

SUMMIT ACADEMY OIC
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

**SUMMIT ACADEMY OIC
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Summit Academy OIC
Minneapolis, Minnesota

We have audited the accompanying financial statements of Summit Academy OIC, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Summit Academy OIC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Academy OIC as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 23, 2020

**SUMMIT ACADEMY OIC
BALANCE SHEETS
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,099,673	\$ 821,857
Program Service Fee Receivables	846,026	575,898
Pledges Receivable - Current Portion	1,143,976	1,644,355
Other Assets	217,430	215,604
Total Current Assets	4,307,105	3,257,714
PROPERTY AND EQUIPMENT		
Land	465,500	465,500
Building and Building Improvements	7,707,312	7,202,228
Automobiles	53,256	53,256
Furniture and Equipment	1,936,318	1,338,908
Total	10,162,386	9,059,892
Less: Accumulated Depreciation	4,531,014	4,235,479
Net Property and Equipment	5,631,372	4,824,413
OTHER ASSETS		
Restricted Cash and Cash Equivalents	29,668	656,375
Investments - Long- Term	1,040,528	-
Pledges Receivable - Long-Term	56,768	83,125
Total Other Assets	1,126,964	739,500
Total Assets	\$ 11,065,441	\$ 8,821,627
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Capital Leases	\$ 14,993	\$ 14,993
Notes Payable - Current Maturities	370,215	26,717
Accounts Payable	211,013	314,395
Accrued Payroll and Related Expenses	689,475	402,347
Utility Contract Obligation - Short- Term	37,036	-
Total Current Liabilities	1,322,732	758,452
LONG-TERM LIABILITIES		
Capital Lease Obligations, Less Current Maturities	28,731	41,112
Notes Payable, Less Current Maturities	1,296,033	894,646
Asset Retirement Obligation	235,120	223,924
Utility Contract Obligation - Long- Term	476,522	-
Total Long-Term Liabilities	2,036,406	1,159,682
Total Liabilities	3,359,138	1,918,134
NET ASSETS		
Without Donor Restrictions	5,918,153	4,802,388
With Donor Restrictions	1,788,150	2,101,105
Total Net Assets	7,706,303	6,903,493
Total Liabilities and Net Assets	\$ 11,065,441	\$ 8,821,627

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Support:						
Government Grants	\$ 2,466,081	\$ -	\$ 2,466,081	\$ 2,724,769	\$ -	\$ 2,724,769
Contributions from Individuals, Corporations, and Foundations	2,325,741	1,575,300	3,901,041	2,354,977	673,480	3,028,457
Total Support	<u>4,791,822</u>	<u>1,575,300</u>	<u>6,367,122</u>	<u>5,079,746</u>	<u>673,480</u>	<u>5,753,226</u>
Revenue:						
Federal Student Financial Aid	56,882	-	56,882	48,778	-	48,778
State Student Financial Aid	600,612	-	600,612	468,407	-	468,407
Tuition from Pell Grants	1,251,155	-	1,251,155	1,134,982	-	1,134,982
Gross Tuition	2,147,062	-	2,147,062	1,528,262	-	1,528,262
Less: SAOIC Grant	<u>(2,129,470)</u>	<u>-</u>	<u>(2,129,470)</u>	<u>(1,512,206)</u>	<u>-</u>	<u>(1,512,206)</u>
Net Tuition	1,926,241	-	1,926,241	1,668,223	-	1,668,223
Rental Income	118,800	-	118,800	129,600	-	129,600
Special Events (Net of Direct Benefits of \$36,600 and \$111,674 for the Years Ended June 30, 2020 and 2019, Respectively)	543,490	-	543,490	554,092	-	554,092
Gain on Asset Disposal	-	-	-	2,378	-	2,378
Investment Income	6,715	62,683	69,398	-	5,311	5,311
Other	126,316	-	126,316	103,910	-	103,910
Total Revenue	<u>2,721,562</u>	<u>62,683</u>	<u>2,784,245</u>	<u>2,458,203</u>	<u>5,311</u>	<u>2,463,514</u>
Total	7,513,384	1,637,983	9,151,367	7,537,949	678,791	8,216,740
Net Assets Released from Restrictions	<u>1,944,093</u>	<u>(1,944,093)</u>	<u>-</u>	<u>849,005</u>	<u>(849,005)</u>	<u>-</u>
Total Support and Revenue	9,457,477	(306,110)	9,151,367	8,386,954	(170,214)	8,216,740

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program Services:						
Training	\$ 4,014,799	\$ -	\$ 4,014,799	\$ 4,093,053	\$ -	\$ 4,093,053
Service	2,021,868	-	2,021,868	1,892,333	-	1,892,333
Advocacy	192,767	-	192,767	-	-	-
Total Program Services	<u>6,229,434</u>	<u>-</u>	<u>6,229,434</u>	<u>5,985,386</u>	<u>-</u>	<u>5,985,386</u>
Supporting Services:						
Management and General	1,337,923	-	1,337,923	1,104,993	-	1,104,993
Fellowships and Scholarships	79,703	-	79,703	-	-	-
Rental Property	178,536	-	178,536	167,670	-	167,670
Fundraising	516,116	-	516,116	723,941	-	723,941
Total Supporting Services	<u>2,112,278</u>	<u>-</u>	<u>2,112,278</u>	<u>1,996,604</u>	<u>-</u>	<u>1,996,604</u>
Total Expenses	<u>8,341,712</u>	<u>-</u>	<u>8,341,712</u>	<u>7,981,990</u>	<u>-</u>	<u>7,981,990</u>
CHANGE IN OPERATING NET ASSETS	1,115,765	(306,110)	809,655	404,964	(170,214)	234,750
NONOPERATING ACTIVITY						
Capital Campaign Revenue	-	411	411	-	15,357	15,357
Endowment Pledge Bad Debt Expense	-	(7,256)	(7,256)	(967)	(45,000)	(45,967)
Total Nonoperating Activity	<u>-</u>	<u>(6,845)</u>	<u>(6,845)</u>	<u>(967)</u>	<u>(29,643)</u>	<u>(30,610)</u>
CHANGE IN NET ASSETS	1,115,765	(312,955)	802,810	403,997	(199,857)	204,140
Net Assets - Beginning of Year	<u>4,802,388</u>	<u>2,101,105</u>	<u>6,903,493</u>	<u>4,398,391</u>	<u>2,300,962</u>	<u>6,699,353</u>
NET ASSETS - END OF YEAR	<u>\$ 5,918,153</u>	<u>\$ 1,788,150</u>	<u>\$ 7,706,303</u>	<u>\$ 4,802,388</u>	<u>\$ 2,101,105</u>	<u>\$ 6,903,493</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services				Supporting Services					
	Training	Service	Advocacy	Total	Management and General	Fellowship and Scholarships	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 2,183,742	\$ 1,283,238	\$ 13,129	\$ 3,480,109	\$ 796,124	\$ -	\$ 48,144	\$ 307,515	\$ -	\$ 4,631,892
Fringe Benefits	455,176	281,411	961	737,548	126,656	-	10,290	51,689	-	926,183
Professional Fees	342,155	96,758	92,094	531,007	189,407	-	1,573	16,471	-	738,458
Depreciation	252,978	80,027	292	333,297	44,205	-	66,782	13,609	-	457,893
Occupancy and Utilities	151,118	37,742	96	188,956	21,758	-	48,280	6,209	-	265,203
Equipment Rental and Maintenance	18,477	11,406	28	29,911	2,955	-	1,476	1,833	-	36,175
Classroom Supplies	201,571	12,216	-	213,787	21	-	78	3	-	213,889
Postage and Office Supplies	28,885	40,373	31	69,289	17,158	-	606	6,559	-	93,612
Training, Meetings, and Staff Travel	27,453	11,588	-	39,041	12,646	-	48	4,919	-	56,654
Public Relations and Recruiting	261,244	-	76,500	337,744	25,000	-	-	12,035	-	374,779
Student Assistance	18,649	96,250	-	114,899	-	79,703	-	-	-	194,602
Dues and Subscriptions	21,015	17,865	-	38,880	15,138	-	-	12,646	-	66,664
Bank Charges and Interest	-	1,524	-	1,524	57,934	-	-	5,864	-	65,322
MJSP Program In-Kind	-	-	-	-	-	-	-	-	-	-
Bad Debt Expense	9,872	9,709	1,818	21,399	1,011	-	237	21,871	7,256	51,774
Food Purchases	4,714	2,468	226	7,408	1,543	-	-	852	-	9,803
Other	37,750	39,293	7,592	84,635	26,367	-	1,022	54,041	-	166,065
Subtotal	4,014,799	2,021,868	192,767	6,229,434	1,337,923	79,703	178,536	516,116	7,256	8,348,968
Plus Special Events Expenses	-	-	-	-	-	-	-	36,600	-	36,600
Total Expenses	<u>\$ 4,014,799</u>	<u>\$ 2,021,868</u>	<u>\$ 192,767</u>	<u>\$ 6,229,434</u>	<u>\$ 1,337,923</u>	<u>\$ 79,703</u>	<u>\$ 178,536</u>	<u>\$ 552,716</u>	<u>\$ 7,256</u>	<u>\$ 8,385,568</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services				
	Training	Service	Advocacy	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 2,022,176	\$ 1,177,455	\$ -	\$ 3,199,631	\$ 619,023	\$ 42,844	\$ 384,801	\$ -	\$ 4,246,299
Fringe Benefits	428,341	260,832	-	689,173	99,619	9,492	59,172	-	857,456
Professional Fees	360,560	81,229	-	441,789	184,249	1,985	51,709	-	679,732
Depreciation	225,626	68,002	-	293,628	28,084	61,004	12,341	-	395,057
Occupancy and Utilities	148,383	34,331	-	182,714	22,468	47,985	5,861	-	259,028
Equipment Rental and Maintenance	24,132	11,327	-	35,459	3,436	2,756	2,099	-	43,750
Classroom Supplies	180,585	15,719	-	196,304	-	-	-	-	196,304
Postage and Office Supplies	20,071	34,583	-	54,654	19,066	338	4,942	-	79,000
Training, Meetings, and Staff Travel	27,820	10,015	-	37,835	36,832	26	6,895	-	81,588
Public Relations and Recruiting	318,515	8,263	-	326,778	25,000	-	6,908	-	358,686
Student Assistance	33,653	124,257	-	157,910	-	-	-	-	157,910
Dues and Subscriptions	23,005	11,021	-	34,026	8,095	-	11,809	-	53,930
Bank Charges and Interest	-	1,552	-	1,552	55,723	-	5,707	967	63,949
MJSP Program In-Kind	152,330	29,221	-	181,551	1,847	674	93,347	-	277,419
Bad Debt Expense	52,850	10,138	-	62,988	641	234	32,386	45,000	141,249
Food Purchases	26,339	5,053	-	31,392	319	117	16,140	-	47,968
Other	48,667	9,335	-	58,002	591	215	29,824	-	88,632
Subtotal	4,093,053	1,892,333	-	5,985,386	1,104,993	167,670	723,941	45,967	8,027,957
Plus Special Events Expenses	-	-	-	-	-	-	111,624	-	111,624
Total Expenses	<u>\$ 4,093,053</u>	<u>\$ 1,892,333</u>	<u>\$ -</u>	<u>\$ 5,985,386</u>	<u>\$ 1,104,993</u>	<u>\$ 167,670</u>	<u>\$ 835,565</u>	<u>\$ 45,967</u>	<u>\$ 8,139,581</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 802,810	\$ 204,140
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments	(54,967)	-
Revenue from Solar Panel Contract	(31,442)	-
Depreciation	457,893	395,057
Gain on Lease Termination	-	(2,378)
Asset Retirement Obligation	11,196	10,663
Bad Debt Expense	51,774	141,249
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	(270,128)	103,236
Pledges Receivable	122,062	26,251
Other Assets	(1,826)	(15,757)
Accounts Payable	(103,382)	86,048
Accrued Payroll and Related Expenses	287,128	(25,095)
Net Cash Provided by Operating Activities	1,271,118	923,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(985,200)	-
Proceeds of Investments	(361)	-
Purchase of Property and Equipment	(719,852)	(199,095)
Net Cash Used by Investing Activities	(1,705,413)	(199,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Debt	(26,717)	(125,754)
Cash Received from Capital Campaign	352,900	467,202
Line of Credit Advances	377,200	1,185,066
Line of Credit Payments	(377,200)	(1,185,066)
Cash Received from PPP Loan	771,602	-
Payments on Capital Leases	(12,381)	(14,299)
Net Cash Provided by Financing Activities	1,085,404	327,149
NET INCREASE IN CASH AND CASH EQUIVALENTS	651,109	1,051,468
Cash and Cash Equivalents - Beginning of Year	1,478,232	426,764
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,129,341	\$ 1,478,232
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Disclosures:		
Equipment Purchased with Capital Lease	\$ -	\$ 65,950
Retirement of Capital Lease Obligation	\$ -	\$ 29,794
Cash Payments for Interest	\$ 65,322	\$ 63,949
Solar Panel Equipment Acquired Under Utility Contract	\$ 545,000	\$ -
Donated Stock	\$ 43,763	\$ 65,675
Net Capital Campaign Activity	\$ (6,845)	\$ (30,610)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 2,099,673	\$ 821,857
Restricted Cash and Cash Equivalents	29,668	656,375
Total Cash and Cash Equivalents	\$ 2,129,341	\$ 1,478,232

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Summit Academy OIC (the Organization), a nonprofit organization based in Minneapolis, Minnesota, trains and retrain the unemployed and underemployed, secures placement for trainees in jobs, and promotes other educational and developmental programs. The Organization has been accredited as a post-secondary vocational school by the Council on Occupational Education.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restriction – Those resources over which the board of directors has discretionary control.

With Donor Restriction – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time or to be held in perpetuity.

Measurement of Operations

In its statements of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists primarily of contributions and expenses relating to the capital campaign.

Cash

The Organization maintains its cash in checking, savings, certificate of deposits, and money market accounts which, at times, may exceed federally insured limits.

Program Service Fee Receivables

Program service fee receivables are recorded for amounts that have been earned on government contracts during the fiscal year, as well as amounts due for the annual golf event. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are performed on an unsecured basis based on the related contract and no interest is charged. An allowance is provided for receivables when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance, which is typically done at year-end. At June 30, 2020 and 2019, the allowance for doubtful accounts was -\$0- and \$3,209, respectively.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Promises to give are recorded at their net realizable value. Long-term promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. As of June 30, 2020 and 2019, an allowance for uncollectible pledges receivable of \$81,257 and \$60,218, respectively, was recorded.

Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of financial position. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

Property and Equipment

Property and equipment includes fixed assets stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. The Organization capitalizes all additions greater than \$1,000. Depreciation of property and equipment is computed on the straight-line basis. The estimated useful lives in determining depreciation are:

Building and Building Improvements	10 to 29 Years
Furniture and Equipment	3 to 30 Years
Automobiles	5 Years

Unemployment Trust

The Organization participates in a trust in which premium payments are deposited to administer self-insurance unemployment claims. The balance as of June 30, 2020 and 2019 was \$166,763 and \$169,818, respectively, and is recorded in other assets.

Asset Retirement Obligation

The Organization has recorded an obligation to dispose of assets that are legally required to be removed at a future date. This obligation has been recorded at its estimated fair value using the net present value of the future obligation using a risk-free interest rate and an estimated inflationary rate.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Contract Obligation

As discussed in Note 10, the Organization entered into three solar array agreements with Green2Solar Leasing. As part of this agreement, Green2Solar Leasing advanced \$545,000 to Summit Academy OIC to pay for solar equipment purchased. The \$545,000 will be amortized over the life of the three solar agreements (See Note 10 for agreement terms). As of June 30, 2020, the utility contract obligation is the remaining amount not amortized on this agreement.

Deferred Financial Aid Revenue

The Organization charges tuition to its students for a 20-week training program. The financial aid awarded a student for the tuition charge is recorded as deferred revenue on day one of classes and then recognized on a monthly basis as the class session progresses through the 20 weeks.

Governmental Grants, Financial Aid Revenue, and Contracts

Governmental grants, financial aid revenue, and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made or the required services are provided. Funds received but not yet earned are shown as deferred revenue. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

A portion of the Organization's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost reimbursable grants of \$1,145,580 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Contributions

Contributions, unconditional promises to give (pledges receivable), and contributions of donated stock are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in donor-restricted net assets. When these restrictions expire, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

Summit Academy OIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. Summit Academy OIC is not considered a private foundation and contributions to the Organization are considered tax deductible.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salary costs are charged directly to the program they relate to and related costs are allocated based on full-time equivalents. Other costs have been allocated among the program and the supporting services based on full-time equivalents or square footage.

Fair Value Hierarchy

In accordance with accounting standards, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization did not have any investments as of June 30, 2019. The fair value of investments measured on a recurring basis were as follows as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds - International Equities	\$ 126,332	\$ -	\$ -	\$ 126,332
Exchange Traded Funds - U.S. Bonds	231,319	-	-	231,319
Exchange Traded Funds - U.S. Equities	259,060	-	-	259,060
Cash	-	-	-	423,817
Total Investments	<u>\$ 616,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,528</u>

Change in Accounting Principle

Summit Academy OIC has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, using a modified-prospective method of adoption to agreements that were not completed as of or entered into after the effective date. The core guidance in ASU 2018-08 provided clarification on the determination of a contribution versus an exchange transaction and if determine to be a contribution, clarification on the presence of a condition which governs when the revenue is recognized. Adoption of ASU 2018-08 resulted in no presentation changes to the financial statements.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to be consistent with the presentation in 2020. These reclassifications had no impact on changes in net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2020, the date the financial statements were available to be issued.

Risks and Uncertainties

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Organization is taking appropriate actions to address the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019 that are available to meet general expenditures within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,099,673	\$ 821,857
Program Service Fee Receivables	846,026	575,898
Pledges Receivable - Current Portion	1,143,976	1,644,355
Pledges Receivable - Long Term Portion	56,768	83,125
Less: Restricted Net Assets (Included Above)	(747,622)	(2,101,105)
Add: Time Restricted Net Assets Available with One Year	<u>407,137</u>	<u>1,153,182</u>
Total Financial Assets	<u>\$ 3,805,958</u>	<u>\$ 2,177,312</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 3 CONCENTRATIONS

The Organization maintains a portion of its cash balance in accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. One account held by the Organization was over the FDIC limit at June 30, 2020 in the amount of \$2,053,722. There were three accounts held by the Organization that was over the FDIC limit at June 30, 2019 in the amount of \$518,014.

The Organization receives much of its funding through grants to fund programs. A significant amount of the Organization's program service revenue and program service fee receivables is from a limited number of governmental agencies for 2020 and 2019.

During the year 2020, one entity represented 10% of the contributions received during the year. During the year 2019, one entity represented 12% of the contributions received during the year.

At June 30, 2020, one entity made up 16% of support receivables. At June 30, 2019, one entity made up 12% of support receivables.

At June 30, 2020, two entities made up 41% of program receivables. At June 30, 2019, two entities made up 54% of program receivables.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2020	2019
Annual Pledges Receivable	\$ 995,160	\$ 1,149,832
Capital Campaign Pledges Receivable	286,841	639,741
Allowance for Uncollectible Pledges	(78,025)	(60,218)
Unamortized Discount	(3,232)	(1,875)
Total	<u>\$ 1,200,744</u>	<u>\$ 1,727,480</u>
Amounts Due in:		
Less than One Year	\$ 1,143,976	\$ 1,644,355
One to Five Years	56,768	83,125
Total	<u>\$ 1,200,744</u>	<u>\$ 1,727,480</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 2.25% for years ended June 30, 2020 and 2019.

NOTE 5 INVESTMENTS

Investments consist of the following as of June 30, 2020:

Exchange Traded Funds - International Equities	\$ 126,332
Exchange Traded Funds - U.S. Bonds	231,319
Exchange Traded Funds - U.S. Equities	259,060
Cash	423,817
Total Investments	<u>\$ 1,040,528</u>

NOTE 6 NOTES PAYABLE

The Organization entered into a First Mortgage Note with a bank to borrow \$1,000,000. This note is secured by a First Mortgage and Security Agreement which grant the Mortgagor a security interest in all of the Organization's real property, personal property, profits on rental of property, and all judgments or awards made as a result of eminent domain. Effective April 20, 2016, this note was renewed at a rate of 4.00% per annum. The interest rate is subject to change based on changes in the prime rate (currently 5.50%) beginning in May 2021 but may not change more often than five years. Payments include 60 monthly principal and interest payments of \$5,308 beginning May 15, 2016 and 59 monthly principal and interest payments of \$5,910 beginning May 15, 2021. A balloon payment for the remaining principal amount of \$737,335 will be due on April 15, 2026. As of June 30, 2020 and 2019, the outstanding balance on this note was \$894,648 and \$921,363, respectively.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 NOTES PAYABLE (CONTINUED)

The Organization also entered into a Revolving Line of Credit during 2016. Available borrowings under the line of credit are \$1,200,000. Interest is payable monthly at 1.00% above the bank's index rate (3.25% at June 30, 2020), with a floor on the interest rate of 5.00%. The note is due on demand, but if no demand is made, the note was originally due in full on November 15, 2019. Effective September 15, 2019, the note was renewed until November 15, 2020. The note is secured by a mortgage on the property located at 935 Olson Memorial Highway and all business assets. No balance was due as of June 30, 2020 or 2019.

The Organization entered into another Revolving Line of Credit effective September 10, 2019. Available borrowings under the line of credit are \$356,000. Interest is payable monthly at 3.92% and adjusted with a margin up to 2.50% as necessary. The note is due in full on September 10, 2029. No balance due as of June 30, 2020 or 2019.

On April 18, 2020 the Organization received a loan from MidWestOne Bank in the amount of \$771,600 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration.

Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 18, 2020, principal and interest payments will be required through the maturity date in April 18, 2022.

As of June 30, 2020 and 2019, there were outstanding note payable balances of \$1,666,248 and \$921,363, respectively. Future principal payments for the notes are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 370,215
2022	454,024
2023	26,740
2024	28,081
2025	29,730
Thereafter	757,458
Total Principal Payments	<u><u>\$ 1,666,248</u></u>

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 NET ASSETS

Donor-Restricted Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2020	2019
Time Restricted Pledges	\$ 407,137	\$ 835,319
Purpose Restricted for Programs	59,389	-
Purpose Restricted, Earnings on Endowment	67,994	5,311
Total	<u>\$ 534,520</u>	<u>\$ 840,630</u>
Held in Perpetuity	2020	2019
Building and Maintenance	\$ 626,815	\$ 630,238
Innovation/Strategic Opportunity Fund	626,815	630,237
Total	<u>\$ 1,253,630</u>	<u>\$ 1,260,475</u>

Restrictions Released

Net assets restrictions were released as a result of the following conditions being met:

	2020	2019
Program Expenditures	\$ 790,911	\$ -
Time Restrictions Met	1,153,182	849,005
Total	<u>\$ 1,944,093</u>	<u>\$ 849,005</u>

NOTE 8 ENDOWMENT

Donor-Restricted Endowments

Summit Academy OIC has donor-restricted endowment funds established for building and maintenance and innovation/strategic opportunity. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of Summit Academy OIC has interpreted the state's 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 the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Summit Academy OIC classifies as net assets with donor restrictions the original value of the gifts to the donor-restricted endowment, the value of subsequent gifts to the donor-restricted endowment, and accumulated earnings that are required to be classified as donor-restricted based on donor stipulations. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction held in perpetuity is classified as net assets with donor restriction that is purpose restricted until those amounts are appropriated for expenditure by Summit Academy OIC in a manner consistent with the standard of prudence prescribed by UPMIFA.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2020 and 2019, respectively, Summit Academy OIC had no endowment funds that were underwater.

Return Objectives and Risk Parameters, Investment and Spending Policies

Summit Academy OIC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Summit Academy OIC must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets having exceeded a cash balance is \$500,000 have been invested in a manner intended to produce results that meet or exceed the price and yield results of a moderate allocation model. The board will review annually the management of funds and its decision to manage the fund internally or hire an external investment manager to manage the funds to meet Summit Academy OIC board's requirements.

Changes in donor-restricted endowment net assets for the years ended June 30 were as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2019	\$ -	\$ 1,265,786	\$ 1,265,786
Contributions	-	411	411
Bad Debt	-	(7,256)	(7,256)
Investment Income	-	62,683	62,683
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 1,321,624</u>	<u>\$ 1,321,624</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance Restated, June 30, 2018	\$ -	\$ 1,290,118	\$ 1,290,118
Contributions	-	15,357	15,357
Bad Debt	-	(45,000)	(45,000)
Investment Income	-	5,311	5,311
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 1,265,786</u>	<u>\$ 1,265,786</u>

Once the funds are invested, investment income from certain donor-restricted assets held in perpetuity, by order of the gift requirements, will be classified as income without donor restrictions that is purpose restricted.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 LEASES

On September 14, 2018, the Organization entered into one lease for three copiers, which requires 60 monthly payments of \$1,249. Future obligations on the remaining lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 14,993
2022	14,993
2023	14,993
2024	<u>2,507</u>
Total Payments	47,486
Less: Amount Representing Interest	<u>(3,762)</u>
Present Value of Minimum Lease Payments	43,724
Less: Current Maturities	<u>(14,993)</u>
Noncurrent Portion of Obligations Under Capital Lease	<u><u>\$ 28,731</u></u>

The following represent the value of capital leases that are capitalized as furniture and equipment at June 30. Amortization expense is included with depreciation expense in the financial statements.

	<u>2020</u>	<u>2019</u>
Cost	\$ 65,950	\$ 65,950
Accumulated Depreciation	<u>(22,226)</u>	<u>(9,845)</u>
Net Equipment	<u><u>\$ 43,724</u></u>	<u><u>\$ 56,105</u></u>

NOTE 10 SOLAR ARRAY AGREEMENT

During the year, Summit Academy OIC entered into three separate agreements to purchase power from Green2Solar Leasing. The power will be generated from the solar array atop of the Organization's building. The agreements require Summit Academy OIC to purchase the solar equipment from another Organization, Ideal Energies, for a total of \$545,000. As part of the agreements with Green2Solar Leasing, Summit Academy OIC was advanced \$545,000 from Green2Solar Leasing as a pre-payment on the agreement. Summit Academy OIC used these proceeds to purchase the solar equipment.

As a result of the agreements, Summit Academy OIC has a utility contract obligation of \$545,000 which is presented as a liability on the statement of financial position. The utility contract obligation will be amortized over the life of the agreement with Green2Solar Leasing. Approximately \$275,000 will be amortized over 13 years and \$270,000 will be amortized over 17 years. As of June 30, 2020, the utility contract obligation was \$513,558.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 RENTAL INCOME

The Organization has a lease agreement to lease part of their building to Summit Early Learning Center, Inc. Effective January 1, 2016, rent on this lease is based on a month-to-month basis with monthly payments of \$10,800. The total lease amount for each of the fiscal years 2020 and 2019 was \$118,800 and \$129,600, respectively.

NOTE 12 EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) profit sharing plan to which it makes an annually determined discretionary contribution up to a maximum of 4% of employee compensation. All employees who meet certain minimum employment and age requirements are eligible to participate. The Organization's discretionary contribution to the plan was \$87,699 and \$97,049 for 2020 and 2019, respectively.