

BEACON ACADEMY, INC.
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Report

Beacon Academy, Inc.
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June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Beacon Academy, Inc.:

Opinion

We have audited the accompanying financial statements of Beacon Academy, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beacon Academy, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and 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 Auditor's 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 available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Withum Smith & Brown, PC

January 13, 2023

Beacon Academy, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,565,762	\$ 2,325,172
Marketable securities, at fair value	8,546,439	9,436,865
Promises to give, current	901,000	1,079,000
Other receivables	120,463	41,941
Prepaid expenses	29,502	26,227
Accrued interest and dividend income	8,522	8,661
Total current assets	<u>11,171,688</u>	<u>12,917,866</u>
Property and equipment, net	4,507,971	3,985,470
Other asset		
Promises to give, long term	<u>582,619</u>	<u>1,507,439</u>
	<u>\$ 16,262,278</u>	<u>\$ 18,410,775</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 43,278	\$ 516,114
Accrued expenses and other current liabilities	<u>102,094</u>	<u>14,017</u>
Total current liabilities	<u>145,372</u>	<u>530,131</u>
Net assets		
Without donor restrictions		
Undesignated	5,926,970	1,349,535
Endowment fund, board designated	8,514,737	8,668,742
College recovery fund, board designated	<u>-</u>	<u>118,267</u>
	14,441,707	10,136,544
With donor restrictions	<u>1,675,199</u>	<u>7,744,100</u>
Total net assets	<u>16,116,906</u>	<u>17,880,644</u>
	<u>\$ 16,262,278</u>	<u>\$ 18,410,775</u>

The Notes to Financial Statements are an integral part of these statements.

Beacon Academy, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Tuition revenue	\$ 575	\$ -	\$ 575	\$ 1,048	\$ -	\$ 1,048
Contributions of cash and other financial assets	1,160,454	354,062	1,514,516	1,094,175	2,172,690	3,266,865
Contributions of nonfinancial assets	10,893	-	10,893	89,500	-	89,500
Special events, net of expenses	656,353	-	656,353	586,931	-	586,931
Interest and dividend income	163,722	-	163,722	101,908	-	101,908
Realized and unrealized gain (loss) on marketable securities	(1,424,376)	-	(1,424,376)	1,636,080	-	1,636,080
	567,621	354,062	921,683	3,509,642	2,172,690	5,682,332
Net assets released from restrictions	6,422,963	(6,422,963)	-	854,787	(854,787)	-
Total support and revenue	6,990,584	(6,068,901)	921,683	4,364,429	1,317,903	5,682,332
Expenses						
Program services	2,149,830	-	2,149,830	1,833,301	-	1,833,301
General and administrative	404,124	-	404,124	349,648	-	349,648
Fundraising	131,467	-	131,467	90,154	-	90,154
Total expenses	2,685,421	-	2,685,421	2,273,103	-	2,273,103
Changes in net assets	4,305,163	(6,068,901)	(1,763,738)	2,091,326	1,317,903	3,409,229
Net assets						
Beginning of year	10,136,544	7,744,100	17,880,644	8,045,218	6,426,197	14,471,415
End of year	\$ 14,441,707	\$ 1,675,199	\$ 16,116,906	\$ 10,136,544	\$ 7,744,100	\$ 17,880,644

The Notes to Financial Statements are an integral part of these statements.

Beacon Academy, Inc.
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	2022				2021			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,067,273	\$ 146,343	\$ 90,450	\$ 1,304,066	\$ 986,956	\$ 102,871	\$ 57,973	\$ 1,147,800
Employee benefits	144,228	27,608	9,044	180,880	64,986	11,186	3,729	79,901
Payroll taxes	76,829	14,707	4,818	96,354	80,991	13,941	4,647	99,579
Professional fees	75,973	124,855	469	201,297	90,639	115,034	12	205,685
Co-curricular expenses	161,500	-	-	161,500	164,155	-	-	164,155
Occupancy expense	108,209	25,910	6,382	140,501	117,210	53,650	6,510	177,370
Alumni expenses (exclusive of payroll and related expenses)	315,914	-	-	315,914	256,230	-	-	256,230
Student laptop and information technology expense	18,323	6,466	-	24,789	8,550	6,148	-	14,698
Office expense	50,785	1,558	541	52,884	41,679	20,191	-	61,870
Postage, shipping, and printing	10,123	1,938	635	12,696	5,466	941	314	6,721
Insurance	1,342	14,900	-	16,242	-	15,384	-	15,384
Transportation	-	-	-	-	5,087	876	292	6,255
Telephone and other communications	2,981	2,982	-	5,963	2,352	2,352	-	4,704
Depreciation	108,350	26,074	6,381	140,805	-	2,035	-	2,035
Fundraising expenses	-	-	65,542	65,542	-	-	30,118	30,118
Advertising and publicity	-	6,922	-	6,922	-	1,806	-	1,806
Subcontractors	8,000	3,861	-	11,861	9,000	3,233	-	12,233
Total operating expenses	2,149,830	404,124	184,262	2,738,216	1,833,301	349,648	103,595	2,286,544
Less: Expenses included with revenues on the statement of activities	-	-	(52,795)	(52,795)	-	-	(13,441)	(13,441)
Total expenses	\$ 2,149,830	\$ 404,124	\$ 131,467	\$ 2,685,421	\$ 1,833,301	\$ 349,648	\$ 90,154	\$ 2,273,103

The Notes to Financial Statements are an integral part of these statements.

Beacon Academy, Inc.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$ (1,763,738)	\$ 3,409,229
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	140,805	2,035
Noncash contributions of marketable securities	(48,462)	(136,425)
Present value discount on promises to give	(179)	5,069
Net realized and unrealized (gain) loss on marketable securities	1,424,376	(1,636,080)
Changes in operating assets and liabilities		
Promises to give	1,102,999	1,174,996
Other receivables	(78,522)	(35,464)
Prepaid expenses	(3,275)	18,546
Accrued interest and dividend income	139	(90)
Accounts payable	(472,836)	436,930
Accrued expenses and other current liabilities	88,077	(26,798)
Net cash provided by operating activities	<u>389,384</u>	<u>3,211,948</u>
Investing activities		
Purchase of property and equipment	(663,306)	(3,981,203)
Purchase of marketable securities	(4,740,084)	(1,094,146)
Proceeds from sale of marketable securities	<u>4,254,596</u>	<u>2,110,816</u>
Net cash used in investing activities	<u>(1,148,794)</u>	<u>(2,964,533)</u>
Net change in cash and cash equivalents	(759,410)	247,415
Cash and cash equivalents		
Beginning of year	<u>2,325,172</u>	<u>2,077,757</u>
End of year	<u>\$ 1,565,762</u>	<u>\$ 2,325,172</u>

The Notes to Financial Statements are an integral part of these statements.

Beacon Academy, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

1. ORGANIZATION

Beacon Academy, Inc. (the “Organization” or “Beacon”) is a nonprofit corporation established in 2004 under the laws of the Commonwealth of Massachusetts to operate a private school. Beacon makes a 10+ year commitment to addressing the opportunity gap for all of their students and graduates as they further develop the skills they gain in the Organization’s 14-month program and then navigate myriad opportunities and challenges, embracing their ambition to achieve bright and promising futures for themselves and their families. Beacon begins with a transformational year between eighth and ninth grades for motivated and hardworking students from Boston and surrounding urban areas. Inspired by a rigorous curriculum and stimulating co-curricular experiences, students learn vital academic skills and develop habits of mind that empower them to change the trajectory of their lives. They emerge as active learners with increased confidence, strengthened critical thinking skills, and broader vision, prepared to thrive at competitive educational institutions that share the Organization’s commitment to their success. Beacon’s Alumni Program continues with comprehensive support and guidance as these Beacon students navigate high school, college, and their professional careers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s financial statements have been prepared in accordance with the accrual method of accounting. Accordingly, revenues and expenses are identified with a specific time period and recorded as earned or incurred without regard to the date of receipt or disbursement of cash.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors. Board-designated funds are also presented in net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. At June 30, 2022 and 2021, all net assets with donor restrictions are temporary in nature.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities of three months or less.

Beacon Academy, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Property and Equipment

Property and equipment are recorded at cost if purchased and at fair value if contributed. Property and equipment with a cost over \$2,500 and a useful economic life greater than one year are capitalized. Items purchased with a value or cost less than \$2,500 will be expensed in the period purchased. Groups of small, yet like items purchased with a total value of greater than \$2,500 will be capitalized. Repairs and maintenance expenditures which do not increase the useful lives of the assets are expensed as incurred. Property and equipment are depreciated over the useful lives of the assets using the straight-line method based upon the following estimated useful lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture, fixtures, and equipment	5-10
Computer hardware and software	3-5
Building and building improvements	30

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment charge was required for the years presented in these financial statements.

Promises to Give

Conditional promises to give cash or other assets are recognized as revenue and receivables when the conditions are substantially met. Unconditional promises to give are recognized as revenue and receivables in the period in which the promise is made. Unconditional promises to give that are expected to be collected within the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are discounted to the present value of their net realizable value using the current rate in the year of the promise. An allowance for uncollectible amounts is provided based on management's evaluation of potential uncollectible promises to give at year-end. At June 30, 2022 and 2021, there was no allowance recorded for promises to give.

Marketable Securities

The Organization's investments in marketable securities are reported at fair value in the statements of financial position. Fair value is determined by end of fiscal year market quotations. Any realized and unrealized gain or loss on investments is reflected in the statements of activities and changes in net assets. Fair value measurements are disclosed in Note 11.

Revenue Recognition

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor-imposed restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. Donated material and services are recorded at their estimated fair market values in the period received. Revenue from special events is recognized when the event occurs, net of any expenses incurred. Tuition revenue is recognized when received. There is no standard tuition agreement with any of the students. There are no obligations on the students to pay tuition, and in most cases, they pay tuition according to their financial ability.

Beacon Academy, Inc.
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Functional Expenses

The cost of providing the Organization's programs and other activities is presented in the statements of functional expenses. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies or other allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include the following:

<u>Expense Category</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes	Time and effort
Employee benefits	Time and effort
Occupancy	Time and effort
Professional fees	Time and effort
Postage, shipping, and printing	Time and effort

Advertising Costs

The Organization expenses all advertising costs as they are incurred. Advertising costs were \$6,922 and \$1,806 for the years ended June 30, 2022 and 2021, respectively.

New Accounting Pronouncement Adopted in Current Year

Gifts In-Kind

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on July 1, 2021 using the prospective method of application. The adoption of the ASU had no material impact on the Organization's financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassifications had no effect on the change in net assets previously reported.

Beacon Academy, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditures because of Board-designated or donor-imposed restrictions within one year of the statements of financial position date, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,565,762	\$ 2,325,172
Marketable securities	8,546,439	9,436,865
Promises to give	1,483,619	2,586,439
Other receivables	120,463	41,941
Accrued interest and dividend income	<u>8,522</u>	<u>8,661</u>
Total financial assets	11,724,805	14,399,078
Less:		
Board designated, endowment fund	8,514,737	8,668,742
Board designated, college recovery fund	-	118,267
Donor-imposed restrictions	<u>1,675,199</u>	<u>3,762,897</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,534,869</u>	<u>\$ 1,849,172</u>

Liquidity Resources

The goal of the Organization is to have annual operating revenue cover expenses. As part of its liquidity management plan, the Organization operates its programs within a balanced budget, and invests excess cash in securities, mutual funds, and cash investments, which are readily available in case there is need. The Organization manages liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization has board-designated endowment fund net assets of \$8,514,737 at June 30, 2022 that could be a source of additional liquidity upon approval of the Board of Directors. During the years ended June 30, 2022, and 2021, the Board of Directors approved a spending appropriation of \$290,000 and \$235,125, respectively, from the board-designated endowment fund.

4. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and 2021, the Organization recognized contributions of \$1,799,071 and \$2,623,156, respectively, from members of its management and Board of Directors.

5. CONCENTRATIONS AND RISKS

The Organization maintains cash balances in one bank in excess of the federally insured limit. Additionally, the Organization has cash balances and money market accounts with a brokerage firm that are not federally insured.

The Organization's investments in marketable securities are exposed to various risks, such as interest rate and credit risk, as well as overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments in marketable securities will occur in the near term and that such changes could materially impact the amounts reported in the statements of financial position.

Beacon Academy, Inc.
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6. PROMISES TO GIVE

Promises to give at June 30, 2022 and 2021 consist of unconditional promises to give as follows:

	<u>2022</u>	<u>2021</u>
Promises to give		
Due in less than one year	\$ 901,000	\$ 1,079,000
Due in one to five years	<u>592,200</u>	<u>1,517,200</u>
Total promises to give	1,493,200	2,596,200
Less: Discount to net present value	<u>9,581</u>	<u>9,761</u>
Promises to give, net	<u>\$ 1,483,619</u>	<u>\$ 2,586,439</u>

Promises to give due in more than one year are reflected at the present value of their net realizable value using a discount rate of .46% at June 30, 2022 and 2021, respectively.

7. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 671,125	\$ 671,125
Building	1,603,988	1,603,988
Building improvements	2,163,449	1,706,090
Furniture, fixtures, and equipment	<u>296,437</u>	<u>90,490</u>
Total property and equipment	4,734,999	4,071,693
Less: Accumulated depreciation	<u>227,028</u>	<u>86,223</u>
Property and equipment, net	<u>\$ 4,507,971</u>	<u>\$ 3,985,470</u>

Depreciation expense amounted to \$140,805 and \$2,035 for the years ended June 30, 2022 and 2021, respectively.

The Organization purchased and made significant improvements to a new school facility during the year ended June 30, 2021. The new facility was placed in service in August 2021 for the 2021-2022 school year.

8. NET ASSETS WITH DONOR RESTRICTIONS

The Organization receives funds in the form of contributions that have been specifically designated for the use of specific programs. The funds are recorded as net assets with donor restrictions until such time as they are expended for the specific program or by occurrences of other events specified by the donor. A description of each program follows:

1. The Alumni Fund represents contributions made by donors for the support of the alumni of the Organization.
2. The Carolyn M. Peter Fund represents funds donated which can be used under the direction of Carolyn M. Peter.
3. The New Home Fund represents contributions made by donors to be used by the Organization for the purchase and improvement of a new school facility. The New Home Funds expended not yet placed in service represent funds used to purchase and improve the new school facility that has yet to be placed in service.

Beacon Academy, Inc.
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June 30, 2022 and 2021

Additionally, the Organization receives contributions with payments due in future periods. Such contributions are recorded as net assets with donor restrictions until such time as the contributions become due and payable.

Net assets with donor restrictions at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Alumni Fund	\$ 126,259	\$ 232,909
Carolyn M. Peter Fund	-	18,091
New Home Fund	918,200	2,648,423
New Home Funds expended not yet placed in service	-	3,767,437
Contributions to be received in future periods	<u>630,740</u>	<u>1,077,240</u>
	<u>\$ 1,675,199</u>	<u>\$ 7,744,100</u>

Donor restricted net assets were released as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Alumni Fund	\$ 151,650	\$ 46,157
Carolyn M. Peter Fund	18,091	1,000
New Home Fund	5,613,473	-
Contributions to be received in future periods	<u>639,749</u>	<u>807,630</u>
	<u>\$ 6,422,963</u>	<u>\$ 854,787</u>

9. ENDOWMENT FUND AND BOARD-DESIGNATED NET ASSETS

The Board of Directors has established an endowment fund by designating a portion of unrestricted net assets. Investment income from such funds will be used to support school operations at the discretion of the Board of Directors. Additional funds may be appropriated for strategic purposes at the discretion of the Board of Directors. The Organization is following an investment strategy for the endowment fund to achieve both capital appreciation and current yield (interest and dividend income). The Organization has targeted a diversified asset allocation, with exposure to the equity and fixed income markets by investing in mutual funds, exchange-traded funds, and common stocks in order to minimize risk while achieving total return objectives.

Interpretation of Laws

The board of trustees has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of a donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Beacon Academy classifies as restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board (in a manner consistent with the standard of prudence prescribed by UPMIFA). Earnings and investment gains which exceed the Beacon Academy approved spending limit are classified as restricted until such time that those funds are appropriated. In accordance with UPMIFA, Beacon Academy considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

Beacon Academy, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

- 1) Duration and preservation of the fund
- 2) Purposes of the Beacon Academy and the fund
- 3) General economic conditions
- 4) Possible effect of inflation and deflation
- 5) Expected total return from income and the appreciation of investments
- 6) Other resources of Beacon Academy
- 7) Investment policies of Beacon Academy

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make a targeted annual distribution of 4%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a target policy of appropriating for distribution 4% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Board of Trustees may set the spending rate higher or lower, as deemed appropriate.

Activity in the board-designated endowment fund for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Endowment fund balance, beginning of year	\$ 8,668,742	\$ 6,480,072
New board-designated funds	1,399,829	963,849
Investment (depreciation) appreciation	(1,263,834)	1,459,946
Spending appropriation	<u>(290,000)</u>	<u>(235,125)</u>
Endowment fund balance, end of year	<u>\$ 8,514,737</u>	<u>\$ 8,668,742</u>

The Board of Directors has designated unrestricted net assets for the establishment of a college recovery fund to assist alumni of the school with college educational expenses. The Board voted to release all the funds related to the college recovery fund for the year-ended June 30, 2022. The balance in such fund amounted to \$0 and \$118,267 as of June 30, 2022 and 2021, respectively.

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10. CONTRIBUTION OF NONFINANCIAL ASSETS

The Organization receives the use of facilities free of charge from a not-for-profit organization. The estimated value of the use of the facilities was \$10,893 and \$89,500 for the years ended June 30, 2022 and 2021, respectively, and is included in contributions and expenses in the statements of activities and changes in net assets and in rent expense in the statements of functional expenses. Contributed nonfinancial assets are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Certain individuals have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in the financial statements since it does not meet recognition criteria, as defined by GAAP.

11. FAIR VALUE MEASUREMENTS

The Organization's investments in marketable securities are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under U.S. GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 - Inputs that reflect quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability (including quoted prices for similar investments), either directly or indirectly.

Level 3 - Inputs that are unobservable (including the Organization's own assumptions in determining the fair value of investments).

The following tables summarize the valuation of the Organization's investments in marketable securities as of June 30, 2022 and 2021:

<u>Assets at Fair Value</u>	<u>June 30, 2022</u>			
		<u>Fair Value Measurements at Reporting Date</u>		
<u>Description</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash	2,201,230	\$ 2,201,230	\$ -	\$ -
Mutual funds and exchange-traded funds	3,465,279	3,465,279	-	-
Common stocks	1,855,792	1,855,792	-	-
Corporate bonds	1,024,138	-	1,024,138	-
	<u>\$ 8,546,439</u>	<u>\$ 7,522,301</u>	<u>\$ 1,024,138</u>	<u>\$ -</u>

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Assets at Fair Value		June 30, 2021		
		Fair Value Measurements at Reporting Date		
Description	Total	Quoted Prices in	Significant Other	Significant
		Active Markets for	Significant Other	Unobservable
		Identical Assets	Observable Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Cash	\$ 1,887,949	\$ 1,887,949	\$ -	\$ -
Mutual funds and exchange-traded funds	4,831,217	4,831,217	-	-
Common stocks	1,617,505	1,617,505	-	-
Corporate bonds	1,100,194	-	1,100,194	-
	<u>\$ 9,436,865</u>	<u>\$ 8,336,671</u>	<u>\$ 1,100,194</u>	<u>\$ -</u>

12. RETIREMENT PLAN

The Organization maintains a 401(k) plan for all employees meeting the eligibility requirements of the plan. The Organization makes safe harbor matching contributions equal to a percentage of employee contributions and can also make additional discretionary contributions to the plan. The Organization's contribution to the plan amounted to \$31,788 and \$3,227 for the years ended June 30, 2022 and 2021, respectively.

13. TAX STATUS

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Under U.S. GAAP, the Organization must identify, recognize, measure, and disclose in its financial statements the effects of any uncertain tax reporting positions that the Organization has taken or expects to take if it is possible that such positions would not be fully sustained upon review by the tax authorities. At June 30, 2022 and 2021, the Organization had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. There is no tax-related interest or tax penalties included in the financial statements.

14. SUBSEQUENT EVENTS EVALUATION

The Organization evaluates events and transactions that occur after the date of the statement of financial position to determine if any such events or transactions should be recorded or disclosed in the financial statements. The Organization has made such evaluation through January 13, 2023, which is the date the financial statements were available to be issued and has determined that no such matters have occurred which require disclosure in or adjustment to the financial statements.