Tuition receivable, net	15,620,527	14,312,547	
Net assets with donor restrictions	(165,657)	(35,269)	
	\$ 15,679,663	\$ 14,655,400	

MSA strives to maintain liquid financial assets sufficient to cover expenditures. Tuition revenue from funders are expected to cover most expenses. YAI is the sole corporate member of MSA, which can aid when there are unanticipated shortfalls.

**THE MANHATTAN STAR ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

	<u>2023</u>	<u>2022</u>	Estimated Useful Lives
Leasehold improvements	\$ 2,540,352	\$ 2,540,352	5-15 Years
Furniture and fixtures	434,749	404,133	5-15 Years
Equipment	<u>278,915</u>	<u>239,025</u>	3- 5 Years
Total cost	3,254,016	3,183,510	
Less: Accumulated depreciation and amortization	<u>(2,399,176)</u>	<u>(2,064,372)</u>	
Property and equipment, net	<u>\$ 854,840</u>	<u>\$ 1,119,138</u>	

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$334,804 and \$334,752, respectively. During 2022, \$2,464 of fully depreciated equipment no longer in use was disposed of. There were no disposals of property and equipment during 2023.

**NOTE 5 – RELATED-PARTY TRANSACTIONS**

- A. YAI is the sole corporate member of MSA. MSA borrowed on the YAI and its Affiliates line of credit to fund operations during 2023 and 2022. Line of credit outstanding amounted to \$3,000,000 as of both June 30, 2023 and 2022, and is included as note payable in the statements of financial position. 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 2022. YAI has requested covenant waivers, which are pending approval as of January 26, 2024.
- B. MSA has a brother sister relationship with the International Academy of Hope (“IHope”) under sole corporate member YAI. Due from IHope as of June 30, 2022 amounted to \$3,811, and is included under prepaid expenses and other assets in the statements of financial position. There were no due from IHope balances as of June 30, 2023.

**NOTE 6 – MANAGEMENT SERVICES AGREEMENTS**

- A. MSA has a management agreement with YAI 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, general management and a limited amount of fundraising support. For the years ended June 30, 2023 and 2022, MSA incurred a management charge of \$1,021,797 and \$999,498, respectively. The total amounts outstanding as of June 30, 2023 and 2022 were \$3,191,222 and \$4,049,124, respectively, and are included in other liabilities on the statements of financial position.
- B. MSA previously had an arrangement with a former affiliate to provide program services. During the year 2016, the former affiliate terminated its relationship with MSA and YAI and subsequently dissolved. As of June 30, 2022, MSA wrote off amounts owed to this affiliate, which resulted in \$1,011,966 recognized as other income for the year ended June 30, 2022.

**NOTE 7 – OPERATING LEASES**

MSA has three noncancelable operating lease agreements expiring at varying dates through 2035 for real and personal property principally under long-term operating leases and for copying/printing equipment. MSA assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

**THE MANHATTAN STAR ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 7 – OPERATING LEASES (Continued)**

As of June 30, 2023 and 2022, the right-of-use (“ROU”) asset had a balance of \$14,707,872 and 16,276,539, respectively, as shown in the statements of financial position; the lease liability totaled \$16,403,968 and \$17,913,694, respectively, as shown in the statements of financial position. The lease liabilities were calculated utilizing MSA’s incremental borrowing rate of 3.25% for leases in effect at the initial adoption date of July 1, 2020. The weighted average of the remaining lease term is 160 months, and the weighted average discount rate is 3.25%.

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

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2024	\$ 2,131,784	\$ 9,300	\$ 2,141,084
2025	2,198,605	9,300	2,207,905
2026	1,436,688	6,200	1,442,888
2027	1,479,789	-	1,479,789
2028	1,524,182	-	1,524,182
Thereafter	<u>10,767,409</u>	<u>-</u>	<u>10,767,409</u>
Total lease payment	19,538,457	24,800	19,563,257
Less: Present value discount	<u>(3,158,214)</u>	<u>(1,075)</u>	<u>(3,159,289)</u>
	<u>\$ 16,380,243</u>	<u>\$ 23,725</u>	<u>\$ 16,403,968</u>

Rent expense for the years ended June 30, 2023 and 2022 amounted to \$2,155,393 and \$2,163,393, respectively. Leased equipment expense for the years ended June 30, 2023 and 2022 amounted to \$12,638 and \$11,359, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 9 – REFUNDABLE ADVANCES**

In April 2021, MSA received total proceeds in the amount of \$1,057,175 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. MSA intends to comply with all requirements of PPP forgiveness.

In accounting for the terms of the PPP loan, MSA is guided by ASC 958-605 as a conditional contribution. For the year ended June 30, 2022, MSA has incurred sufficient qualifying expense and has met other conditions for forgiveness, and accordingly recorded remaining grant income of \$581,232 in the accompanying statement of activities.

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents that potentially subject MSA to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor, per insured financial institution. As of June 30, 2023 and 2022, there was approximately \$61,000 and \$220,000, respectively, of cash that exceeded FDIC limits.

**THE MANHATTAN STAR ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 11 – RETIREMENT PLAN**

On July 1, 2015, MSA adopted the YAI Network Affiliates 401(a) Plan (the “Plan”). Employees are eligible to participate in the Plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. 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 \$100,362 and \$82,688, respectively.

**NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS**

MSA’s net assets with donor restrictions subject to expenditure for the specified purpose, purchase of adaptive equipment, amounted to \$165,657 and \$35,269 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, MSA released net assets with donor restrictions of \$4,734 and \$3,750, respectively, by satisfying restrictions.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and 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.