

THE INTERNATIONAL ACADEMY OF HOPE



**FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2022 AND 2021

THE INTERNATIONAL ACADEMY OF HOPE

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
The International Academy of Hope

Opinion

We have audited the financial statements of The International Academy of Hope (the "Academy") and The International Center of Hope ("the "Center") (collectively referred to as "IHOPE"), 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 accompanying financial statements present fairly, in all material respects, the financial position of the IHOPE 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 IHOPE 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 Consolidated Financial Statements

The consolidated financial statements of IHOPE as of and for the year ended June 30, 2021, were audited by another auditor whose report dated February 17, 2022 expressed an unmodified opinion on those consolidated 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 IHOPE'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 judgment 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 IHOPE'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 IHOPE'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (shown on pages 13 and 14) as of and for the year ended June 30, 2022, is presented for purposes of additional analysis of the financial statements rather than to present the financial position and the change in net assets of the individual organizations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information as of and for the year ended June 30, 2021 was subjected to the auditing procedures applied in the June 30, 2021 audit of the basic consolidated financial statements by Marks Paneth LLP, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2021 consolidated financial statements as a whole.

Mayer Hoffman McCann CPAs

New York, NY
January 30, 2023

THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Note 2C)	\$ 628,669	\$ 577,380
Tuition receivable, net (Note 2D)	13,781,986	18,897,223
Pledge receivable (Note 4)	292,919	-
Other receivables	-	80,870
Prepaid expenses and other assets	415,720	401,193
Right of use asset (Note 7)	18,228	959,722
Property and equipment, net (Notes 2E and 5)	2,419,347	862,787
TOTAL ASSETS	\$ 17,556,869	\$ 21,779,175
LIABILITIES		
Accounts payable and accrued expenses	\$ 265,859	\$ 817,036
Accrued pension	168,932	157,704
Accrued salary	558,890	596,657
Accrued vacation	157,667	214,440
Due to affiliates (Note 6A)	103,187	5,229,549
Note payable (Note 6B)	3,450,000	4,000,000
Refundable advances (Note 9)	-	770,945
Deferred revenue (Notes 2D and 2F)	5,850	23,900
Lease liability (Note 7)	18,228	1,017,361
TOTAL LIABILITIES	4,728,613	12,827,592
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions	12,820,030	8,903,017
With donor restrictions (Note 11)	8,226	48,566
TOTAL NET ASSETS	12,828,256	8,951,583
TOTAL LIABILITIES AND NET ASSETS	\$ 17,556,869	\$ 21,779,175

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

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
REVENUE AND SUPPORT						
Tuition (Note 2D)	\$ 16,278,067	\$ -	\$ 16,278,067	\$ 16,209,440	\$ -	\$ 16,209,440
Contributions (Note 2G)	532,955	36,000	568,955	104,491	48,491	152,982
Paycheck Protection Program (Note 9)	770,945	-	770,945	660,922	-	660,922
Other income	83,459	-	83,459	750	-	750
Loss on asset disposal (Notes 2E and 5)	(171,333)	-	(171,333)	-	-	-
Net assets released from restrictions (Note 11)	<u>76,340</u>	<u>(76,340)</u>	<u>-</u>	<u>32,164</u>	<u>(32,164)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>17,570,433</u>	<u>(40,340)</u>	<u>17,530,093</u>	<u>17,007,767</u>	<u>16,327</u>	<u>17,024,094</u>
EXPENSES (Note 2H)						
Program services	11,057,429	-	11,057,429	11,488,085	-	11,488,085
Management and general	2,532,709	-	2,532,709	2,496,253	-	2,496,253
Fundraising	<u>63,282</u>	<u>-</u>	<u>63,282</u>	<u>11,590</u>	<u>-</u>	<u>11,590</u>
TOTAL EXPENSES	<u>13,653,420</u>	<u>-</u>	<u>13,653,420</u>	<u>13,995,928</u>	<u>-</u>	<u>13,995,928</u>
CHANGE IN NET ASSETS	3,917,013	(40,340)	3,876,673	3,011,839	16,327	3,028,166
Net assets - beginning of year	<u>8,903,017</u>	<u>48,566</u>	<u>8,951,583</u>	<u>5,891,178</u>	<u>32,239</u>	<u>5,923,417</u>
NET ASSETS - END OF YEAR	<u>\$ 12,820,030</u>	<u>\$ 8,226</u>	<u>\$ 12,828,256</u>	<u>\$ 8,903,017</u>	<u>\$ 48,566</u>	<u>\$ 8,951,583</u>

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

THE INTERNATIONAL ACADEMY OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services	Management and General	Fundraising	Total 2022	Total 2021
Salaries	\$ 7,152,349	\$ 683,441	\$ -	\$ 7,835,790	\$ 7,095,806
Payroll taxes and employee benefits (Note 10)	1,624,006	138,543	-	1,762,549	1,773,631
Total salaries and related costs	8,776,355	821,984	-	9,598,339	8,869,437
Contracted services	243,976	13,187	-	257,163	102,992
Management support services (Note 6)	-	1,034,604	44,531	1,079,135	1,044,862
Professional fees	129,738	223,906	-	353,644	795,807
Program recreational and supplies	179,948	14,391	-	194,339	182,597
Food	667	104	-	771	1,576
Transportation	354	710	-	1,064	767
Office and equipment expense	125,761	60,760	-	186,521	76,699
Staff development	65,538	3,830	-	69,368	34,990
Occupancy (Note 7)	877,314	-	-	877,314	877,660
Repairs and maintenance	509,076	40,982	-	550,058	148,306
Insurance	17,619	45,855	-	63,474	56,268
Utilities	83,778	-	-	83,778	133,848
Telephone	2,288	11,786	-	14,074	5,715
Information technology	22,203	9,157	-	31,360	40,401
Depreciation and amortization (Note 5)	22,814	116,674	-	139,488	78,697
Interest (Note 6B)	-	134,179	-	134,179	134,347
Bad debt	-	-	-	-	1,340,998
Miscellaneous	-	600	18,751	19,351	69,961
TOTAL EXPENSES	\$ 11,057,429	\$ 2,532,709	\$ 63,282	\$ 13,653,420	\$ 13,995,928

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

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total 2021
Salaries	\$ 6,505,006	\$ 590,800	\$ -	\$ 7,095,806
Payroll taxes and employee benefits (Note 10)	<u>1,627,939</u>	<u>145,692</u>	<u>-</u>	<u>1,773,631</u>
Total salaries and related costs	8,132,945	736,492	-	8,869,437
Contracted services	101,545	1,447	-	102,992
Management support services (Note 6)	-	1,044,862	-	1,044,862
Professional fees	453,737	342,070	-	795,807
Program recreational and supplies	161,687	20,910	-	182,597
Food	1,576	-	-	1,576
Transportation	767	-	-	767
Office and equipment expense	72,333	4,366	-	76,699
Staff development	34,945	45	-	34,990
Occupancy (Note 7)	877,660	-	-	877,660
Repairs and maintenance	143,413	4,893	-	148,306
Insurance	-	56,268	-	56,268
Utilities	133,848	-	-	133,848
Telephone	2,004	3,711	-	5,715
Information technology	15,966	24,435	-	40,401
Depreciation and amortization (Note 5)	14,661	64,036	-	78,697
Interest (Note 6B)	-	134,347	-	134,347
Bad debt	1,340,998	-	-	1,340,998
Miscellaneous	<u>-</u>	<u>58,371</u>	<u>11,590</u>	<u>69,961</u>
TOTAL EXPENSES	<u>\$ 11,488,085</u>	<u>\$ 2,496,253</u>	<u>\$ 11,590</u>	<u>\$ 13,995,928</u>

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

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,876,673	\$ 3,028,166
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	139,488	78,697
Bad debt expense	-	1,340,998
Loss on disposal of property and equipment	171,333	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Tuition receivable	5,115,237	(5,118,760)
Prepaid expenses and other assets	(14,527)	68,450
Pledges receivable	(292,919)	-
Other receivables	80,870	(42,184)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(551,177)	568,425
Accrued salaries and other benefits	(83,312)	464,554
Due to affiliates	(5,126,362)	(559,523)
Refundable advances	(770,945)	770,945
Deferred revenue	(18,050)	(44,584)
Lease liability	(57,639)	(13,642)
Net Cash Provided by Operating Activities	2,468,670	541,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,867,381)	(724,254)
Net Cash Used in Investing Activities	(1,867,381)	(724,254)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(550,000)	-
Net Cash Used in Financing Activities	(550,000)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,289	(182,712)
Cash and cash equivalents - beginning of year	577,380	760,092
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 628,669	\$ 577,380
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 134,179	\$ 134,347

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The International Academy of Hope (the “Academy”) was formed during 2013 for the purpose of serving as a non-public, non-profit school and an educational institution for children with a brain injury and/or brain-based disorders. The Academy was granted a provisional three-year charter from the Regents of the University of New York on October 22, 2013. The Academy has renewed its charter through December 2025 and is licensed by the New York City Department of Education (the “NYCDOE”).

The International Center of Hope (the “Center”) was formed during fiscal 2016 for the purpose of advancing the mission of the Academy by preventing, identifying, treating and eventually curing the number one cause of death and disability for American youth, pediatric acquired brain injury, as well as other brain-based disorders. After receiving approval from the Board of Trustees and the New York State Attorney General’s Office, the Academy and Center entered into a transaction whereby all of the Center’s assets and liabilities were transferred to the Academy. Effective July 1, 2021, the Center ceased operations, with the Certificate of Incorporation of the Academy being the Certificate of Incorporation of the surviving entity without any amendments or changes. Subsequent to the effective date of the transfer, the business of the combined corporations is conducted through the Academy as the surviving organization.

The accompanying financial statements reflect the activities of the Academy and the Center (collectively referred to as “IHOPE”). The Academy and the Center are both exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and have an equivalent exemption from income tax at the state and local levels. IHOPE is supported primarily by tuition income.

IHOPE is a 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. YAI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Effective March 1, 2018, IHOPE entered into a management agreement with YAI to undertake, on its behalf, functions in regard to business and administrative services of IHOPE. Effective July 1, 2019, YAI became the sole member of the Academy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** – IHOPE’s financial statements are prepared on the accrual basis of accounting. IHOPE 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 reported period. Actual results could differ from those estimates.

B. ***Basis of Net Asset Presentation*** – IHOPE 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 IHOPE’s operations over which the Board of Directors has discretionary control.

With Donor Restrictions – This represents net assets subject to donor-imposed stipulations that will be met by actions of IHOPE 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*** – IHOPE 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 is comprised of student fees and tuition owed from the NYCDOE. Such an estimate is based upon assessments performed by IHOPE or upon agreements entered into with the student’s parents, and subject to executed stipulation agreements with the NYCDOE. Interest is not accrued or recorded on outstanding balances.

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IHOPE 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, IHOPE determined that an allowance of approximately \$725,000 and \$2.2 million, respectively, was necessary for tuition receivable.

Service revenue from tuition and fees is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which IHOPE expects to be entitled in exchange for providing the contracted services. Service revenue is recognized after the services are performed or after IHOPE 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.

- 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 IHOPE provided its cost is \$5,000 or more and its useful life is greater than one year.
- F. **Deferred Revenue** – IHOPE receives deposits and prepayments in advance from students 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.
- G. **Contributions** – Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. IHOPE reports gifts of cash and other assets as restricted support 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 nonexchange transactions and are accounted for under FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Contributions are recognized when barriers within the contract are overcome, and there is no right of return/release from obligation.
- H. **Functional Expenses** – The costs of providing program and supporting services of IHOPE 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, which is allocated on a prorated basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

IHOPE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maintain a balanced budget. IHOPE 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. IHOPE strives to maintain liquid financial assets sufficient to cover expenditures. Tuition revenue from funders is expected to cover most expenses. In addition, as noted in Note 1, YAI is the sole member of IHOPE, which can aid if there are unanticipated shortfalls.

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

Financial assets available for general expenditure, within one year of the statement of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 628,669	\$ 577,380
Tuition receivable, net	13,489,067	18,897,223
Pledge receivables to be collected in less than one year	110,000	-
Other receivables	-	80,870
Net assets with donor restrictions	<u>(8,226)</u>	<u>(48,566)</u>
	<u>\$ 14,219,510</u>	<u>\$ 19,506,907</u>

NOTE 4 – PLEDGES RECEIVABLE

Contributions receivable consists of the following as of June 30:

Amounts expected to be collected in:	<u>2022</u>	<u>2021</u>
Less than one year	\$ 110,000	\$ -
One to five years	<u>204,780</u>	<u>-</u>
	314,780	-
Discount to present value at 1.26% to 2.89%	<u>(21,861)</u>	<u>-</u>
	<u>\$ 292,919</u>	<u>\$ -</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 1,417,916	\$ 293,644	4 - 6 years
Equipment, furniture and fixtures	1,197,386	237,924	3 - 5 years
Construction in progress	-	571,090	
	<u>2,615,302</u>	<u>1,102,658</u>	
Less: accumulated depreciation and amortization	<u>(195,955)</u>	<u>(239,871)</u>	
	<u>\$ 2,419,347</u>	<u>\$ 862,787</u>	

Depreciation and amortization expense amounted to \$139,488 and \$78,697 for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, property, plant and equipment with cost of \$354,737 and accumulated depreciation of \$183,404 was disposed of, resulting in a loss of \$171,333, which is included in the statement of activities.

NOTE 6 – RELATED-PARTY TRANSACTIONS

A. IHOPE entered into a management agreement with YAI effective March 1, 2018 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, and general management. For the years ended June 30, 2022 and 2021, IHOPE incurred a management services charge of \$1,079,135 and \$1,044,862, respectively. As of June 30, 2022 and 2021, IHOPE has a liability due to YAI of approximately \$99,376 and \$4,706,037, respectively, for advances for operating costs and for operating costs paid by YAI on IHOPE's behalf.

**THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 – RELATED-PARTY TRANSACTIONS

Due to affiliates consists of the following as June 30:

	<u>2022</u>	<u>2021</u>
YAI	\$ 99,736	\$ 4,706,037
Manhattan Star Academy (“MSA”)	3,811	518,575
Premier Healthcare, Inc. (“PHC”)	-	<u>4,937</u>
	<u>\$ 103,187</u>	<u>\$ 5,229,549</u>

IHOPE, MSA and PHC have a sibling affiliation in the YAI network, whereby YAI is sole member of the organizations. IHOPE received advances for operating costs during the year ended June 30, 2022.

- B. YAI is the sole member of IHOPE. IHOPE borrowed on the YAI line of credit to fund operations during 2022. Proceeds from the line of credit amounted to \$3,450,000, and \$4,000,000 as of June 30, 2022 and 2021, and are included as note payable in the statements of financial position. Interest amounted to \$134,179 and \$134,347 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – OPERATING LEASES

As of June 30, 2022, the right-of-use (“ROU”) asset had a balance of \$18,228, as shown in the statements of financial position; the lease liability totaled \$18,228 as shown in the statements of financial position. The lease liabilities were calculated utilizing IHOPE’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, the lease term for vehicles is 44 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>Vehicles and Equipment</u>	<u>Total</u>
2023	\$ 5,280	\$ 5,280
2024	5,280	5,280
2025	5,280	5,280
Thereafter	<u>3,520</u>	<u>3,520</u>
Total Lease Payments	19,360	19,360
Less: Present value discount	<u>(1,132)</u>	<u>(1,132)</u>
	<u>\$ 18,228</u>	<u>\$ 18,228</u>

Rent expense for the years ended June 30, 2022 and 2021 amounted to \$466,746 and \$610,069, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

- A. In March 2022, IHOPE executed a lease effective May 2023 through April 2053. The future obligation of the lease amounts to approximately \$127 million.
- B. IHOPE believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with ASC Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 9 – REFUNDABLE ADVANCES

In April 2021, IHOPE received total proceeds in the amount of \$1,431,867 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.

THE INTERNATIONAL ACADEMY OF HOPE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – REFUNDABLE ADVANCES (Continued)

In accounting for the terms of the PPP loan, IHOPE is guided by ASC 958-605 as a conditional contribution. For the years ended June 30, 2022 and 2021, IHOPE has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of \$770,945 and \$660,922, respectively in the accompanying statements of activities. In November 2021, the PPP loan and accrued interest were forgiven in full.

NOTE 10 – RETIREMENT PLAN

On January 1, 2019, IHOPE adopted the YAI Network Affiliates 403(b) Plan (the “Plan”) with matching contributions from IHOPE effective July 1, 2019. Contributions to the Plan are based on amounts determined in accordance with the Internal Revenue Code Section 415. For the years ended June 30, 2022 and 2021, retirement expense amounted to \$116,351 and \$110,785, respectively.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

IHOPE’s net assets with donor restrictions consist of donor restricted contributions of \$8,226 and \$48,566 as of June 30, 2022 and 2021, respectively. Net assets are released from donor restrictions by incurring costs and satisfying restricted purposes. There were \$76,340 and \$32,164 of releases from restriction during the years ended June 30, 2022 and 2021, respectively. Net assets with donor restrictions consisted of \$2,755 and \$43,095 restricted for equipment and supplies as of June 30, 2022 and 2021, respectively, and \$5,471 for student sponsorships as of both June 30, 2022 and 2021.

NOTE 12 – 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.

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENT OF FINANCIAL POSITION DETAIL
AS OF JUNE 30, 2022**

	As of June 30, 2022		
	Academy	Center	Total
ASSETS			
Cash and cash equivalents	\$ 628,669	\$ -	\$ 628,669
Tuition receivable, net	13,781,986	-	13,781,986
Pledges receivable	292,919	-	292,919
Prepaid expenses and other assets	415,720	-	415,720
Right of use assets	18,228	-	18,228
Property and equipment, net	2,419,347	-	2,419,347
TOTAL ASSETS	\$ 17,556,869	\$ -	\$ 17,556,869
LIABILITIES			
Accounts payable and accrued expenses	\$ 265,859	\$ -	\$ 265,859
Accrued pension	168,932	-	168,932
Accrued salary	558,890	-	558,890
Accrued vacation	157,667	-	157,667
Due to affiliates	103,187	-	103,187
Note payable	3,450,000	-	3,450,000
Deferred revenue	5,850	-	5,850
Lease liability	18,228	-	18,228
TOTAL LIABILITIES	4,728,613	-	4,728,613
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Without donor restrictions	12,820,030	-	12,820,030
With donor restrictions	8,226	-	8,226
TOTAL NET ASSETS	12,828,256	-	12,828,256
TOTAL LIABILITIES AND NET ASSETS	\$ 17,556,869	\$ -	\$ 17,556,869

See independent auditors' report.

**THE INTERNATIONAL ACADEMY OF HOPE
STATEMENT OF ACTIVITIES DETAIL
FOR THE YEAR ENDED JUNE 30, 2022**

For the Year Ended June 30, 2022

	Academy			Center	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT					
Tuition	\$ 16,278,067	\$ -	\$ 16,278,067	\$ -	\$ 16,278,067
Contributions	532,955	36,000	568,955	-	568,955
Paycheck Protection Program	770,945	-	770,945	-	770,945
Other income	83,459	-	83,459	-	83,459
Loss on asset disposal	(171,333)	-	(171,333)	-	(171,333)
Net assets released from restrictions	76,340	(76,340)	-	-	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>17,570,433</u>	<u>(40,340)</u>	<u>17,530,093</u>	<u>-</u>	<u>17,530,093</u>
OPERATING EXPENSES					
Program services	11,057,429	-	11,057,429	-	11,057,429
Management and general	2,532,709	-	2,532,709	-	2,532,709
Fundraising	63,282	-	63,282	-	63,282
TOTAL OPERATING EXPENSES	<u>13,653,420</u>	<u>-</u>	<u>13,653,420</u>	<u>-</u>	<u>13,653,420</u>
NON-OPERATING ACTIVITIES					
Contribution from acquisition	1,403,876	-	1,403,876	(1,403,876)	-
CHANGE IN NET ASSETS	5,320,889	(40,340)	5,280,549	(1,403,876)	3,876,673
Net assets - beginning of year	7,499,141	48,566	7,547,707	1,403,876	8,951,583
NET ASSETS - END OF YEAR	<u>\$ 12,820,030</u>	<u>\$ 8,226</u>	<u>\$ 12,828,256</u>	<u>\$ -</u>	<u>\$ 12,828,256</u>