

▶ **Manhattan Star Academy**

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2022 AND 2021

THE MANHATTAN STAR ACADEMY
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-11



INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
The Manhattan Star Academy

Opinion

We have audited the accompanying financial statements of The Manhattan Star Academy (“MSA”), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Manhattan Star Academy as of June 30, 2022, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MSA 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.

Report on June 30, 2021 Financial Statements

The financial statements of MSA as of and for the year ended June 30, 2021, were audited by another auditor whose report dated January 28, 2022 expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MSA’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued

Auditors’ Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

Mayer Hoffman McCann CPAs

New York, NY
January 30, 2023

**THE MANHATTAN STAR ACADEMY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	\$ 378,122	\$ 945,246
Tuition receivable, net (Notes 2D and 2H)	14,312,547	10,674,643
Prepaid expenses and other assets	290,517	811,901
Operating lease right-of-use assets (Notes 8)	16,276,539	17,798,114
Property and equipment, net (Notes 2E and 4)	1,119,138	1,247,662
TOTAL ASSETS	\$ 32,376,863	\$ 31,477,566
LIABILITIES		
Accounts payable and accrued expenses	\$ 269,918	\$ 196,890
Accrued salaries and other benefits	877,714	961,691
Other liabilities (Note 6)	4,049,124	4,087,408
Note payable (Note 5)	3,000,000	3,000,000
Loan payable (Note 7)	-	124,724
Refundable advances (Note 10)	-	581,232
Deferred revenue (Note 2F)	664,363	434,205
Lease liability (Notes 8)	17,913,694	19,312,724
TOTAL LIABILITIES	26,774,813	28,698,874
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without donor restrictions	5,566,781	2,761,416
With donor restrictions	35,269	17,276
TOTAL NET ASSETS	5,602,050	2,778,692
TOTAL LIABILITIES AND NET ASSETS	\$ 32,376,863	\$ 31,477,566

The accompanying notes are an integral part of these financial statements.

**THE MANHATTAN STAR ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
REVENUE AND SUPPORT		
Tuition (Notes 2D)	\$ 14,834,256	\$ 12,592,904
Contributions (Note 2H)	54,727	40,731
Paycheck Protection Program (Note 10)	581,232	475,943
Net assets released from restrictions (Notes 2H and 13)	3,750	705
Other income (Note 6B)	1,018,261	65
TOTAL REVENUE AND SUPPORT	16,492,226	13,110,348
EXPENSES (Note 2I)		
Educational services	11,366,221	10,086,439
Management and general	2,276,501	2,425,209
Fundraising expenses	44,139	5,862
TOTAL EXPENSES	13,686,861	12,517,510
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,805,365	592,838
Contributions with donor restrictions (Notes 2H and 13)	21,743	14,434
Net assets released from restrictions (Notes 2H and 13)	(3,750)	(705)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	17,993	13,729
CHANGE IN TOTAL NET ASSETS	2,823,358	606,567
Net assets - beginning of year	2,778,692	2,172,125
NET ASSETS - END OF YEAR	\$ 5,602,050	\$ 2,778,692

THE MANHATTAN STAR ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Year Ended June 30, 2022				Year Ended June 30, 2021			
	Educational Services	Management and General	Fundraising	Total 2022	Educational Services	Management and General	Fundraising	Total 2021
Salaries	\$ 6,621,082	\$ 627,624	\$ -	\$ 7,248,706	\$ 5,481,814	\$ 735,640	\$ -	\$ 6,217,454
Payroll taxes and employee benefits (Note 12)	1,345,955	149,580	-	1,495,535	1,133,942	147,327	-	1,281,269
Total salaries and related costs	7,967,037	777,204	-	8,744,241	6,615,756	882,967	-	7,498,723
Contracted services	231,585	7,536	-	239,121	126,435	300	-	126,735
Management support services (Note 6)	-	959,336	40,162	999,498	-	960,255	-	960,255
Program recreational and supplies	81,021	-	-	81,021	82,795	-	-	82,795
Food	189	167	-	356	204	-	-	204
Transportation	1,547	124	-	1,671	440	-	-	440
Professional fees	26,183	69,440	-	95,623	2,016	58,381	-	60,397
Occupancy (Note 8)	1,976,344	187,341	-	2,163,685	1,909,790	256,287	-	2,166,077
Insurance	-	39,688	-	39,688	-	43,796	-	43,796
Repairs and maintenance	287,183	19,857	-	307,040	335,969	2,223	-	338,192
Telephone	6,413	16,602	-	23,015	9,088	6,339	-	15,427
Utilities	232,464	-	-	232,464	227,047	-	-	227,047
Office and equipment expense	78,324	37,421	-	115,745	146,839	40,169	-	187,008
Information technology	38,471	10,123	-	48,594	67,170	23,665	-	90,835
Staff development	102,996	3,306	-	106,302	40,833	271	-	41,104
Bad debt (Note 2D)	-	-	-	-	206,400	-	-	206,400
Depreciation and amortization (Note 4)	334,752	-	-	334,752	308,543	-	-	308,543
Interest (Note 7)	1,712	101,455	-	103,167	6,985	110,957	-	117,942
Miscellaneous	-	46,901	3,977	50,878	129	39,599	5,862	45,590
TOTAL EXPENSES	\$ 11,366,221	\$ 2,276,501	\$ 44,139	\$ 13,686,861	\$ 10,086,439	\$ 2,425,209	\$ 5,862	\$ 12,517,510

**THE MANHATTAN STAR ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,823,358	\$ 606,567
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	334,752	308,543
Non-cash interest expense (amortization of deferred financing costs)	1,712	6,958
Bad debt	-	206,400
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Tuition receivable	(3,637,904)	(4,564,977)
Prepaid expenses and other assets	521,384	(63,002)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	73,028	(193,379)
Accrued salaries and other benefits	(83,977)	622,463
Other liabilities	(38,284)	3,041,253
Refundable advances	(581,232)	581,232
Deferred revenue	230,158	13,961
Deferred rent and lease obligations	122,545	176,015
Net Cash (Used in) Provided by Operating Activities	(234,460)	742,034
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(206,228)	(82,494)
Net Cash Used in Investing Activities	(206,228)	(82,494)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on loan	(126,436)	(371,574)
Net Cash Used in Financing Activities	(126,436)	(371,574)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(567,124)	287,966
Cash and cash equivalents - beginning of year	945,246	657,280
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 378,122	\$ 945,246
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 101,455	\$ 110,984

**THE MANHATTAN STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Manhattan Star Academy (“MSA”) offers a continuum of care for school-age children with a diverse range of diagnoses, including global developmental delays, autism spectrum disorders and speech and language disorders. MSA offers a dynamic school environment that encourages students to build on each other’s strengths and to learn from one another. MSA was incorporated in June 1998 and began operations on July 1, 2010.

MSA is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is supported primarily by tuition income. MSA has an equivalent exemption from income tax at the state and local levels.

MSA is an independent agency that is part of the Young Adult Institute, Inc. (“YAI”) Network, which is a network of non-profit agencies operating programs and services for children and adults with developmental disabilities throughout New York City, Hudson Valley, Long Island and California. Effective July 1, 2019, YAI became the sole corporate member of MSA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting and Use of Estimates*** – MSA’s financial statements are prepared on the accrual basis of accounting. MSA adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.
- B. ***Basis of Net Assets Presentation*** – MSA maintains its net assets under the following classes:
- Without Donor Restrictions – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of MSA’s operations over which the Board of Trustees has discretionary control.
- With Donor Restrictions – This represents net assets subject to donor-imposed stipulations that will be met by actions of MSA or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- C. ***Cash and Cash Equivalents*** – MSA considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents.
- D. ***Tuition and Allowance for Uncollectible Receivables*** – Tuition receivable consists of unpaid tuition balances. Interest is not accrued or recorded on outstanding balances. MSA determines whether an allowance for uncollectible accounts should be provided for tuition receivable. Such estimate is based on management’s assessment of the aged basis of its receivables, current economic conditions, collections subsequent to year end and historical experience. As of June 30, 2022 and 2021, MSA determined that an allowance of \$753,292 and \$1,206,400, respectively, was necessary for tuition receivable. MSA did not write off any accounts receivable for the years ended June 30, 2022 and 2021.
- E. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by MSA provided its cost is \$5,000 or more and its useful life is greater than one year.
- F. ***Deferred Revenue*** – MSA receives deposits and prepayments from students in advance of the upcoming school year. These deposits are recorded as liabilities and are applied against the students’ tuition in the period in which they are earned. All deposits are expected to be earned in the next fiscal year.

**THE MANHATTAN STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. **Revenue Sources and Recognition** – Service revenue is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which MSA expects to be entitled in exchange for providing the contracted services. Service revenue from tuition and fees is recognized after the services are performed or after MSA has completed its portion of the contract. Receivables are due in full when performance obligations are satisfied.

Tuition and fees are recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided.

H. **Contributions** – Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. MSA reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions are accounted for under Accounting Standards Update “ASU” 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

I. **Functional Expenses** – The costs of providing program and supporting services of MSA have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the program and supporting services benefited. The expenses that are allocated include occupancy and maintenance, which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

J. **Prior Period Revenue** - There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in tuition revenue for the years ended June 30, 2022 and 2021 is an increase of approximately \$453,108 and \$0, respectively, of prior year revenues relating to such adjustments.

K. **Reclassification** - Certain line items in the June 30, 2021 financial statements were reclassified to the June 30, 2022 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2021.

NOTE 3 – LIQUIDITY AND AVAILABILITY

MSA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maintain a balanced budget. MSA has various sources of liquidity at its disposal, including cash and cash equivalents and tuition receivables that provide funding for operations and expenditures as needed. The financial assets available to meet general expenditures over the next 12 months were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 378,122	\$ 945,246
Tuition receivable, net	14,312,547	10,674,643
Net assets with donor restriction	<u>(35,269)</u>	<u>(17,276)</u>
	<u>\$ 14,655,400</u>	<u>\$ 11,602,613</u>

MSA strives to maintain liquid financial assets sufficient to cover expenditures. Tuition revenue from funders are expected to cover most expenses. YAI is the sole corporate member of MSA, which can aid when there are unanticipated shortfalls.

**THE MANHATTAN STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>	Estimated Useful Lives
Leasehold improvements	\$ 2,540,352	\$ 2,444,117	5-15 Years
Furniture and fixtures	404,133	309,479	5-15 Years
Equipment	<u>239,025</u>	<u>226,150</u>	3- 5 Years
Total cost	3,183,510	2,979,746	
Less: Accumulated depreciation and amortization	<u>(2,064,372)</u>	<u>(1,732,084)</u>	
Property and equipment, net	<u>\$ 1,119,138</u>	<u>\$ 1,247,662</u>	

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$334,752 and \$308,543, respectively. During 2022, \$2,464 of fully depreciated equipment no longer in use was disposed.

NOTE 5 – RELATED PARTY TRANSACTIONS

- A. YAI is the sole corporate member of MSA. MSA borrowed on the YAI line of credit to fund operations during 2022 and 2021. Line of credit outstanding amounted to \$3,000,000 as of both June 30, 2022 and 2021, respectively, and is included as note payable in the statements of financial position.
- B. MSA has a brother sister relationship with the International Academy of Hope (“IHope”) under sole corporate member YAI. Due from IHope as of June 30, 2022 and 2021 amounted to \$3,811 and \$518,575, respectively, and is included under prepaid expenses and other assets in the statements of financial position.

NOTE 6 – MANAGEMENT SERVICES AGREEMENTS

- A. MSA has a management agreement with YAI to provide management services which include, but are not limited to: accounting and financial operations, administrative and program support, human resources, education and training, information technology, general management and a limited amount of fundraising support. For the years ended June 30, 2022 and 2021, MSA incurred a management charge of \$999,498 and \$960,255, respectively. The total amounts outstanding as of June 30, 2022 and 2021 were \$4,049,124 and \$3,075,442, respectively, and are included in other liabilities on the statements of financial position.
- B. MSA previously had an arrangement with a former affiliate to provide program services. During the year 2016, the former affiliate terminated its relationship with MSA and YAI and subsequently dissolved. As of June 30, 2022, MSA wrote off amounts owed to this affiliate, which resulted in \$1,011,966 recognized as other income for the year ended June 30, 2022.

NOTE 7 – LOAN PAYABLE

MSA had a construction loan payable to a bank which bore interest at a fixed rate of 3.05% per annum. As of June 30, 2021, \$124,724 was outstanding. During the year ended June 30, 2022, MSA repaid the loan in full. Interest expense for the years ended June 30, 2022 and 2021 amounted to \$821 and \$10,197, respectively.

NOTE 8 – OPERATING LEASES

MSA has three noncancelable operating lease agreements expiring at varying dates through 2035 for real and personal property principally under long-term operating leases and for copying/printing equipment. MSA assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting FASB ASC 842 had no impact to prior year statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on MSA’s change in net assets.

**THE MANHATTAN STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 – OPERATING LEASES (Continued)

As of June 30, 2022, the right-of-use (“ROU”) asset had a balance of \$16,276,539, as shown in the statement of financial position; the lease liability totaled \$17,913,694 as shown in the statement of financial position. The lease liabilities were calculated utilizing MSA’s incremental borrowing rate of 3.25% for leases in effect at the initial adoption date of July 1, 2020. The weighted average of the remaining lease term is 160 months, and the weighted average discount rate is 3.25%.

For the years subsequent to June 30, 2022, the future minimum rentals under lease agreements are as follows:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 2,060,452	\$ 9,300	\$ 2,069,752
2024	2,131,784	9,300	2,141,084
2025	2,198,605	9,300	2,207,905
2026	1,436,688	6,200	1,442,888
2027	1,479,789	-	1,479,789
Thereafter	<u>12,291,591</u>	<u>-</u>	<u>12,291,591</u>
Total lease payment	21,598,909	34,100	21,633,009
Less: Present value discount	<u>(3,717,321)</u>	<u>(1,994)</u>	<u>(3,719,315)</u>
	<u>\$ 17,881,588</u>	<u>\$ 32,106</u>	<u>\$ 17,913,694</u>

Rent expense for the years ended June 30, 2022 and 2021 amounted to \$2,163,393 and \$2,141,772, respectively. Leased equipment expense for the years ended June 30, 2022 and 2021 amounted to \$11,359 and \$11,525, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

MSA believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – REFUNDABLE ADVANCES

In April 2021, MSA received total proceeds in the amount of \$1,057,175 under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. MSA intends to comply with all requirements of PPP forgiveness.

In accounting for the terms of the PPP loan, MSA is guided by ASC 958-605 as a conditional contribution. For the years ended June 30, 2022 and 2021, MSA has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of \$581,232 and \$475,943, respectively, in the accompanying statements of activities.

NOTE 11 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents that potentially subject MSA to a concentration of credit risk include cash accounts with a bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2022 and 2021, there was approximately \$220,000 and \$709,000, respectively of cash that exceeded FDIC limits.

**THE MANHATTAN STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 – RETIREMENT PLAN

On July 1, 2015, MSA adopted the YAI Network Affiliates 401(a) Plan (the “Plan”). Employees are eligible to participate in the Plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to the Plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. For the years ended June 30, 2022 and 2021, retirement expense amounted to \$82,688 and \$74,655, respectively.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

MSA’s net assets with donor restrictions subject to expenditure for the specified purpose, purchase of adaptive equipment, amounted to \$35,269 and \$17,276 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, MSA released net assets with donor restrictions of \$3,750 and \$705, respectively, by satisfying restrictions.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through January 30, 2023, the date the financial statements were available to be issued.