Manhattan Star Academy

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2024 AND 2023

THE MANHATTAN STAR ACADEMY

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Manhattan Star Academy
New York, NY

Opinion

We have audited the financial statements of The Manhattan Star Academy ("MSA"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Organization as of June 30, 2024 and 2023, 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 audits.
- 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 audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

CBIZ CPAs P.C.[1]

New York, NY
December 19, 2024

[1] In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

THE MANHATTAN STAR ACADEMY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents (Note 2C)	$ 67,334	$ 224,793
Tuition receivable, net (Note 2D)	19,419,843	15,620,527
Pledges receivable, net (Note 2H)	-	92,644
Prepaid expenses and other assets	264,626	238,210
Due from IHOPE (Note 5B)	1,811	-
Operating lease right-of-use assets (Note 7)	13,094,328	14,707,872
Property and equipment, net (Notes 2E and 4)	542,240	854,840
TOTAL ASSETS	$ 33,390,182	$ 31,738,886
LIABILITIES		
Accounts payable and accrued expenses	$ 289,030	$ 446,402
Accrued salaries and other benefits	867,919	748,298
Due to affiliates (Note 6)	4,521,826	3,191,222
Note payable (Note 5A)	3,000,000	3,000,000
Deferred revenue (Note 2F)	463,632	421,467
Operating lease liabilities (Note 7)	14,778,033	16,403,968
TOTAL LIABILITIES	23,920,440	24,211,357
CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions	9,424,788	7,361,872
With donor restrictions	44,954	165,657
TOTAL NET ASSETS	9,469,742	7,527,529
TOTAL LIABILITIES AND NET ASSETS	$ 33,390,182	$ 31,738,886

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

THE MANHATTAN STAR ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
REVENUES AND SUPPORT		
Tuition (Note 2D)	$ 18,648,285	$ 17,108,860
Contributions (Note 2H)	92,737	58,272
Net assets released from restrictions (Notes 2H and 11)	120,703	4,734
Other income	274,071	123,804
TOTAL REVENUES AND SUPPORT	19,135,796	17,295,670
EXPENSES (Note 2I)		
Educational services	14,347,375	12,922,633
Management and general	2,693,730	2,539,063
Fundraising expenses	31,775	38,883
TOTAL EXPENSES	17,072,880	15,500,579
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,062,916	1,795,091
Contributions with donor restrictions (Notes 2H and 11)	-	135,122
Net assets released from restrictions (Notes 2H and 11)	(120,703)	(4,734)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(120,703)	130,388
CHANGE IN TOTAL NET ASSETS	1,942,213	1,925,479
Net assets - beginning of year	7,527,529	5,602,050
NET ASSETS - END OF YEAR	$ 9,469,742	$ 7,527,529

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

THE MANHATTAN STAR ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES FOR
THE YEARS ENDED JUNE 30, 2024 AND 2023

	Year Ended June 30, 2024				Year Ended June 30, 2023			
	Educational Services	Management and General	Fundraising	Total 2024	Educational Services	Management and General	Fundraising	Total 2023
Salaries	$ 8,867,891	$ 682,758	$ -	$ 9,550,649	$ 7,949,024	$ 676,333	$ -	$ 8,625,357
Payroll taxes and employee benefits (Note 10)	1,723,419	132,690	-	1,856,109	1,549,852	137,260	-	1,687,112
Total salaries and related costs	10,591,310	815,448	-	11,406,758	9,498,876	813,593	-	10,312,469
Contracted services	143,296	138,649	-	281,945	125,877	53,966	-	179,843
Management support services (Note 6)	-	1,009,365	29,361	1,038,726	-	982,914	38,883	1,021,797
Program recreational and supplies	167,911	-	-	167,911	139,548	-	-	139,548
Food	7,293	3,368	-	10,661	7,749	1,678	-	9,427
Transportation	3,637	894	-	4,531	1,177	867	-	2,044
Professional fees (Note 5C)	8,816	58,485	-	67,301	7,770	97,439	-	105,209
Occupancy (Note 7)	1,995,400	188,946	-	2,184,346	1,986,822	188,134	-	2,174,956
Insurance	-	58,665	-	58,665	-	44,757	-	44,757
Repairs and maintenance	284,824	15,528	-	300,352	277,758	19,309	-	297,067
Telephone	3,122	32,233	-	35,355	5,619	30,978	-	36,597
Utilities	206,117	19,517	-	225,634	207,267	-	-	207,267
Office and equipment expense	95,285	45,077	-	140,362	94,081	34,840	-	128,921
Information technology	31,504	3,607	-	35,111	24,700	15,483	-	40,183
Staff development	124,453	13,235	-	137,688	41,934	18,371	-	60,305
Bad debt (Note 2D)	357,640	-	-	357,640	163,238	-	-	163,238
Depreciation and amortization (Note 4)	321,488	1,438	-	322,926	334,804	-	-	334,804
Mortgage and capital interest (Note 5)	-	236,272	-	236,272	-	188,065	-	188,065
Miscellaneous	5,279	53,003	2,414	60,696	5,413	48,669	-	54,082
TOTAL EXPENSES	$ 14,347,375	$ 2,693,730	$ 31,775	$ 17,072,880	$ 12,922,633	$ 2,539,063	$ 38,883	$ 15,500,579

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

THE MANHATTAN STAR ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,942,213	$ 1,925,479
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	322,926	334,804
Bad debt	357,640	163,238
Reduction in carrying amount of right-of-use assets – operating leases	(12,391)	58,941
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Tuition receivable	(4,156,956)	(1,471,218)
Pledges receivables	92,644	(92,644)
Prepaid expenses and other assets	(28,226)	52,307
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(157,372)	176,484
Accrued salaries and other benefits	119,621	(129,416)
Other liabilities	1,330,604	(857,902)
Deferred revenue	42,165	(242,896)
Net Cash Used in Operating Activities	(147,132)	(82,823)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(10,327)	(70,506)
Net Cash Used in Investing Activities	(10,327)	(70,506)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on loan	-	-
Net Cash Used in Financing Activities	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(157,459)	(153,329)
Cash and cash equivalents - beginning of year	224,793	378,122
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 67,334	$ 224,793
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 236,272	$ 188,065

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

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, the 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 and/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 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, 2024 and 2023, MSA determined that an allowance of $1,181,526 and $916,530, respectively, was necessary for tuition receivable. MSA wrote off $92,644 and $0 of accounts receivable for the years ended June 30, 2024 and 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 following Table summarizes the activity related to the allowance for credit losses for tuition receivables under current expected credit loss ("CECL") for the year ended June 30:

	2024
Balance beginning of the year	$ 916,530
Write-offs	(92,644)
Bad debt expense	357,640
	$ 1,181,526

E. ***Property and Equipment, Net –*** 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. Deferred revenue as of June 30, 2024 and 2023, amounted to $463,632 and $421,467, respectively.

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.

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 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.

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. There was $19,348 and $0 for the years ended June 30, 2024 and 2023, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. ***Recently Adopted Accounting Standards*** – FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* was adopted for the year ended December 31, 2023. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts. Financial assets held by MSA that are subject to the guidance in ASU 2016-03 include accounts receivables and other receivables.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

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:

	2024	2023
Cash and cash equivalents	$ 67,334	$ 224,793
Tuition receivable, net	19,419,843	15,620,527
Net assets with donor restrictions	(44,954)	(165,657)
	$ 19,442,223	$ 15,679,663

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.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

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

	2024	2023	Estimated Useful Lives
Leasehold improvements	$ 2,540,352	$ 2,540,352	5-15 Years
Furniture and fixtures	434,749	434,749	5-15 Years
Equipment	289,242	278,915	3- 5 Years
Total cost	3,264,343	3,254,016	
Less: Accumulated depreciation and amortization	(2,722,103)	(2,399,176)	
Property and equipment, net	$ 542,240	$ 854,840	

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 amounted to $322,926 and $334,804, respectively. There were no disposals of property and equipment during 2024 and 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 2024 and 2023. Note payable outstanding amounted to $3,000,000 as of both June 30, 2024 and 2023, 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 basis. YAI and its Affiliates on a consolidated basis is in compliance for the period ended June 30, 2024, but was not in compliance for the period ended June 30, 2023, for which the Agency received a covenant waiver.

NOTE 5 – RELATED-PARTY TRANSACTIONS (Continued)

B. MSA has a sibling affiliation with the International Academy of Hope (“IHope”) under sole corporate member YAI. Due from IHope as of June 30, 2024 and 2023 amounted to $1,811 and $0, and is included as Due from IHOPE in the statements of financial position. There was no due from IHope balance as of June 30, 2023.

NOTE 6 – DUE TO AFFILIATES

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, 2024 and 2023, MSA incurred a management support service charge of $1,038,726 and $1,021,797, respectively. The total amounts outstanding as of June 30, 2024 and 2023 were $4,521,826 and $3,191,222, respectively, and are included in due to affilaites on the statements of financial position.

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.

As of June 30, 2024 and 2023, the right-of-use (“ROU”) asset had a balance of $13,094,328 and $14,707,872, respectively, as shown in the statements of financial position; the lease liability totaled $14,778,033 and $16,403,968, 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%.

The future minimum rentals under lease agreements as of June 30, 2024 are as follows:

	Real Property	Equipment	Total
2025	$ 2,198,605	$ 10,816	$ 2,209,421
2026	1,436,688	7,772	1,444,460
2027	1,479,789	1,572	1,481,361
2028	1,524,183	1,124	1,525,307
2029	1,569,908	600	1,570,508
Thereafter	9,197,500	-	9,197,500
Total lease payment	17,406,673	21,884	17,428,557
Less: Present value discount	(2,649,603)	(922)	(2,650,525)
	$ 14,757,070	$ 20,962	$ 14,778,032

Rent expense for the years ended June 30, 2024 and 2023 amounted to $2,167,793 and $2,155,343, respectively.

NOTE 8 – CONTINGENCIES

MSA believes it has no uncertain tax positions as of June 30, 2024 and 2023 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 – 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 intuition. As of June 30, 2024 and 2023, there was approximately $0 and $61,000, respectively, of cash that exceeded FDIC limits.

NOTE 10 – 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, 2024 and 2023, retirement expense amounted to $135,718 and $100,362, respectively.

NOTE 11 – 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 $44,954 and $165,657 as of June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, MSA released net assets with donor restrictions of $120,703 and $4,734, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 19, 2024, the date the financial statements were available to be issued, and noted no additional items that would require adjustments to or disclosure in the 2024 financial statements.