

The Leadership Academy, Inc.

Financial Statements
Year Ended June 30, 2022

The Leadership Academy, Inc.

Financial Statements
Year Ended June 30, 2022

The Leadership Academy, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position as of June 30, 2022	5
Statement of Activities for the Year Ended June 30, 2022	6
Statement of Functional Expenses for the Year Ended June 30, 2022	7
Statement of Cash Flows for the Year Ended June 30, 2022	8
Notes to Financial Statements	9-17



Tel: 212-371-4446
Fax: 212-371-9374
www.bdo.com

622 Third Ave, Suite 3100
New York, NY 10017

Independent Auditor's Report

The Board of Directors
The Leadership Academy, Inc.
New York, New York

Opinion

We have audited the financial statements of The Leadership Academy, Inc. (LAI), which comprise the statement of financial position as of June 30, 2022, and the related statement 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 Leadership Academy, Inc. 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAI 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.

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 LAI's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 LAI'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 LAI'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.

Report on Summarized Comparative Information

We have previously audited the financial statements of The Leadership Academy, Inc. as of and for the year ended June 30, 2021, and our report, dated March 11, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 12, 2023

The Leadership Academy, Inc.

Statement of Financial Position (with comparative totals for 2021)

<i>June 30,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,322,647	\$ 4,444,036
Contracted services receivable, net (Note 4)	1,321,229	1,373,242
Grants receivable, net (Note 5)	1,207,616	1,255,086
Prepaid expenses and other assets	363,066	333,120
Total Current Assets	8,214,558	7,405,484
Grants Receivable, less current portion (Note 4)	526,810	-
Fixed Assets, Net	46,845	42,569
Total Assets	\$ 8,788,213	\$ 7,448,053
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other liabilities	\$ 965,406	\$ 1,068,459
Accrued payroll and payroll-related liabilities	232,731	61,345
Total Current Liabilities	1,198,137	1,129,804
Loan Payable - Paycheck Protection Program	-	935,135
Total Liabilities	1,198,137	2,064,939
Commitments and Contingencies (Notes 2, 3, 6, 7, 8, and 9)		
Net Assets (Note 8)		
Without donor restrictions	3,847,786	2,846,531
With donor restrictions	3,742,290	2,536,583
Total Net Assets	7,590,076	5,383,114
Total Liabilities and Net Assets	\$ 8,788,213	\$ 7,448,053

See accompanying notes to financial statements.

The Leadership Academy, Inc.

Statement of Activities (with comparative totals for 2021)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Public Support and Revenue				
Contracted services	\$ 3,273,828	\$ -	\$ 3,273,828	\$ 3,295,161
Grants and contributions	109,201	5,715,632	5,824,833	4,047,314
Miscellaneous income	14,733	-	14,733	29,068
Interest income	486	-	486	353
Net assets released from restrictions (Note 8)	4,509,925	(4,509,925)	-	-
Total Public Support and Revenue	7,908,173	1,205,707	9,113,880	7,371,896
Expenses				
Program services	6,242,308	-	6,242,308	5,956,448
Supporting services:				
Management and general	1,322,405	-	1,322,405	1,306,134
Fundraising	275,815	-	275,815	256,698
Total Supporting Services	1,598,220	-	1,598,220	1,562,832
Total Expenses	7,840,528	-	7,840,528	7,519,280
Change in Net Assets, before forgiveness of debt - Paycheck Protection Program	67,645	1,205,707	1,273,352	(147,384)
Forgiveness of Debt (Note 9)	933,610	-	933,610	899,744
Change in Net Assets	1,001,255	1,205,707	2,206,962	752,360
Net Assets, beginning of year	2,846,531	2,536,583	5,383,114	4,630,754
Net Assets, end of year	\$ 3,847,786	\$ 3,742,290	\$ 7,590,076	\$ 5,383,114

See accompanying notes to financial statements.

The Leadership Academy, Inc.

Statement of Functional Expenses (with comparative totals for 2021)

Year ended June 30,

	Supporting Services				Total	
	Program Services	Management, General, and Administrative	Fundraising	Total Supporting Services	2022	2021
Salaries	\$ 3,233,531	\$ 679,336	\$ 142,873	\$ 822,209	\$ 4,055,740	\$ 3,534,138
Payroll taxes and benefits	852,458	179,093	37,665	216,758	1,069,216	992,690
Total Salaries and Related Expenses	4,085,989	858,429	180,538	1,038,967	5,124,956	4,526,828
Professional fees	1,532,813	322,030	67,727	389,757	1,922,570	2,251,349
Technology	175,126	36,792	7,738	44,530	219,656	141,778
Program supplies	10,581	2,223	468	2,691	13,272	13,160
Conferences and events	31,199	6,554	1,379	7,933	39,132	66,070
Professional development	860	181	38	219	1,079	11,593
Travel	43,206	9,078	1,909	10,987	54,193	5,962
Insurance	32,428	6,813	1,433	8,246	40,674	31,017
Office expense	278,720	58,557	12,315	70,872	349,592	376,305
Telephone and communications	51,386	10,797	2,270	13,067	64,453	84,266
Depreciation	-	10,951	-	10,951	10,951	10,952
Total Expenses	\$ 6,242,308	\$ 1,322,405	\$ 275,815	\$ 1,598,220	\$ 7,840,528	\$ 7,519,280

See accompanying notes to financial statements.

The Leadership Academy, Inc.

Statement of Cash Flows (with comparative totals for 2021)

<i>Year ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 2,206,962	\$ 752,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	10,951	10,952
Forgiveness of debt	(935,135)	(899,744)
Decrease (increase) in:		
Contracted services receivable	52,013	(153,235)
Contributions receivable	(479,340)	(279,191)
Prepaid expenses and other assets	(29,946)	20,917
Increase (decrease) in:		
Accounts payable and other liabilities	(103,053)	542,700
Accrued payroll and payroll-related liabilities	171,386	5,553
Net Cash Provided by Operating Activities	893,838	312
Cash Flow from Investing Activities		
Purchase of fixed assets	(15,227)	(3,598)
Cash Flow from Financing Activities		
Proceeds from loan - Paycheck Protection Program	-	935,135
Net Increase in Cash and Cash Equivalents	878,611	931,849
Cash and Cash Equivalents, beginning of year	4,444,036	3,512,187
Cash and Cash Equivalents, end of year	\$ 5,322,647	\$ 4,444,036

See accompanying notes to financial statements.

The Leadership Academy, Inc.

Notes to Financial Statements

1. Nature of Organization

The Leadership Academy, Inc. (LAI) (formerly known as The NYC Leadership Academy, Inc.) supports leaders within the context of their communities and take a systemic approach to addressing local leadership needs, by providing hands-on learning for aspiring and sitting principals, building system level capacity, and providing equity-focused leadership coaching to school and system leaders. The name change was made effective September 10, 2020. LAI is firmly committed to preparing and supporting educational leaders so it can catalyze and sustain effective change across its organizations to educate students effectively. LAI does this by building the capacity of education systems across the country to develop and support its own leaders—bringing context-specific, experiential professional development that is grounded in research and behavior-based leadership standards, is focused on racial equity and social justice, and is aligned with school system policies and reform efforts. To date, LAI has collaborated with more than 200 school districts, state departments of education, universities, and nonprofits in 37 states.

The following service areas and related programs are included in the accompanying financial statements:

Preparing Aspiring Leaders

LAI's nationally recognized Aspiring Principals Program (APP) develops school leaders who possess the dispositions, skills, knowledge, and capacity to synthesize and implement strategies and policies associated with: monitoring of student and school academic progress; aligning new academic standards and assessments; facilitating instructional improvement; conducting teacher evaluation; and addressing persistent racial, opportunity, and achievement gaps. LAI's 14-month leadership development model equips future principals to create thriving schools that advance improved teaching and learning practices. The APP model includes an intensive summer program, followed by ongoing online coursework and a school-based practicum within the home district. The program is individualized to aspiring leaders' leadership needs, their schools' needs, and the needs of those in the district in which they serve.

Supporting Current School Leaders

Drawing on LAI's deep experience in designing and delivering standards-based training, LAI partners with districts and states to implement a strategic approach to professional development. LAI assists current school leadership in the following ways:

Strategic Planning - LAI conducts assessments that provide insight into a district's school leadership landscape and engages stakeholders in the development of a professional development strategy.

Curriculum Design and Delivery - LAI works alongside each client's core team to develop training and professional learning opportunities for principals that are aligned to relevant leadership standards and address the identified district needs. LAI also provides training for core team members in its highly effective, facilitative approach to delivering training.

Program Assessment - As part of LAI's work, LAI provides tools and processes that clients can use to assess and refine their professional development offerings.

The Leadership Academy, Inc.

Notes to Financial Statements

Supporting Leadership Teams

School principals need to possess the ability and capacity to effectively collaborate with their fellow school leaders and teachers to share responsibility and accountability for school improvement and student achievement. LAI's approach to developing and supporting school leadership teams is based on the recognition that principals cannot do this work alone and need methods to help them accelerate others' learning and support for implementation of school changes that benefit students. It has developed two models for developing and supporting school leadership teams:

Leading School-Level Change - This model involves collaboration between a sitting principal and a number of key staff members to engage in joint professional learning. This approach helps the principal build collective capacity to form a high-performing school leadership team and a unified approach to school improvement.

Teaming Model - This model involves the preparation, pairing and intensive coaching of a principal and assistant principal who enter a school together with the explicit goals of building organizational capacity and improving student outcomes.

Supporting District Leaders

LAI works with districts to build district leaders' and principal supervisors' capacity to support and develop effective principals and to manage school leader performance. It provides a range of development and support for both new and already-serving school leader supervisors, including executive coaching and direct training designed to build key supervisory skills, such as observation, feedback, and design of relevant professional development for school leaders.

Coaching

LAI provides leadership coaching, coach training, and strategic consulting for coaching programs to help districts, states, charter schools, and other education-focused organizations that work with schools to leverage one of the most important factors that influences student achievement—the role of the principal. The four pillars of its model are:

Facilitative Learning Process - School leaders shift their leadership behaviors through inquiry, reflection, and feedback.

Competency-Based Coaching - Leadership competencies and standards align coaching work to tangible results in terms of principal, staff, and student growth.

Responsiveness to District Needs - The coach takes district policies and initiatives into consideration to ensure that principals are trained to respond appropriately to district priorities and requirements.

Tailored Support - Coaches and principals craft learning opportunities embedded in principals' work, based on individual learning needs and their unique school contexts.

LAI supports school leaders both through direct coaching provided by its expert coaches, and through capacity-building, which includes training others to provide coaching support for school leaders.

The Leadership Academy, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The classification of LAI's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations.

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by LAI is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of LAI, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by LAI is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of LAI are classified as net assets with donor restrictions - perpetual in nature.

Net assets with donor restrictions - perpetual in nature include a stipulation that assets provided be maintained in perpetuity, while permitting LAI to expend the income generated by the assets in accordance with the provisions of the donor-imposed stipulations.

For the year ended June 30, 2022, LAI had no net assets with donor-restrictions that are required to be held in perpetuity.

Cash and Cash Equivalents

LAI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Receivables

Receivables are recorded at their net realizable values. LAI maintains an allowance for doubtful accounts for the receivables that are specifically identified by management as to their uncertainty in regard to collectability. At June 30, 2022, management did not record an allowance for doubtful accounts.

The Leadership Academy, Inc.

Notes to Financial Statements

Revenue Recognition

On July 1, 2020, LAI adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606), using the modified retrospective method applied to those contracts which were not completed as of July 1, 2020. The adoption of ASC 606 did not have a material impact on LAI's financial statements; therefore, no transition adjustment is required upon adoption.

Contracted Services

Contracted services are revenue from various contracts as a result of LAI's collaboration with more than 200 school districts, state departments of education, universities and nonprofit organizations in 37 states. Revenues are primarily attributable to fees for providing services. LAI enters into service contracts for a fixed fee per transaction. LAI's performance obligations, to build the capacity of education systems and prepare, develop and support educational leaders by bringing context-specific, experiential professional development through research and behavior-based leadership standards, are generally combined into one performance obligation, as they are not considered a series of distinct services. Support with school leaders is both through direct coaching, provided by LAI's expert coaches, and training others to provide coaching support for school leaders. All of these services are consumed as they are received. LAI will continue to recognize service revenue in an amount that reflects the consideration it expects to be entitled to in exchange for those services as it satisfies its performance obligations.

In accordance with ASC 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. LAI does not recognize contract assets as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. Contract services are recognized as revenue over time.

Revenue with customers is comprised of the following:

June 30, 2022

Contracted services	\$ 3,273,828
Total Revenue Subject to ASC 606	3,273,828
Total Revenue Not Subject to ASC 606	5,840,052
Total Public Support and Revenue	\$ 9,113,880

Grants and contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Grants and contributions with purpose or time restrictions (due in more than one year) are reported as increases in net assets with donor restrictions. When a donor restriction expires-that is, when a stipulated time restriction ends, or purpose restriction is accomplished - net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted gifts and grants, received and utilized in the current year, are reflected in the statement of activities in the without donor restrictions class of net assets.

The Leadership Academy, Inc.

Notes to Financial Statements

Tax Status

LAI was incorporated in the state of New York and is exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, LAI has made no provision for income taxes in the accompanying financial statements. In addition, LAI has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2022.

Under ASC 740, *Income Taxes*, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. LAI does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. LAI has filed for and received income tax exemptions in the jurisdictions where it is required to do so. For the year ended June 30, 2022, there were no interests or penalties recorded or included in the statement of activities. LAI is subject to routine audits by taxing authorities. As of June 30, 2022, LAI was not subject to any examination by a taxing authority.

Fixed Assets

Fixed assets with an initial value of \$2,500 or more and with a useful life of greater than one year are capitalized at cost or fair value at date of donation. Depreciation is calculated under the straight-line method over estimated useful lives of three to ten years.

	Years
IT equipment & software	3
Furniture and equipment	5
Library books inventoried	5
Leasehold improvements	Lesser of lease term or 10

Asset Impairment

LAI evaluates long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed to be impaired if the carrying value of the asset is in excess of its fair value. There were no impairment charges recognized as of June 30, 2022.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject LAI to concentration of credit risk consist primarily of cash deposited at financial institutions. At various times during the year, LAI had cash deposits at financial institutions, which exceeded the Federal Deposit Insurance Corporation (FDIC) insurance

The Leadership Academy, Inc.

Notes to Financial Statements

limit. These financial institutions have strong credit ratings; therefore, management believes the risk related to these accounts is minimal.

Functional Allocation of Expenses

The cost of providing LAI's programs and other activities has been summarized by natural classification and on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Accordingly, certain administrative costs have been allocated among the programs and supporting services in reasonable ratios determined by management based on benefits received. Management and general expenses include those costs that are not directly identifiable with any specific program, but that provide for the overall support and direction of LAI.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Accordingly, such information should be read in conjunction with the prior-year financial statements from which the summarized information was derived. With respect to the statement of activities, the prior-year information is not presented by net asset class. With respect to the statement of functional expenses, the prior-year expenses by expense classification are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation, in conformity with U.S. GAAP.

Recently Adopted Accounting Pronouncement

Contributed Nonfinancial Assets (Topic 958)

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 (the Update) to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

The enhanced presentation and disclosure requirements include the contributed nonfinancial assets as separately stated as an individual line item in the combined statement of activities, distinct from contributions of cash or other financial assets. The contributed nonfinancial assets are also disaggregated in a footnote by category that shows the type of contributed nonfinancial asset in the combined statement of activities. For each type of contributed nonfinancial asset recognized, a not-for-profit will disclose the not-for-profit's policy (if any) on liquidating rather than using contributed nonfinancial assets; qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period, and, if used, a description of how the asset was employed should be included; any donor-imposed restrictions related to the contributed nonfinancial assets; and the valuation methods and inputs utilized to determine a fair value. In accordance with ASC 820, Fair Value Measurements and Disclosures, fair value should be measured at initial recognition. The principal or most advantageous market is utilized to calculate fair value if it is a market in which the not-for-profit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The Update does not change existing recognition and measurement requirements. LAI adopted this ASU as of and for the year ended June 30, 2022. There was no significant impact on the financial statements.

The Leadership Academy, Inc.

Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to recognize a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The FASB also issued ASU 2020-05, which deferred the effective date for LAI until annual periods beginning after December 15, 2021, and LAI is currently evaluating the impact of the pending adoption of ASU 2016-02.

3. Liquidity and Availability of Resources

LAI's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

June 30, 2022

Total current assets	\$ 8,214,559
Less: assets unavailable for general expenditures within one year:	
Prepaid expense and other assets	(363,066)
Restricted by donor with purpose restrictions	(3,742,292)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 4,109,203

As part of LAI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, LAI had a committed line of credit in the amount of \$750,000, which expired on October 1, 2020. The line of credit was renewed on September 20, 2022. The renewed line of credit bears interest of 3.00% Per Annum above Adjusted SOFAR Rate, and matures on September 20, 2023.

4. Contracted Services Receivable, Net

Accounts receivable are customer obligations due under normal trade terms. Management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. At June 30, 2022, management did not record an allowance for doubtful accounts. The present value of contracted services receivable is \$1,321,229 as of June 30, 2022.

5. Grants Receivable, Net

Grants receivable have been recorded at present value and amounted to \$1,734,426 at June 30, 2022. At June 30, 2022, all grants receivable are due within one year except for \$526,810. Management did not record a discount for grants receivable.

The Leadership Academy, Inc.

Notes to Financial Statements

6. Commitments and Contingencies

Commitments

LAI rents office space under a lease through June 2026 that was subsequently terminated on March 28, 2023. The organization issued a license agreement with a management company, which purchased the lease at \$20,000. LAI pays \$382 per month license fee starting April 1, 2023. Minimum annual rent expense is as follows:

Year ending June 30,

2023	\$	161,022
2024		4,596
2025		4,596
2026		3,447
Total	\$	173,661

As of June 30, 2022, total rent expense paid amounted to \$221,922.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

7. Employee Benefit Plan

LAI maintains a retirement plan qualified under Section 403(b) of the Code. Employees are allowed to make pre-tax contributions up to the maximum allowed and LAI provides no match to these contributions.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

June 30, 2022

Carnegie Corporation of New York	\$	360,000
Equity Advancement in School and District Roles		967,971
NYC Leadership Pipeline		342,500
General Operating Support		465,834
Every Student Succeeds Act Leadership Learning Community		415,002
Principal Pipeline learning Community		590,983
Western Michigan Leadership Academy		600,000
	\$	3,742,290

The Leadership Academy, Inc.

Notes to Financial Statements

Net assets with donor restrictions that were released from restrictions by incurring expenses for the following specific programs or purposes:

June 30, 2022

American Rescue Plan Professional Learning Communities	\$	776,369
Carnegie Corporation of New York		440,000
District Level System Planning Support		400,000
Equity Advancement in School and District Roles		228,049
NYC Leadership Pipeline		7,500
Equity Centered Pipeline Initiative		442,900
Every Student Succeeds Act Leadership Learning Community		24,922
General Operating Support		224,167
Glidepath		594,343
Kansas City Region Schools Leadership Development		23,000
Model Development and Evaluation Design		153,846
Principal Pipeline Learning Community		128,331
Staff Development and Learning		500,000
Western Michigan Leadership Academy		566,498
	\$	4,509,925

9. Loan Payable - Paycheck Protection Program

On May 5, 2020, LAI received a loan under the Small Business Administration Paycheck Protection Program's (PPP) provision of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) from a financial institution. The loan amount of \$898,350 had an interest rate of 1%, with a maturity date of April 9, 2022. The total loan amount, including interest, was fully forgiven on June 15, 2021, which amounted to \$899,744. Forgiveness of the loan was recorded in the statement of activities as revenue in 2021.

On February 5, 2021, LAI received a second loan from a financial institution. The loan amount of \$933,610 had an interest rate of 0.98%, with a maturity date of February 5, 2026. The total loan amount, including interest, was fully forgiven on February 18, 2022, which amounted to \$935,135. Forgiveness of the loan was recorded in the statement of activities as revenue in 2022.

10. Subsequent Events

Management evaluated subsequent events procedures through May 12, 2023, which is the date that the financial statements were available to be issued. There were no subsequent events identified that would require an adjustment to the financial statements or disclosures as a result of these procedures.