Manhattan Star Academy

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

MARKS PANETH

ACCOUNTANTS & ADVISORS

THE MANHATTAN STAR ACADEMY

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Manhattan Star Academy

We have audited the accompanying financial statements of The Manhattan Star Academy ("MSA"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Manhattan Star Academy as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2K to the financial statements, during the year ended June 30, 2021, MSA adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
January 28, 2022

THE MANHATTAN STAR ACADEMY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	$ 945,246	$ 657,280
Tuition receivable, net (Notes 2D and 2H)	10,519,712	6,161,135
Prepaid expenses and other assets (Note 5B)	811,901	748,899
Operating lease right-of-use assets (Notes 2K and 8)	17,798,114	-
Property and equipment, net (Notes 2E and 4)	1,247,662	1,473,711
TOTAL ASSETS	$ 31,322,635	$ 9,041,025
LIABILITIES		
Accounts payable and accrued expenses	$ 196,890	$ 390,269
Accrued salaries and other benefits	961,691	339,228
Other liabilities (Note 6)	4,087,408	1,046,155
Note payable (Note 5)	3,000,000	3,000,000
Loan payable (Note 7)	124,724	489,340
Refundable advances (Note 10)	581,232	-
Deferred revenue (Note 2F)	279,274	265,313
Deferred rent (Note 2G)	-	1,338,595
Lease liability (Notes 2K and 8)	19,312,724	-
TOTAL LIABILITIES	28,543,943	6,868,900
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without donor restrictions	2,761,416	2,168,578
With donor restrictions	17,276	3,547
TOTAL NET ASSETS	2,778,692	2,172,125
TOTAL LIABILITIES AND NET ASSETS	$ 31,322,635	$ 9,041,025

THE MANHATTAN STAR ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
REVENUE AND SUPPORT		
Tuition (Notes 2D and 2H)	$ 12,592,904	$ 11,087,477
Contributions (Note 2I)	41,436	14,479
Paycheck Protection Program (Note 10)	475,943	-
Other income	65	12,855
TOTAL REVENUE AND SUPPORT	13,110,348	11,114,811
EXPENSES (Note 2J)		
Educational services	10,318,083	8,863,362
Management and general	2,193,565	1,599,357
Fundraising expenses	5,862	-
TOTAL EXPENSES	12,517,510	10,462,719
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	592,838	652,092
Contributions with donor restrictions (Notes 2I and 13)	14,434	7,382
Net assets released from restrictions (Notes 2I and 13)	(705)	(3,835)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	13,729	3,547
CHANGE IN TOTAL NET ASSETS	606,567	655,639
Net assets - beginning of year	2,172,125	1,516,486
NET ASSETS - END OF YEAR	$ 2,778,692	$ 2,172,125

THE MANHATTAN STAR ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Year Ended June 30, 2021				Year Ended June 30, 2020		
	Educational Services	Management and General	Fundraising	Total 2021	Educational Services	Management and General	Total 2020
Salaries	$ 5,481,814	$ 735,640	$ -	$ 6,217,454	$ 4,666,559	$ 544,960	$ 5,211,519
Payroll taxes and employee benefits (Note 12)	1,133,942	147,327	-	1,281,269	1,149,651	137,664	1,287,315
Total salaries and related costs	6,615,756	882,967	-	7,498,723	5,816,210	682,624	6,498,834
Contracted services	126,435	300	-	126,735	97,710	-	97,710
Management support services (Note 6)	-	960,255	-	960,255	-	765,392	765,392
Program recreational and supplies	82,795	32,805	-	115,600	113,776	-	113,776
Food	204	-	-	204	-	-	-
Transportation	440	-	-	440	-	-	-
Professional fees	2,016	58,381	-	60,397	6,970	18,226	25,196
Rent (Note 8)	2,141,434	24,643	-	2,166,077	1,727,577	9,669	1,737,246
Insurance	-	43,796	-	43,796	-	19,976	19,976
Repairs and maintenance	335,969	2,223	-	338,192	139,781	6,316	146,097
Telephone	9,088	6,339	-	15,427	7,989	12,267	20,256
Utilities	227,047	-	-	227,047	184,677	13,095	197,772
Office and equipment expense	146,839	7,364	-	154,203	74,052	383	74,435
Information technology	67,170	23,665	-	90,835	39,020	2,197	41,217
Staff development	40,833	271	-	41,104	34,570	-	34,570
Bad debt (Note 2D)	206,400	-	-	206,400	300,000	-	300,000
Depreciation and amortization (Note 4)	308,543	-	-	308,543	298,326	-	298,326
Interest (Note 7)	6,985	110,957	-	117,942	6,958	37,020	43,978
Miscellaneous	129	39,599	5,862	45,590	15,746	32,192	47,938
TOTAL EXPENSES	$ 10,318,083	$ 2,193,565	$ 5,862	$ 12,517,510	$ 8,863,362	$ 1,599,357	$ 10,462,719

THE MANHATTAN STAR ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 606,567	$ 655,639
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	308,543	298,326
Non-cash interest expense (amortization of deferred financing costs)	6,958	6,958
Bad debt	206,400	300,000
Changes in operating assets and liabilities:		
Increase in assets:		
Tuition receivable	(4,564,977)	(3,661,768)
Prepaid expenses and other assets	(63,002)	(439,220)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(193,379)	18,393
Accrued salaries and other benefits	622,463	50,667
Other liabilities	3,041,253	(40,179)
Refundable advances	581,232	-
Deferred revenue	13,961	(117,755)
Deferred rent and lease obligations	176,015	578,217
Net Cash Provided by (Used in) Operating Activities	742,034	(2,350,722)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(82,494)	(333,364)
Net Cash Used in Investing Activities	(82,494)	(333,364)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	3,000,000
Principal repayments on loan	(371,574)	(360,255)
Net Cash (Used in) Provided by Financing Activities	(371,574)	2,639,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,966	(44,341)
Cash and cash equivalents - beginning of year	657,280	701,621
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 945,246	$ 657,280
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 110,984	$ 37,020

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Manhattan Star Academy ("MSA"), formerly known as The STAR Program d/b/a The Manhattan Star Academy, 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 Directors 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, 2021 and 2020, MSA determined that an allowance of $1,206,400 and $1,000,000, respectively, was necessary for tuition receivable. MSA did not write off any accounts receivable for the years ended June 30, 2021 and 2020.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ***Deferred Rent –*** MSA leases real property under an operating lease expiring on April 18, 2034 (see Note 8) and the lease agreement contains scheduled future rent increases. U.S. GAAP requires that long-term leases, with scheduled rent increases, be accounted for by accelerating the impact of the future increases into the current periods, thereby smoothing the effects of the future increases in costs. This accounting treatment is commonly referred to as "straight-lining of rent". The difference between rent expense, under this method, and the lower rental amounts actually paid to the landlord is reported as a "deferred rent" obligation in the accompanying statement of financial position. The change in the deferred rent liability is reflected in the accompanying statements of activities. As of June 30, 2020, MSA recorded an adjustment to rent expense to reflect its straight-line policy that amounted to approximately $588,000 (See Note 2K).

H. ***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.

I. ***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).

J. ***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.

K. ***Recent Accounting Pronouncements –*** Financial Accounting Standards Board ("FASB") ASU 2016-02, *Leases* (Topic 842) was adopted by MSA for the year ended June 30, 2021. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The adoption of the ASU required MSA to record amounts as of July 1, 2020. This resulted in operating lease right-of-use assets of $17,798,114 and a lease liability of $19,312,724 as of June 30, 2021. The adoption of ASU 2016-02 did not affect the change in net assets as previously reported.

L. ***Reclassification –*** Certain line items in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation.

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.

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

The financial assets available to meet general expenditures over the next 12 months were as follows as of June 30:

	2021	2020
Cash and cash equivalents	$ 945,246	$ 657,280
Tuition receivable, net	10,519,712	6,161,135
Net assets with donor restriction	(17,276)	(3,547)
	$ 11,447,682	$ 6,814,868

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.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Lives
Leasehold improvements	$ 2,444,117	$ 2,393,788	5-15 Years
Furniture and fixtures	309,479	309,479	5-15 Years
Equipment	226,150	193,985	3- 5 Years
Total cost	2,979,746	2,897,252	
Less: Accumulated depreciation and amortization	(1,732,084)	(1,423,541)	
Property and equipment, net	$ 1,247,662	$ 1,473,711	

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 amounted to $308,543 and $298,326, respectively.

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 2021 and 2020. Line of credit outstanding amounted to 3,000,000 as of both June 30, 2021 and 2020, 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, 2021 and 2020 amounted to $518,575 and $519,887, respectively, and is included under prepaid expenses and other assets in the statements of financial position.

NOTE 6 – MANAGEMENT SERVICES AGREEMENTS

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, 2021 and 2020, MSA incurred a management charge of $960,255 and $765,392, respectively. The total amounts outstanding as of June 30, 2021 and 2020 were $3,075,442 and $34,189, respectively.

In addition, MSA previously had an arrangement with a New York State not-for profit corporation, the New York League for Early Learning, Inc. ("NYL"), to provide program services. During fiscal year 2016, NYL terminated its relationship with YAI in terms of being a member of the YAI Network. As a result, certain program services rendered to MSA by NYL also ceased. These services are now being rendered by YAI. The amount due to NYL as of both June 30, 2021 and 2020 is $1,011,966.

NOTE 6 – MANAGEMENT SERVICES AGREEMENTS (Continued)

This event had no impact on MSA's ability to render services to its program participants. During the years ended June 30, 2021 and 2020, NYL did not make a demand for the monies owed to NYL by MSA. As of June 30, 2021, MSA could not determine whether NYL will seek repayment.

NOTE 7 – LOAN PAYABLE

MSA has a construction loan payable to a bank which bears interest at a fixed rate of 3.05% per annum and matures on October 1, 2021. As of June 30, 2021 and 2020, $124,724 and $489,340 was outstanding, respectively. YAI is the guarantor of the construction loan.

Future annual principal payments for fiscal years subsequent to June 30, 2021 are as follows:

2022	$ 126,463
Less: debt issuance costs	(1,739)
	$ 124,724

Interest expense for the years ended June 30, 2021 and 2020 amounted to $10,197 and $21,399, 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. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended June 30, 2021 (i.e. ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2020 since MSA used the modified retrospective method of transition that does not require restating the prior period.

As of June 30, 2021, the right-of-use ("ROU") asset had a balance of $17,798,114, as shown in the statement of financial position; the lease liability totaled $19,312,724 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, 2021, the future minimum rentals under lease agreements are as follows:

	Real Property	Equipment	Total
2022	$ 1,996,849	$ 9,300	$ 2,006,149
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
Thereafter	13,771,380	-	13,771,380
Total lease payment	23,595,758	43,400	23,639,158
Less: Present value discount	(4,323,253)	(3,181)	(4,326,434)
	$ 19,272,505	$ 40,219	$ 19,312,724

Rent expense for the years ended June 30, 2021 and 2020 amounted to $2,141,772 and $1,725,955, respectively. Leased equipment expense for the years ended June 30, 2021 and 2020 amounted to $11,525 and $8,283, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of the pandemic on MSA's financial condition and results of operations will depend on future developments. Accordingly, MSA cannot predict the extent to which its financial condition and results of operations will be affected. MSA continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on its operations.

B. MSA believes it has no uncertain tax positions as of June 30, 2021 and 2020 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, the Agency 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 958-608 as a conditional contribution. For the year ended June 30, 2021, MSA has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of $475,943 in the accompanying statement of activities. Refundable advances and grant income consist of the following as of June 30:

PPP Proceeds	$ 1,057,175
Less: Paycheck Protection Program recognized	(475,943)
Refundable advances	$ 581,232

Subsequent to year end, in November 2021, the PPP loan and interest were forgiven in full.

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, 2021 and 2020, there was approximately $709,000 and $458,000, respectively of cash that exceeded FDIC limits.

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, 2021 and 2020, retirement expense amounted to $74,655 and $16,215, 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 $17,276 and $3,547 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the Agency released net assets with donor restrictions of $705 and $3,835, 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 28, 2022, the date the financial statements were available to be issued.