POTENTIA ACADEMY, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(with comparable totals for 2024)

TABLE OF CONTENTS

Holyfield & Thomas, LLC
Certified Public Accountants & Advisors
125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Potentia Academy, Inc.
Greenacres, Florida

Opinion

We have audited the accompanying financial statements of Potentia Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, cash flows, and functional expenses for the year 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 Potentia Academy, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Potentia Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Potentia 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.

Auditor's Responsibility 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 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 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 Potentia 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 Potentia 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.

Report on Summarized Comparative Information

We have previously audited Potentia Academy, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion in our report dated March 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
April 29, 2026

As of June 30, 2025 *(with comparable totals for 2024)*

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
ASSETS				
Cash and cash equivalents	$ 109,522	$ 23,800	$ 133,322	$ 173,206
Tuition receivable, net	10,007	-	10,007	7,494
Other receivable	2,500	-	2,500	-
Total current assets	122,029	23,800	145,829	180,700
Property and equipment, net	477,195	-	477,195	500,973
Right-of-use assets:				
Operating lease, net	175,506	-	175,506	203,394
Finance lease, net	94,685	-	94,685	133,865
Total assets	$ 869,415	$ 23,800	$ 893,215	$ 1,018,932
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 6,414	$ -	$ 6,414	$ 4,004
Deferred revenue	6,475	-	6,475	4,500
Line of credit	-	-	-	-
Lease obligations, current portion:				
Operating lease	41,764	-	41,764	36,916
Finance lease	47,629	-	47,629	47,629
Total current liabilities	102,282	-	102,282	93,049
Lease obligations:				
Operating lease	141,248	-	141,248	166,478
Finance lease	62,607	-	62,607	100,483
Total liabilities	306,137	-	306,137	360,010
Net assets:				
Without donor restrictions:				
Board designated	18,572	-	18,572	20,447
Undesignated	544,706	-	544,706	614,675
Total without donor restrictions	563,278	-	563,278	635,122
With donor restrictions	-	23,800	23,800	23,800
Total net assets	563,278	23,800	587,078	658,922
Total liabilities and net assets	$ 869,415	$ 23,800	$ 893,215	$ 1,018,932

See accompanying notes to financial statements.

For the Year Ended June 30, 2025 ***(with comparable totals for 2024)***

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
Revenues and support:				
Tuition, registration, and fees	$ 575,073	$ -	$ 575,073	$ 567,215
Scholarships and tuition discounts	(15,162)	-	(15,162)	(7,714)
Grants	-	-	-	25,986
Contributions	106,435	-	106,435	71,373
Special events	45,280	-	45,280	31,827
Interest income	1,392	-	1,392	322
Other income	4,985	-	4,985	7,530
Total revenues and support	718,003	-	718,003	696,539
Expenses:				
Program services	679,079	-	679,079	665,935
Management and general	86,588	-	86,588	58,974
Fundraising	24,180	-	24,180	25,296
Total expenses	789,847	-	789,847	750,205
Change in net assets	(71,844)	-	(71,844)	(53,666)
Net assets, beginning of year	635,122	23,800	658,922	712,588
Net assets, end of year	$ 563,278	$ 23,800	$ 587,078	$ 658,922

See accompanying notes to financial statements.

For the Year Ended June 30, 2025 *(with comparable totals for 2024)*

	2025 Totals	2024 Totals
Cash flows from operating activities:		
Cash received from tuition, registration, and fees	$ 548,809	$ 551,078
Cash received from grants and contributions	106,435	97,359
Cash received from special events	42,780	29,767
Cash paid to suppliers and employees	(641,517)	(622,883)
Cash paid on operating lease	(45,400)	(45,600)
Interest income received	1,392	322
Interest paid	(8,240)	(7,335)
Other income	4,985	9,590
Net cash provided by operating activities	9,244	12,298
Cash flows from investing activities:		
Purchase of property and equipment	(11,252)	(15,898)
Net cash used in investing activities	(11,252)	(15,898)
Cash flows from financing activities:		
Principal payments on finance lease obligation	(37,876)	(27,252)
Net cash used in financing activities	(37,876)	(27,252)
Net change in cash	(39,884)	(30,852)
Cash and cash equivalents, beginning of year	173,206	204,058
Cash and cash equivalents, end of year	$ 133,322	$ 173,206

See accompanying notes to financial statements.

For the Year Ended June 30, 2025 ***(with comparable totals for 2024)***

	2025 Totals	2024 Totals
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ (71,844)	$ (53,666)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	74,210	74,174
Credit loss expense	10,564	19,203
Lease expense	27,888	35,207
(Increase) decrease in operating assets:		
Tuition receivable, net	(13,077)	(7,123)
Other receivable	(2,500)	-
Increase (decrease) in operating liabilities:		
Accounts payable	2,410	(18,990)
Deferred revenue	1,975	(1,300)
Operating lease obligations	(20,382)	(35,207)
Net cash provided by operating activities	$ 9,244	$ 12,298

See accompanying notes to financial statements.

For the Year Ended June 30, 2025 *(with comparable totals for 2024)*

		Supporting Services			
	Program Services	General and Administrative	Fundraising	2025 Totals	2024 Totals
Salaries	$ 376,238	$ 20,400	$ 3,600	$ 400,238	$ 380,641
Payroll taxes	28,222	1,566	276	30,064	30,164
Employee benefits	43,990	2,664	470	47,124	64,022
	448,450	24,630	4,346	477,426	474,827
Accounting and legal	-	27,068	-	27,068	11,461
Advertising and marketing	26,934	10,372	3,225	40,531	19,182
Bank fees	-	4,720	-	4,720	4,871
Contract services	14,384	1,598	-	15,982	25,589
Credit loss expense	10,564	-	-	10,564	19,203
Dues and subscriptions	10,580	1,175	-	11,755	6,089
Graduation and other student activities	4,390	-	-	4,390	2,681
Insurance	8,277	2,069	-	10,346	9,605
Interest expense	8,240	-	-	8,240	7,335
Office	1,506	1,850	-	3,356	3,717
Postage and printing	737	184	-	921	365
Professional development	-	618	-	618	51
Rent and storage	47,615	5,291	-	52,906	45,600
Repairs and maintenance	8,944	994	-	9,938	3,967
Special events	-	-	16,609	16,609	19,943
Teaching and other school supplies	3,788	-	-	3,788	6,649
Travel and meetings	-	965	-	965	245
Utilities	13,963	1,551	-	15,514	14,651
Total expenses before depreciation and amortization	608,372	83,085	24,180	715,637	676,031
Depreciation and amortization	70,707	3,503	-	74,210	74,174
Total	$ 679,079	$ 86,588	$ 24,180	$ 789,847	$ 750,205

See accompanying notes to financial statements.

1. Organization and Nature of Activities

Organization and Nature of Activities

Potentia Academy, Inc. (the "School") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The School was incorporated on May 4, 2009 under the laws of the State of Florida. The purpose of the School is to maintain, operate, and perpetuate a school that serves neurodivergent students in grades 5 through 12 with specific learning disabilities, including autism spectrum disorders, attention deficit/hyperactivity disorder, dyslexia, dyscalculia, dysgraphia, and test anxiety. The School campus is located in Greenacres, Florida. Students obtain a general education with particular emphasis on preparing students for higher education at post-secondary institutions of learning and to acquire the living, social, and job skills necessary to transition to independent living.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The School's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, *Presentation of Financial Statements*. The School reports information regarding its financial position and activities according to two classes of net assets described as follows:

> *Net Assets Without Donor Restrictions* – this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the net assets without donor restrictions class.
>
> The principal sources of net assets without donor restrictions are tuition, fees, and fundraising revenues. Decreases in net assets without donor restrictions generally result from expenses incurred for program and supporting services conducted by the School. The Board of Directors may designate portions of these resources for various purposes.
>
> *Net Assets With Donor Restrictions* – this classification includes those net assets whose use by the School has been limited by donors to either a later period of time, after a specified date, or for a specified purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The School follows a policy whereby donor-restricted contributions are classified as net assets without donor restrictions if the restriction is met in the same reporting period in which the contributions are received. This policy is in accordance with FASB ASC 958-205 which permits the simultaneous release of restrictions when donor conditions are met within the same period.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned, support is recognized when received, and expenses are recognized when they are incurred.

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

FASB ASC 820-10, *Fair Value Measurement and Disclosures,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under the framework are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Fair Value of Financial Instruments: The following methods and assumptions were used by the School in estimating fair value of financial instruments that are not disclosed under FASB ASC 820.

Cash and cash equivalents – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

Tuition receivable and other receivable – The carrying amounts reported approximates fair value due to the short-term duration of the receivables.

Accounts payable and deferred revenue – The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Lease obligations – The carrying amount reported approximates fair value as the leases are initially measured based on the present value of lease payments discounted at rates reflective of market rates at lease commencement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings, and money market accounts. The School also considers short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Tuition Receivable

Tuition receivable represents amounts billed to students' families for educational services provided under tuition contracts and is recorded when invoices are issued in accordance with contract terms. The School requires an enrollment deposit at the time tuition contracts are executed, which is applied against amounts billed.

Tuition receivable is presented net of an allowance for credit losses. Credit risk is evaluated based on payment history, aging, and other factors affecting collectability.

Allowance for Credit Losses

The School estimates expected credit losses on tuition receivable in accordance with FASB ASC 326, *Financial Instruments – Credit Losses*. The allowance represents management's estimate of lifetime expected credit losses based on historical collection experience, adjusted for current economic conditions, and reasonable, and supportable forecasts.

Tuition receivables are written off against the allowance when collection is not probable. Recoveries of amounts previously written off are recorded when received.

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair value if donated, and depreciated on the straight-line basis over the following estimated useful lives:

Furniture and equipment	3 - 7 years
Land improvements	5 - 15 years
Leasehold improvements	5 - 39 years

Additions and improvements in excess of $3,000 and that significantly add to the productivity or extend the economic life of assets are capitalized. Expenditures for routine maintenance and repairs are charged to expense as incurred.

Leases

The School follows provisions of FASB Accounting Standards Update (ASU) No. 2016-12, *Leases* (Topic 842). ASU 2016-02 is a comprehensive lease measurement and recognition standard with expanded disclosure requirements. Under the guidance, leases with terms of more than 12-months are required to be recognized in the statement of financial position as liabilities, with corresponding "right-of-use" assets.

2. <u>Summary of Significant Accounting Policies</u>, continued

Leases, continued

The School recognizes right-of-use (ROU) asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, comprising the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs, and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or site.

Subsequent to initial recognition, ROU assets measured at cost less any accumulated depreciation and any accumulated impairment losses, ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

The lease term includes non-cancellable periods and periods covered by an option to extend or terminate the lease if the lessee is reasonably certain to exercise or not exercise that option.

Deferred Revenue

Deferred revenue results from registration and tuition fees collected, received in advance of the next school year. Accordingly, these fees are deferred until the next school year and recognized at the beginning of the next school year as they are non-refundable.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Investment income and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Revenue derived from special events is recognized when the event occurs.

Tuition and Fees

The School recognizes tuition and related fee revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. Under FASB ASC 606, tuition and fees revenue are recognized in the period in which the related educational instruction is performed. Accordingly, registration, tuition, and fees received in advance for the next school term are deferred until the instruction commences. These amounts are reflected in the statement of financial position as deferred revenue.

Financial aid, scholarships, and discounts provided by the School reduce the total transaction price and are recorded as reductions of revenue rather than expenses.

Grants

The School accounts for grants in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition*. The School occasionally receives grants from federal, state, local, and private agencies for program and supporting services. Grants on a cost reimbursement basis, including recoverable overhead, are deemed earned and recognized in the statement of activities when expenditures are made for the purpose specified. Funds that have been received but have not yet been expended for the purpose specified are reported as increases in net assets with donor restrictions. Grants which are not awarded on cost reimbursement basis are recorded as support in the year for which the grant was awarded and in which the conditions of the grant are met.

2. <u>Summary of Significant Accounting Policies</u>, continued

Contributions

The School accounts for contributions in accordance with the provisions of FASB ASC 958-605. Contributions are recorded when the contribution is received and unconditional promises to give are recorded when the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the School's policy to recognize as unrestricted those contributions whose restrictions are met within the same period as received.

Special Events

The School accounts for special event revenue following the provisions of FASB ASC 606. As such, The School recognizes special event revenue at the time of the event. Direct expenses such as venue fees, supplies, advertising, and indirect expenses such as salaries, insurance, other expenses, associated with these events and general fundraising and development are reflected on a functional basis in the statement of activities and functional expenses.

Contributed Goods and Services

The School follows FASB ASC 958-605, for donated goods and services from volunteers, who assist in fundraising and education programs and from professionals who donate services. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers also provided services throughout the year, however, the School did not recognize any contributed services in the financial statements since the recognition criteria was not met. During the year ended June 30, 2025, there were no donated goods or services.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Indirect costs have been allocated based on estimated time and effort or square footage, where applicable.

Advertising Expense

The School expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2025, this cost was $26,934 and is reported as part of advertising and marketing in the statement of functional expenses.

2. Summary of Significant Accounting Policies, continued

Income Tax Status

The Internal Revenue Service (the "IRS") has determined that the School is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose would be subject to taxation as unrelated business income. The School did not engage in any unrelated business activities during the year ended June 30, 2025, and accordingly there is no provision for income taxes reflected in the accompanying financial statements.

The School follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This standard seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold.

The School assesses its income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The School uses the prescribed more likely than not threshold when making its assessment. The School did not record any cumulative effect adjustment, and the School did not accrue any interest expense or penalties related to tax positions. There are currently no open federal or state tax years under audit.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain 2024 amounts have been reclassified to conform to 2025 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor or other restrictions limiting their use within one year of the statement of financial position comprise the following:

Financial assets:	
Cash and equivalents	$ 133,322
Tuition receivable, net	10,007
Other receivable	2,500
Total financial assets	145,829
Less amounts not available for general expenditures:	
Restricted cash and equivalents	23,800
Board-designated cash and equivalents	18,572
Total financial assets available to meet general expenditures within one year	$ 103,457

3. Liquidity and Availability of Resources, continued

The School is supported by tuitions, fees, and contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Furthermore, management believes the School has sufficient cash designated by the Board for the sewer system, plus a line of credit which management may draw upon in the event of unanticipated financial distress or immediate liquidity need.

4. Tuition Receivable

Tuition receivable as of June 30, 2025, consisted of the following:

Tuition receivable	$ 24,613
Less allowance for credit losses	14,606
Tuition receivable, net	$ 10,007

The School had the following activities for its allowance for credit losses for tuition receivable for the year ended June 30, 2025:

Beginning balance	$ 19,203
Provision for expected credit losses	-
Write-offs	(4,597)
Recoveries	-
Ending balance	$ 14,606

5. Property and Equipment

Property and equipment as of June 30, 2025, consisted of the following :

Furniture and equipment	$ 88,560
Land improvements	18,118
Leasehold improvements	578,372
	685,050
Accumulated depreciation	(261,921)
Construction in progress	54,066
Property and equipment, net	$ 477,195

Depreciation expense for the year ended June 30, 2025 was $35,030. Construction in progress consisted of costs related to the sewer project.

6. Leases

Operating Lease

The School leases its premises under a lease agreement anticipated to expire in 5 years (June 2029). The lessor structures its operating lease with related parties to have annually renewable one (1) year terms. However, under the lease standard, management determined the lease term to be approximately 5 years for this related party lease.

6. Leases, continued

Operating Lease, continued

Operating right-of-use assets as of June 30, 2025, consisted of the following:

School premises	$ 286,782
Less accumulated amortization	111,276
Total operating right-of-use asset	$ 175,506

Operating lease obligation as of June 30, 2025, consisted of the following:

School premises	$ 183,012
Less current portion	41,764
Non-current portion	$ 141,248

The undiscounted future lease payment under the operating lease as of June 30, 2025, are as follows:

2026	$ 53,300
2027	49,200
2028	49,200
2029	49,200
	200,900
Less discount to present value	17,888
Present value of future lease payment	$ 183,012

Operating lease expense for the year ended June 30, 2025 is included within the rent and storage category in the statement of functional expenses and consisted of the following:

	Amortization	Finance Charges	Total
School premises	$ 43,537	$ 9,369	$ 52,906

The lease discount for the School premises has been calculated using an interest rate of 4.75%, which approximates the incremental borrowing rate of the School at the time the lease was measured.

The weighted average lease term for the operating lease is 4.0 years. The weighted average discount rate for the operating lease is 4.75%

Finance Lease

The School leases a modular classroom under a finance lease that matures in November 2027. The terms of the lease call for monthly payments of $3,660. The modular classroom will be used for instructional space.

Finance right-of-use assets as of June 30, 2025, consisted of the following:

Modular classroom	$ 195,900
Less accumulated amortization	101,215
Total finance right-of-use asset	$ 94,685

6. Leases, continued

Finance Lease, continued

Finance lease obligation as of June 30, 2025, consisted of the following:

Modular classroom	$ 110,236
Less current portion	47,629
Non-current portion	$ 62,607

The undiscounted future lease payment under the financing lease as of June 30, 2025, are as follows:

2026	$ 54,900
2027	43,920
2028	18,300
	117,120
Less discount to present value	6,884
Present value of future lease payment	$ 110,236

The asset and liability under the finance lease are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is amortized over its estimated useful life on the straight-line basis. Amortization of the modular classroom under the finance lease was $39,180 and is included within the depreciation and amortization category in the statement of functional expenses. Total interest expense was $6,044 and is included within interest expense in the statement of functional expense.

The weighted average lease term for the finance lease is 2.4 years. The weighted average discount rate for the financing lease 4.75%.

7. Line of Credit

The School has a $80,000 secured revolving line of credit extended by a financial institution. The credit line is secured by the assets of the School. The line of credit carries interest on the unpaid principal balance at a variable rate of interest based on Wall Street Journal Prime Rate plus 1.00% (8.50% as of June 30, 2025). There was no outstanding balance on the line of credit as of June 30, 2025.

8. Net Assets

As of June 30, 2025, the School's net assets consisted of the following:

Net assets without donor restrictions:

Board designated	$ 18,572
Undesignated	544,706
Total net assets without donor restrictions	$ 563,278

Net assets with donor restrictions:

Subject to expenditure for a specific purpose	
Modular classroom – Smartboards	$ 23,800

9. Board Designated Funds

The School's Board of Directors has designated funds for improvements to the existing sewer system in the amount of $18,572.

In accordance with FASB ASC 958-205, board-designated funds are classified as net assets without donor restrictions but are set aside for specific purposes by the Board. These designated funds may be used for improvements to the sewer system at the discretion of the Board and can be reallocated or re-designated as deemed necessary.

10. Concentration of Credit Risk

The School maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of $250,000 set by the Federal Deposit Insurance Corporation. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions. As of June 30, 2025, the School had no funds in excess of federally insured limits.

11. Related Party Transactions

The School entered into an operating lease agreement as described in Note 6. The School leases its premises from a company that is owned by a member of management. During the year ended June 30, 2025, the School made lease payments of $45,400 in connection with this agreement. The lease agreement is analyzed annually for reasonableness and is undertaken with approval and consent of the School's Board of Directors.

12. Subsequent Events

In April 2026, the School terminated its right-of-use finance lease agreement for the modular classroom, effective February 28, 2026. At that time, the right-of-use asset and the related lease obligation will be derecognized.

Management has evaluated subsequent events through April 29, 2026, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.