

Lionheart Children's Academy

Financial Statements

Year Ended December 31, 2020

(With summarized information for the year ended December 31, 2019)

Lionheart Children's Academy
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Independent Auditor's Report

To the Board of Directors
of Lionheart Children's Academy

We have audited the accompanying financial statements of Lionheart Children's Academy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lionheart Children's Academy as of December 31, 2020 and 2019, 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.

MeredithCPAs

Irving, Texas
March 2, 2021

Tax | Audit | Advisory

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Lionheart Children's Academy
Statement of Financial Position

December 31, 2020

(With summarized information for the year ended December 31, 2019)

Assets		2020	2019
Current Assets			
Cash and cash equivalents		\$ 4,458,849	\$ 2,042,883
Tuition and fees receivable, net		45,110	63,146
Other receivables		6,847	21,609
Related party receivable		-	1,396
Prepaid expenses		42,740	352,524
	Total Current Assets	4,553,546	2,481,558
Property and Equipment (Bus Fleet), Net		331,214	464,872
Advanced Rent		4,183,689	3,485,770
		<u>\$ 9,068,449</u>	<u>\$ 6,432,200</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		\$ 34,116	\$ 173,327
Related party payable		16,386	-
Accrued payroll expenses		144,759	413,946
Deferred revenue		21,292	77,353
Accrued expense		180,264	150,849
Interest payable		2,074	3,708
Current portion of long-term debt		394,417	521,469
	Total Current Liabilities	793,308	1,340,652
Debt, Net of Current Portion		5,898,748	2,207,800
Net Assets (Deficit)			
Without donor restrictions		2,374,893	1,544,109
With donor restrictions		1,500	1,339,639
		<u>\$ 9,068,449</u>	<u>\$ 6,432,200</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

(With summarized information for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenue and Support				
Contributions	\$ 1,717,440	\$ 7,776	\$ 1,725,216	\$ 2,954,493
Donated goods	1,256,155	-	1,256,155	1,221,720
Tuition and related fees, net	6,013,708	-	6,013,708	8,280,787
Interest income	100,611	-	100,611	52,229
Other income	200,773	-	200,773	97,032
Net assets released from restrictions	1,345,915	(1,345,915)	-	-
	<u>10,634,602</u>	<u>(1,338,139)</u>	<u>9,296,463</u>	<u>12,606,261</u>
Expenses				
Program services	8,651,934	-	8,651,934	10,291,038
General and administrative	1,136,569	-	1,136,569	1,069,945
Fundraising	15,315	-	15,315	36,865
	<u>9,803,818</u>	<u>-</u>	<u>9,803,818</u>	<u>11,397,848</u>
Increase (Decrease) in Net Assets	<u>830,784</u>	<u>(1,338,139)</u>	<u>(507,355)</u>	<u>1,208,413</u>
Net Assets (Deficit) at Beginning of Year	1,544,109	1,339,639	2,883,748	1,675,335
Net Assets (Deficit) at End of Year	<u>\$ 2,374,893</u>	<u>\$ 1,500</u>	<u>\$ 2,376,393</u>	<u>\$ 2,883,748</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Functional Expenses
Year Ended December 31, 2020

(With summarized information for the year ended December 31, 2019)

	Program Services	Management and General	Fund - raising	2020	2019
Academy office wages and benefits	\$2,817,045	\$ 664,385	\$ -	\$ 3,481,430	\$ 3,465,529
Teaching staff wages and benefits	3,510,121	-	-	3,510,121	4,579,225
	<u>6,327,166</u>	<u>664,385</u>	<u>-</u>	<u>6,991,551</u>	<u>8,044,754</u>
Advertising and lead generation	252,303	4,069	-	256,372	465,734
Pre-launch expense to setup academies	117,561	-	-	117,561	321,412
Professional fees/consulting	69,713	79,130	-	148,843	294,708
Occupancy expense	292,069	9,900	-	301,969	291,537
Student food expense	202,475	-	-	202,475	282,367
Classroom and fieldtrips expense	95,019	521	-	95,540	215,495
Merchant fees/processing fees	119,234	51,100	-	170,334	207,687
Impairment of advanced rent	-	-	-	-	186,682
Staffing recruiting and support	117,713	19,481	-	137,194	182,831
Academy space	627,838	-	-	627,838	177,757
IT consulting and general expense	109,738	30,663	-	140,401	138,825
Office equipment, supplies, and production	26,435	117,772	-	144,207	120,820
Interest expense	10,764	159,105	-	169,869	85,634
Buses expense	48,708	-	-	48,708	53,115
Fundraising expense	-	-	15,315	15,315	36,865
Scholarships for students	51,730	443	-	52,173	11,826
	<u>8,468,466</u>	<u>1,136,569</u>	<u>15,315</u>	<u>9,620,350</u>	<u>11,220,550</u>
Depreciation	183,468	-	-	183,468	177,298
	<u>\$8,651,934</u>	<u>\$ 1,136,569</u>	<u>\$ 15,315</u>	<u>\$ 9,803,818</u>	<u>\$ 11,397,848</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Cash Flows
Year ended December 31, 2020

(With summarized information for the year ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (507,355)	\$ 1,208,413
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	183,468	177,298
Impairment of advanced rent	-	145,427
Non-cash debt forgiveness	-	(200,000)
Payroll Protection Program loan forgiveness	(1,416,900)	-
(Increase) decrease in assets:		
Tuition and fees receivables	18,036	(2,023)
Other receivables	14,762	35,035
Prepaid expenses	309,784	(327,349)
Advanced rent	(697,919)	(1,166,166)
(Increase) decrease in liabilities:		
Accounts payable	(139,211)	(48,393)
Accrued payroll expenses	(269,187)	134,596
Accrued expense	29,416	40,999
Interest payable	(1,634)	(8,903)
Related party payable	17,782	(40,412)
Deferred revenue	(56,061)	7,002
	<u>(2,515,019)</u>	<u>(44,476)</u>
Cash Flows from Investing Activities		
Purchase of buses	(49,809)	(156,442)
	<u>(49,809)</u>	<u>(156,442)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	5,103,673	579,769
Payments on long-term debt	(122,879)	(307,145)
	<u>4,980,794</u>	<u>272,624</u>
	<u>2,415,966</u>	<u>71,706</u>
	2,042,883	1,971,177
	<u><u>\$ 4,458,849</u></u>	<u><u>\$ 2,042,883</u></u>
Supplemental Information		
Cash paid during the year for interest	\$ 167,795	\$ 81,926
Non-cash financing activity		
Payroll Protection Program loan forgiveness	\$ 1,416,900	\$ -
Non-cash contribution via debt forgiveness	\$ -	\$ 200,000

See accompanying notes to financial statements.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

(With summarized information for the year ended December 31, 2019)

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of the Organization

Lionheart Children's Academy (the "Academy" or "Lionheart") is a Texas non-profit organization incorporated in November 2013; it began operations in January 2014. Lionheart partners with churches to operate quality, Christ-centered licensed preschool and after school programs year round. Lionheart operates between eight to eleven academies between Texas and Ohio.

Basis of Presentation

Based on the existence or absence of donor-imposed restrictions, resources are classified into two categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by the donor are included in this classification. All expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of Lionheart or the passage of time. When a 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all checking and saving accounts, and highly liquid money market mutual funds. These funds are available for general operating purposes and not otherwise restricted.

Advanced Rent

For each academy, Lionheart provides certain start-up funding in accordance with the covenant agreement between Lionheart and the host church. The start-up funding amounts represent advanced rent for future years. As such, start-up funding amounts are capitalized as advanced rent and reported as a noncurrent asset. Management determined that advanced rent should be written down based on assessment of future realizable rent. Thus, management recorded an impairment of advanced rent of \$0 and \$145,427 as of December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are carried at acquisition cost. Depreciation is provided using straight-line method over the estimated useful lives of the respective assets. For buses, estimated useful lives are five years. Major additions and betterments are capitalized, while replacements and maintenance and repairs which do not improve or extend the life of the related assets are expensed.

Revenue Recognition

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the Academy expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Lionheart recognizes student revenue as the educational services are provided. Tuition and fees are stated net of concession and discounts totaling \$853,555 and \$1,052,353 for the years ended December 31, 2020 and 2019, respectively. Advance billing is recorded as deferred revenue until the performance obligations are met.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Other remaining revenue streams not related to tuition including Contributions, Investment Income, and Other Revenue are not within the scope of Topic 606 Revenue Recognition. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Contributions are recognized as revenues when received. Contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis and allocated in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on analysis of personnel time and space and resources utilized for the related activities.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense totaled \$256,373 and \$465,734 for the years ended December 31, 2020 and 2019, respectively.

Deferred Loan Cost

Deferred loan costs are reported on the balance sheet as a direct deduction from the face amount of debt. These costs are amortized to interest expense over the terms of the related loans using the straight-line method. Amortization expense recorded to interest was \$19,272 and \$0 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

Lionheart is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Lionheart is not classified as a private foundation and is exempt for state income tax purposes. Currently, Lionheart engages in no activities that would be taxed as unrelated business income.

With respect to uncertain tax positions, the management of Lionheart believes its positions comply with applicable laws and they periodically evaluate exposures associated with tax filing positions. Consequently, no liability is recognized in the accompanying statement of financial position for uncertain tax positions. If incurred, penalties and interest assessed by income taxing authorities are included in penalties or interest expense. With few exceptions, Lionheart is no longer subject to U.S. federal and state examinations by taxing authorities for years before 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Significant estimates used in preparing these financial statements include those assumed in debt maturities for contingent payment loans and distributions related to certain debt agreements. Accordingly, the actual results could differ from those estimates.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Accrued Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. Lionheart's policy is to recognize these costs when actually paid.

Liquidity and Availability of Financial Assets

Lionheart has \$4,563,721 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents \$4,458,849, tuition and fee receivable of \$45,110, and other receivables of \$59,762.

Change in Accounting Principle

The Academy adopted Financial Accounting Standards Board Accounting Standard Codification Topic 606, Revenue From Contracts With Customers ('ASC 606'), as of January 1, 2020 ("transition date"). Under ASC 606, revenue is recognized when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Academy adopted ASC 606 using the modified retrospective approach, and applied the new guidance to contracts not substantially completed at transition date. As a result of adopting ASC 606, there was no impact on beginning net assets or 2019 net income as a result of applying ASC 606.

Note 2 - Tuition and Fee Receivable

Tuition and fee receivable consists primarily of open invoices related to tuition and fees. Tuition and fee receivable is reported net of an allowance for doubtful accounts of \$0, at December 31, 2020 and 2019. Lionheart establishes an allowance for doubtful accounts based on management's assessment of the collectability of past due accounts. Past due accounts are defined by invoice due date. Tuition and fee receivable balances are charged off after being deemed uncollectable by management. Lionheart generally requires that the invoices are paid prior to services being rendered. As such, Lionheart generally does not require collateral from the families of children served.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Buses	\$ 1,063,684	\$ 1,013,874
Less: accumulated depreciation	(732,470)	(549,002)
	<u>\$ 331,214</u>	<u>\$ 464,872</u>

Depreciation expense for the years ended December 31, 2020 and 2019 were \$183,468 and \$177,298, respectively. Buses with a carrying value of \$103,327 and \$217,975 represent collateral for financing agreements for the years ended December 31, 2020 and 2019 respectively (see Note 4).

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 4 - Long-Term Debt

Long-term debt is used for purposes of buying buses and launching new academies. Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable, payable in monthly installments of \$1,381.57, interest at 5.31%, final payment due August 12, 2020, secured via bus.	-	12,163
Note payable, payable in monthly installments of \$1,316.38, interest at 5.31%, final payment due September 17, 2020, secured via bus.	-	14,103
Note payable, payable in monthly installments of \$1,433.30, interest at 6.20%, final payment due February 3, 2021, secured via bus.	7,057	21,956
Note payable, payable in monthly installments of \$1,388.85, interest at 6.20%, final payment due June 2, 2021, secured via bus.	8,580	22,916
Note payable, payable in monthly installments of \$1,215.37, interest at 5.98%, final payment due August 8, 2021, secured via bus.	11,886	24,176
Note payable, payable in monthly installments of \$1,180.72, interest at 5.98%, final payment due October 24, 2021, secured via bus.	13,820	25,693
Note payable, interest at 3.00%, with principal balance and unpaid interest due on or before December 31, 2020. The note is unsecured. The loan was amended with an amended interest at 6% that matures on December 31, 2025.	200,000	200,000
Note payable, payable in monthly installments of \$919.14, interest at 6.43%, final payment due April 30, 2022, secured via bus.	14,058	23,839
Note payable, payable in monthly installments of \$913.86, interest at 6.48%, final payment due June 30, 2022, secured via bus.	15,701	24,533
Note payable, payable in monthly installments of \$913.86, interest at 6.48%, final payment due June 30, 2022, secured via bus.	15,701	24,533
Note payable, payable in monthly installments of \$829.77, interest at 6.48%, final payment due August 14, 2022, secured via bus.	15,781	23,712
Note payable, payable in monthly installments of \$823.96, interest at 6.48%, final payment due August 14, 2022, secured via bus.	16,316	24,155
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2023, and commitment to 12.5% of program net cash flows. The note is unsecured.	125,556	125,556

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 4 - Long-Term Debt, Continued

Note payable to related party, interest at 3.00%, with principal balance of \$50,000 and unpaid interest due on or before December 31, 2019. The note is unsecured. The loan was refinanced and consolidated with an existing \$100,000 loan for a total consideration of \$190,000; see below.	-	50,000
Note payable to related party, interest at 3.00%, with principal balance of \$40,000 and unpaid interest due on or before amended December 31, 2019. The note is unsecured. The loan was refinanced and consolidated with an existing \$100,000 loan for a total consideration of \$190,000; see below.	-	40,000
Note payable to related party, interest at 5.00%, with principal balance and unpaid interest due on or before December 31, 2020. The note is unsecured. See Note 9. The loan was refinanced and consolidated with an existing \$100,000, \$50,000, and \$40,000 loans for a total consideration of \$190,000 with an amended interest at 5% that matures on December 31, 2021.	190,000	100,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2025, and commitment to 12.5% of program net cash flows. The note is unsecured.	250,000	250,000
Note payable to related party, stated interest at 0%, contingent payments based on cash flows, and maturity on August 31, 2023. The note is unsecured. See Note 9.	400,000	400,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2025, and commitment to 6.25% of program net cash flows. The note is unsecured.	150,000	150,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2025, and commitment to 12.5% of program net cash flows. The note is unsecured.	270,000	270,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due August 31, 2025. The loan is unsecured.	329,990	299,990
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due October 31, 2024. The loan is unsecured.	326,308	251,944
Note payable to related party, interest at 5.00%, with principal balance and unpaid interest due on or before December 31, 2022. The note is unsecured. See Note 9.	100,000	100,000

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 4 - Long-Term Debt, Continued

Note payable, interest at 3.00%, with principal balance and unpaid interest due on or before December 31, 2024. The note is unsecured.	250,000	250,000
Note payable, stated interest at 6%, with principal balance and unpaid interest due on or before September 30, 2024.	250,000	-
Note payable, stated interest at Libor + 3%, payable in annual installments starting November 6, 2023 at 15% of balance, with principal balance and unpaid interest due on or before November 6, 2025, net of deferred loan cost of \$70,328.	3,087,411	-
Loan, stated interest at 2.75%, payable in monthly installments of \$641 beginning June 1, 2021, with principal balance and unpaid interest due on or before July 1, 2050.	150,000	-
Loan, stated interest at 0%, with principal balance and unpaid interest due on or before April 16, 2022	10,000	-
Note payable, stated interest at 6%, with principal balance and unpaid interest due on or before July 24, 2024	25,000	-
Note payable, stated interest at 6%, with principal balance and unpaid interest due on or before July 19, 2024	60,000	-
	<u>6,293,165</u>	<u>2,729,269</u>
Less current portion	<u>(394,417)</u>	<u>(521,469)</u>
	<u>\$ 5,898,748</u>	<u>\$ 2,207,800</u>

Scheduled long-term debt maturities are as follows for years ended December 31:

2021	\$ 394,417
2022	583,770
2023	1,153,814
2024	1,162,431
2025	2,933,782
Thereafter	132,934
	<u>\$ 6,361,148</u>

Lionheart incurred interest expense of \$169,869 and \$85,634 for the years ended December 31, 2020 and 2019, respectively.

Note 5 - Donated Goods

Lionheart receives donated classroom space for academies, and after school and summer programs. The fair value of donated academy space was \$1,256,155 and \$1,221,720 for the years ending December 31, 2020 and 2019, respectively.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020

Note 6 - Commitments and Contingencies

The Academy is subject to various claims and liabilities in the ordinary course of business. The Academy maintains various forms of insurance that the Academy's management believes are adequate to reduce the exposure to such risks to an acceptable level.

In accordance with the terms of certain loan agreements, Lionheart has committed to pay 6.25% to 12.5% of future cash flows related to four programs. The payment is contingent upon positive cash flows, which are unknown at this time. The timing and amount of any liability related to such payments, if any, cannot be determined with certainty; however, it is the opinion of management that the value of such payments are not material to the financial statements as of December 31, 2020 and 2019. Due to inherent uncertainties, it is at least reasonably possible that Management's estimate of the outcome will change within the next year.

Lionheart does not pay the market rent to the host church for the space they utilize. In lieu of market rent, Lionheart provides certain start-up funding; see Note 1 - Advanced Rent. In addition, Lionheart has committed to pay an amount equal to net income ranging from 50% to 90% to the respective host church, once the start-up costs have been recaptured. This cost is reported as program rent expense and is \$74,249 and \$128,644 for the years ended December 31, 2020 and 2019.

Note 7 - Lease Commitments

Lionheart leases office equipment under non-cancellable leases. The non-cancellable leases for office equipment expire in 2020 and 2024. Total office equipment rent expense under these leases were \$106,968 and \$22,630 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under non-cancellable operating leases at December 31:

2021	\$	9,576
2022		7,140
2023		5,400
2024		1,800
		<u>\$ 23,916</u>

Rent expense was \$ 181,217 and \$183,783 for the years ended December 31, 2020 and 2019, respectively.

Note 8 - Concentrations

Lionheart maintains cash balances with financial institutions, which, at times, exceed federally insured limits. Lionheart maintained uninsured balances at financial institutions totaled \$3,458,849 and \$535,656 for the years ended December 31, 2020 and 2019, respectively. Lionheart had one donor representing 15% of total revenues and two donors who represented 65% of total donations for the years ended December 31, 2020 and 2019, respectively.

**Lionheart Children's Academy
Notes to Financial Statements
December 31, 2020**

Note 9 - Related Party

Lionheart has a shared services agreement with Apartment Life, Inc. ("Apartment Life") and Skylark Camps, Inc. ("Skylark"), related parties under common management. The agreement is effective through December 31, 2020 with annual automatic renewal. Lionheart reimbursed Apartment Life for services received in the amount of \$552,541 and \$207,779 for the years ended December 31, 2020 and December 31, 2019, respectively. Apartment Life and Lionheart also transfer funds as needed throughout the year. These transactions resulted in a receivable due from Apartment Life of \$52,915 and \$1,396 as of December 31, 2020 and 2019, respectively. Lionheart and Skylark also transfer funds as needed throughout the year. These transactions resulted in a payable due to Skylark of \$69,301 as of December 31, 2020.

Lionheart received a loan from Apartment Life totaling \$100,000 as of December 2020 and 2019, See Note 4. Outstanding balances of loans from an officer and a family member of an officer totaled \$190,000 as of December 31, 2020 and 2019. Also, outstanding balances of loans from board members or companies controlled by board members totaled \$400,000 as of December 31, 2020 and 2019, See Note 4.

In addition, Lionheart received donations from board members totaling \$65,000 and \$110,000 for the years ended December 31, 2020 and 2019, respectively. Lionheart paid fees to family members of management for services as independent contractors totaling \$0 and \$70,580 for the years ended December 31, 2020 and 2019, respectively.

Lionheart also had reimbursables owed to employees in the amount of \$1,875 and \$4,416 for academy program expenses and travel as of December 31, 2020 and 2019, respectively, which is recorded in accounts payable.

Note 10 - Retirement Plan

Lionheart has a 403(b) retirement plan. Employees are eligible upon hire. Lionheart makes matching contributions equal to 50% on the first 6% of the active participant's compensation. Participants vest in the matching contribution upon completion of one year of service. The plan permits in-service and hardship withdrawals and loans. Lionheart's expense for the 403(b) retirement plan totaled \$42,795 and \$36,659 for the years ended December 31, 2020 and 2019, respectively.

Note 11 - Discontinued Operations

Effective January 1, 2020, the Academy executed a spin-off of its summer camp service operations into a separate legal entity, Skylark Camps, Inc. ("Skylark"). Skylark will have the same management as Lionheart and will be an on-going related party. As part of the spin-off, management determined that Skylark would reimburse Lionheart for expenses incurred through December 31, 2019 totaling \$72,311. Skylark paid Lionheart for these expenses during 2020, and it is recognized as other income on the statement of activities and changes in net assets. These operations were insignificant to the overall operations and financial results of Lionheart for the year ended December 31, 2019.

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions consists of \$1,475 for Helping Hand and \$25 for academy scholarships as of December 31, 2020. Net assets with donor restrictions of \$1,339,638 consisted of \$1,323,103 for academy developments and \$16,535 was related to academy scholarships as of December 31, 2019.

Lionheart Children's Academy
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Note 13 - Subsequent Events

Management has evaluated subsequent events through March 2, 2021, the date on which the financial statements were available to be issued.

On January 29, 2021, the Company received \$1,426,900 from the Small Business Administration (SBA) as part of Coronavirus Aid, Relief and Economic Security Act's Paycheck Protection Plan (PPP Second Draw).