

LINK EDUCATION PARTNERS, INC.

Financial Statements
with Independent Auditor's Report

June 30, 2023

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

LINK EDUCATION PARTNERS, INC.

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Link Education Partners, Inc.

Opinion

We have audited the accompanying financial statements of Link Education Partners, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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 the Organization 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 the Organization'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 the Organization'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 the Organization'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.

Galleras Robinson CPAs, LLP

Cream Ridge, New Jersey
November 15, 2024

LINK EDUCATION PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current Assets:

Cash	\$ 374,733
Investments at fair value	1,270,916
Contributions receivable	17,000
Prepaid expenses	53,524
Security deposit	<u>8,250</u>
Total current assets	<u>1,724,423</u>

Noncurrent Assets:

Property and equipment, net	5,005,269
Operating right-of-use assets	<u>83,680</u>
Total noncurrent assets	<u>5,088,949</u>

Total Assets	<u>\$ 6,813,372</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 80,717
Deferred revenue	93,293
Grant advances	5,000
Mortgage payable, current portion	79,579
Operating lease liabilities, current portion	<u>10,252</u>
Total current liabilities	<u>268,841</u>

Noncurrent Liabilities:

Mortgage payable, net of current portion	3,093,986
Operating lease liabilities, net of current portion	<u>77,067</u>
Total noncurrent liabilities	<u>3,171,053</u>

Total Liabilities	<u>3,439,894</u>
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Net Assets:

Without donor restrictions	3,263,978
With donor restrictions	<u>109,500</u>
Total Net Assets	<u>3,373,478</u>

Total Liabilities and Net Assets	<u>\$ 6,813,372</u>
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LINK EDUCATION PARTNERS, INC.**STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2023**

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 185,900	\$ -	\$ 185,900
Contributions	210,830	26,764	237,594
Special events (net of cost of direct benefits to donors of \$100,798)	415,528	-	415,528
Lease income	400,000	-	400,000
Program service revenue - sale of uniforms	13,453	-	13,453
Net investment loss	(11,539)	-	(11,539)
Other revenue	26,497	-	26,497
Net assets released from restrictions	<u>29,040</u>	<u>(29,040)</u>	<u>-</u>
Total support and revenue	<u>1,269,709</u>	<u>(2,276)</u>	<u>1,267,433</u>
EXPENSES			
Program services:			
Summer Program and Student Activities of LCCS	246,862	-	246,862
Support of Link Community Charter School	<u>535,578</u>	<u>-</u>	<u>535,578</u>
Total program services expenses	<u>782,440</u>	<u>-</u>	<u>782,440</u>
Support services:			
Management and general	400,962	-	400,962
Fundraising	<u>269,385</u>	<u>-</u>	<u>269,385</u>
Total support services expenses	<u>670,347</u>	<u>-</u>	<u>670,347</u>
Total expenses	<u>1,452,787</u>	<u>-</u>	<u>1,452,787</u>
CHANGE IN NET ASSETS	(183,078)	(2,276)	(185,354)
NET ASSETS, BEGINNING OF YEAR	<u>3,447,056</u>	<u>111,776</u>	<u>3,558,832</u>
NET ASSETS, END OF YEAR	<u>\$ 3,263,978</u>	<u>\$ 109,500</u>	<u>\$ 3,373,478</u>

LINK EDUCATION PARTNERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services			Support Services			
	Summer Program and Student Activities of LCCS	Support of Link Community Charter School	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Personnel:							
Salaries and wages	\$ -	\$ 66,304	\$ 66,304	\$ 111,586	\$ 144,142	\$ 255,728	\$ 322,032
Payroll taxes and employee benefits	-	26,231	26,231	48,181	57,026	105,207	131,438
Total personnel expenses	-	92,535	92,535	159,767	201,168	360,935	453,470
Other than Personnel Expenses:							
Consultant and professional fees	187,968	65,091	253,059	61,843	20,765	82,608	335,667
Depreciation	-	185,362	185,362	4,878	4,878	9,756	195,118
Interest expense	-	-	-	145,162	-	145,162	145,162
Grant expenses	15,000	-	15,000	-	-	-	15,000
Conferences and professional developments	-	38,874	38,874	-	535	535	39,409
Scholarships and financial assistance	-	20,900	20,900	-	-	-	20,900
Repairs and maintenance	-	17,846	17,846	-	-	-	17,846
Leases	-	69,639	69,639	-	-	-	69,639
Supplies	41,825	255	42,080	4,270	28,897	33,167	75,247
Venue and catering	-	-	-	-	96,268	96,268	96,268
Parking	-	18,360	18,360	-	-	-	18,360
Transportation and travel	-	17,488	17,488	-	-	-	17,488
Information technology	-	-	-	-	5,690	5,690	5,690
Insurance	-	-	-	7,348	-	7,348	7,348
Miscellaneous	2,069	9,228	11,297	17,694	11,982	29,676	40,973
Total other than personnel expenses	246,862	443,043	689,905	241,195	169,015	410,210	1,100,115
Total Expenses	246,862	535,578	782,440	400,962	370,183	771,145	1,553,585
Less: Cost of Direct Benefit to Donors							
Venue and catering	-	-	-	-	(96,268)	(96,268)	(96,268)
Other direct cost	-	-	-	-	(4,530)	(4,530)	(4,530)
	-	-	-	-	(100,798)	(100,798)	(100,798)
Total Expenses included in the Expense Section of the Statement of Activities	\$ 246,862	\$ 535,578	\$ 782,440	\$ 400,962	\$ 269,385	\$ 670,347	\$ 1,452,787

See notes to financial statements.

LINK EDUCATION PARTNERS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (185,354)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	195,118
Unrealized loss on investments	50,840
Noncash lease expense	3,639
Decrease (increase) in operating assets:	
Contributions receivable	(11,970)
Prepaid expenses	(2,952)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(13,031)
Deferred revenue	<u>74,043</u>
Net cash from operating activities	<u>110,333</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	(125,593)
Net purchase of investments	<u>(39,301)</u>
Net cash used in investing activities	<u>(164,894)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment of mortgage payable	<u>(83,158)</u>
Net decrease in cash	(137,719)

CASH AT BEGINNING OF YEAR 512,452

CASH AT END OF YEAR \$ 374,733

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for leases included in the measurement of operating lease liabilities	\$ 66,000
Operating right-of-use asset obtained in exchange for lease obligation	91,392
Interest paid during the year	157,089

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. ORGANIZATION AND NATURE OF ACTIVITIES

Link Education Partners, Inc. (the "Organization"), formerly Link Community School, Inc., is a non-profit corporation incorporated in the State of New Jersey. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is similarly exempt from New Jersey State income taxes. On October 24, 2014, a certificate of amendment to the certificate of incorporation was filed by Link Community School, Inc. to change the name of the corporation to Link Education Partners, Inc.

The Organization's purpose is to advance the quality of education for children and conduct any and all activities necessary and appropriate to accomplish this in and around New Jersey.

A substantial portion of the Organization's revenues is derived from contributions and foundation grants. Because of the nature of these revenues, the ability of the Organization to continue operations is dependent upon the future support of donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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 ("U.S. GAAP"). Revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Organization's management and the board of trustees.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments and investment instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents include demand deposits and temporary investments readily convertible to cash with high credit financial institutions. The Organization does not have restricted cash as of June 30, 2023.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2023, the fair value of the Organization's financial instruments, including cash and cash equivalents, contributions receivable, and accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments. Refer to Note 5 - Investments at fair value.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are stated at the readily determinable fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Not-for-Profit Entities topic. All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Dividend and interest income are recognized when earned and realized capital gains or losses are recognized upon the sale of the investment using the trade-date basis. Unrealized gains and losses are reflected as income in the year they are determined. Realized gains and losses are determined using cost figures calculated on a first-in, first-out basis.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not charged on outstanding receivables.

Allowance for Doubtful Accounts

Management determines whether an allowance for uncollectible amounts should be provided for receivables. Such estimates are based on management's assessment of the aged basis of receivables, collections and historical information. Receivables are written off against bad debt expense when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. There was no allowance for doubtful accounts at June 30, 2023.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use assets and lease liabilities on the statement of financial position. Right-of-use assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use risk-free rate for the initial and subsequent measurement of

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - Continued

all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the term of the lease. The Organization elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis of the lease term. For the year ended June 30, 2023, leases are classified in accordance with the terms of the underlying agreements.

The Organization also leases/subleases its properties to Link Community Charter School (the "School"). Lease income on this agreement is recognized on a straight-line basis over the non-cancelable period of the lease term, including options to extend the lease that the School is reasonably certain to exercise. However, the lease term is limited to the Schools' latest charter renewal term. Lease payments received in advance are deferred until earned. The lease between the Organization and the School is an operating lease, which does not include variable lease payments.

Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized when they exceed \$500 and have a useful life of over one year. Expenditures for repairs and maintenance are expensed as incurred. The building is being depreciated on a straight-line basis over 39 years, building improvements are amortized over 25 years, and furniture and equipment are depreciated over 5 to 8 years.

Revenue Recognition

Foundation Grants and Contributions

Foundation grants and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions restricted by donors are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued

Special Events Revenue

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Revenue from special events is recognized as equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place. All goods and services are transferred at a point in time.

Donated Services and In-Kind Contribution

Contributions of donated noncash assets are recorded at fair values in the period received. Contributions of noncash services that enhance the nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period the services were rendered.

Functional Allocation of Expense

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

The Organization has adopted the provisions pertaining to uncertain tax provisions under FASB ASC Topic 740, Income Taxes, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations prior to 2020.

New Accounting Pronouncements Adopted in Current Year

Contributed Nonfinancial Assets

As of July 1, 2022, the Organization adopted the provisions of FASB Accounting Standards Update ("ASU") 2020-007, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. It also did not change the accounting for gifts-in-kind, however, it does provide matters related to presentation and disclosure. The Organization does not have contributed nonfinancial assets for the year ended June 30, 2023.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements Adopted in Current Year - Continued

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, Leases (Topic 842): Lessors-Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the requirements of the new standards effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date.

The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. Accordingly, the Organization will recognize lease payments on a straight-line basis over the lease term and variable payments in period when the corresponding obligation is incurred. As of July 1, 2022, adoption of Topic 842, Leases, did not result in any material adjustments to statement of financial position accounts related to lessor accounting, but it did result in the recognition of initial right-of-use asset and corresponding lease liability of \$91,392 at July 1, 2022. The adoption of the standard did not materially impact operating results or liquidity.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 15, 2024.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general use within one year of the statement of financial position date:

Financial Assets at End of Year	
Cash	\$ 374,733
Investments at fair value	1,270,916
Contributions receivable	<u>17,000</u>
	1,662,649
Less: amounts not available to be used within one year	
Donor restricted funds	<u>105,500</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,557,149</u>

The Organization is mainly supported by contributions from foundations and individuals. Timing of collection and payment of its obligation is crucial in managing its liquidity. Financial assets may not be available for general expenditure within one year. The Organization's goal is to maintain financial assets to meet 3 months of operating expenses.

4. CONCENTRATION OF CREDIT RISK

Financial investments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents, and investments. The Organization places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the Federal Deposit Insurance Corporation ("FDIC") insured levels of \$250,000 per institution at any time during the year. The Organization believes that there is a little risk of any losses and has not experienced any losses in such accounts.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities can occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. INVESTMENTS AT FAIR VALUE

The following summarizes cost and fair value of investments at June 30, 2023:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 1,403,514	\$ 1,225,544
Interest in pooled funds	<u>32,500</u>	<u>45,372</u>
	<u>\$ 1,436,014</u>	<u>\$ 1,270,916</u>

Net investment loss for the year ended June 30, 2023 is as follows:

Dividend and interest income	\$ 39,568
Unrealized loss on investments	(50,840)
Realized gain on sale of investments	376
Fees	<u>(643)</u>
Total	<u>\$ (11,539)</u>

The Organization's investments at fair value are classified as follows in the fair value hierarchy level:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 1,225,544</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,225,544
Interest in pooled funds				<u>45,372</u>
Investments measured at fair value				<u>\$ 1,270,916</u>

The Organization's interest in pooled funds are measured using net asset value (NAV) as a practical expedient and therefore are not classified within the fair value hierarchy. The fair value amounts presented above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Interest in pooled funds were allocated 51% in equity, 33% in fixed income, 13% in alternative investments and 3% in cash/ money market. The investment seeks to provide growth of capital through a target allocation. The investment is composed of various actively managed index funds. The investment in pooled funds includes a matching grant of \$5,000 which will be returned to the grantor upon close-out of the investment. As of June 30, 2023, this is reported in the statement of financial position as grant advances.

Since investments may not be readily marketable and the estimated fair value assigned to such interests is subject to uncertainty, fair values may differ from the value that would have been used had a ready market for such investment existed. The fair values assigned to such holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuation, the estimated fair values may differ significantly from the value that would have been used had a ready market for such investments existed and the differences could be material.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. INVESTMENTS AT FAIR VALUE - CONTINUED

Information regarding investments valued at NAV using the practical expedient at June 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Interest in pooled funds	\$ 45,372	\$ -	Monthly	30 days

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at June 30, 2023 consist of the following:

Land	\$ 54,087
Building	5,269,623
Building improvements	935,319
Furniture and equipment	<u>436,944</u>
Total	6,695,973
Less: Accumulated depreciation	<u>1,690,704</u>
Net	<u>\$ 5,005,269</u>

Depreciation expense for the year ended June 30, 2023 is \$195,118.

7. MORTGAGE PAYABLE

The mortgage payable is secured by the building located in Newark, New Jersey, with interest at the rate of 4.5% per annum. Monthly payments of \$19,001 for principal and interest are payable until maturity in June 2045. Mortgage payable as of June 30, 2023, consists of the following:

Mortgage payable	\$ 3,173,565
Less: Current portion	<u>79,579</u>
Mortgage payable, net of current portion	<u>\$ 3,093,986</u>

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7. MORTGAGE PAYABLE - CONTINUED

Scheduled principal maturities of the mortgage in each of the next five years and thereafter are as follows:

<u>Years Ending June 30,</u>	
2024	\$ 79,579
2025	90,633
2026	94,797
2027	99,151
2028	103,707
Thereafter	<u>2,705,698</u>
	<u>\$ 3,173,565</u>

The mortgage note is secured by the related property with a net book value of \$4,188,676.

8. EMPLOYEE RETENTION CREDIT

In accordance with Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), employee retention tax credit amounting to \$147,122 is included in the contributions and grants for the year ended June 30, 2023.

The Organization believed that it met the conditions for revenue recognition under the CARES Act, which is the basis for recording the revenue in these financial statements in accordance with the FASB ASC 958-605.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and amounts as of June 30, 2023:

Kurtz Excellence fund	\$ 42,110
Athletic programs	50,625
Student programs	8,665
Scholarship programs	<u>8,100</u>
	<u>\$ 109,500</u>

Releases from restrictions for the year ended June 30, 2023, amounted to \$16,900 and \$12,140 for the Scholarships programs and Kurtz Excellence fund, respectively.

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10. PENSION PLAN

The Organization established a defined contribution pension plan during the fiscal year ended June 30, 2001. Employees with one year of service or more are eligible to participate. For the year ended June 30, 2023, the Organization matched 4% to 10% of salaries for employees who also contributed 4% to 10% based on years of service. The cost to the Organization was \$22,285 for the year ended June 30, 2023. Eligible employees are also allowed to make additional deferrals up to the maximum amount allowed by law.

11. LEASES

As a Lessor/Sublessor

- a. The Organization leases a portion of its building to the School expiring on June 30, 2023, for an annual lease of \$328,000. Commencing July 1, 2021, the School leased additional spaces of the building for an annual lease amounting to \$24,000. The lease is classified as an operating lease. Subsequently, on June 21, 2023, the lease was renewed for another three years until June 30, 2026.
- b. The Organization is a sublessor to the School for its space in 972 Broad Street, Newark, New Jersey commencing July 1, 2022 through June 30, 2023 for an annual lease amounting to \$48,000. Subsequently, on July 17, 2023, the lease was extended for another two years until June 30, 2025.

Lease Income

Lease income for the year ended June 30, 2023 are as follows:

	<u>Amount</u>
School building	\$ 352,000
Office and parking spaces	<u>48,000</u>
	<u>\$ 400,000</u>

Lease Assets

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

	<u>Amount</u>
Building and improvements, net of accumulated depreciation	\$ 4,977,543
Operating right-of-use assets for office space	83,680

LINK EDUCATION PARTNERS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

11. LEASES - CONTINUED

As a Lessor/Sublessor - Continued

The following is an analysis of the maturity of the undiscounted operating lease payments as of June 30, 2023:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 400,000
2025	400,000
2026	<u>352,000</u>
Total	<u>\$ 1,152,000</u>

As a Lessee

- a. On November 2, 2021, the Organization entered into a two-year lease operating agreement for the use of space at 972 Broad Street, Newark, New Jersey. The lease has two one-year renewal options until June 30, 2026. The refundable security deposit related to this lease amounted to \$8,250 for the year ended June 30, 2023.

Lease expense recognized in the statement of functional expense for the year ended June 30, 2023 amounted to \$69,639.

As of June 30, 2023, operating lease right-of-use assets amounted to \$83,680 and lease liabilities of \$87,319.

The lease liabilities for the operating leases were calculated utilizing the risk-free rate of 5.75% for leases in effect at the initial adoption date of July 1, 2022. The weighted average remaining lease term for operating leases was three years as of June 30, 2023.

The maturities of lease liabilities as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 67,650
2025	71,033
2026	<u>73,874</u>
Total	212,557
Less: Interest	<u>125,238</u>
Operating lease liabilities	<u>\$ 87,319</u>

Subsequently on August 1, 2023, the Organization entered in two (2) year operating lease agreement for the use of space at 230 Halsey for monthly rate of \$56,180 with annual increase of 2%. The contract has an option to extend for one year until June 30, 2026. On the same date, the space was also subleased to LCCS at \$25,000 monthly.