

The Academy at Glengary, Inc.

Financial Statements and
Independent Auditor's Report
June 30, 2019

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Independent Auditor's Report

The Board of Directors
The Academy at Glengary, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Academy at Glengary, Inc. (the Academy), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the period from June 18, 2018 (Inception) to June 30, 2019, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Academy at Glengary, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the period from June 18, 2018 (Inception) through June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.



The Academy at Glengary, Inc.

Statement of Financial Position

June 30, 2019

Assets

Current Assets:

Cash and cash equivalents:

Without donor restrictions

\$ 161,421

With donor restrictions - purpose

166,551

Total cash and cash equivalents

327,972

Accounts receivable

75,627

Prepaid expenses

14,767

Total current assets

418,366

Property and equipment, net

395,896

Total Assets

\$ 814,262

Liabilities and Net Assets

Current Liabilities:

Accounts payable

\$ 41,937

Accrued payroll and taxes

32,835

Total current liabilities

74,772

Net Assets:

Without donor restrictions

572,939

With donor restrictions - purpose

166,551

Total net assets

739,490

Total Liabilities and Net Assets

\$ 814,262

See accompanying notes to financial statements.

The Academy at Glengary, Inc.

Statement of Activities

For the Period from June 18, 2018 (Inception) to June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|--|---|--------------------------|
| Support, Revenue and Releases: | | | |
| Program revenues | \$ 425,599 | \$ - | \$ 425,599 |
| Grant revenues | 94,000 | 197,000 | 291,000 |
| Individual contributions | 371,848 | 4,275 | 376,123 |
| Member contributions | 42,065 | - | 42,065 |
| Food service revenues | 16,005 | - | 16,005 |
| Contributed equipment and supplies, at fair value, from business inception | 474,055 | - | 474,055 |
| In-kind contributions | 172,840 | - | 172,840 |
| Interest and dividends | 2,620 | - | 2,620 |
| Other | 594 | - | 594 |
| Net assets released from restriction | 34,724 | (34,724) | - |
| Total support, revenue and releases | <u>1,634,350</u> | <u>166,551</u> | <u>1,800,901</u> |
| Operating expenses: | | | |
| Program services | 985,806 | - | 985,806 |
| Support services: | | | |
| Management and general | 68,046 | - | 68,046 |
| Fundraising | 7,559 | - | 7,559 |
| Total operating expenses | <u>1,061,411</u> | <u>-</u> | <u>1,061,411</u> |
| Change in net assets | 572,939 | 166,551 | 739,490 |
| Net assets at beginning of period | - | - | - |
| Net assets at end of period | <u>\$ 572,939</u> | <u>\$ 166,551</u> | <u>\$ 739,490</u> |

See accompanying notes to financial statements.

The Academy at Glengary, Inc.

Statement of Functional Expenses

For the Period from June 18, 2018 (Inception) to June 30, 2019

| | Supporting Services | | | Totals |
|---|---------------------|---------------------------|-------------|--------------|
| | Program Services | Management and General | Fundraising | |
| Salaries and wages | \$ 391,487 | \$ 38,907 | \$ - | \$ 430,394 |
| Payroll taxes and employee benefits | 104,550 | 10,391 | - | 114,941 |
| Depreciation | 87,021 | - | - | 87,021 |
| In-kind expense | 145,486 | 4,363 | - | 149,849 |
| Contributed supplies, at fair value, from business inception | 10,368 | - | - | 10,368 |
| Insurance | 24,830 | 2,759 | - | 27,589 |
| Office and information technology | 37,488 | 429 | - | 37,917 |
| Advertising and public relations | 5,481 | - | - | 5,481 |
| Fundraising | - | - | 7,559 | 7,559 |
| Kitchen and supplies | 31,900 | - | - | 31,900 |
| Facilities, repairs and maintenance | 58,869 | 6,541 | - | 65,410 |
| Professional development | 38,826 | 276 | - | 39,102 |
| Professional fees | 36,818 | 4,091 | - | 40,909 |
| Other | 12,682 | 289 | - | 12,971 |
| Total | \$ 985,806 | \$ 68,046 | \$ 7,559 | \$ 1,061,411 |

See accompanying notes to financial statements.

The Academy at Glengary, Inc.

Statement of Cash Flows

For the Period from June 18, 2018 (Inception) to June 30, 2019

Cash Flows from Operating Activities:

| | |
|--|--------------------------|
| Change in net assets | \$ <u>739,490</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 87,021 |
| Contributed equipment, at fair value, from business inception | (463,687) |
| Contributions of property and equipment | (19,230) |
| Change in operating assets: | |
| Accounts receivable | (75,627) |
| Prepaid expenses | (14,767) |
| Change in operating liabilities: | |
| Accounts payable | 41,937 |
| Accrued payroll and taxes | <u>32,835</u> |
| Total adjustments | <u>(411,518)</u> |
| Net cash provided by operating activities | <u>327,972</u> |
| | |
| Change in cash and cash equivalents | 327,972 |
| Cash and cash equivalents - beginning of period | - |
| Cash and cash equivalents - end of period | <u>\$ <u>327,972</u></u> |

Supplemental Disclosure of Non-Cash Investing Activities:

| | |
|--|--------------------------|
| Non-cash contributions of property and equipment | \$ <u><u>482,917</u></u> |
|--|--------------------------|

See accompanying notes to financial statements.

The Academy at Glengary, Inc.

Notes to Financial Statements

June 30, 2019

I. Organization

The Academy at Glengary, Inc. (the “Academy”), is a Florida not-for-profit organization which commenced operations on June 18, 2018 (Inception) for the purpose of fostering a working community where adults living with mental illnesses can reach their potential through friendship, healthy lifestyles, skill development, education and gainful employment.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are a representation of the Academy’s management, which is also responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements. The financial statements for the period from June 18, 2018 (Inception) to June 30, 2019.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities 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 and assumptions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Academy and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Quasi-endowment funds and board designated funds, established by the Board of Directors, are classified as net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Academy and/or the passage of time. When a restriction expires or when funds are utilized in accordance with restriction requirements, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that the net assets be maintained in perpetuity by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on any related investment for general or specific purposes.

The Academy does not have any quasi-endowment funds, board designated funds, or net assets with donor restrictions that are perpetual in nature.

Revenue Recognition

All contributions are considered available without donor restrictions unless specifically restricted by the respective donor.

The Academy at Glengary, Inc.

Notes to Financial Statements (Continued)

June 30, 2019

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions received with donor stipulations that limit the use of donated assets are treated as net assets with donor restrictions. When the purpose of the restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Academy has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Income earned in furtherance of the Academy's tax-exempt purpose is exempt from federal and state income taxes. Therefore, no provision for income taxes has been provided for.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Academy has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

The Academy files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Academy is subject include the period ended December 31, 2018 through the period ended June 30, 2019.

Financial Instruments Not Measured at Fair Value

The Academy's financial instruments are not measured at fair value on a recurring basis; however, certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued payroll and taxes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Academy considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Academy maintains their cash accounts at commercial banks.

Accounts Receivable

The Academy uses the allowance method of accounting for doubtful accounts. The allowance is based upon a review of the current status of existing receivables and management's estimate as to their collectability. Accounts receivable at June 30, 2019 consist of amounts due for program services provided by the Academy under a funding agreement. The Academy considers all accounts receivable to be fully collectible at June 30, 2019, therefore no allowance has been provided for in these financial statements.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Property and equipment exceeding \$5,000 and a useful life of one year or longer are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Academy at Glengary, Inc.
Notes to Financial Statements (Continued)
June 30, 2019

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When assets are impaired, asset values are reduced for this impairment. There was no impairment recognized on property and equipment for the period from June 18, 2018 (Inception) to June 30, 2019.

Advertising and Public Relations

Advertising costs are expensed as incurred. For the period from June 18, 2018 (Inception) to June 30, 2019, total advertising expense was \$5,481.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Costs are allocated between program services, management and general or fundraising based on evaluations of the related benefits. Management and general expenses include expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Academy. The expenses that are allocated include salaries, employee benefits, payroll taxes and other expenses for services which are allocated on the basis of estimated time and effort.

Services of Volunteers

The Academy has adopted a policy which recognizes volunteer services provided by individuals possessing specialized skills which would typically need to be purchased if not provided by donation. No such services were donated during the period from June 18, 2019 (Inception) through June 30, 2019. Nevertheless, the Board members and volunteers have donated their time to the Academy's program services and administrative functions by performing tasks that do not require specialized skills. The financial statements do not reflect the value of these donated services because it does not meet the criteria for recognition as donated revenue under generally accepted accounting principles.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958), which was adopted by the Academy for the period from June 18, 2018 (Inception) through June 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets with donor restrictions" and "net assets without donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Academy at Glengary, Inc.

Notes to Financial Statements (Continued)

June 30, 2019

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | | |
|--|----|----------------|
| Cash and cash equivalents | \$ | 161,421 |
| Accounts receivable | | <u>75,627</u> |
| Total financial assets available to management for general expenditure within one year | \$ | <u>237,048</u> |

The Academy manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Regular reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

4. Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

| | | |
|---------------------------------|----|----------------|
| Computer equipment and software | \$ | 211,984 |
| Kitchen equipment and fixtures | | 167,336 |
| Furniture and equipment | | 84,367 |
| Vehicles | | <u>19,230</u> |
| | | 482,917 |
| Less accumulated depreciation | | <u>87,021</u> |
| Property and equipment, net | \$ | <u>395,896</u> |

Depreciation expense was \$87,021 for the period from June 18, 2018 (Inception) through June 30, 2019.

5. Net Asset Classifications

The Academy's net assets have been classified into the following categories at June 30, 2019:

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019:

| | | |
|---|----|----------------|
| Subject to expenditure for specified purpose: | | |
| Scholarships | \$ | 4,275 |
| Reaching Underserved Populations Grant | | <u>162,276</u> |
| Total purpose restrictions | \$ | <u>166,551</u> |

6. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by other events specified by donors. Purposes for which restrictions were accomplished during the period from June 18, 2018 (Inception) through June 30, 2019 include the following:

| | | |
|---|----|---------------|
| Satisfaction of purpose restrictions: | | |
| Reaching Underserved Populations Grant | \$ | 19,724 |
| Thinking Well | | <u>15,000</u> |
| Total net assets released from restrictions | \$ | <u>34,724</u> |

The Academy at Glengary, Inc.

Notes to Financial Statements (Continued)

June 30, 2019

7. Financial Instruments with Credit Risk

Financial instruments, which potentially subject the Academy to concentrations of credit risk, consist of cash and cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures cash and other deposits up to \$250,000 at each financial institution. At any given time, the Academy may have cash balances exceeding the insured amount at any one financial institution. The Academy has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. Concentrations of Support and Revenue

There were three major donors during the period from June 18, 2018 (Inception) to June 30, 2019 who contributed a combined total of \$1,041,795, or 58%, of total support and revenues. Of this amount, \$474,055, or 26.4%, was part of the business inception (see note 10), and \$294,900, or 16.4%, was received from multiple donors through a community foundation. Additionally, there were program revenues received of \$425,599, or 23.7%, funded by a state sourced funding agreement. At June 30, 2019 the entire accounts receivable balance of \$75,627 was due from the state sourced funding agreement.

9. Related Party Transactions

Board members and members of management are required to complete annual conflict of interest disclosure statements. From time to time, board members make contributions to the Academy.

During the period from June 18, 2018 (Inception) through June 30, 2019 an individual and a company affiliated to members of the board donated in-kind a vehicle with an estimated fair value of \$19,230, utilities costs of \$28,898, repairs and maintenance of \$3,761, and the fair market value of rent of \$120,951 through a below-market operating lease of premises in place between the Academy and a company affiliated with a member of the Board. The terms of this lease specify an annual rent of one dollar per year with an original expiration date of June 30, 2019. The Academy, at its sole discretion, has five successive options to renew the lease for additional one year periods. The Academy is expected to exercise those options. The lease requires the Academy to use the property for the sole purpose of operating a program for adults living with mental illness which provides educational and career services, including job readiness, academic tutoring, resume development, interview skills, job development, and job placement.

10. Business Inception

On June 18, 2018, the Academy acquired through donation all the personal property of Van Gogh's Palette, Inc., a not-for-profit organization which had operated at the Academy's location for substantially the same mission. The following table summarizes the amounts of equipment and supplies acquired as of the business inception date:

| | | |
|---------------------------------------|----|----------------|
| Computer equipment and software | \$ | 211,984 |
| Kitchen equipment and fixtures | | 167,336 |
| Furniture and equipment | | 84,367 |
| Total equipment | | <u>463,687</u> |
| Computer purchases and software | | 1,746 |
| Office supplies | | 8,622 |
| Total supplies | | <u>10,368</u> |
| Total equipment and supplies acquired | \$ | <u>474,055</u> |

The Academy at Glengary, Inc.
Notes to Financial Statements (Continued)
June 30, 2019

II. Subsequent Events

The Academy has evaluated all events subsequent to the statement of financial position date of June 30, 2019 through the date these financial statements were available to be issued December 12, 2019 and have determined that there are no subsequent events that require disclosure.