

One Bright Ray, Inc.
Financial Statements
And
Independent Auditor's Report
Year Ended June 30, 2022

One Bright Ray, Inc.
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Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Trustees
One Bright Ray, Inc.
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of One Bright Ray, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Bright Ray, 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. 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 One Bright Ray, Inc. 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 One Bright Ray, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 One Bright Ray, Inc.'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 One Bright Ray, Inc.'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.

SD Associates P.C.

Certified Public Accountants
Elkins Park, Pennsylvania
December 7, 2022

One Bright Ray, Inc.
Statement of Financial Position
June 30, 2022

Assets

Current Assets	
Cash and cash equivalents	\$ 1,446,272
Assets whose use is limited	1,646,265
Accounts receivable from School District of Philadelphia	2,683,374
Accounts receivable, other	40,403
Prepaid expenses	111,205
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Total current assets	5,927,519
Property and equipment, net	11,135,120
Deferred rental income	569,475
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Total Assets	\$ 17,632,114

Liabilities

Current Liabilities	
Bond payable, current portion	\$ 208,674
Accounts payable and accrued expenses	221,425
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Total current liabilities	430,099
Bond payable, long-term portion	16,979,784
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Total Liabilities	17,409,883
Net Assets	
Without donor restrictions	222,231
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Total Liabilities and Net Assets	\$ 17,632,114

See accompanying notes to financial statements.

One Bright Ray, Inc.
Statement of Activities
Year Ended June 30, 2022

Changes in Net Assets Without Donor Restrictions	
Revenues	
Program revenues	
Program fees	\$ 10,297,954
Rental income	1,014,975
General revenues	
Student activity fees	21,487
Interest income	1,796
Total revenues	11,336,212
Expenses	
Program services	11,284,449
Support services	
Management and general	165,571
Total expenses	11,450,020
Decrease in Net Assets Without Donor Restrictions	(113,808)
Net Assets, beginning of year	336,039
Net Assets, end of year	\$ 222,231

See accompanying notes to financial statements.

One Bright Ray, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Support Services Management and General	Total
Advertising	\$ -	\$ 17,061	\$ 17,061
Amortization-financing costs	31,326	-	31,326
Bank charges	-	7,762	7,762
Depreciation and amortization	865,182	-	865,182
Dues and subscriptions	-	12,388	12,388
Employee benefits	981,648	-	981,648
Equipment lease	-	42,684	42,684
Insurance	101,713	-	101,713
Interest	952,631	-	952,631
Miscellaneous	-	4,285	4,285
Payroll	6,696,556	-	6,696,556
Payroll taxes	564,268	-	564,268
Postage and delivery costs	-	5,284	5,284
Printing and reproduction	-	10,942	10,942
Professional fees	267,949	-	267,949
Program costs and supplies	430,330	-	430,330
Rent and occupancy	392,846	-	392,846
School district fee	-	2,000	2,000
Telephone and internet charges	-	34,280	34,280
Travel costs	-	4,847	4,847
Vehicle expense	-	24,038	24,038
	\$ 11,284,449	\$ 165,571	\$ 11,450,020

See accompanying notes to financial statements.

One Bright Ray, Inc.
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows From Operating Activities	
Decrease in net assets	\$ (113,808)
Adjustment to reconcile decrease in net assets to net cash used for operating activities:	
Amortization-financing costs	31,326
Deferred rental income	(15,652)
Depreciation and amortization	865,182
Increase (decrease) in current assets and liabilities	
Accounts receivable from School District of Philadelphia	(848,577)
Accounts receivable, other	(6,243)
Prepaid expenses	(16,860)
Accounts payable and accrued expenses	(176,510)
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Net cash used for operating activities	(281,142)
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Cash Flows From Investing Activities	
Assets whose use is limited	391,447
Purchases of property and equipment	(392,911)
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Net used in investing activities	(1,464)
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Cash Flows From Financing Activities	
Principal payments on bond payable	(230,000)
<hr/>	
Net cash used in financing activities	(230,000)
<hr/>	
Net decrease in cash and cash equivalents	(512,606)
Cash and cash equivalents, beginning of year	1,958,878
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Cash and cash equivalents, end of year	\$ 1,446,272
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Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ 952,631

See accompanying notes to financial statements.

Note 1. Nature of Activities

One Bright Ray, Inc., (the Organization) leases a facility to a charter school and provides educational support services to four contract schools in the Philadelphia area. The Organization leases its building to Community Academy of Philadelphia (CAP). The Organization contracts with the School District of Philadelphia to operate One Bright Ray Community High School Simpson Campus, One Bright Ray Community High School Fairhill Campus, One Bright Ray Community High School Elmwood Campus and One Bright Ray Community High School Mansion Campus; these facilities provide high-risk and at-risk youth, between the ages of 16-21, from the inner city of Philadelphia, with a second chance of obtaining a high school diploma.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accounts of the Organization are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Financial Statement Presentation

The classification of a not-for-profit organization'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 the classes of net assets be displayed in the Statement of Financial Position and the amounts of change in each of those classes of net assets be displayed in the Statement of Activities.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions- net assets available for general use to support operations. The only limits on the use of net assets without donor restrictions are broad limits resulting from the nature of the Organization, the environment in which it operates, and the purpose specified in its corporate documents.
- Net assets with donor restrictions- net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. There are no donor restrictions as of June 30, 2022.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, are reported as increases (or decreases) in net assets without donor restrictions unless the use of the income received is limited by donor-imposed restrictions.

Use of Estimates

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 and 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service (IRS) Code. The Organization adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization files a Return of Organizations Exempt from Income Tax annually. The Organization's returns for 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash equivalents whose use is limited are not considered cash and cash equivalents, for purposes of the Statement of Cash Flows (Note 4). At June 30, 2022, cash and cash equivalents included \$1,446,272 of which \$250,000 was insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Organization's uninsured deposits may not be returned. The Organization does not have a policy for custodial credit risk.

Revenue Recognition

Revenue has been recognized based on rental income earned per the lease agreements, contracts for services provided and grant contracts which are received primarily from the School District of Philadelphia. The Organization provides an allowance for bad debts if collectability appears uncertain. At June 30, 2022 an allowance was not warranted.

Financing Costs

Financing costs consisting of original issue discount, costs of issuance, underwriter's discount and other related financing costs are presented in the Statement of Financial Position as a direct reduction from the carrying amount of bonds payable, consistent with the presentation of debt discounts. The costs are amortized on a straight-line basis over the life of the related bonds.

Property and Equipment

Property and equipment are stated at cost. Expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation and amortization are removed from the accounts and resulting gains or losses are included in the change in unrestricted net assets. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the assets.

The useful lives are as follows:

Buildings	30 years
Improvements	30 years
Vehicles	5 years
Furniture & equipment	5 -7 years

Note 2. Summary of Significant Accounting Policies (Continued)

Long Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. An impairment loss would be recognized when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount and fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell. At June 30, 2022, management determined that no impairment was necessary.

Advertising Costs

All costs associated with advertising and promotions are recorded as expenditures in the year incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a function basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and effort.

Deferred Rental Income

Rental income is being recognized on a straight-line basis over the life of the lease. The difference between rental income recognized and rents received, as stipulated in the lease, is reflected as "Deferred rental income" on the Statement of Financial Position.

Future Accounting Pronouncements

ASU No. 2016-02 (Topic 842), Leases

This standard substantially changes current principles of lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. ASU 2016-02 establishes a right-of-use asset ("ROU") model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with terms of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current generally accepted accounting principles, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This standard will be implemented during the fiscal year ending June 30, 2023. The Organization is currently evaluating this new standard and the impact it will have on its financial statements.

ASU No. 2020-07 (Topic 958), Presentation and Disclosure for Not-for-Profit Entities for Contributed Nonfinancial Assets

This standard changes the presentation and disclosure requirements of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, material and supplies, intangible assets, services, and unconditional promises of those assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Future Accounting Pronouncements

The standard requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities and additional disclosures will be presented, including disaggregation of amounts, qualitative information, and valuation techniques and inputs that were used to arrive at the fair value of the contributed nonfinancial asset. This standard will be implemented during the fiscal year ending June 30, 2023. The Organization is currently evaluating this new standard and the impact it will have on its financial statements.

Note 3. Liquidity and Availability of Resources

The Organization's financial assets available for use within one year of the Statement of Financial Position date for general expenditures consist of the following as of June 30, 2022:

Cash and cash equivalents	\$ 1,446,272
Assets whose use is limited	1,646,265
Accounts receivable	2,723,777
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Financial assets available to meet cash needs for general expenditures within one year	\$ 5,816,314

The Organization's financial assets are all unrestricted. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash more than daily requirements in short term investments.

Note 4. Assets Whose Use Is Limited and Fair Value Measurements

In accordance with the terms of bond agreements, the Organization has established funds that are segregated for specific use and for the security of the bondholders and are maintained by US Bank, an independent trustee (the Trustee) (Note 6). The funds are maintained in First American Government Obligation Funds, which are cash equivalents. These funds are presented as "Assets whose use is limited" in the accompanying Statement of Financial Position. The following is the composition of those funds as of June 30, 2022:

Philadelphia Authority for Industrial Development Revenue Bonds:

Philadelphia Authority for Industrial Development Revenue Bonds	
Project Fund	\$ 69,628
Debt Service Reserve Fund	1,187,503
Repair & Replacement Fund	250,000
Bond Principal Fund	59,450
Bond Interest Fund	79,684
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	\$ 1,646,265

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Note 4. Assets Whose Use Is Limited and Fair Value Measurements (Continued)

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan can access.

Level 2 - Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measurement at fair value. There have been no changes in the methodologies used at June 30, 2022. The Organization may or may not have all of the following investments at June 30, 2022.

Common stock, corporate bonds and US government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Guaranteed investment contract: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions result in a different fair value measurement at the reporting date.

The following are the fair values of Assets Whose Use is Limited at June 30, 2022:

	Cost	Fair value	Unrealized Gain
Cash and cash equivalents	\$ 1,646,265	\$ 1,646,265	\$ -

Note 5. Property and Equipment

Property and equipment include the following at June 30, 2022:

One Bright Ray, Inc.
Notes to Financial Statements
June 30, 2022

Note 5. Property and Equipment (Continued)

Buildings and improvements	\$ 16,877,172
Leasehold improvements	4,473,600
Vehicles	86,882
Furniture and equipment	1,494,150
Website and software	48,181
	22,979,985
Less: accumulated depreciation and amortization	11,844,865
	\$ 11,135,120

Depreciation expense was \$865,182 for the year ended June 30, 2022.

Note 6. Bonds Payable

On October 1, 2018, the Organization refinanced its existing long-term debt and Series 2002B Bonds totaling \$12,680,000 and also received additional proceeds of \$6,385,000. The refinancing provided for the issuance of Philadelphia Authority for Industrial Development Series 2018A Bonds and Series 2018B Bonds of \$18,785,000 and \$280,000, respectively. The additional proceeds of \$6,385,000 were used to create various required reserve funds (Note 4) totaling approximately \$5,600,000 and to pay for financing and accrued interest costs totaling approximately \$785,000. The Series 2018A Bonds are payable to the Trustee over 35 years with interest at 4.5% through June 1, 2029; 5.125% through June 1, 2038; 5.25% through June 1, 2048, and 5.375% through June 1, 2053. The Series 2018B Bonds were also payable to the Trustee over 3 years with interest at 5.875% and were repaid during the year.

The Organization had pledged to provide annual revenues principally, but not limited to, the collections from CAP, a related party as disclosed in Note 8, 9 and 10 to the financial statements, pursuant to the leases. The bond agreements require that the Organization and CAP maintain a debt service coverage ratio of 1.10 to 1.0, lease payment coverage ratio of 1.0 to 1.0, at least 45 days cash on hand and other financial covenants. However, failure to maintain these covenants would not be deemed defaults but require a management consultant's report setting forth the reasons for the deficiency and set forth a plan to correct the deficiency. The Organization and CAP have also pledged all rights, title, and interest to their assets.

At June 30, 2022, bonds payable consists of the following:

	Bonds Payable	Financing Costs	Net
Series 2018A Bonds	\$ 18,170,000	\$ (981,542)	\$ 17,188,458
Less current portion of bonds payable	240,000	(31,326)	208,674
	\$ 17,930,000	\$ (950,216)	\$ 16,979,784

Financing costs of \$1,376,405 are being amortized on a straight-line basis as a component of interest expense over the life of the bonds. Amortization expense was \$31,326 for the year ended June 30, 2022.

The following is a schedule of required bond principal and interest payments which would have been payable/paid as of June 30:

Note 6. Bonds Payable (Continued)

Date	Principal On Series 2018A Bonds	Financing Cost Amortization	Interest on Series 2018A Bonds	Principal On Series 2016B Bonds	Financing Cost Amortization	Interest on Series Bonds	Total Debt Service
2023	240,000	(31,326)	942,281	-	-	-	1,150,955
2024	255,000	(31,326)	931,481	-	-	-	1,155,155
2025	265,000	(31,326)	920,006	-	-	-	1,153,680
2026	275,000	(31,326)	908,081	-	-	-	1,151,755
2027	290,000	(31,326)	895,706	-	-	-	1,154,380
Thereafter	16,845,000	(824,912)	15,142,145	-	-	-	31,162,233
	\$ 18,170,000	\$ (981,542)	\$ 19,739,700	\$ -	\$ -	\$ -	\$ 36,928,158

Note 7. Bank Line of Credit

The Organization maintains a \$500,000 line of credit (the Line) from PNC Bank. Interest is payable at Libor plus 3% and expires July 31, 2023. The Line is subject to the same security and financial covenants as the Series 2018A and 2018B bonds. The entire line was available as of June 30, 2022.

Note 8. Operating Lease Commitments

Related Party Leases

The following lease and sublease agreements were amended on October 1, 2018, in accordance with the terms of the bond issuance:

The Organization leases three facilities to CAP, a related party, which are located at 1100-1140 East Erie Avenue, 1142-1152 East Erie Avenue and 2816-2822 North Fourth Street and are all located in Philadelphia. Gross rental income for these facilities was \$1,182,631 for the year ended June 30, 2022.

CAP subleases the 1142-1152 East Erie Avenue and 2816-2822 North Fourth Street locations to the Organization. The sublease rental expense totaled \$183,308 for the year ended June 30, 2022.

The lease and sublease agreements are for the periods October 1, 2018, through June 1, 2053. In addition to the basic rentals, the Organization charges CAP for additional costs including taxes, occupancy, maintenance costs and other costs incurred by the Organization under its Bond Purchase Agreement. These additional costs are allocated between the Organization and CAP based on the usage of the facilities identified in the lease and sublease agreements.

Net rental income from CAP is \$999,323 is being recognized in the financial statements on the straight-line basis, which is \$1,014,975 for the year ended June 30, 2022. The cumulative difference between rent received and rent calculated on the straight-line basis was \$569,475 and is reflected on the Statement of Net Position as "Deferred rental income".

Note 8. Operating Lease Commitments (Continued)

Other Operating Leases

The Organization leases a school facility at 6404 Elmwood Avenue in Philadelphia from the School District of Philadelphia. The lease is renewed annually effective from July 1 to June 30 and is payable at \$7,573 per month with a 3% annual increase. The Organization is charged \$2 per square foot for utilities and is also responsible for all maintenance and occupancy costs. Rent expense was \$90,871 for the year ended June 30, 2022.

The Organization also leases another school facility at 3133 Ridge Avenue in Philadelphia from the School District of Philadelphia. The lease is renewed annually effective from July 1 to June 30 and is payable at \$8,520 per month with a 3% annual increase. The Organization is responsible for all maintenance and occupancy costs. Rent expense was \$102,243 for the year ended June 30, 2022.

The following is a schedule of future minimum lease payments(receipts) that would have been required as of June 30:

Years ending June 30,	Facilities	Facilities sublease income	Net lease cost
2023	\$ 1,182,631	\$ (183,308)	\$ 999,323
2024	1,182,281	(183,253)	999,028
2025	1,186,481	(183,904)	1,002,577
2026	1,185,006	(183,676)	1,001,330
2027	1,183,081	(181,751)	1,001,330
Thereafter	31,990,220	(4,960,110)	27,030,110
	\$ 37,909,700	\$ (5,876,002)	\$ 32,033,698

Note 9. Significant Concentration of Risk

The Organization intends to make payments on the Series 2018A and 2018B Bonds from lease payments received from CAP. CAP's ability to make payments under the lease is largely dependent on its revenues received from the School District of Philadelphia, which is set by the Commonwealth of Pennsylvania. There is no assurance that the amounts set by the Commonwealth may not be decreased. Such a decrease could materially affect the ability of CAP to make rental payments. In addition, CAP's charter agreement with the school district is renewed every five years. There are no assurances that School District's commission or its successors will continue to renew the charter.

Note 10. Other Related Party Transactions

In addition to the building lease and debt guarantees (as described in Note 6 and 8), the Organization is related to CAP as certain board members of the Organization are also employees of CAP. CAP also leased equipment to the Organization which is on a month-to-month basis and was \$235,315 for the year ended June 30, 2022. The following is a summary of the related party activity for the year ended June 30, 2022:

Note 10. Other Related Party Transactions (Continued)

Balance, beginning of year	\$	112,480
Rental income		999,323
Net reimbursements		(1,006,163)
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Balance, end of year (included in accounts payable and accrued expenses)	\$	105,640

Note 11. Defined Contribution Plan

The Organization sponsors a defined contribution plan (the Plan) covering all employees with at least one year of service who agree to make contributions to the Plan. The Organization matches participants' contributions to the Plan up to 3% of the individual participant's compensation. Total expense for the year ended June 30, 2022 was \$166,679.

Note 12. Funding

The Organization receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

The Organization generally receives federal funding for certain federal breakfast and lunch programs. During the year there was no breakfast or lunch programs due to the pandemic and remote learning.

Note 13. Subsequent Events

The Organization has evaluated subsequent events through December 7, 2022, the date on which the financial statements were available to be issued.