

PRESIDIO GRADUATE SCHOOL

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Presidio Graduate School

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
PRESIDIO GRADUATE SCHOOL
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **PRESIDIO GRADUATE SCHOOL (the School)**, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditors' 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 Presidio Graduate School as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As described in Note 2(m), the School adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Francisco, California
March 9, 2020

Presidio Graduate School

Statement of Financial Position

<i>June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Assets:		
Cash and cash equivalents	\$ 348,560	\$ 1,197,474
Tuitions receivable, net of allowance for doubtful accounts of \$66,746 and \$74,256 respectively	2,514	30,443
Pledges receivable	1,048,000	
Other receivables	32,533	4,625
Prepaid expenses	59,522	104,360
Security deposits	328,182	239,014
Refundable bond		250,000
Property and equipment, net	20,653	50,594
Total Assets	\$ 1,839,964	\$ 1,876,510
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 92,776	\$ 34,638
Accrued expenses	139,597	126,844
Deferred tuition revenue	22,039	66,184
Student deposits and other liabilities	36,352	66,534
Note payable	48,038	119,498
Acquisition indebtedness		178,128
Total liabilities	338,802	591,826
Net Assets:		
Without donor restrictions:		
Undesignated	80,472	554,947
Board designated	200,000	500,000
Total without donor restrictions	280,472	1,054,947
With donor restrictions	1,220,690	229,737
Total net assets	1,501,162	1,284,684
Total Liabilities and Net Assets	\$ 1,839,964	\$ 1,876,510

See accompanying notes to financial statements.

Presidio Graduate School

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, Support and Gains:				
Tuition and fees	\$ 3,123,632		\$ 3,123,632	\$ 3,623,606
Institutional student aid	(263,249)		(263,249)	(226,018)
Net tuition and fees	2,860,383		2,860,383	3,397,588
Contributions and grants	1,317,073	\$ 1,110,450	2,427,523	1,591,301
Other income	218,327		218,327	18,759
Net assets released from restrictions	119,497	(119,497)	-	
Total revenue and support	4,515,280	990,953	5,506,233	5,007,648
Expenses:				
Program Services:				
Academic support	423,245		423,245	307,803
Student services	1,773,723		1,773,723	1,297,907
Instruction	2,194,046		2,194,046	1,867,956
Research and consulting	140,776		140,776	
Institutional support	582,155		582,155	716,634
Institutional advancement	175,810		175,810	70,951
Total expenses	5,289,755	-	5,289,755	4,261,251
Total Change in Net Assets	(774,475)	990,953	216,478	746,397
Net Assets, beginning of year	1,054,947	229,737	1,284,684	538,287
Net Assets, end of year	\$ 280,472	\$ 1,220,690	\$ 1,501,162	\$ 1,284,684

See accompanying notes to financial statements.

Presidio Graduate School

Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019									2018 Total
	Program Services					Institutional Support	Institutional Advancement	Total		
	Academic Support	Student Services	Instruction	Research & Consulting	Total Program Services					
Payroll Expense:										
Staff salaries and wages	\$ 109,862	\$ 1,043,035	\$ 234,502	\$ 88,295	\$ 1,475,694	\$ 172,229	\$ 122,710	\$ 1,770,633	\$ 998,922	
Faculty salaries and wages	159,883		907,883		1,067,766			1,067,766	956,484	
Employee benefits	40,688	92,909	60,982	3,465	198,044	23,060	20,223	241,327	166,606	
Payroll taxes	23,696	83,888	100,185	6,890	214,659	14,717	9,543	238,919	154,780	
Total Payroll Expense	334,129	1,219,832	1,303,552	98,650	2,956,163	210,006	152,476	3,318,645	2,276,792	
Nonlabor Expense:										
Occupancy	9,570	107,551	487,626	4,785	609,532	11,674	7,466	628,672	565,424	
Legal and accounting fees		9,811			9,811	180,754		190,565	228,054	
Other professional services	1,940	132,843	4,875	29,734	169,392	2,617	9,723	181,732	285,797	
Travel and conferences	7,777	49,026	86,698	1,521	145,022	6,517	333	151,872	115,804	
Instructional seminars/supplies	2,689	125	145,280	1,097	149,191	44		149,235	53,220	
Info systems and tech consulting	7,465	16,625	82,255	1,823	108,168	5,852	2,500	116,520	116,216	
Marketing and promotions		99,541	217		99,758		850	100,608	83,572	
Licenses, taxes, and fees	13,051	13,676	17,867	7	44,601	15,644		60,245	48,837	
Food and catering	877	41,974	1,827	201	44,879	7,645	286	52,810	57,756	
Event facility rental		35,246	3,600		38,846	3,963		42,809	26,959	
Staff development and training	4,598	7,291	2,669	44	14,602	25,070		39,672	104,398	
Membership dues and subscriptions	5,368	6,876	17,585	45	29,874	5,210	449	35,533	33,604	
Payroll and HR fees	1,200				1,200	31,252		32,452	26,637	
Books and research materials	31,091	70	969	162	32,292	101		32,393	17,754	
Insurance expense	312	902	4,776	1,759	7,749	23,252		31,001	28,340	
Bank and merchant fees		10			10	30,415	67	30,492	40,894	
Depreciation	990	4,373	22,398	496	28,257	1,684		29,941	57,517	
Supplies and minor equipment	253	13,857	1,116	85	15,311	4,649	60	20,020	15,256	
Telephone and internet	459	1,968	10,415	318	13,160	920		14,080	15,228	
Accreditation fees	1,473	11,787			13,260			13,260	20,000	
Interest expense						7,166		7,166	34,649	
Miscellaneous expense	3	339	321	49	712	7,720	1,600	10,032	8,543	
Total Expenses	\$ 423,245	\$ 1,773,723	\$ 2,194,046	\$ 140,776	\$ 4,531,790	\$ 582,155	\$ 175,810	\$ 5,289,755	\$ 4,261,251	

See accompanying notes to financial statements.

Presidio Graduate School

Statement of Cash Flows

<i>Year Ended June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Operating Activities:		
Change in net assets	\$ 216,478	\$ 746,397
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	29,941	57,517
Allowance for doubtful accounts	(7,510)	(33,744)
Changes in operating assets and liabilities:		
Tuitions receivable	35,439	213,340
Pledges receivable	(1,048,000)	93,975
Receivable from HotChalk Inc.		233,000
Other receivables	(27,908)	15,931
Prepaid expense	44,838	(10,504)
Security deposits	(89,168)	(175,920)
Accounts payable	58,138	(77,980)
Accrued expenses	12,753	(72,990)
Deferred revenue	(44,145)	(7,739)
Student deposits and other liabilities	(30,182)	
Net cash (used in) provided by operating activities	(849,326)	981,283
Investing Activities:		
Proceed from redemption of refundable bond	250,000	
Net cash provided by financing activities	250,000	-
Financing Activities:		
Payment of debt	(249,588)	(236,923)
Net cash used in financing activities	(249,588)	(236,923)
Net Change in Cash and Cash Equivalents	(848,914)	744,360
Cash and Cash Equivalents, beginning of year	1,197,474	453,114
Cash and Cash Equivalents, end of year	\$ 348,560	\$ 1,197,474
Supplemental Cash Flow Information:		
Interest paid	\$ 7,166	\$ 34,649

See accompanying notes to financial statements.

Presidio Graduate School

Notes to Financial Statements

Note 1 - Nature of Organization:

Presidio Graduate School (the School) is a private nonprofit institution of higher education organized under the laws of the State of California in 1990 and located in San Francisco, California and Seattle, Washington (See Note 2(n)). The School has pioneered the field of sustainable management education since 2003.

Presidio Graduate School offers degrees and certificates in Sustainable Management. Funding sources generally include tuition and fees charged to students and contributions and grants.

The School assists students in the financing of their education through private and institution awards as well as a federally-funded student loan program.

The School is accredited by the WASC Senior College and University Commission (WSCUC). This accreditation is subject to periodic review and renewal.

The School's mission is to educate and inspire a new generation of skilled, visionary and enterprising leaders to transform business and public policy and create a more just, prosperous and sustainable world; across a range of disciplines, industries and sectors to bridge the gap between commerce and the common good.

On February 22, 2018, the School signed a Change in Control agreement with an international education organization, Amity Global Education Organisation (AGEO). The effective date of closing was October 12, 2018, which is when all contingencies of closing were met. The agreement provided that AGEO commits up to \$5 million in unrestricted donations to the School over five years (see Note 12). AGEO will also bolster international marketing for recruitment of international students.

The agreement allowed for AGEO to appoint seven of its initial eleven board members, with the result that the majority of the board be independent of AGEO. Three of the new directors took office on the date of closing; the remaining four new board members were elected on December 17, 2018.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The School financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations. The School's financial statements include two categories of net assets as follows.

Presidio Graduate School

Notes to Financial Statements

Description of Net Assets:

Net assets without donor restrictions - the portion of net assets that are not subject to donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for educational programs, scholarships and general operations. In the fiscal year ended June 30, 2018, the Board of Directors designated \$500,000 for a quasi-endowment. In the fiscal year ended June 30, 2019, \$300,000 of the designated funds were expended to support operations.

Net assets with donor restrictions - the portion of net assets of which use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. The School has no net assets which are donor restricted in perpetuity.

b. Revenues and Expenses

Tuition revenue is recorded as earned on a pro rata basis over the applicable terms of the academic year, which consists of fall and spring terms. Tuition payments received for future academic terms are deferred as a liability until tuition revenue is earned.

Tuition and fee revenues are reduced by student financial aid provided in the form of institutional scholarships and grants and donor funded scholarships.

Contributions and pledges are recognized at their fair value when received or unconditionally promised. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires or the purpose is satisfied, net asset with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are to be received after a year or over a number of years are discounted at an applicable rate based on the date received. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The School uses the allowance method to account for uncollectible tuition and pledges based on an evaluation of the outstanding receivables at the end of the year.

Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets and liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor restrictions or by law.

Presidio Graduate School

Notes to Financial Statements

c. Cash and Cash Equivalents

The School considers all instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

d. Tuitions Receivable

Tuitions receivable are carried at the unpaid balance of the original amount billed to students. Students are required to have paid in full or agreed to a payment plan before being admitted for future terms.

e. Pledges Receivable

Pledges receivable that are expected to be collected after one year are recorded at net present value, if the discount is determined to be material. Management uses the allowance method when estimating uncollectible pledges and has determined that no allowance is necessary. Pledges receivable at June 30, 2019 are expected to be collected within one year.

f. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of 3 to 7 years for equipment, library books, software, furniture, and intangible assets. Leasehold improvements are amortized over the estimated useful life or the remaining term of the related property lease, whichever is shorter. The School's policy is to capitalize items purchased or donated with a cost or fair value in excess of \$2,500. Maintenance and repairs are charged to expense as incurred.

g. Functional Expenses

The cost of providing program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses such as occupancy, depreciation and technology are allocated to programs and services based principally on the percentage of personnel time spent in each area.

h. Advertising Costs

The School expenses costs incurred for advertising when incurred. Advertising for the purpose of generating tuition revenue amounted to \$88,070 for the year ended June 30, 2019.

Presidio Graduate School

Notes to Financial Statements

i. Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code section 501(c)(3) and the California tax code. Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

j. Concentrations

The School has cash deposits, which are in excess of federally insured limits.

Contributions for the year ended June 30, 2019 include \$2,000,000 made as part of the Change in Control agreement (See Notes 1 and 12). The contribution represents approximately 82% of total contributions received during the year ended June 30, 2019.

k. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual future results could differ materially from these estimates.

l. Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information and certain disclosures do not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2018, from which the information was derived.

Presidio Graduate School

Notes to Financial Statements

m. New Accounting Pronouncements

Implemented:

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 – *Not-for-Profit Entities (Topic 958)*: Presentation of Financial Statements of Not-for-Profit Entities. The amendments in the ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Accordingly, the accounting change has been adopted as of July 1, 2018 and has been retrospectively applied to all periods presented with the exception of the omission of prior year functional expense and liquidity and availability of resource information as permitted by the ASU.

Effective in the Future:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2020. The School is currently evaluating the impact the new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The School is currently evaluating the impact of the new standard will have on its financial statements.

Presidio Graduate School

Notes to Financial Statements

n. Closure of Seattle Campus

In March 2019, the Board of Directors of the School accepted management's recommendation to close the Seattle campus. The students enrolled at the Seattle campus were offered tuition discounts, travel vouchers, other credits to continue their programs in San Francisco in order to complete their degrees. Based on the current enrollment projection by management, total future commitments of accommodations to be provided to the transferred students from the Seattle campus is approximately \$200,000. The majority of these costs will be incurred and recorded in the year ended June 30, 2020.

o. Subsequent Events

The School has reviewed the results of activities for the period of time from the end of its fiscal year on June 30, 2019 through March 9, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Liquidity Management:

The following reflects the School's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of June 30, 2019 because of board designations, contractual or donor-imposed restrictions.

Cash and cash equivalents	\$	348,560
Short-term receivables		1,083,047
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Total financial assets		1,431,607
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Less:		
Purpose restricted funds		(220,690)
Board Designated Quasi-endowment		(200,000)
Add:		
Restricted funds to be spent in fiscal year 2020		142,190
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Net amount not available for general use within one year		(278,500)
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Financial assets available to meet cash needs for general expenditures within one year	\$	1,153,107
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The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due. As of June 30, 2019, the School had \$200,000 of a Board designated quasi-endowment that, with the Board approval, could be made available for operations.

Presidio Graduate School

Notes to Financial Statements

Note 4 - Refundable Bond:

The School had a refundable bond for the benefit of Washington State Achievement Council in the amount of \$250,000. In December 2018, the refundable bond was released to the School. The School established a certificate of deposit for \$100,000 which has a 12-month term that renews annually and is assigned to the Washington State Achievement Council. The certificate of deposit is reflected in security deposits on the statement of financial position.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30, 2019:

Library	\$ 51,071
Furniture and fixtures	112,182
Computer and office equipment	144,739
Computer software	58,399
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	366,391
Less: accumulated depreciation and amortization	(345,738)
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Net property and equipment	\$ 20,653

All furniture and equipment are collateral for the note payable (see Note 6).

Note 6 - Note Payable:

The School has a term loan agreement dated February 10, 2015 with Wells Fargo Bank. The note is secured by accounts receivable, inventory, property and equipment, and other assets. Interest accrues on the unpaid outstanding balance of credit at a fixed rate of 5.75%. Installments of principal commenced on March 15, 2015, continuing monthly through February 15, 2020.

Payments due on the note are as follows:

Year ending June 30, 2020	\$ 48,038
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Total	\$ 48,038

Presidio Graduate School

Notes to Financial Statements

Note 7 - Acquisition Indebtedness:

As of July 27, 2016, Presidio Graduate School acquired certain assets and as consideration for the assets assumed certain liabilities of Pinchot University (the University) under a purchase and sale agreement (the Agreement). The University is a Washington nonprofit corporation located in Seattle, Washington providing graduate and certificate program in sustainability. Under the Agreement, the School has the right to matriculate all students attending the University and to assume the accreditations and licenses the University held to operate. The School matriculated students in the fall of 2016 and began holding classes in Seattle at that time.

The School assumed responsibility for payment of a Line of Credit (LOC) and the balance of a term loan under the Agreement with the University. The LOC and term loan were formally assumed by the School as a result of signing new agreements with Beneficial State Bank (the Bank).

The LOC with the Bank was for \$170,000. The LOC matured on January 1, 2019 and was fully paid off and closed.

The term loan agreement, dated December 20, 2013 with the Bank, had an original amount of \$470,000. Interest accrued on the unpaid outstanding balance of credit at a fixed rate of 3% of principal commencing on January 29, 2014, continuing monthly thereafter until the acquisition agreement date of July 27, 2016. On that date, the School was to assume the debt with an outstanding balance of \$250,979. On March 20, 2018, the School assumed the debt under the new agreement and the interest rate was revised to 5.38%. The term loan matured on January 1, 2019 and was fully paid off.

Note 8 - Net Assets With Donor Restrictions:

Net assets were released from net assets with donor restrictions as follows for the year ended June 30, 2019:

Time	\$	-
Purpose - scholarship and other		119,497
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Total	\$	119,497
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As of June 30, 2019, total net assets with donor restrictions of \$1,048,000 are time restricted for the fiscal year 2020 and \$96,989 are purpose-restricted for scholarships, and \$75,701 are restricted for certain programs and supporting expenses.

Presidio Graduate School

Notes to Financial Statements

Note 9 - Commitments:

The School entered into a three-year lease agreement on June 6, 2015 for office space located in the Presidio of San Francisco. The agreement includes base monthly rent of \$12,621 to \$13,400 as well as operating charges billed monthly based on a percentage of actual charge incurred by the landlord. In July 2018, the lease agreement was extended by two years through June 2020 with a monthly base rent of \$16,290 to \$16,893.

Note 10 - Retirement Plans:

The School maintains a 401(k) retirement plan (the Plan) for the benefit of all eligible employees. An employee may begin to participate in the Plan after 30 days of employment and if the employee has met the requirements of eligibility. The Plan is funded by employee and matching employer contributions. The School matches employee contributions up to 4% of compensation. The School's matching contribution is vested immediately. Contributions made by the School amounted to \$20,815 for the year ended June 30, 2019.

Note 11 - Contingencies:

Federal grants, including financial aid which the School administers and for which it receives reimbursements, require the fulfillment of certain conditions as set forth in the grant instruments and are subject to audit and final acceptance by the U.S. Department of Education (the Department). Failure to fulfill the conditions could result in return of the funds to the Department. Management is of the opinion that the School has complied with the terms of all agreements and that the results of such audit will not have a significant effect on the financial position or results of activities of the School.

Note 12 - Related Party Transactions:

The School received contributions of \$276,800 from members of its Board of Directors, and staff companies and organizations for which they represent. Pledges outstanding from these related parties as of June 30, 2019 was \$48,000.

In addition, as part of the Change in Control agreement with AGEO (See Note 1), the School recorded \$2,000,000 in donations from an organization affiliated with AGEO, during the year ended June 30, 2019. A pledge receivable of \$1,000,000 remained outstanding at June 30, 2019. The remaining commitment, for the period of October 2020 through October 2023, of up to \$3,000,000 is subject to the needs of the School and has not been recorded at June 30, 2019.