

BEACON ACADEMY, INC.

Financial Statements

Years Ended June 30, 2024 and 2023

BEACON ACADEMY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Beacon Academy, Inc.

Opinion

We have audited the accompanying financial statements of Beacon Academy, Inc. (a nonprofit organization), 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 financial statements present fairly, in all material respects, the financial position of Beacon Academy, Inc. as of June 30, 2024 and 2023, and the change 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. 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 Beacon Academy, Inc., 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 Beacon Academy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Beacon Academy, Inc.'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 Beacon Academy, Inc.'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.

Pozerski Hatch & Company, P.C.

Rockland, Massachusetts
December 2, 2024

BEACON ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 494,223	\$ 1,757,960
Operating investments	1,889,226	140,617
Pledges receivable	50,000	876,830
Other receivables	-	5,265
Prepaid expenses	44,907	21,835
Endowment investments, board designated	9,840,692	8,885,278
Property and equipment, net	<u>4,977,358</u>	<u>4,750,376</u>
Total assets	\$ <u>17,296,406</u>	\$ <u>16,438,161</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 67,184	\$ 203,443
Accrued expenses and other current liabilities	<u>29,593</u>	<u>24,318</u>
Total liabilities	<u>96,777</u>	<u>227,761</u>
Net Assets		
Without donor restrictions	16,848,249	15,173,730
With donor restrictions	<u>351,380</u>	<u>1,036,670</u>
Total net assets	<u>17,199,629</u>	<u>16,210,400</u>
Total liabilities and net assets	\$ <u>17,296,406</u>	\$ <u>16,438,161</u>

BEACON ACADEMY, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Revenues and support						
Tuition revenue	\$ -	\$ -	\$ -	\$ 1,125	\$ -	\$ 1,125
Contributions of cash and other financial assets	1,443,358	304,505	1,747,863	1,161,838	288,395	1,450,233
Special events, net of expenses of \$97,661 and \$81,821, respectively	706,148	-	706,148	661,151	-	661,151
Interest income and operating investment returns, net	57,812	-	57,812	12,685	-	12,685
Other income	62,315	-	62,315	36,712	-	36,712
Investment return designated for operations	356,002	-	356,002	328,048	-	328,048
Net assets released from restrictions	457,099	(457,099)	-	635,486	(635,486)	-
Total revenues and support	<u>3,082,734</u>	<u>(152,594)</u>	<u>2,930,140</u>	<u>2,837,045</u>	<u>(347,091)</u>	<u>2,489,954</u>
Expenses						
Program	2,183,397	-	2,183,397	2,300,708	-	2,300,708
General and administrative	444,831	-	444,831	348,019	-	348,019
Fundraising	334,682	-	334,682	154,214	-	154,214
Total expenses	<u>2,962,910</u>	<u>-</u>	<u>2,962,910</u>	<u>2,802,941</u>	<u>-</u>	<u>2,802,941</u>
Change in net assets from operations	119,824	(152,594)	(32,770)	34,104	(347,091)	(312,987)
Nonoperating activities						
Contributions for long-term purposes	-	205,000	205,000	-	36,762	36,762
Investments returns, net	1,173,001	-	1,173,001	697,767	-	697,767
Investment return designated for operations	(356,002)	-	(356,002)	(328,048)	-	(328,048)
Net assets released from restrictions	737,696	(737,696)	-	328,200	(328,200)	-
Change in net assets from nonoperating activities	<u>1,554,695</u>	<u>(532,696)</u>	<u>1,021,999</u>	<u>697,919</u>	<u>(291,438)</u>	<u>406,481</u>
Total change in net assets	1,674,519	(685,290)	989,229	732,023	(638,529)	93,494
Net assets, beginning of year	<u>15,173,730</u>	<u>1,036,670</u>	<u>16,210,400</u>	<u>14,441,707</u>	<u>1,675,199</u>	<u>16,116,906</u>
Net assets, end of year	<u>\$ 16,848,249</u>	<u>\$ 351,380</u>	<u>\$ 17,199,629</u>	<u>\$ 15,173,730</u>	<u>\$ 1,036,670</u>	<u>\$ 16,210,400</u>

BEACON ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2024 and 2023

	2024				2023			
	Program	General and administrative	Fundraising	Total expenses	Program	General and administrative	Fundraising	Total expenses
Salaries and wages	\$ 1,079,252	\$ 151,633	\$ 161,775	\$ 1,392,660	\$ 1,111,524	\$ 122,297	\$ 99,818	\$ 1,333,639
Employee benefits	171,996	14,638	22,520	209,154	197,750	26,553	13,276	237,579
Payroll taxes	88,878	8,434	12,975	110,287	93,249	12,521	6,261	112,031
Professional fees	50,451	149,648	1,503	201,602	54,764	86,710	40	141,514
Co-curricular expenses	233,902	-	-	233,902	243,248	-	-	243,248
Occupancy expenses	129,203	26,666	16,538	172,407	108,906	26,708	6,375	141,989
Alumni expenses (exclusive of payroll and related liabilities)	170,865	-	-	170,865	225,593	-	-	225,593
Student laptop and information technology expenses	11,631	7,264	-	18,895	11,573	6,328	-	17,901
Office expenses	23,854	28,612	2,516	54,982	30,890	22,531	615	54,036
Postage, shipping, and printing	6,203	589	906	7,698	7,847	1,054	527	9,428
Insurance	18,004	4,333	1,060	23,397	12,984	3,035	843	16,862
Telephone and other communications	2,092	2,092	-	4,184	3,433	3,433	-	6,866
Depreciation	152,644	36,735	8,989	198,368	136,754	32,911	8,054	177,719
Fundraising expenses	-	-	18,247	18,247	-	-	18,405	18,405
Advertising and publicity	-	8,355	-	8,355	-	1,090	-	1,090
Subcontractors	44,422	5,832	87,653	137,907	62,193	2,848	-	65,041
Total operating expenses	2,183,397	444,831	334,682	2,962,910	2,300,708	348,019	154,214	2,802,941
Special event expenses included with revenues in the statements of activities	-	-	97,661	97,661	-	-	81,821	81,821
Total expenses	\$ 2,183,397	\$ 444,831	\$ 432,343	\$ 3,060,571	\$ 2,300,708	\$ 348,019	\$ 236,035	\$ 2,884,762

BEACON ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	\$ 989,229	\$ 93,494
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	198,368	177,719
Noncash contributions of donated stock	(10,316)	(54,504)
Present value discount on pledges receivable	(7,489)	(2,092)
Net realized and unrealized gains on investments	(1,003,625)	(532,576)
Loss on disposal of property and equipment	-	2,437
Changes in operating assets and liabilities		
Pledges receivable	834,319	608,881
Other receivables	5,265	115,198
Prepaid expenses	(23,072)	7,667
Accrued interest and dividend income	-	8,522
Accounts payable	(136,259)	160,165
Accrued expenses and other current liabilities	5,275	(77,776)
Net cash provided by operating activities	851,695	507,135
Cash Flows From Investing Activities		
Purchase of property and equipment	(425,350)	(422,561)
Purchase of investments	(2,478,912)	(378,713)
Proceeds from sale of investments	788,830	486,337
Net cash used in investing activities	(2,115,432)	(314,937)
Net change in cash and cash equivalents	(1,263,737)	192,198
Cash and cash equivalents, beginning of year	1,757,960	1,565,762
Cash and cash equivalents, end of year	\$ 494,223	\$ 1,757,960

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS

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 their students and graduates as they further develop the skills they gain in the Organization's 14-month program and then navigate a myriad of 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.

NOTE 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, 2024 and 2023, all net assets with donor restrictions are temporary in nature.

Tax Status

The Organization qualifies under Section 501(c)(3) of the Internal Revenue Code (the "Code") as exempt from federal and state income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations

The statements of activities report the changes in net assets from operating and non-operating activities. Operating expenses consist of those items attributable to the Organization's primary mission. Investment income and gains/losses on Board-designated funds are classified as non-operating activities. Gifts to the endowment and other gifts and grants not directed to current operations such as gifts for capital improvements and facilities, are also classified as non-operating activities.

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.

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 are expensed in the period purchased. Groups of small, yet like items purchased with a total value of greater than \$2,500 are 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>
Building and building improvements	5-30
Furniture, fixtures, and equipment	5-10
Land improvements	7-15

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 ended June 30, 2024 and 2023.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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. Interest and dividends are recorded when earned. Unrealized gains or losses are recorded based on changes in fair value of investments held.

Donated Services and In-Kind Contributions

The Organization may record various types of in-kind support including donated rent or professional services. Contributed in-kind services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received. There were no in-kind contributions for the years ended June 30, 2024 and 2023.

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 U.S. GAAP.

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. 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 pledges receivable at year-end. At June 30, 2024 and 2023, there was no allowance recorded for pledges receivable. 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. Donated material and services are recorded at their estimated fair market values in the period received.

Special events

Revenue from special events is recognized when the event occurs, net of any expenses incurred.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Depreciation is allocated based on estimated functional use of property and equipment, and other expenses, such as salaries and wages, payroll taxes, employee benefits, occupancy, professional fees and postage, shipping, and printing are allocated based on time and effort.

Advertising Costs

The Organization expenses all advertising costs as they are incurred. Advertising costs were \$8,355 and \$1,090 for the years ended June 30, 2024 and 2023, respectively.

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.

Subsequent Events

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 December 2, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets as of June 30, 2024 and 2023, 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:

	2024	2023
Cash and cash equivalents	\$ 494,223	\$ 1,757,960
Operating investments	1,889,226	140,617
Pledges receivable	50,000	876,830
Other receivables	-	5,265
	<u>2,433,449</u>	<u>2,780,672</u>
Less: Donor-imposed restrictions	351,380	1,036,670
Financial assets available to meet general expenditures		
Within one year	<u>\$ 2,082,069</u>	<u>\$ 1,744,002</u>

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

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 a 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 \$9,840,692 and \$8,885,278 at June 30, 2024 and 2023, respectively, that could be a source of additional liquidity upon approval of the Board of Directors. During the years ended June 30, 2024, and 2023, the Board of Directors approved a spending appropriation of \$356,002 and \$328,048, respectively, from the board-designated endowment fund.

NOTE 4 – 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 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.

The Organization received approximately 14% of its contributions from one donor for the year ended June 30, 2024.

NOTE 5 – PLEDGES RECEIVABLE, NET

Pledges receivable at June 30, 2024 and 2023 consist of unconditional promises to give as follows:

	2024	2023
Due in less than one year	\$ 50,000	\$ 784,319
Due in one to five years	-	100,000
Total pledges receivable	50,000	884,319
Less: discount to net present value	-	(7,489)
Pledges receivable, net	\$ 50,000	\$ 876,830

Pledges receivable due in more than one year are reflected at the present value of their net realizable value using a discount rate of 0.46%.

Three and four donors comprised 100% and 77% of pledges receivable at June 30, 2024 and 2023, respectively.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2024 and 2023:

	2024	2023
Land	\$ 671,125	\$ 671,125
Building	1,603,988	1,603,988
Building improvements	2,723,996	2,371,906
Furniture, fixtures, and equipment	228,898	205,947
Land improvements	214,104	214,104
Construction in process	50,310	-
Total property and equipment	<u>5,492,421</u>	<u>5,067,070</u>
Less: Accumulated depreciation	(515,063)	(316,694)
Property and equipment, net	<u>\$ 4,977,358</u>	<u>\$ 4,750,376</u>

Depreciation expense amounted to \$198,369 and \$177,719 for the years ended June 30, 2024 and 2023, respectively.

Construction in process includes costs relating to kitchen renovations and soundproof tiles at June 30, 2024.

NOTE 7 – 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 New Home Fund represents contributions made by donors to be used by the Organization for the purchase and improvement of a new school facility.

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, 2024 and 2023 are as follows:

	2024	2023
New Home Fund	\$ 174,067	\$ 86,762
Alumni Fund	30,733	77,397
Restricted for time	80,000	80,000
Other academy support	46,580	-
Pledges receivable, net	20,000	792,511
	<u>\$ 351,380</u>	<u>\$ 1,036,670</u>

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	2024	2023
Alumni Fund	\$ 128,127	\$ 209,506
New Home Fund	737,696	328,200
Other academy support	128,972	70,980
Time restrictions	200,000	355,000
	<u>\$ 1,194,795</u>	<u>\$ 963,686</u>

NOTE 8 – ENDOWMENT FUND AND BOARD-DESIGNATED NET ASSETS

The Board of Directors has established an endowment fund by designating a portion of net assets without restriction. 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 Directors 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. The Organization does not have any donor restricted endowment funds but does have board funds designated for the endowment.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, 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.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – ENDOWMENT FUND AND BOARD-DESIGNATED NET ASSETS (CONTINUED)

Spending Policy

The Organization has a target policy of appropriating for distribution 4% of its board designated endowment fund's average fair value of the prior 12 quarters through the third quarter of 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, and the possible effects of inflation. The Board of Directors may set the spending rate higher or lower, as deemed appropriate.

Activity in the board-designated endowment fund for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Endowment fund balance, beginning of year	\$ 8,885,278	\$ 8,514,737
New board-designated funds	138,415	-
Investment gains, net of expenses	1,173,001	698,589
Spending appropriation	(356,002)	(328,048)
Endowment fund balance, end of year	\$ <u>9,840,692</u>	\$ <u>8,885,278</u>

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment returns, net, consists of the following for the years ended June 30:

	2024	2023
Realized and unrealized gains	\$ 1,000,025	\$ 532,576
Interest and dividends	261,125	208,371
Investment management fees	(49,210)	(43,180)
Investment returns, net	\$ <u>1,211,940</u>	\$ <u>697,767</u>

The above return is presented in the statements of activities for the years ended June 30 as follows:

	2024	2023
Operating	\$ 38,939	\$ -
Non-operating	1,173,001	697,767
Investment returns, net	\$ <u>1,211,940</u>	\$ <u>697,767</u>

Operating investment return, net on the statements of activities includes \$18,873 and \$12,685 of operating interest on cash accounts for the years ended June 30, 2024 and 2023, respectively.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's investments 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 asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual funds and exchange-traded funds are valued at the quoted price of shares reported in the active market in which the funds are traded.

Certificates of deposit – Certificates of deposit are valued at the present value of future cash flows discounted at the current market rate for similar financial instruments.

Common stocks and government securities are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

There have been no changes in the methodologies used at June 30, 2024 and 2023.

BEACON ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the valuation of the Organization's investments as of June 30, 2024 and 2023:

June 30, 2024					
Assets at Fair Value	Fair Value Measurements at Reporting Date				
Description	Level 1	Level 2	Level 3	Total	
Cash and cash equivalents	\$ 1,989,755	\$ -	\$ -	\$ 1,989,755	
Certificates of deposit	-	839,766	-	839,766	
Mutual funds and exchange-traded funds	4,089,784	-	-	4,089,784	
Common stocks	2,899,746	-	-	2,899,746	
Corporate bonds	-	1,398,223	-	1,398,223	
Government securities	512,644	-	-	512,644	
	\$ 9,491,929	\$ 2,237,989	\$ -	\$ 11,729,918	

		June 30, 2023			
Assets at Fair Value	Fair Value Measurements at Reporting Date				
Description	Level 1	Level 2	Level 3	Total	
Cash and cash equivalents	\$ 299,709	\$ -	\$ -	\$ 299,709	
Mutual funds and exchange-traded funds	4,002,515	-	-	4,002,515	
Common stocks	2,335,565	-	-	2,335,565	
Corporate bonds	-	1,379,529	-	1,379,529	
Government securities	1,008,577	-	-	1,008,577	
	<u>\$ 7,646,366</u>	<u>\$ 1,379,529</u>	<u>\$ -</u>	<u>\$ 9,025,895</u>	

NOTE 10 – 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 \$58,814 and \$52,235 for the years ended June 30, 2024 and 2023, respectively.