

**SUMMIT ACADEMY OIC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**SUMMIT ACADEMY OIC  
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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, 2015 and 2014, 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, 2015 and 2014, and the results of its operations 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  
October 28, 2015

**SUMMIT ACADEMY OIC  
BALANCE SHEETS  
JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 515,676	\$ 261,952
Program Service Fee Receivables	146,748	381,917
Pledges Receivable - Current Portion	1,101,933	1,047,413
Other Assets	233,032	199,162
Total Current Assets	1,997,389	1,890,444
<b>PROPERTY AND EQUIPMENT</b>		
Land	465,500	465,500
Building and Building Improvements	3,932,872	3,913,188
Automobiles	69,977	69,977
Furniture and Equipment	1,795,600	1,715,610
Total	6,263,949	6,164,275
Less: Accumulated Depreciation	3,997,728	3,741,956
Net Property and Equipment	2,266,221	2,422,319
<b>OTHER ASSETS</b>		
Pledges Receivable - Long-Term	946,036	407,403
Total Assets	\$ 5,209,646	\$ 4,720,166
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Capital Leases	\$ 16,164	\$ 12,886
Lines of Credit	350,000	-
Notes Payable - Current Maturities	73,727	323,687
Accounts Payable	226,282	221,857
Accrued Expenses	9,191	35,403
Accrued Payroll and Related Expenses	150,273	266,023
Deferred Revenue	36,651	136,836
Total Current Liabilities	862,288	996,692
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations, Less Current Maturities	60,615	29,139
Notes Payable, Less Current Maturities	315,932	142,145
Asset Retirement Obligation	184,184	175,451
Total Long-Term Liabilities	560,731	346,735
Total Liabilities	1,423,019	1,343,427
<b>NET ASSETS</b>		
Unrestricted	1,602,243	2,474,519
Temporarily Restricted	2,184,384	902,220
Total Net Assets	3,786,627	3,376,739
Total Liabilities and Net Assets	\$ 5,209,646	\$ 4,720,166

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support:			
Government Grants	\$ 1,221,224	\$ -	\$ 1,221,224
In-Kind Donations	88,883	-	88,883
Contributions from Individuals, Corporations and Foundations	1,255,557	895,764	2,151,321
Total Support	<u>2,565,664</u>	<u>895,764</u>	<u>3,461,428</u>
Revenue:			
Federal Student Financial Aid	50,620	-	50,620
State Student Financial Aid	171,740	-	171,740
Tuition from Pell Grants	824,196	-	824,196
Gross Tuition	884,124	-	884,124
Less: SAOIC Grant	<u>(871,068)</u>	<u>-</u>	<u>(871,068)</u>
Net Tuition	1,059,612	-	1,059,612
Rental Income	171,899	-	171,899
Special Events (Net of Direct Benefits of \$60,985 and \$54,264 for the Years Ended June 30, 2015 and 2014, Respectively)	253,495	-	253,495
Gain on Lease Termination	-	-	-
Gain (Loss) on Asset Disposal	2,508	-	2,508
Other	<u>151,503</u>	<u>-</u>	<u>151,503</u>
Total Revenue	<u>1,639,017</u>	<u>-</u>	<u>1,639,017</u>
Total	4,204,681	895,764	5,100,445
Net Assets Released from Restrictions	<u>922,418</u>	<u>(922,418)</u>	<u>-</u>
Total Support and Revenue	5,127,099	(26,654)	5,100,445
<b>EXPENSES</b>			
Program Services:			
Training	2,650,995	-	2,650,995
Service	1,560,849	-	1,560,849
Advocacy	<u>395,144</u>	<u>-</u>	<u>395,144</u>
Total Program Services	4,606,988	-	4,606,988
Supporting Services:			
Management and General	619,903	-	619,903
Rental Property	153,685	-	153,685
Fundraising	<u>411,310</u>	<u>-</u>	<u>411,310</u>
Total Supporting Services	<u>1,184,898</u>	<u>-</u>	<u>1,184,898</u>
Total Expenses	<u>5,791,886</u>	<u>-</u>	<u>5,791,886</u>
<b>CHANGE IN OPERATING NET ASSETS</b>	(664,787)	(26,654)	(691,441)
<b>NON-OPERATING ACTIVITY</b>			
Capital Campaign Revenue	-	1,308,818	1,308,818
Capital Campaign Fundraising Expense	<u>(207,489)</u>	<u>-</u>	<u>(207,489)</u>
Total Non-Operating Activity	<u>(207,489)</u>	<u>1,308,818</u>	<u>1,101,329</u>
<b>CHANGE IN NET ASSETS</b>	(872,276)	1,282,164	409,888
Net Assets - Beginning of Year	<u>2,474,519</u>	<u>902,220</u>	<u>3,376,739</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,602,243</u>	<u>\$ 2,184,384</u>	<u>\$ 3,786,627</u>

See accompanying Notes to Financial Statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 1,412,569	\$ -	\$ 1,412,569
-	-	-
<u>2,118,659</u>	<u>1,060,000</u>	<u>3,178,659</u>
3,531,228	1,060,000	4,591,228
42,969	-	42,969
199,671	-	199,671
1,085,255	-	1,085,255
882,612	-	882,612
<u>(863,380)</u>	<u>-</u>	<u>(863,380)</u>
1,347,127	-	1,347,127
171,899	-	171,899
263,136	-	263,136
9,276	-	9,276
(8,219)	-	(8,219)
<u>74,030</u>	<u>-</u>	<u>74,030</u>
<u>1,857,249</u>	<u>-</u>	<u>1,857,249</u>
5,388,477	1,060,000	6,448,477
<u>874,693</u>	<u>(874,693)</u>	<u>-</u>
6,263,170	185,307	6,448,477
2,490,359	-	2,490,359
1,571,180	-	1,571,180
<u>336,857</u>	<u>-</u>	<u>336,857</u>
4,398,396	-	4,398,396
843,746	-	843,746
149,023	-	149,023
<u>506,613</u>	<u>-</u>	<u>506,613</u>
<u>1,499,382</u>	<u>-</u>	<u>1,499,382</u>
<u>5,897,778</u>	<u>-</u>	<u>5,897,778</u>
365,392	185,307	550,699
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
365,392	185,307	550,699
<u>2,109,127</u>	<u>716,913</u>	<u>2,826,040</u>
<u>\$ 2,474,519</u>	<u>\$ 902,220</u>	<u>\$ 3,376,739</u>

**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

2015

	Program Services				Supporting Services				
	Training	Service	Advocacy	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 1,251,629	\$ 864,804	\$ 206,730	\$ 2,323,163	\$ 331,619	\$ 31,588	\$ 211,453	\$ 8,264	\$ 2,906,087
Fringe Benefits	242,324	167,193	27,572	437,089	56,765	6,813	28,256	1,922	530,845
Professional Fees	325,632	151,955	136,915	614,502	86,924	482	112,915	164,965	979,788
Subcontractor	11,983	18,521	2,753	33,257	3,982	-	1,475	-	38,714
Depreciation	142,795	57,927	5,783	206,505	14,435	46,721	6,904	-	274,565
Occupancy and Utilities	127,931	47,471	2,204	177,606	15,917	64,892	2,778	-	261,193
Equipment Rental and Maintenance	12,450	8,809	988	22,247	2,882	1,206	1,298	1,659	29,292
Classroom Supplies	81,214	4,153	-	85,367	-	-	-	-	85,367
Postage and Office Supplies	4,406	15,374	345	20,125	8,919	79	10,565	7,021	46,709
Training, Meetings, and Staff Travel	4,890	22,888	10,086	37,864	26,672	117	6,745	4,005	75,403
Public Relations and Recruiting	327,071	2,085	84	329,240	2,579	-	5,793	641	338,253
Student Assistance	19,803	141,236	1,162	162,201	-	-	-	-	162,201
Dues and Subscriptions	4,637	9,538	259	14,434	9,013	-	7,992	200	31,639
Bank Charges and Interest	-	1,413	-	1,413	44,705	-	2,442	-	48,560
Other	94,230	47,482	263	141,975	15,491	1,787	12,694	18,808	190,755
<b>Total</b>	<b>\$ 2,650,995</b>	<b>\$ 1,560,849</b>	<b>\$ 395,144</b>	<b>\$ 4,606,988</b>	<b>\$ 619,903</b>	<b>\$ 153,685</b>	<b>\$ 411,310</b>	<b>\$ 207,485</b>	<b>\$ 5,999,371</b>

See accompanying Notes to Financial Statements.



**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014**

	2014							
	Program Services				Supporting Services			
	Training	Service	Advocacy	Total	Management and General	Rental Property	Fundraising	Total
Salaries	\$ 1,191,408	\$ 720,475	\$ 199,004	\$ 2,110,887	\$ 434,224	\$ 27,395	\$ 216,826	\$ 2,789,332
Fringe Benefits	197,927	129,628	24,716	352,271	124,493	5,555	26,170	508,489
Professional Fees	291,260	299,047	94,531	684,838	75,593	795	156,495	917,721
Subcontractor	13,214	6,844	2,869	22,927	5,005	-	1,475	29,407
Depreciation	134,992	52,770	5,787	193,549	13,334	46,104	6,975	259,962
Occupancy and Utilities	139,730	52,961	3,081	195,772	14,430	65,767	3,960	279,929
Equipment Rental and Maintenance	16,026	10,115	1,238	27,379	2,839	1,300	1,912	33,430
Classroom Supplies	117,590	3,771	-	121,361	-	-	-	121,361
Postage and Office Supplies	6,994	11,874	471	19,339	8,516	138	11,432	39,425
Training, Meetings, and Staff Travel	14,420	23,170	4,500	42,090	46,789	187	15,218	104,284
Public Relations and Recruiting	329,390	40	-	329,430	7,650	-	3,375	340,455
Student Assistance	26,598	213,620	-	240,218	-	-	-	240,218
Dues and Subscriptions	1,996	3,445	-	5,441	19,261	-	5,846	30,548
Bank Charges and Interest	-	887	-	887	39,393	-	1,177	41,457
Other	8,814	42,533	660	52,007	52,219	1,782	55,752	161,760
<b>Total</b>	<b>\$ 2,490,359</b>	<b>\$ 1,571,180</b>	<b>\$ 336,857</b>	<b>\$ 4,398,396</b>	<b>\$ 843,746</b>	<b>\$ 149,023</b>	<b>\$ 506,613</b>	<b>\$ 5,897,778</b>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 409,888	\$ 550,699
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	274,565	259,962
Gain on Lease Termination	(2,508)	(9,276)
(Gain) Loss on Asset Disposal	-	8,219
Asset Retirement Obligation	8,733	8,355
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	235,169	106,309
Pledges Receivable	(593,153)	(504,271)
Other Assets	(33,870)	(1,219)
Accounts Payable	4,425	3,911
Accrued Expenses	(26,212)	(183,936)
Accrued Payroll and Related Expenses	(115,750)	13,118
Deferred Revenue	(100,185)	7,041
Net Cash Provided by Operating Activities	61,102	258,912
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(69,151)	(210,651)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Debt	(76,173)	(74,423)
Line of Credit Advances	1,100,000	150,000
Line of Credit Payments	(750,000)	(150,000)
Payments on Capital Leases	(12,054)	(9,822)
Net Cash Provided (Used) by Financing Activities	261,773	(84,245)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	253,724	(35,984)
 Cash and Cash Equivalents - Beginning of Year	261,952	297,936
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 515,676	\$ 261,952
 <b>SUPPLEMENTAL INFORMATION</b>		
Non-Cash Disclosures:		
Equipment Purchased with Capital Lease	\$ 80,820	\$ 50,115
Retirement of Capital Lease Obligation	\$ 33,829	\$ 9,276
Cash Payments for Interest	\$ 48,752	\$ 41,457
Donated Stock	\$ 22,695	\$ 13,404

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Summit Academy OIC (the Organization), a nonprofit organization based in Minneapolis, Minnesota, trains and re-trains the unemployed and under-employed, 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:

*Unrestricted* – Those resources over which the board of directors has discretionary control.

*Temporarily Restricted* – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

*Permanently Restricted* – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

As of June 30, 2015 and 2014, the Organization had temporarily restricted and unrestricted net assets.

**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. Non-operating activity consists primarily of contributions and expenses relating to their capital campaign.

**Cash**

The Organization maintains its cash in checking, savings 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 uncollectability 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, 2015 and 2014, the allowance for doubtful accounts was \$27,000 and \$54,389, respectively.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**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. In addition to their annual fundraising event, during 2015, the Organization entered into a capital campaign designated for facility improvements. As of June 30, 2015 and 2014, an allowance for uncollectible pledges receivable of \$10,783 and \$1,500, respectively, was recorded.

**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 - 29 Years
Furniture and Equipment	3 - 5 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, 2015 and 2014 was \$179,466 and \$159,062, 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.

**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.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Donated Goods and Services**

Donated goods are reflected as contributions in the accompanying statements at their fair values at the date of receipt. Contributed services that meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America, are recorded at fair values at the date of receipt. The Organization received \$88,883 and \$7,950 in donated goods and services in the years ended June 30, 2015 and 2014, respectively. In-kind expense of \$88,883 and \$7,950 is allocated under other expenses and is included in management and general supporting services for the years ended June 30 2015 and 2014, respectively.

**Tax Status**

Summit Academy OIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) 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.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Reclassification**

Certain reclassifications have been made in 2014 financial statements to conform to classifications used in 2015. There was no effect on net assets previously reported.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2015, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATIONS**

The Organization receives much of its funding through grants to fund programs. A significant amount of their program service revenue and program service fee receivables is from a limited number of governmental agencies for 2015 and 2014.

At June 30, 2015, six entities made up 85% of program receivables. At June 30, 2014, five entities made up 87% of the program receivables.

During the years ended June 30, 2015 and 2014, three organizations made up 44% of revenue and four organizations made up 57% of revenue, respectively.

**SUMMIT ACADEMY OIC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	2015	2014
Annual Pledges Receivable	\$ 1,275,992	\$ 1,460,413
Capital Campaign Pledges Receivable	798,075	-
Allowance for Uncollectible Pledges	(10,783)	(1,500)
Unamortized Discount	(15,315)	(4,097)
Total	\$ 2,047,969	\$ 1,454,816
Amounts Due in:		
Less than One Year	\$ 1,101,933	\$ 1,047,413
One to Five Years	946,036	407,403
Total	\$ 2,047,969	\$ 1,454,816

Imputed interest rates utilized for computing the discount for long-term pledges ranges between 1.17% and 1.64%, depending on the year in which the pledge was made.

**NOTE 4 NOTES PAYABLE**

The Organization entered into a First Mortgage Note with a bank to borrow \$350,000. 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 May 19, 2015, this note was renewed at a fixed rate of 4.5%. Monthly principal and interest payments are \$2,782. A balloon payment for the remaining principal amount of \$127,110.48 will be due on May 19, 2020. As of June 30, 2015 and 2014, the outstanding balance on this note was \$247,711 and \$262,537, respectively.

The Organization also entered into an Adjustable Rate Revolving Line of Credit Second Mortgage agreement during 2007 that was renewed during 2015. Available borrowings under the line of credit are \$300,000. Interest is payable monthly at 1.0% above the bank's index rate (3.25% at June 30, 2015), with a floor on the interest rate of 5.0%. The note is due on demand, but if no demand is made, the note is due in full on October 15, 2015. The note is secured by a mortgage on the property located at 935 Olson Memorial Highway and all business assets. At June 30, 2015 and 2014, there were \$300,000 and \$0- of borrowings on the line of credit, respectively.

The Organization also entered into an additional Adjustable Rate Revolving Line of Credit agreement during 2010 that was renewed during 2015. Available borrowings under the line of credit are \$200,000. Interest is payable monthly at 1% above the bank's index rate (3.25% at June 30, 2015), with a floor on the interest rate of 5.0%. The note is due on demand, but if no demand is made, the note is due in full on October 15, 2015. The note is secured by capital assets of the Organization. At June 30, 2015 and 2014, there were \$50,000 and \$0- of borrowings on the line of credit, respectively.

**SUMMIT ACADEMY OIC  
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JUNE 30, 2015 AND 2014**

**NOTE 4 NOTES PAYABLE (CONTINUED)**

The Organization also entered into an additional Adjustable Rate Revolving Line of Credit agreement during 2015. Available borrowings under the line of credit are \$200,000. Interest is payable monthly at 1% above the bank's index rate (3.25% at June 30, 2015), with a floor on the interest rate of 5.0%. The note is due on demand, but if no demand is made, the note is due in full on October 15, 2015. The note is secured by capital assets of the Organization. At June 30, 2015, there was \$-0- of borrowings on the line of credit.

On September 25, 2012, the Organization entered into a borrowing agreement with a bank to finance the purchase of equipment. The amount of this loan is \$50,000 at a variable interest rate of 1.0% above the bank's index rate (3.25% at June 30, 2015), with a floor on the interest rate of 5.5%. The note is due on September 25, 2015 and requires monthly payments of \$1,511. The loan is secured by capital assets of the Organization. As of June 30, 2015, the outstanding balance on this loan was \$4,503. As of June 30, 2014, the outstanding balance on this loan was \$21,858.

Effective April 25, 2013, the Organization entered into another borrowing agreement with a bank to finance the purchase of a database. The amount of this loan is \$230,020 at a variable interest rate of 1.0% above the bank's index rate (3.25% at June 30, 2015), with a floor on the interest rate of 5.0%. The note is due on April 25, 2018 and requires monthly payments of \$4,348. As of June 30, 2015, the outstanding balance on this loan was \$137,445. As of June 30, 2014, the outstanding balance on this loan was \$181,437.

As of June 30, 2015 and 2014, there were outstanding note payable balances of \$389,659 and \$465,832, respectively. Future principal payments for the notes are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 73,727
2017	71,803
2018	67,424
2019	25,917
2020	150,788
Total Principal Payments	<u>\$ 389,659</u>

**NOTE 5 NET ASSETS**

**Temporarily Restricted**

Temporarily restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Time Restricted Pledges	\$ 1,089,823	\$ 782,403
Purpose Restricted Pledges	1,094,561	119,817
Total	<u>\$ 2,184,384</u>	<u>\$ 902,220</u>



**SUMMIT ACADEMY OIC**  
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**NOTE 5 NET ASSETS (CONTINUED)**

**Restrictions Released**

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

	<u>2015</u>	<u>2014</u>
Program Expenditures	\$ 200,021	\$ 254,557
Time Restrictions Met	<u>722,397</u>	<u>620,136</u>
Total Restrictions Released	<u>\$ 922,418</u>	<u>\$ 874,693</u>

**NOTE 6 LEASES**

The Organization entered into two capital leases for copiers in October of 2013. One of the capital leases was for a black and white copier, which required 48 monthly payments of \$569. The other new capital lease was for a color copier, which required 48 monthly payments of \$516. Effective April 30, 2015, the Organization terminated these leases for the copiers and entered into two new capital leases for new copiers. One of the capital leases was for a black and white copier, which required 60 monthly payments of \$653. The other new capital lease was for a color copier, which required 60 monthly payments of \$694. Future obligations on the remaining lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 16,164
2017	16,164
2018	16,164
2019	<u>28,287</u>
Total Payments	76,779
Less: Amount Representing Interest	<u>-</u>
Present Value of Minimum Lease Payments	76,779
Less: Current Maturities	<u>(16,164)</u>
Noncurrent Portion of Obligations Under Capital Lease	<u>\$ 60,615</u>

The following represents 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>2015</u>	<u>2014</u>
Cost	\$ 80,820	\$ 50,115
Accumulated Depreciation	<u>(4,041)</u>	<u>(9,397)</u>
Net Equipment	<u>\$ 76,779</u>	<u>\$ 40,718</u>

**SUMMIT ACADEMY OIC**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 RENTAL INCOME**

The Organization has a lease agreement to lease part of their building out to Summit Early Learning Center, Inc. The lease agreement expired on December 31, 2014 and required monthly payments of \$10,800 for May through December. A new lease was signed for the period of January 1, 2015 through December 31, 2015, and requires monthly payments of \$10,800. The total lease amount for each of the fiscal years 2015 and 2014 was \$129,600.

The Organization has a lease agreement to lease part of their building to a related party (see Note 9). The lease agreement expired on December 31, 2013, and required monthly payments of \$3,525 for July 1, 2013 through December 31, 2013. The lease agreement was not renewed, but the related party is leasing the building on a month-to-month basis. The required monthly payment is \$3,525. Effective January 1, 2015, the lease agreement was renewed through December 31, 2015, requiring monthly payments of \$3,525. The total lease amount for each of the fiscal years 2015 and 2014 was \$42,299.

**NOTE 8 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 \$61,091 and \$63,295 for 2015 and 2014, respectively.

**NOTE 9 RELATED PARTY**

The president of the Organization is a member of the board of directors for another nonprofit organization, The Network for Better Futures (The Network). During 2015 and 2014, \$42,299 in rental payments were collected from The Network. The amounts are included in the financial statements as rental income.