

Lionheart Children's Academy

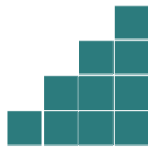
Financial Statements

Year Ended December 31, 2021

(With summarized information for the year ended December 31, 2020)

Lionheart Children's Academy
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Independent Auditor's Report

To the Board of Directors
of Lionheart Children's Academy

Opinion

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, 2021, 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 Lionheart Children's Academy as of December 31, 2021, and the changes in 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 Lionheart Children's Academy 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 Lionheart Children's Academy'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, including omissions, 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.

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- 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 Lionheart Children's Academy'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 Lionheart Children's Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Lionheart Children's Academy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MeredithCPAs

Irving, Texas
February 17, 2022

Lionheart Children's Academy
Statement of Financial Position
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Assets		2021	2020
Current Assets			
Cash and cash equivalents		\$ 6,403,087	\$ 4,458,849
Tuition and fees receivable, net		18,865	45,110
Employee advances		4,170	6,847
Prepaid expenses		117,510	42,740
Total Current Assets		6,543,632	4,553,546
Property and Equipment (Bus Fleet), Net		254,208	331,214
Advanced Rent		3,873,812	4,183,689
		<u>\$ 10,671,652</u>	<u>\$ 9,068,449</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		\$ 160,435	\$ 34,116
Related party payable		7,280	16,386
Accrued payroll expenses		264,079	144,759
Deferred revenue		-	21,292
Accrued expense		360,976	180,264
Interest payable		6,310	2,074
Current portion of long-term debt		359,250	394,417
Total Current Liabilities		1,158,330	793,308
Debt, Net of Current Portion		5,581,046	5,898,748
Net Assets (Deficit)			
Without donor restrictions		3,660,549	2,374,893
With donor restrictions		271,727	1,500
		<u>\$ 10,671,652</u>	<u>\$ 9,068,449</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

(With summarized information for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue and Support				
Contributions	\$ 907,674	\$ 300,655	\$ 1,208,329	\$ 395,129
Grants	2,778,138		2,778,138	\$ 1,330,087
Donated goods	1,539,040	-	1,539,040	1,256,155
Tuition and related fees, net	10,177,915	-	10,177,915	6,013,708
Interest income	25,472	-	25,472	100,611
Other income	1,380,794	-	1,380,794	200,773
Net assets released from restrictions	30,428	(30,428)	-	-
	<u>16,839,461</u>	<u>270,227</u>	<u>17,109,688</u>	<u>9,296,463</u>
Expenses				
Program services	14,188,498	-	14,188,498	8,651,934
General and administrative	1,352,920	-	1,352,920	1,136,569
Fundraising	12,387	-	12,387	15,315
	<u>15,553,805</u>	<u>-</u>	<u>15,553,805</u>	<u>9,803,818</u>
Increase (Decrease) in Net Assets	<u>1,285,656</u>	<u>270,227</u>	<u>1,555,883</u>	<u>(507,355)</u>
Net Assets (Deficit) at Beginning of Year	2,374,893	1,500	2,376,393	2,883,748
Net Assets (Deficit) at End of Year	<u>\$ 3,660,549</u>	<u>\$ 271,727</u>	<u>\$ 3,932,276</u>	<u>\$ 2,376,393</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Functional Expenses
Year Ended December 31, 2021

(With summarized information for the year ended December 31, 2020)

	Program Services	Management and General	Fund - raising	2021	2020
Academy & National Office Wages & Benefits	\$ 3,386,218	\$ 897,809	\$ -	\$ 4,284,027	\$ 3,481,430
Teaching staff wages and benefits	4,885,171	-	-	4,885,171	3,510,121
	<u>8,271,389</u>	<u>897,809</u>	<u>-</u>	<u>9,169,198</u>	<u>6,991,551</u>
Advertising and lead generation	498,243	2,682	-	500,925	256,372
Pre-launch expense to setup academies	1,091,534	-	-	1,091,534	117,561
Professional fees/consulting	151,431	61,129	-	212,560	148,843
Occupancy expense	425,714	1,618	-	427,332	301,969
Student food expense	355,996	-	-	355,996	202,475
Classroom and fieldtrips expense	202,047	-	-	202,047	95,540
Merchant fees/processing fees	119,624	51,268	-	170,892	170,334
Staffing recruiting and support	172,149	27,536	-	199,685	137,194
Academy space	2,167,532	-	-	2,167,532	627,838
IT consulting and general expense	242,472	52,068	-	294,540	140,401
Office equipment, supplies, and production	89,932	11,555	-	101,487	144,207
Other expense	55,429	70,494	-	125,923	-
Interest expense	-	176,761	-	176,761	169,869
Buses expense	88,796	-	-	88,796	48,708
Bad debt expense	20,367	-	-	20,367	-
Fundraising expense	-	-	12,387	12,387	15,315
Scholarships for students	74,350	-	-	74,350	52,173
	<u>14,027,005</u>	<u>1,352,920</u>	<u>12,387</u>	<u>15,392,312</u>	<u>9,620,350</u>
Depreciation	161,493	-	-	161,493	183,468
	<u>\$ 14,188,498</u>	<u>\$ 1,352,920</u>	<u>\$ 12,387</u>	<u>\$ 15,553,805</u>	<u>\$ 9,803,818</u>

See accompanying notes to financial statements.

Lionheart Children's Academy
Statement of Cash Flows
Year ended December 31, 2021

(With summarized information for the year ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,555,883	\$ (507,355)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	161,493	183,468
Non-cash debt forgiveness	(400,000)	-
Paycheck Protection Program loan forgiveness	(1,436,900)	(1,416,900)
Non-cash interest expense (deferred loan costs and accrued interest)	97,705	
(Increase) decrease in assets:		
Tuition and fees receivables	26,245	18,036
Other receivables	2,677	14,762
Prepaid expenses	(74,770)	309,784
Advanced rent	309,877	(697,919)
(Increase) decrease in liabilities:		
Accounts payable	126,317	(139,211)
Accrued payroll expenses	(9,106)	(269,187)
Accrued expense	119,320	29,416
Interest payable	(21,292)	(1,634)
Related party payable	180,712	17,782
Deferred revenue	4,236	(56,061)
Net Cash Provided By (used in) Operating Activities	642,397	(2,515,019)
Cash Flows from Investing Activities		
Purchase of buses	(84,487)	(49,809)
Net Cash Provided (used) by Investing Activities	(84,487)	(49,809)
Cash Flows from Financing Activities		
Proceeds from borrowings	1,476,900	5,103,673
Payments on long-term debt	(90,572)	(122,879)
Net Cash Provided (used) by Financing Activities	1,386,328	4,980,794
Net Increase (Decrease) in Cash	1,944,238	2,415,966
Cash and Cash Equivalents, Beginning of Year	4,458,849	2,042,883
Cash and Cash Equivalents, End of Year	<u>\$ 6,403,087</u>	<u>\$ 4,458,849</u>
Supplemental Information		
Cash paid during the year for interest	\$ 202,107	\$ 167,795
Non-cash financing activity		
Paycheck Protection Program loan forgiveness	\$ 1,436,900	\$ 1,416,900
Non-cash contribution via debt forgiveness	\$ 400,000	\$ -

See accompanying notes to financial statements.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

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. In 2021, Lionheart operated eleven academies in 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 evaluates for impairment based on assessment of future realizable rent.

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 \$996,551 and \$853,555 for the years ended December 31, 2021 and 2020, respectively. Advance billing is recorded as deferred revenue until the performance obligations are met.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

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

Other remaining revenue streams not related to tuition including contributions, grants, 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. Grants are considered to be conditional contributions and are recognized as revenues as qualifying expenses are incurred under the agreement. 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.

Investment income is reported as increases or decreases in net asset without donor restriction, unless their use is restricted by explicit donor stipulation or law.

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 \$500,925 and \$256,373 for the years ended December 31, 2021 and 2020, 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 \$14,066 and \$19,272 for the years ended December 31, 2021 and 2020, 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 2018.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

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

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 advanced rent and debt maturities for contingent payment loans and distributions related to certain debt agreements. Accordingly, the actual results could differ from those estimates.

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 \$6,426,122 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 \$6,403,087, tuition and fee receivables of \$18,865, and employee advances of \$4,170.

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.

Comparative Data

The amounts shown for the year ended December 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

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, 2021 and 2020. 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:

	2021	2020
Buses	\$ 1,148,172	1,063,684
Less: accumulated depreciation	(893,964)	(732,470)
	<u>\$ 254,208</u>	<u>\$ 331,214</u>

Depreciation expense for the years ended December 31, 2021 and 2020 were \$161,493 and \$183,468, respectively. Buses with a carrying value of \$24,763 and \$103,327 represent collateral for financing agreements for the years ended December 31, 2021 and 2020 respectively (see Note 4).

Note 4 - Long-Term Debt

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

	2021	2020
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
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
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
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
Note payable, interest at 6.00%, with principal balance and unpaid interest due within four quarters subsequent to maturity date of December 31, 2024. The note is unsecured.	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.	3,628	14,058

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Note 4 - Long-Term Debt, Continued

Note payable, payable in monthly installments of \$913.86, interest at 6.48%, final payment due June 30, 2022, secured via bus.	5,452	15,701
Note payable, payable in monthly installments of \$913.86, interest at 6.48%, final payment due June 30, 2022, secured via bus.	5,452	15,701
Note payable, payable in monthly installments of \$829.77, interest at 6.48%, final payment due August 14, 2022, secured via bus.	6,577	15,781
Note payable, payable in monthly installments of \$823.96, interest at 6.48%, final payment due August 14, 2022, secured via bus.	7,219	16,316
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
Note payable to related party, interest at 6.00%, with principal balance and unpaid interest due within four quarters subsequent to maturity date of April 23, 2025. The note is unsecured. See Note 10.	190,000	190,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2026, and commitment to 12.5% of program net cash flows. The note is unsecured.	250,000	250,000
Note payable, stated interest at 0%, contingent payments based on cash flows, and maturity on August 31, 2023. The note is unsecured.	-	400,000
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due December 31, 2026, 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, 2026, 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	329,990
Loan, stated interest at 0%, contingent payments based on cash flows, no stated maturity, estimated final payment due March 31, 2025. The loan is unsecured.	326,308	326,308

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Note 4 - Long-Term Debt, Continued

Note payable, interest at 5.00%, with principal balance and unpaid interest due on or before December 31, 2022. The note is unsecured.	100,000	100,000
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 within four quarters subsequent to maturity date of August 26, 2024.	250,000	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 \$53,918.	3,185,114	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	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 within four quarters subsequent to maturity date of July 23, 2024.	25,000	25,000
Note payable, stated interest at 6%, with principal balance and unpaid interest due within four quarters subsequent to maturity date of July 20, 2024.	60,000	60,000
Note payable, stated interest at 6%, with principal balance and unpaid interest due within four quarters subsequent to maturity date of April 6, 2025.	50,000	-
	<u>5,940,296</u>	<u>6,293,165</u>
Less current portion	<u>(359,250)</u>	<u>(394,417)</u>
	<u>\$ 5,581,046</u>	<u>\$ 5,898,748</u>

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

2022	\$ 359,250
2023	622,419
2024	1,036,475
2025	3,149,643
2026	367,141
Thereafter	459,286
	<u>\$ 5,994,214</u>

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Note 4 - Long-Term Debt, Continued

Lionheart incurred interest expense of \$180,815 and \$169,869 for the years ended December 31, 2021 and 2020, 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 \$1,539,040 and \$1,256,155 for the years ending December 31, 2021 and 2020, respectively.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions consists of \$24,320 for Helping Hands and \$247,407 for academy scholarships as of December 31, 2021. Net assets with donor restrictions consists of \$1,475 for Helping Hands and \$25 for academy scholarships as of December 31, 2020.

Note 7 - 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 three 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, 2021 and 2020. 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, for covenants signed prior to 2021, 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 \$318,614 and \$74,249 for the years ended December 31, 2021 and 2020. Beginning with covenants signed in 2021, Lionheart has committed to pay the respective host church a percentage of net revenues earned ranging from 2% to 15% by the academy monthly. Each host church has a table for the percentage paid per net revenue tranche attained by the academy. This cost is reported as revenue sharing expense and is \$0 for the year ended December 31, 2021.

Note 8 - Lease Commitments

Lionheart leases office equipment under non-cancellable leases. The non-cancellable leases for office equipment expire at various times through 2026. Lionheart also pays rent for academy space; see Note 7. Total rent expense was \$355,849 and \$181,217 for the years ended December 31, 2021 and 2020, respectively.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Note 8 - Lease Commitments , Continued

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

2022	\$	9,276
2023		7,776
2024		3,600
2025		1,800
2026		600
		<u>\$ 23,052</u>

Note 9 - Concentrations

Lionheart maintains cash balances with financial institutions, which, at times, exceed federally insured limits. Lionheart maintained uninsured balances at financial institutions totaled \$5,903,087 and \$3,458,849 for the years ended December 31, 2021 and 2020, respectively.

Note 10 - Related Party

Lionheart has a shared services agreement with Skylark Camps, Inc. ("Skylark"), related party under common management. The agreement is effective through December 31, 2021 with annual automatic renewal. The shared service allocation was \$248,510 and \$0 for the year ended December 31, 2021 and 2020. Lionheart and Skylark also transfer funds as needed throughout the year. These transactions resulted in a payable due to Skylark of \$7,280 as of December 31, 2021. In the prior year, Apartment Life, Inc. was considered a related party under common management. The separation occurred during 2021 and there was no longer common management as of December 31, 2021.

Lionheart has a loan from an officer with an outstanding principal balance of \$190,000 as of December 31, 2021 and 2020. See Note 4. In addition, Lionheart received donations from board members totaling \$71,062 and \$65,000 for the years ended December 31, 2021 and 2020, respectively.

Lionheart also had reimbursables owed to employees in the amount of \$8,392 and \$1,875 for academy program expenses and travel as of December 31, 2021 and 2020, respectively, which is recorded in accounts payable.

Note 11 - 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 from start date. The plan permits in-service and hardship withdrawals and loans. Lionheart's expense for the 403(b) retirement plan totaled \$54,318 and \$42,795 for the years ended December 31, 2021 and 2020, respectively.

Lionheart Children's Academy
Notes to Financial Statements
December 31, 2021

(With summarized information for the year ended December 31, 2020)

Note 12 - 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 13 - Grants and Other Income

During 2021, Lionheart received loan proceeds in the amount of \$1,436,900 under the Paycheck Protection Program ("PPP"). The PPP is part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Lionheart met the criteria and received loan forgiveness from the small business administration ("SBA"). During 2021, Lionheart also received grant proceeds in the amount of \$1,297,399 from the Texas Workforce Commission ("TWC") under the Child Care Development Block Grant. The TWC block grant is part of the Service Industry Recovery ("SIR") program and is funded through the federal CARES, ARPA and CRRSAA recovery legislation passed by Congress. During 2021, Lionheart received grant proceeds in the amount of \$17,500 from the Ohio Child Care Resource & Referral Association (OCCRRA) for the One-Time Pandemic Support Program. The OCCRRA payment was provided by the CRRSAA recovery legislation passed by Congress. These proceeds are included in grant income.

Lionheart received other income representing an employee retention credit of \$1,252,131 during the year ended December 31, 2021. The Employee Retention Credit under the CARES Act is a refundable federal tax credit against certain employment taxes equal to a percentage of the qualified wages they pay to employees after March 12, 2020, through December 31, 2020. The Employee Retention Credit was amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 and it increased the percentage of the qualified wages and extended the coverage period to include January 1, 2021 through June 30, 2021.

Note 14 - Management's Review

Management has evaluated subsequent events through February 17, 2022, the date on which the financial statements were available to be issued.